

THE LAW REFORM COMMISSION OF HONG KONG

REPORT

**REFORM OF THE LAW RELATING TO COPYRIGHT
(TOPIC 22)**

NOVEMBER 1993

THE LAW REFORM COMMISSION OF HONG KONG

REPORT ON

REFORM OF THE LAW RELATING TO COPYRIGHT

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Abbreviations and brief notes

Laws of Hong Kong

Cap 39: The Copyright Ordinance, Chapter 39, introduced in 1973 principally to supplement and extend the remedies available under the Copyright Act of 1956, which provides the basis of Hong Kong's present law.

Cap 44: The United Kingdom Designs (Protection) Ordinance, Chapter 44, provides that the proprietor of a design registered in the United Kingdom under the Registered Designs Act 1949 (which has been amended by the 1988 Act) shall enjoy in Hong Kong the like privileges and rights as though the certificate of registration had been issued with an extension to Hong Kong.

United Kingdom acts of parliament and related orders

The 1911 Act: The Copyright Act 1911, often referred to as "the Imperial Copyright Act", because it was adopted by or extended to much of the British Empire and Commonwealth. It was the basis of Hong Kong's law until 1972.

The 1949 Act: The Registered Designs Act 1949 gives protection to designs by registration.

The 1956 Act: The Copyright Act 1956, a development from the 1911 Act, the greater part of which was extended to Hong Kong by Order in Council in 1972. It has been repealed and replaced in the United Kingdom.

The 1968 Act: The Design Copyright Act 1968, which amended the 1956 Act, brought important changes to the protection accorded to industrial designs.

The 1985 Act: The Copyright (Computer Software) (Amendment) Act 1985 came into force on 16 September 1986. It is based in part on a recommendation in Whitford and affords computer programs the protection given to literary works. It was extended to Hong Kong on 1 February 1988.

The 1988 Act: The Copyright, Designs and Patents Act 1988, a development from the 1956 Act which introduced major reforms to copyright and design law, though preserving the 1956 Act in Hong Kong. It came into force on 1 August 1989 in the United Kingdom and has not been extended to Hong Kong.

The Copyright Orders: Orders in Council made by virtue of authority conferred by the 1956 Act to extend the provisions of the Act, and amendments to the Act, to Hong Kong. The Orders are referred to as the Copyright (Hong Kong) Orders 1972 to 1990.

The international conventions on copyright and neighbouring rights

The Berne Convention: The International Convention for the Protection of Literary and Artistic works sets out in detail minimum requirements demanded in the copyright laws of the parties to the convention. It has been in existence since 1886 when it was signed at Berne, and has been revised many times, the last time in Paris in 1971. As at 1 January 1991, 84 States were party to the Convention, including the United Kingdom which has extended the rights and obligations under the Brussels revision of 1948 to Hong Kong. Unless otherwise indicated, references are to the 1971 revision ("The Paris Act").

The GATT-TRIPs Agreement: The Agreement on Trade Related Intellectual Property Rights, including Trade in Counterfeit Goods. The Agreement was discussed under the auspices of the General Agreement on Tariffs and Trade (GATT). Hong Kong is an independent member of GATT.

The Hague Agreement: The Hague Agreement concerning the International Deposit of Industrial Designs. The Agreement, concluded in 1925, has been revised many times, the last time is in 1979.

The Paris Convention: The Paris Convention for the Protection of Industrial Property is a convention that establishes international obligations relating to a variety of intellectual properties, including patents, trademarks and industrial designs. It also establishes standards to promote fair business practice. First signed in 1883, it has been revised many times, the last time in Stockholm in 1967. As at 12 May 1991, 101 States were party to the Convention, including the United Kingdom which has extended the rights and obligations of the last revision to Hong Kong. References in the text to the Paris Convention are to the Stockholm revision.

The Phonograms Convention: The Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of Their Phonograms was finalised in Geneva in 1971. As at 1 January 1991, 43 States were party to the Convention, including the United Kingdom, which has extended the rights and obligations under the Convention to Hong Kong.

The Rome Convention: The International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting organisations, was finalised in Rome in 1961. As at 1 January 1990, 35 States were party to the Convention. Though the United Kingdom is party to the Convention it has not been extended to Hong Kong.

The Satellites Convention: A Convention Relating to Distribution of Programme – Carrying Signals Transmitted by Satellite was finalised in Brussels in 1974. As at 1 January 1990, 12 States were party to the Convention. The United Kingdom is not party to this convention.

UCC: The Universal Copyright Convention is an international convention setting out minimum requirements demanded in the copyright laws of parties to the Convention. It has been in existence since 1952 and was last revised in Paris in 1971. As at 1 January 1990, 47 States were party to the 1971 Paris Text of the Convention, including the United Kingdom which has extended the rights and obligations under the 1971 revision to Hong Kong. Unless otherwise indicated, references are to the Paris revision.

The Vienna Agreement: The Vienna Agreement for the Protection of Typefaces and Their International Deposit. The 1973 agreement is not yet in force and had 5 adherents as at 1 January 1990. The United Kingdom has signed and proposes to ratify the agreement in due course.

Report

Whitford Report: *“Copyright and Designs Law, The Report of the Committee to consider the Law of Copyright and Designs”* (Cmnd 6732).

Copyright and other institutions

BBC: British Broadcasting Corporation

CASH: The Composers and Authors Society of Hong Kong Limited which issues licences on behalf of its members in respect of public performance, broadcasting and diffusion of music.

EC: European Commission

EFS: Education Film Services Ltd

GATT: General Agreement on Tariffs and Trade

IFPI: The International Federation of the Phonographic Industry

ILO: International Labour Organisation

PPSEAL: Phonographic Performance (SE Asia) Ltd

PRC: People's Republic of China

PRS: Performing Right Society (UK)

PRT: Performing Right Tribunal

RTHK: Radio Television Hong Kong

UNESCO: United Nations Educational, Scientific and Cultural Organisation

WIPO: World Intellectual Property Organisation

Other abbreviations

BOR: Bill of Rights ordinance

CTV: Cable Television

DAT: Digital Audio Tape

DBS: Direct Broadcasting by Satellite

DCC: Digital Compact Cassette

ETV: Educational Television

FSS: Fixed Satellite Services

ICCPR: International Covenant on Civil and Political Rights

ISBN: International Standard Book Number

ISSN: International Standard Serial Number

MMDS: Multi-point Microwave Distribution System

TRIPS: Trade Related Intellectual Property Rights, Including Trade in Counterfeit Goods

RRO: Reproduction Rights Organisations

RSC: Rules of the Supreme Court

SMATV: Satellite and Master Antenna Television

SRL: Statutory Recording Licence

TRS: Transaction Reporting Service (US)

WTV: Wireless Television

Currency

Throughout this report, references to dollars are to Hong Kong dollars unless otherwise specified.

Introduction

Terms of reference

1. On 18 September 1987 the Law Reform Commission was asked:

"To review the law of Hong Kong relating to copyright and to make recommendations for a Hong Kong Ordinance dealing comprehensively with the law of copyright."

Sub-committee members

2. The Commission appointed a sub-committee in December 1987 to undertake that task. Its membership was as follows:

The Hon Mr Justice Nazareth (Chairman)	Justice of Appeal
Mr Stephen Barclay	District Officer Eastern District
Mr Malcolm Barnett	Head of Group Compliance HSBC Holdings plc
Mr Robin Bridge	Solicitor, Partner Robin Bridge and John Liu
Ms Anne Choi	Solicitor, Partner Wilkinson and Grist
Mr Andrew Liao, QC	Queen's Counsel
Mr Anthony Luckhurst	Patent Agent Marks and Clerk
Dr Donald Taylor	Technical Director Hong Kong Productivity Council
Mr Richard Willstead	Formerly Consultant Price Waterhouse Management Consultants

Mr YIU Hei-kan	Managing Director Macmillan Publishers (HK) Ltd
Mr Nic Garnett (from December 1988)	Director General IFPI
Mr Ian Starr (Resigned in May 1988)	Solicitor Clifford Chance (UK)
Mr Klaus Heymann (Resigned in December 1988)	Managing Director Pacific Music Co Ltd
Mr Alan Wells (Resigned in March 1990)	Solicitor, Partner Deacons
Mr Michael Pendleton (Resigned in April 1990)	Formerly Senior Lecturer in Law University of Hong Kong

Working group members

3. Seven working groups were formed to examine specific aspects of the subject. These groups were mainly composed of sub-committee members. Members who did not sit on the sub-committee are as follows: -

Professor Lee Ngok	Director, School of Professional and Continuing Education University of Hong Kong
Mr Malcolm Quinn	Deputy Librarian University of Hong Kong
Mr Christopher Woods	Solicitor Simmons and Simmons

Working group advisers

4. The working groups were advised by the following persons during the course of their deliberations:

Mr Ross Dalgleish	Formerly Senior Crown Counsel Attorney General's Chambers
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Mr H L Kwong, MBE	Formerly Assistant Commissioner Customs and Excise Department
Mr Robin McLeish	Formerly Assistant Secretary Economic Services Branch
Mr. Stephen Selby	Formerly principal Assistant Secretary (Culture) Recreation and Culture Branch
Mr. W Y Suen	Formerly Senior Superintendent Customs and Excise Department
Mr Richard Turnbull	Senior Assistant Crown Prosecutor Attorney General's Chambers
Mr. K S Wong	Chief Telecom Engineer Advisory and Planning Division Post Office

Observer

5. In order to bridge the gap between the reform of the copyright law at the international level and its reform in Hong Kong the sub-committee, from December 1989, permitted Mr P T Cheung, an expert on the GATT-TRIPS Agreement, to sit as an observer in the sub-committee.

Secretariat

6. The following counsel from the Law Reform Commission secretariat served as secretaries to the sub-committee and Working Groups:

Mr David Fitzpatrick
Formerly Senior Crown Counsel
(until April 1990)

Mr Peter K F Cheung
Formerly Senior Crown Counsel
(until December 1991)

Mr Stuart M I Stoker
Principal Crown Counsel
(from June 1990)

Acknowledgements

7. The Commission wish to express their appreciation of the contribution made by the members of the sub-committee and the working groups, the working group advisers and the observer. The chairman and members of the sub-committee, in particular, laboured long and hard on this subject and produced a comprehensive report which greatly eased the Commission's task in producing these final recommendations.

8. The Commission would like to acknowledge the very great help which they had from the many lengthy submissions received from various organisations and individuals. The names of these organisations and individuals are listed in Appendices A and B.

9. The Commission must also record their thanks to all local and overseas copyright interests who have at one time or another provided valuable advice and assistance.

10. The Commission would also like to express their gratitude to the Comptroller of Her Majesty's Stationery Office for permission to quote excerpts from the 1986 White Paper, *Intellectual Property and Innovation* (Cmnd 9912) and the Copyright, Designs and Patents Act 1988.

11. The Commission are indebted to the secretariat for the immense amount of work cheerfully performed, not least the preparation of this Report incorporating our recommendations.

The work of the sub-committee and the commission

12. The existing Hong Kong copyright law is outdated, complex, and deficient in many respects, largely because it cannot accommodate recent technological development. The sub-committee decided at the outset that working groups focusing on specific copyright topics should be set up. There were seven working groups, composed of sub-committee members, co-opted members and other advisers.

13. The working groups first considered discussion and research papers prepared by the secretariat, and then, in the latter part of 1988, issued consultation letters to copyright interests in relation to particular topics. Replies to the working groups' initial consultation as often as not requested a full explanation of the current law and the principles that should guide a choice of alternative.

14. In order to enable the working groups and the sub-committee to reach informed decisions, the secretariat made a number of overseas visits, obtaining first hand copyright information and comparing the copyright law in other jurisdictions.

15. Having considered the initial views of the respondents and the further research papers and reports prepared by the secretariat, the working groups, having met altogether 54 times, then reported to the sub-committee between 1989 and 1990. During that period, the sub-committee also began to formulate tentative law reform recommendations.

16. The sub-committee considered that for a law reform exercise of such magnitude, it was important that the views of the various competing interests should be fully considered before any final recommendations were made. Furthermore, copyright policy did not operate in a vacuum. It had a close relationship with policies relating to trade, telecommunications and consumers affairs. These were additional considerations which had to be taken into account in formulating the sub-committee's recommendation.

17. The sub-committee held a second round of consultation when, in January 1991, it published a lengthy Consultative Document entitled "Reform of the Law Relating to Copyright" and a summary in Chinese. The secretariat spoke and met with the media, and some copyright interests, elaborating the tentative views of the sub-committee.

18. The Consultative Document aroused considerable public interest. When the three months consultation formally expired on 30 April 1991 the sub-committee had received over 100 written submissions from all over the world. Many of these submissions were detailed and greatly assisted the sub-committee in its work. With the help of those responses, the sub-committee was able to formulate the recommendations which formed the basis of its report.

19. Throughout their work, the sub-committee and the Commission have given careful consideration to relevant research material, including the Whitford Report, and comparable legislation in Commonwealth and other countries. We took the view that there would be obvious advantages in remaining associated with a ready source of precedent by following the English legislative developments wherever these were suitable to Hong Kong's needs. The Whitford Report and the discussions that it generated, proved of immense assistance to us. The Copyright, Designs and Patents Act 1988 also provided a ready precedent and possible model for many of the proposals canvassed in this Report.

20. The sub-committee held 51 formal meetings and met copyright interests on several occasions. The sub-committee's report was discussed in detail by the Commission at seven meetings between October 1992 and October 1993. The recommendations contained in this Report represent the result of many months of consultation and some five years deliberation. Each chapter has been written, as far as possible, to enable it to be read in isolation.

21. We have already acknowledged the debt that we owe to the sub-committee for the immense amount of work they devoted to this project. We must stress, however, that the recommendations contained in this report

are those of the Commission, not the sub-committee. While in the majority of our recommendations we have followed the same course as the sub-committee, in some areas, after careful consideration, we have adopted a different approach to that of the sub-committee. The final responsibility for the views and recommendations set out in this report lies with the Commission alone.

22. Before turning to the substantive topics, it may be useful to outline the legal framework of copyright.

Copyright - an overview

The importance of copyright

23. Copyright is one of the laws concerned with the protection of "intellectual property". "Intellectual property" is the product of intellectual effort, such as inventions, trademarks, designs, literature, music and art. Copyright exists to protect intellectual and financial investments in the production of a broad range of works including books, songs, plays, paintings, sound recordings, films, broadcasts, computer software and designs. Protection is afforded by restricting the use of copyright works without the owner's consent. That means protection against the unauthorised copying, public performance, or broadcasting of works in which copyright subsists. The copyright owner may forbid these restricted acts and may demand payment for exploitation of the work.

24. The Whitford Committee in their report in 1977 explained copyright thus:

"A writer writes an article about the making of bread. He puts words on paper. He is not entitled to a monopoly in the writing of articles about the baking of bread but the law has long recognised that he has an interest not merely in the manuscript, the words on paper which he produces, but in the skill and labour involved in his choice of words and the exact way in which he expresses his ideas by the words he chooses. If the author sells copies of his article then again a purchaser of a copy can make such personal use of that copy as he pleases. He can read it or sell it second-hand, if he can find anyone who will buy it. If a reader of the original article is stimulated into writing another article about bread the original author has no reason to complain. But it has long been recognised that only the original author ought to have the right to reproduce the original article and sell the copies thus reproduced."

25. While the primary concern of copyright is to protect the creators of intellectual property by ensuring that they receive a proper reward for their efforts, copyright is also important in providing an incentive to the individual and corporate investment in intellectual endeavour upon which our

technological progress depends. By ensuring that there is adequate protection for authors of intellectual property, the legal provisions of copyright enable copyright material, including the latest technology, to be secured for use in Hong Kong. Copyright is thus of vital importance to progress in a wide range of activity and enterprise in industry, the arts, education and recreation.

26. The law must ensure that copyright strikes an appropriate balance between, on the one hand, protection which ensures an adequate reward for authors and, on the other hand, the public interest in having access to creative ideas in a way that stimulates competition and does not inhibit progress. There is a continuing need to ensure that the law is changed to accommodate technological advance. Computer programs and electronic data storage are dramatic examples of developments that now strain the framework of our existing law. Not surprisingly, therefore, copyright law has become a matter of great complexity.

27. The provisions of the Copyright Act 1956, as amended by subsequent Acts, were subject to exceptions and modifications extended to Hong Kong by Orders in Council. Copyright is the exclusive right to do, as well as to authorise other persons to do, certain restricted acts in relation to a protectable work. These restricted acts vary depending upon the subject matter but broadly speaking include the acts of reproduction, public performance and broadcasting.

28. Copyright protects the original expression of an idea in a protectable work or subject matter. It does not protect ideas themselves. It arises without formality, unlike other intellectual property rights conferred by patents, registered designs and trade marks, which require registration to obtain protection.

Subsistence of copyright

29. When the law recognises the existence of copyright, copyright is said to subsist. The 1956 Act contemplates many types of works and subject matter in which copyright may subsist.

Works and subject matter

30. The 1956 Act divides copyright material into Part I works (namely: literary, dramatic, musical and artistic works) and Part II subject matter (namely: sound recordings, cinematograph films, television and sound broadcasts, and published editions of works).

31. The following is a brief description of the works and subject matter under the 1956 Act:

Literary work: This covers all work expressed in print or writing or recorded in some other material form. It includes tables and compilations. Computer programs are protected as literary works, as are electronic databases;

Dramatic work: This covers plays, screenplays and film scripts recorded in some material form. Dramatic work extends beyond the words to the characters and incidents of the play, and to the stage directions of the dramatist. Choreographic work and entertainment in dumb show can be protected as a dramatic work only if reduced to writing;

Musical work: The term appears wide enough to cover anything that could be described as music recorded in writing or some other material form;

Artistic work: This is widely defined to include drawings, paintings, sculptures, engravings and photographs, irrespective of artistic quality. Works of architecture and artistic craftsmanship are also included;

Sound recording: This means the aggregate of sound embodied in, and capable of being produced by means of, a record of any description. This is wide enough to cover vinyl records, audio cassettes and compact discs. It does not include the sound track associated with a cinematography film;

Cinematography film: This means any sequence of visual images recorded on material of any description so as to be capable of being shown as a moving picture. It includes video recordings;

Television and sound broadcasts: Television broadcasts include the sound accompanying the visual images. This refers to broadcasting by wireless telegraphy. Local radio and television broadcasts are covered by the 1956 Act.

Published editions of works: This covers the typographic arrangement of a published edition of any literary, dramatic or musical work.

Copyright protects original works

32. Copyright subsists only in original works. Originality however is a low requirement, satisfied by the mere fact that the work is not copied, but is the product of the skill, effort or investment of the author. Originality is not expressed as a requirement for the subsistence of copyright in sound recordings, cinematography films, television and sound broadcasts, and published editions.

Copyright authorship

33. The author of a work is normally the person who makes the work, like the novelist who writes a novel, the playwright who writes a play, the musician who composes music and the painter who paints a painting.

Copyright ownership

34. The author is normally the first owner of copyright unless employed or in some instances commissioned in which event the employer or commissioner will be the first owner. The bundle of rights that make up copyright can be assigned or licensed separately in terms of time, place and the nature of the activities.

Qualifying author or publication

35. Copyright subsistence also depends on either the status of the author or the country of first publication at the time when the work is made or published.

Duration of copyright protection

36. The life span of the author normally determines the duration or term of copyright in a work. His status (nationality, domicile or residence) is relevant to the determination of whether copyright subsists in the work.

Copyright exception

37. Fair dealing is an important exception in the 1956 Act permitting what would otherwise constitute an infringement. The exception is available to permit a degree of dealing with a copyright work for purposes of research or private study, criticism or review or news reporting.

Copyright infringement

38. Infringement is the term used to describe unlawful interference with a copyright. While it is nowhere expressed in the 1956 Act, infringement assumes copying. Copyright is a negative right. It is not a right to do something but the right to stop others from doing it. It means the exclusive right, subject to a limited number of exceptions, to do and to authorise other persons to do certain acts in relation to the work: "the restricted acts" (section 1(1) of the 1956 Act). The number and nature of the restricted acts differ with each work or subject matter but primarily cover reproduction, public performance and broadcasting. The restricted acts are actionable without proof or knowledge on the part of the defendant and are described as

“primary infringements”. It is also an infringement to import, sell or deal in the course of trade with infringing copies. Such acts are only actionable upon proof of knowledge on the part of the defendant and are described as “secondary infringements”.

Deficiencies in the existing law

39. Hong Kong’s present law on copyright is the English Copyright Act 1956, the Copyright (Computer Software) Act 1985, the Copyright Ordinance (Cap 39) supplemented by the Copyright (Amendment) Ordinance 1991 and common law decisions. While the English legislation was adequate at the time of its enactment, it has increasingly revealed shortcomings, springing largely from subsequent technological progress.

International copyright obligations

40. Copyright legislation is dependent not only upon local considerations but must also have regard to international legal obligations. Of these the most important arise from the International Convention for the Protection of Literary and Artistic Works (“the Berne Convention”) and the Universal Copyright Convention (“the UCC”), which prescribe minimum standards for the local laws of states which are party to these conventions. These standards must be met in Hong Kong if Hong Kong copyright owners are to secure protection of their work in other member countries. It is the international copyright conventions and other neighbouring right conventions to which we now turn.

Chapter 1

International conventions and their significance for Hong Kong

Introduction

1.1 In common with many other areas of the law, the law of copyright in Hong Kong cannot be looked at purely as a domestic issue without taking account of the international context in which the law is set. Over the years, a number of important international instruments have been drawn up establishing the standards and procedural rules for copyright protection which are regarded as internationally acceptable. Before turning to examine in detail in later chapters the basic concepts of copyright law and Hong Kong's domestic provisions, we think it sensible, therefore, to give an outline first of the main international conventions on copyright which affect Hong Kong.

1.2 There are at present five international copyright conventions affecting Hong Kong. These are:

- (a) the International Convention for the Protection of Literary and Artistic Works 1886-1948 ("the Berne Convention");
- (b) the Universal Copyright Convention and Protocols 1952-1971 ("UCC");
- (c) the Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of their Phonograms 1971 ("the Phonograms Convention");
- (d) the Paris Convention for the Protection of Industrial Property ("the Paris Convention."); and
- (e) the Convention Establishing the World Intellectual Property Organization 1967 ("WIPO").

1.3 The first three of these multilateral conventions set out standards for copyright protection with which the signatory countries are bound to comply, whilst the fourth is concerned with patents, industrial designs and trademarks. The fifth convention establishes machinery to enhance and promote all types of intellectual property rights. The conventions do not impose obligations on individuals but only on the states which are parties to them, presumably on the basis that only the state is

subject to international law and can bear international responsibility for its nationals who are beneficiaries under the conventions.

1.4 The purpose of this chapter is twofold. One is to outline the inter-relationship between international copyright standards and the municipal copyright laws of Hong Kong; and the other is to point out the need for Hong Kong to ensure that it stays in tune, not only with current international copyright standards, but also with evolving norms.

Hong Kong's existing treaty obligations on copyright and neighbouring rights

The Berne Convention 1886 -1948

1.5 The Convention was first concluded in Berne in 1886 and has so far been revised six times: at Paris in 1896, at Berlin in 1908, at Rome in 1928, in Brussels in 1948, at Stockholm in 1967 and at Paris again in 1971. It is important to note that, as a matter of public international law, each revision is a separate treaty and will only bind a State when it agrees to be bound by it. The original Berne Convention and its subsequent revisions up to and including the revision in Brussels in 1948 have been extended to apply to Hong Kong, on various dates, the latest in 1957.

1.6 The main principles of the Berne Convention (Brussels text) are "national treatment", "automatic protection" and "independent protection". "National treatment" means that the rights granted to a contracting party's nationals must also be given to nationals of each of the other contracting parties to the Berne Convention. That copyright protection must be "automatic" in that there must be no requirement for compliance with any formality (see Article 5(2)). Furthermore, that copyright protection must be "independent" in that it is to be granted irrespective of whether the country of origin grants any protection to the work or not.

1.7 The main provisions of the Berne Convention set out the minimum standards of copyright protection and the duration of the protection. The Convention requires the protection of literary, scientific and artistic works whatever may be the mode and form of expression. The exclusive rights of the copyright owner include the right to reproduce, to perform, to broadcast, to adapt and to translate his work. In the case of primary works such as literary, musical, dramatic and artistic works, copyright protection generally lasts for 50 years after the death of the author. In the case of derivative works such as audio-visual productions, the duration of copyright protection is 50 years after the production of the work. For works of applied art and photographs, the duration of protection is the expiry of 25 years after the work is made.

1.8 The secretariat of the Berne Convention is WIPO.

The UCC 1952-1971

1.9 This Convention, together with two Protocols concerning the application of the UCC to stateless persons and refugees and international organisations ("the Protocols"), were first concluded in Geneva in 1952. The UCC was last revised in Paris in 1971. The UCC and the Protocols were extended to apply to Hong Kong in 1973. One of the purposes of the UCC was to enable countries which were not parties to the Berne Convention to gradually bring their laws up to the standards required by the Berne Convention.

1.10 Like other intellectual property treaties, the UCC provides for national treatment. That is to say, except where specifically provided otherwise, a country must give the same treatment to the nationals of other Convention members as it gives to its own. The UCC limits the formalities which any country may demand for protection of works whose authors are not its nationals and where the work is first published in another contracting state, to a notice in every copy of the work published bearing the familiar copyright symbol, together with the year of first publication and the name of the copyright owner (Article III.1).

1.11 The United Nations Educational, Scientific and Cultural Organisation ("UNESCO") is responsible for the administration of the UCC and the Protocols.

The Phonograms Convention 1971

1.12 The Phonograms Convention was concluded in 1971. The convention was extended to apply to Hong Kong in 1974. The main provisions of the convention are aimed at providing protection against the unauthorised reproduction and importation of duplicate phonograms for the purposes of distributing them to the public. "Phonogram" means, for the purposes of the convention, "any exclusively aural fixation of sounds of a performance or of other sounds" (Article 1). An audio-visual work is therefore outside the scope of the convention's protection. The minimum period of protection is 20 years from the first fixation or first publication of the phonogram.

1.13 WIPO is responsible for the international administration of the convention.

The Paris Convention 1967

1.14 The Paris Convention was first signed in 1883 and has since been revised on numerous occasions, most recently in Stockholm in 1967. The Convention applies to a range of intellectual properties, including patents, trademarks and industrial design. The rights and obligations of the Stockholm revision have been extended by the United Kingdom to Hong Kong.

The WIPO Convention 1967

1.15 The WIPO Convention was concluded in Stockholm in 1967. Its objects are "to promote the protection of intellectual property throughout the world" and to achieve administration co-ordination in relation to all types of intellectual property rights. The Convention was extended to apply to Hong Kong in 1970.

Other international copyright conventions not yet applicable to Hong Kong

The Berne Convention ("the 1971 Paris Act")

1.16 The copyright standards which Hong Kong is internationally legally bound to carry out are those under the 1948 Brussels revision of the Berne Convention. The higher standards and the new obligations under the 1967 Stockholm and 1971 Paris revisions do not yet apply to Hong Kong. Those acceding to the 1971 Paris Act include both developed countries (such as the United States of America and the United Kingdom) and developing countries (such as Malaysia).

1.17 At the time of writing, WIPO is considering another revision of the Convention.

The Rome Convention 1961

1.18 The Berne Convention and the UCC do not grant international legal protection to performances, sound recordings and broadcasts. The rights in these works (which could be said to be secondary to, or derivative from, an underlying copyright work) are protected under the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations 1961 ("the Rome Convention"). These rights are sometimes referred to as "neighbouring rights", especially in civil law jurisdictions. Only States which are already parties to either the Berne Convention or the UCC can become party to the Rome Convention.

1.19 The object of the Rome Convention is to protect three categories of neighbouring right holders, namely, performers, sound recording producers and broadcasting organisations. Performers are protected against the unauthorised fixation of their live performance (and the unauthorised reproduction of such fixations) and the unauthorised broadcasting or public communication of their live performance. Sound recording producers are protected against the unauthorised reproduction of their phonograms. Audio-visual recordings are outside the legal framework of the Rome Convention. Broadcasting organisations are protected against the unauthorised fixation of

their conventional (and arguably satellite) broadcasts, the unauthorised reproduction of any such fixation, and the re-broadcast of their broadcasts.

1.20 The administration of the Rome Convention is the joint responsibility of WIPO, UNESCO and the International Labour Organisation ("ILO"). The Rome Convention has become the leading multilateral treaty on neighbouring rights.

The Satellite Convention 1974

1.21 The Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite ("the Satellite Convention") was concluded in Brussels in 1974. The Satellite Convention provides for minimum standards to protect programme-carrying signals transmitted by Fixed Service Satellites ("FSS") (i.e. point-to-point and distribution satellites) from unauthorised distribution by a distributor for whom the signal emitted by the satellite was not intended. Programme-carrying signals emitted from Direct Broadcasting Satellites (that is, where the signal from the satellite is intended for direct reception by the public) are expressly excluded from the scope of the convention protection (Article 3).

1.22 The depository of this convention is the Secretary-General of the United Nations.

The Hague Agreement 1925

1.23 The Hague Agreement Concerning the International Deposit of Industrial Designs was concluded in 1925. Since then there have been a number of revisions: at London in 1934, at the Hague in 1960, at Monaco in 1961 and at Stockholm in 1967. States which are party to the Paris Convention for the Protection of Industrial Property 1883, revised at Stockholm in 1967 (both have been extended to apply to Hong Kong in 1977), can accede to the Hague Agreement.

1.24 The main object of the Agreement is to facilitate the acquisition of protection for industrial designs by establishing an international design registry so that the deposit of an industrial design at the registry will be regarded as satisfying the formalities for obtaining protection required by each of the contracting parties to the Agreement. Details of each deposit will be published by WIPO in a periodical bulletin. The minimum period of protection is five years.

The Vienna Agreement 1973

1.25 The Agreement for the Protection of Type Faces and their International Deposit ("the Vienna Agreement"), together with its Regulations and Protocol, were adopted at Vienna in 1973. The Vienna Agreement

requires contracting parties to protect typefaces "by establishing a special national deposit, or by adapting the deposit provided for in their national industrial design laws, or by their national copyright provisions" (see Article 3). Countries which provide a system of protection by design or special deposit are obliged to participate in an international deposit scheme provided for in the Vienna Agreement.

The Madrid Convention 1979

1.26 The Multilateral Convention for the Avoidance of Double Taxation of Copyright Royalties was concluded at Madrid in 1979. This special multilateral tax treaty has largely been forgotten on the copyright front, possibly because the intended effect of the convention has been achieved or covered by other bilateral tax treaty arrangements.

The Film Register Treaty 1989

1.27 The Geneva Treaty on the International Registration of Audiovisual Works was concluded in 1989 ("the Film Register Treaty"). The Film Register Treaty creates a rebuttable presumption that the information (such as the description of the works claiming protection) filed in the Register is true. The International Registry is established in Austria and is run by WIPO.

The Draft GATT-Trips Agreement 1993

1.28 The draft Agreement on Trade-Related Intellectual Property Rights, including Trade in Counterfeit Goods ("Trips"), is still under negotiation as part of a package deal under the umbrella of the Uruguay Round negotiations of the General Agreement on Tariffs and Trade ("GATT"). The objects of the GATT-Trips Agreement are to reduce distortions and impediments to international trade, to promote effective and adequate protection of intellectual property rights (including copyright and neighbouring rights) and to ensure that measures and procedures to enforce intellectual property rights do not themselves become, barriers to legitimate trade. At the time of writing, a draft text of TRIPS was available and the substantive provisions were still subject to agreement.

1.29 As far as copyright and neighbouring rights are concerned, parties to the GATT-Trips Agreement are not permitted to derogate from their existing obligations under the Berne Convention (Paris Act 1971) and the Rome Convention 1961.

1.30 Hong Kong is a full independent member of the GATT and can become an independent contracting member of the GATT-Trips Agreement if the Uruguay Round GATT negotiations do not fall apart.

Significance of international copyright conventions for Hong Kong

1.31 We think that there are obvious benefits for Hong Kong in continuing to apply the internationally accepted standards of copyright and neighbouring right protection. Firstly, we feel that it is only by giving adequate protection to local and overseas rights owners that Hong Kong can encourage creative activity in Hong Kong and copyright-related investment from overseas, especially when many of the rights protected are trade-related.

1.32 Secondly, we believe that Hong Kong rights owners will benefit from the reciprocal national treatment accorded to them overseas by parties to these international copyright conventions.

1.33 Thirdly, we think that from the users' point of view, the provision in Hong Kong of adequate copyright and neighbouring rights protection will enable easier acquisition of protected works from other jurisdictions.

1.34 In summary, we take the view that it is in Hong Kong's interests to ensure compliance with international standards of copyright protection. The overall effect will be to facilitate economic, social and cultural developments in Hong Kong.

Means of achieving compliance with international standards

1.35 There are basically two ways of ensuring the continued application in Hong Kong of the international standards for copyright protection. One is for Hong Kong to continue to apply the existing multilateral treaty obligations. The other is to re-negotiate these numerous treaties bilaterally with each country and territory in order to ensure reciprocal copyright and neighbouring rights protection. The multilateral approach offers a convenient framework for international legal relations and is the normal course followed.

1.36 We note that Hong Kong has long been part of the international intellectual property community and has applied high standards in intellectual property enforcement. We also note that multilateralism is the norm for international legal relations. We think it is to Hong Kong's advantage, in terms of its continued economic, social and cultural development, if Hong Kong continues to play a significant part in the multilateral intellectual property legal framework after 1997. We conclude that Hong Kong's reputation for intellectual property protection can be maintained and resources can be saved if the existing multilateral copyright and neighbouring rights conventions continue to apply to Hong Kong after 1997 in accordance with the Joint Declaration. **We recommend that the existing international copyright and neighbouring right treaties should continue to apply to Hong Kong.**

We further recommend that the latest text of each of these treaties and conventions should be applied to Hong Kong.

International standards and municipal law reform

1.37 Our general approach to law reform is that any changes in the law offered as options for reform should comply with the existing international legal standards. Those standards are developing rapidly. It is essential that Hong Kong, as a strong advocate of the promotion and enforcement of international copyright and neighbouring rights, does not fall below the prevailing international minimum standards.

1.38 As far as copyright is concerned, the minimum generally accepted international standards are those under the 1971 Paris Act of the Berne Convention. In relation to neighbouring rights, the 1961 Rome Convention has become the minimum standard. This is evidenced by the majority view at the Uruguay Round of the GATT negotiations. The treaty obligations of the Berne and Rome Conventions have been incorporated into the text of the GATT-Trips Agreement 1992.

1.39 **In order to ensure that Hong Kong does not fall below the prevailing international standards, we strongly recommend that Hong Kong should apply the standards in the Berne Convention (Paris Act 1971) and the Rome Convention 1961 in formulating its new legislation on copyright.**

1.40 We note that the international community has paid great attention to the trade-related aspects of intellectual property rights. **With a view to maintaining Hong Kong's good standing in copyright and neighbouring rights protection and enforcement we strongly recommend that Hong Kong should be party to the forthcoming GATT-Trips Agreement.**

1.41 A number of other multilateral copyright-related treaties could be of benefit to Hong Kong. These include the Hague Agreement and Revisions 1925-1967 in relation to the international protection of designs and the Vienna Agreement 1973 concerning the protection of typefaces. These two multilateral treaties would give increased protection overseas to Hong Kong's designers and the publishing industry, and at lesser cost.

1.42 **As part of Hong Kong's long term copyright and neighbouring rights policy, we therefore recommend that consideration should be given, and means should be explored, for Hong Kong to apply other multilateral copyright treaties not yet applicable to Hong Kong, such as the Hague Agreement and Revisions 1925-1967 the Vienna Agreement 1973, in order to enhance Hong Kong's image in supporting intellectual property right protection and enforcement.**

1.43 By its nature as an international trading centre, Hong Kong is inevitably involved in a range of informal economic, social and cultural relationships with other territories and countries, both within the region and elsewhere. Many of these activities have an intellectual property right dimension, but the legal regimes regarding them, especially relating to reciprocal copyright and neighbouring rights recognition, are not always entirely clear.

1.44 We take the view that, international legal obligations aside, it is desirable for Hong Kong to have informal regional or bilateral copyright and neighbouring rights agreements or arrangements with Hong Kong's neighbouring regions and territories. **We recommend that when opportunities arise Hong Kong should negotiate and conclude formal or informal copyright and neighbouring rights arrangements with its neighbouring regions and territories so as to ensure that, on the usual principle of reciprocity, the interests of the rights owners in respective regions and territories are adequately protected either on a *de jure* or *de facto* basis.**

1.45 We note that the United Kingdom has been applying the standards of the Rome Convention for many years and the substance of the changes introduced in the Copyright, Designs and Patents Act 1988 (the 1988 Act) enabled the United Kingdom in 1989 to ratify the Paris Act of the Berne Convention.

1.46 We have studied the provisions of the 1988 Act in great detail. We take the view that there are obvious advantages for Hong Kong in following the United Kingdom's approach. The provisions of the 1988 Act are not only designed to meet the prevailing international obligations and in addition are compatible with Hong Kong's laws and legal system. Nevertheless, we recognise that in some areas certain modifications to the 1988 Act to suit local circumstances may be necessary.

1.47 In the following chapters, we have made recommendations as to how the municipal copyright and neighbouring right law should be changed. We have taken account of the need for compatibility with the provisions of the 1971 Paris Act of the Berne Convention, the 1961 Rome Convention and any forthcoming GATT-Trips Agreement. As international standards encourage uniformity, it is not surprising that our law reform proposals are not radically different from the laws of other countries. While we have examined the law in the United Kingdom in particular detail, we have also considered the position in other jurisdictions whenever appropriate. In some areas, our recommendations are significantly different from the United Kingdom model because we think that the special local circumstances in Hong Kong justify a different approach.

Chapter 2

Subsistence of copyright

Introduction

2.1 This chapter describes the circumstances in which copyright arises. This involves consideration of:

- (i) whether the work needs to be recorded in writing or otherwise in order to obtain protection (referred to as "fixation");
- (ii) the kinds of work that attract protection and what constitutes originality;
- (iii) whether the author needs to be connected with a Berne or UCC country or whether the work needs to be first published in such a country in order to obtain protection.

"Fixation"

2.2 While an original idea may have long existed in the author's head or been the subject of discussion it is only when that idea is recorded in some material form that copyright protection arises. Apart from this requirement as to fixation, in compliance with Berne, copyright arises without formality. Works and subject matter protectable under the United Kingdom Copyright Act 1956 ("the 1956 Act") are divided into Part I works and Part II subject matter. Part I works cover literary, dramatic, musical and artistic works¹. Part II subject matter covers sound recordings, cinematography films, sound and television broadcasts, and published editions².

2.3 While the word "work" is not defined under the 1956 Act, it is clear that a work has to be fixed in some form before copyright protection can arise. According to section 49(4) of the Act, references in the Act to the time at which, or the period during which, a literary, dramatic or musical work was made are references to the time or period at or during which the work was first reduced to writing or some other material form. "'Writing' includes any form of notation, whether by hand or by printing, typewriting or any similar process" (section 48(1)). "Material form" is not defined. For Part I works reproduction in any material form is a restricted act. It is not clear how far the courts will interpret the requirement of "material form" for establishing

¹ See sections 2 and 3 of the 1956 Act.

² See sections 12 to 15 of the 1956 Act.

copyright subsistence to require physical embodiment of the work, as opposed to an electronic record or even temporary electronic storage.

2.4 A sound recording is made at the time the first record embodying the recording is produced (section 12(8)). "Record" means "any disc, tape, perforated roll or other device" (section 48(1)). A cinematography film is made when a sequence of visual images is recorded on material of any description³. Sound and television broadcasts are made when the visual images and sounds are broadcast⁴. Copyright in published editions of literary, dramatic or musical works arises on publication (section 15(1)). "Published edition" is not defined, but it would appear that such an edition must consist of a reproduction in a material form.

Protectable works and subject matter

2.5 Under the scheme of the 1956 Act, copyright only subsists in protectable works and subject matter which fall within the category of Part I works or Part II subject matter. A work or subject matter which does not fit the descriptions of the works in Part I or of the subject matter in Part II is not entitled to copyright protection. The protectable works and subject matter are either not defined or defined in a rather complicated manner and in different places in the Act.

Part I works

2.6 "Literary work" is not fully defined but includes "any written table or compilation" (section 48(1)). The literary merit of a work is not a consideration. Computer programs are protected by the law as it applies to literary works⁵. A "dramatic work" is again not fully defined and can include "a choreographic work or entertainment in dumb show if reduced to writing in the form in which the work or entertainment is to be presented, but does not include a cinematography film, as distinct from a scenario or script for a cinematography film" (section 48(1)). "Musical work" is not defined. "Artistic work" is very widely defined in section 3(1) as including, irrespective of artistic quality, paintings, sculptures, drawings, engravings and photographs. Works of architecture and works of artistic craftsmanship are also included in the definition. "Drawing", "sculpture", "engraving", "photograph" and "building" are defined or partially defined separately in section 48(1).

³ See section 13(1) and (10) of the 1956 Act.

⁴ See section 14(10) of the 1956 Act.

⁵ The Copyright (Computer Software) Amendment Act 1985, section 1(1). Computer programs are dealt with in Chapter 5.

Part II subject matter

2.7 A "sound recording" means "the aggregate of the sounds embodied in, and capable of being reproduced by means of, a record of any description, other than a sound-track associated with a cinematography film" (section 12(9)). "Record" is separately defined in section 48(1). "Cinematography film" means a sequence of visual images recorded on material of any description (whether translucent or not) so as to be capable of being shown as a moving picture. It includes the accompanying sound-track (section 13(9) and (10)). "Television broadcast" means "visual images broadcast by way of television, together with any sounds broadcast for reception along with those images," and "sound broadcast" means "sounds broadcast otherwise than as part of a television broadcast" (section 14(10)). "Published edition" is not defined.

Originality

Part I works

2.8 Copyright only subsists in original works and originality is expressly required for copyright to subsist in Part I works. Originality is not defined in the 1956 Act. However, a substantial body of case law has established that originality is a question of fact and degree in each case and the essential feature of an original work is that it has not been merely copied from another, but has involved the author's skill, labour and investment. The courts have been very reluctant to give copyright protection to trivia, or to works which have drawn on a minimum of skill, labour or investment. The titles of works, and slogans and catch-phrases, however pithy, may not attract copyright protection.

Part II subject matter

2.9 In contrast to Part I works, there is no express requirement as to originality for copyright to subsist in Part II subject matter. However, a mere copy of an existing sound recording attracts no copyright as a sound recording as it is not the "first record embodying the recording" (section 12(8)). Any copyright subsisting in a repeat television or sound broadcast will expire when the copyright in the original broadcast expires (section 14(3)). In respect of a published edition, it is provided that no copyright shall subsist if the typographical arrangement "reproduces the typographical arrangement of a previous edition of the same work or works" (section 15(1)).

Deficiencies of the 1956 Act

2.10 The value of the 1956 Act can be judged by the fact that it has served as the cornerstone of copyright law in the United Kingdom for more than 30 years. It has not been without criticism, however. Among these

criticisms has been the fact that the Act is difficult to understand without careful study. In an attempt to meet these criticisms and to take account of technological developments the United Kingdom enacted the Copyright, Designs and Patents Act 1988.

The 1988 Act

2.11 The United Kingdom Copyright, Designs and Patents Act 1988 ("the 1988 Act") follows the recommendations of the Whitford Committee ("Whitford") for a more logistic and consistent restatement of the law. Section 1 gathers together all the descriptions of work, including cable programmes as a further category of copyright work. "Cinematography films" become simply "films". The Parts I and II division is dropped. To attract copyright, literary, musical, dramatic or artistic works must be original, though originality remains undefined. A requirement of originality as the basis of protection for sound recordings, films, broadcasts, cable programmes and published editions is incorporated by precluding the subsistence of copyright in copies or infringements of pre-existing material⁶.

Definitions of literary, dramatic and musical works

2.12 It is worth setting out section 3 in full:

"(1) In this Part

'literary work' means any work, other than a dramatic or musical work, which is written, spoken or sung, and accordingly includes

(a) a table or compilation, and

(b) a computer program;

'dramatic work' includes a work of dance or mime; and,

'musical work', means a work consisting of music, exclusive of any words or action intended to be sung, spoken or performed with the music.

(2) Copyright does not subsist in a literary, dramatic or musical work unless and until it is recorded, in writing or otherwise; and references in this Part to the time at which such a work is made are to the time at which it is so recorded.

(3) It is immaterial for the purposes of subsection (2) whether the work is recorded by or with the permission of the author; and where it is not recorded by the author, nothing in

⁶ See sections 5(2), 6(6), 7(6), 8(2) and 14(2) of the 1988 Act.

that subsection affects the question whether copyright subsists in the record as distinct from the work recorded.”

2.13 The 1988 Act provides a full definition of “literary work”. There is however no definition of a computer program. “Dramatic work” includes a work of dance or mime. In contrast to the 1956 Act, such a work needs only to be recorded but not necessarily in writing. This change complies with Article 2 of Berne which only requires such works to be fixed in some material form. “Musical work” is not fully defined in the 1988 Act because of the difficulty of describing music, though the Act makes clear the distinction between music and the accompanying words, which enjoy separate copyright as a literary work.

Fixation

2.14 Section 3(2) recognises that a work may exist prior to its fixation, but nonetheless requires that the work be recorded in some way before copyright can arise. Recording obviously contemplates a wide range of devices that fix works and, if that were not sufficient, “writing” is defined in section 178 as including “any form of notation or code, whether by hand or otherwise and regardless of the method by which, or medium in or on which, it is recorded...”. It is now clear that literary, dramatic and musical works can be fixed by recording them in any medium.

Fixation by others

2.15 Under the 1956 Act, it would appear that a reporter who takes a shorthand record of a speech may still be entitled to literary copyright in the record of the speech, his skill and effort being protected⁷. If the same reporter uses an audio recorder he would create copyright in a sound recording⁸. This is also the case under the 1988 Act (section 3(3)). Only the speaker, however, can acquire the literary copyright in his speech.

2.16 Some suggestion was made to us that section 3(3) could be changed to reflect its intention in clearer terms. The sub-section provides that where the first record of a literary, dramatic or musical work is made by someone other than the author of the work, copyright can arise in (a) the author’s literary, dramatic or musical work which has now been recorded, albeit not by him; and (b) the record made by the person recording the work, either as a literary, dramatic or musical work (provided that it is original) or as a sound recording (regardless of originality). **We consider that section 3(3) is clear enough and recommend no modification be made to the sub-section.**

⁷ *Walter v. Lane* [1900] AC 539. Affirmed in *Express International plc v. News (UK) plc* [1991] FSR 36, 43.

⁸ The question whether he has thereby created a literary copyright for the speech maker does not appear have been decided under the 1956 Act.

Record of spoken words

2.17 Concern that the literary copyright subsisting in the original words could be used to prevent the publication or broadcast of an interview or speech led to the insertion of section 58 in the 1988 Act. This declares that it is not an infringement of the literary copyright to use a record of the spoken words for the purposes of reporting current events or broadcasting, provided certain conditions are met, in particular that the making of the record was not prohibited by the speaker. This is in addition to the important exception to copyright infringement in section 30(2) which allows fair dealing with a copyright work for the purpose of reporting current events.

Artistic works

2.18 The description of artistic work in section 4 presents fewer problems:

“(1) In this Part 'artistic work' means -

- (a) a graphic work, photograph, sculpture or collage, irrespective of artistic quality,*
- (b) a work of architecture being a building or a model for a building, or*
- (c) a work of artistic craftsmanship.*

(2) In this Part -

'building' includes any fixed structure, and a part of a building or fixed structure; 'graphic work' includes -

- (a) any painting, drawing, diagram, map, chart or plan, and*
- (b) any engraving, etching, lithograph, woodcut or similar work;*

'photograph' means a recording of light or other radiation on any medium on which an image is produced or from which an image may by any means be produced, and which is not part of a film;

'sculpture' includes a cast or model made for purposes of sculpture.”

This is not greatly different from the 1956 Act, other than in the inclusion of “collage” (which is not defined) and the incorporation of all definitions in the same section. There is a new definition of photograph. The definition under

the 1956 Act is thought to be appropriate only to protect conventional photographs made with the use of light sensitive film⁹. The new definition is wider and appears to include holograms. There is also a slightly different definition of the word "building"¹⁰.

Sound recordings and films

2.19 Section 5 of the 1988 Act provides:

"(1) In this Part -

'sound recording' means -

- (a) a recording of sounds, from which the sounds may be reproduced, or*
- (b) a recording of the whole or any part of a literary, dramatic or musical work, from which sounds reproducing the work or part may be produced,*

regardless of the medium on which the recording is made or the method by which the sounds are reproduced or produced; and

'film' means a recording on any medium from which a moving image may by any means be produced.

(2) Copyright does not subsist in a sound recording or film which is, or to the extent that it is, a copy taken from a previous sound recording or film."

2.20 The definitions are no doubt intended to take account of all possible advances in sound or film recording technology. The sound track of a film is no longer linked to the film for copyright purposes.

Broadcasts, cable programmes and published editions

2.21 Broadcasts and cable programmes are dealt with in sections 6 and 7. They are considered in greater detail in Chapter 11. The subsistence of copyright in the published edition of a work is dealt with in section 8, which is little different from the existing protection in section 15 of the 1956 Act.

Possible modifications

⁹ See section 48(1) of the 1956 Act, 'photograph means any product of photograph or any process akin to photography, other than a part of a cinematograph film, ...'

¹⁰ "Building" is defined as "including any structure" under section 48(1) of the 1956 Act.

2.22 It has been suggested to us that the inclusion of the words "to that extent" in sections 5(2) (dealing with sound recordings and films), 6(6) (dealing with broadcasts), 7(6)(b) (dealing with cable programmes) and 8(2) (dealing with the typographical arrangement of the published edition) of the 1988 Act seems to allow copyright to subsist in a part or parts of the works concerned, rather than denying the works copyright protection altogether. This appears to reflect a rather different approach to that adopted under the 1956 Act and, by extension, to that prevailing in Hong Kong. Under the present approach here, two issues must be decided. Firstly, the court must determine whether the work is original and can therefore be entitled to copyright protection. In doing so, the court has to consider the work as a whole and cannot dissect the work to consider parts of it separately. Secondly, the court must decide whether or not the part copied is a substantial part of the whole, such as would amount to a breach of the copyright. As Lord Reid put it in *Ladbroke (Football) Ltd. v. William Hill (Football) Ltd.*¹¹,

"... the ... correct approach is first to determine whether the plaintiff's work as a whole is 'original' and protected by copyright, and then to inquire whether the part taken by the defendant is substantial. A wrong result can easily be reached if one begins by dissecting the plaintiff's work and asking, could section A be the subject of copyright if it stood by itself, could section B be protected if it stood by itself, and so on. To my mind, it does not follow that, because the fragments taken separately would not be copyright, therefore the whole cannot be."

2.23 The approach under the 1988 Act is somewhat different. The United Kingdom legislature in the provisions to which we referred in paragraph 2.22 seems to have adopted an approach which envisages dissection of the work when considering whether or not copyright subsists and whether or not it has been infringed. We have concluded that these provisions are designed to give partial protection to "derivative" works and we do not believe that they should be amended before adoption in Hong Kong.

Qualification for copyright protection

2.24 A work or subject matter only attracts copyright protection under the 1956 Act if the requirement as to "qualification" is satisfied. "Qualification" depends on the author's status (the author's citizenship, domicile or residence) or alternatively on the place of first publication of the work. Under section 32, copyright protection may be extended to the works or subject matter of the citizens, domiciled persons, residents or incorporated bodies of other countries and to works or subject matter first published in such countries. As required by the United Kingdom's multilateral and bilateral copyright treaties, the works of authors from many parts of the world are protected both in the United Kingdom and Hong Kong and vice versa.

¹¹ [1964] All ER 465.

Qualification by author's status

2.25 Copyright subsists in every original literary, dramatic, musical or artistic work where the author was a qualified person at the time the work was made, or, if the making extended over a period, was a qualified person for a substantial part of that period (sections 2(1) and 3(2) of the 1956 Act). Copyright also subsists where the author was a qualified person when the work was first published or, if the author had died before first publication, was a qualified person immediately before his death. A "qualified person" in the 1956 Act, in the case of an individual, means a person who is a British subject¹² or British protected person or a citizen of the Republic of Ireland or (not being a British subject or British protected person or a citizen of the Republic of Ireland) is domiciled or resident in the United Kingdom or in another country¹³ to which that provision extends. In the case of a body corporate, a "qualified person" means a body incorporated under the laws of any part of the United Kingdom or of another country to which that provision extends (section 1(5)).

Possible modifications

2.26 It has been observed that the concept of qualification would have to be tailored to suit whatever definitions as to "citizenship", "domicile" and "residence" in Hong Kong may develop up to and beyond 1997. We note that while the concepts of residence and domicile could be expected to cover most categories of person whom Hong Kong would wish to protect, a category corresponding to citizenship might have to be defined and included. **We do not think that it falls within the scope of the present exercise to attempt such a definition and would only remark at this stage that it would seem sensible to ensure that whatever definition of "citizenship" may be used should be consistent with that adopted in relation to other aspects of domestic law.**

Qualification by place of publication

2.27 In respect of literary, dramatic, musical and artistic works, copyright may also subsist (or, if copyright in the work subsisted immediately before its first publication, continue to subsist) if the first publication took place in the United Kingdom or in another country to which the relevant provisions extend (sections 2(2) and 3(3)).

¹² Upon the commencement of the British Nationality Act 1981, 1 January 1983, British subject becomes a much more limited category. Furthermore, the 1956 Act was amended in by Statutory Instrument 1982 No. 1832 to substitute "British Nationality Act 1981" for the 1948 Act in section 1(5). However, the qualification for Hong Kong Dependant Territories Citizens and British Nationals (Overseas) is preserved by section 51 of the Act.

¹³ "Country" includes any territory, section 48(1) of the 1956 Act.

Qualification of Part II subject matter

2.28 Sections 12 and 13 of the 1956 Act deal respectively with sound recordings and cinematograph films and are in similar terms, granting protection to the maker of a sound recording or cinematographic film if the maker was qualified at the time the recording was made or if first publication takes place in the United Kingdom or in another country to which the sections extend. A published edition is protected if the first publication takes place in the United Kingdom or in another country to which the section extends or if the publisher was a qualified person at the date of first publication (section 15).

2.29 Television and sound broadcasts are treated differently. The television or sound broadcasts of the British Broadcasting Corporation ("BBC") or the Independent Television Authority ("ITA") are protected if they are made from the United Kingdom or from any country to which section 14 of the 1956 Act extends. The Copyright (Hong Kong) Orders 1972 to 1990 extended the Copyright (Broadcasting Organisations) Order 1961 to Hong Kong and substituted references to Hong Kong's lawfully authorised broadcasters for references to the Corporation and Authority. The Schedule to the Copyright Ordinance (Cap 39) grants copyright, on the same terms as the Corporation and Authority enjoy in the United Kingdom, to specified local broadcasters. Section 11 of the Ordinance empowers the Governor, by notice in the Gazette, to amend the Schedule. Those currently included in the Schedule are Radio Television Hong Kong ("RTHK"), Hong Kong Commercial Broadcasting Company Ltd, Television Broadcasts Ltd ("TVB"), Asia Television Ltd ("ATV") Metro Broadcast Corporation Ltd and Hutchvision Hong Kong Ltd.

Publication and simultaneous publication

2.30 Section 49(2) and (3) of the 1956 Act describes what acts do or do not constitute publication. In particular, it is provided that the performance or the issue of record of a musical, literary or dramatic work is not publication, neither is exhibition of an artistic work nor the construction of a work of architecture. A publication which is merely colourable, and not intended to satisfy the reasonable requirements of the public, is to be disregarded. A literary, dramatic or musical work, or an edition of such a work, or an artistic work, shall be taken to have been published if, but only if, reproductions have been issued to the public. In the case of a sound recording, "publication" means issuing records embodying the recordings or any part thereof to the public (section 12(9)). A cinematography film is published by selling, hiring or offering copies of the film for sale or hire to the public (section 13(10)). The fact that a work has been published previously elsewhere does not of itself preclude subsequent publication in Hong Kong or any other country from being treated as the first publication if the two publications took place within 30 days of each other (section 49(2)(d)). This provision is of considerable importance as it allows overseas copyright material to obtain protection in Hong Kong by "simultaneous publication" (i.e. within 30 days). The

protection in Hong Kong may then be the basis of protection in many other jurisdictions.

Reciprocal obligations

2.31 The obligations to protect the works of the citizens, domiciled persons and residents of other countries in Hong Kong correspond to reciprocal obligations overseas. Power exists in section 35 of the 1956 Act for the United Kingdom to withdraw protection if a country does not give adequate protection to British or Hong Kong works. The system appears to work well in practice, encouraging foreign investment in Hong Kong and securing protection for Hong Kong's authors and copyright owners in many important markets. Consultation revealed widespread and strong support for Hong Kong continuing to enjoy the benefits of overseas protection afforded by the international copyright conventions.

2.32 We note that although copyright is subject to the international standards applied by conventions, the domestic copyright provisions vary from country to country. We take the view that in reforming and localising copyright law in Hong Kong it would be to Hong Kong's advantage to adopt as far as possible the provisions of the 1988 Act in the new Hong Kong copyright legislation. Not only will this ensure compliance with international norms, but also enable Hong Kong to take advantage of English case law in developing Hong Kong's jurisprudence on copyright. **We therefore conclude and recommend that so far as the provisions of the 1988 Act are applicable to the circumstances in Hong Kong they should be adopted, subject to such modification as may be necessary.**

The 1988 Act

2.33 On qualification, the 1988 Act is broadly similar to the 1956 Act and substantially re-enacts the existing law.

Our recommendations

2.34 Many respondents agree that the 1988 Act offers clearer definitions of the different kinds of work and expressly restates the requirements for fixation. It protects works representing the product of labour and skill if fixed in such a way that they can be reproduced. **We conclude that the relevant provisions of the 1988 Act on subsistence of copyright (especially sections 1 to 8, 58 and 175) should provide a better alternative to the equivalent provisions under the 1956 Act and recommend that these provisions be adopted in Hong Kong.**

Chapter 3

Ownership of copyright

Introduction

3.1 This chapter addresses the general questions of authorship and ownership of copyright. The questions of ownership of copyright in computer generated works, in broadcasts and cable programmes, and in works created by government employees or at Government's commission are all dealt with in later chapters.

The present law

Literary, dramatic, musical and artistic works

3.2 Under section 4 of the 1956 Act, the author¹ of a literary, dramatic, musical or artistic work is in general the owner of the copyright in it. However, there are three exceptions to this principle, each of which is subject, in any particular case, to an agreement excluding its operation. The exceptions are:

- (a) copyright in a work created by an author in the course of his employment by the proprietor of a newspaper, magazine or periodical under a contract of service or apprenticeship, is split: the proprietor is entitled to copyright so far as it relates to publication in his newspaper, magazine or periodical and the author retains copyright for all other purposes (section 4(2));
- (b) in the case of all other works created in the course of the author's employment under a contract of service or apprenticeship, the employer is entitled to the copyright (section 4(4)); and
- (c) where the taking of a photograph, the painting or drawing of a portrait, or the making of an engraving is commissioned, the commissioner is entitled to copyright provided he pays or agrees to pay for the work (section 4(3)).² Note that in relation to a photograph the author means the person who, at the time the

¹ This is Undefined in the 1956 Act, though it appears to be interpreted to mean the person creating the work.

² The right of Privacy of the commissioner is therefore indirectly secured.

photograph is taken, is the owner of the material on which it is taken (section 48(1)).

Sound recordings and cinematograph films

3.3 The maker of a sound recording is the owner of the copyright, except in the case of a commissioned sound recording, where the owner will be the commissioner in the absence of any contrary agreement (section 12(4)). Under the 1956 Act a sound recording is made "when the first record embodying the recording is produced" and the "maker" is deemed to be the person who owns that record at the time when the recording is made (section 12(8)). "Record" means "any disc, tape, perforated roll or other device in which sounds are embodied so as to be capable (with or without the aid of some other instrument) of being automatically reproduced therefrom" (section 48(1)).

3.4 The "maker" of a cinematography film is the owner of the copyright (section 13(4)), in this case defined as "the person by whom the arrangements necessary for the making of the film are undertaken" (section 13(10)). A cinematography film includes the sounds embodied in any sound track associated with the film (section 13(9)).

Published editions of works

3.5 The 1956 Act gives protection to the typographical arrangement of published editions of literary, dramatic and musical works provided that the arrangement is not a reproduction of the typographical arrangement of a previous edition. The publisher is entitled to the copyright (section 15(2)).

Joint authors

3.6 Under the 1956 Act, a "work of joint authorship" means a work produced by the collaboration of two or more joint authors in which the contribution of each is not separate from the contribution of the other author or authors (section 11(3)). The third schedule to the Act contains comprehensive provisions dealing with joint authorship. The 1956 Act makes no provision for "joint makers" of sound recordings or cinematography films. This does not appear to preclude joint ownership but merely to suggest that questions concerning such ownership would be determined on the basis of the general law, which in the majority of cases will be the law of contract.

International position

3.7 Article 1 of the Berne Convention states that "the countries to which this Convention applies constitute a Union for the protection of the rights of authors in their literary and artistic works". There is a similar

provision in the UCC. The 1956 Act embodies this fundamental principle that the author of a literary, dramatic, musical or artistic work should be the owner of the copyright, subject to the exceptions mentioned above.

The issues

Commissioned works

3.8 It is at least arguable that the present position regarding photographs, portraits and engravings should be extended so that for all commissioned works the person commissioning will own the copyright. The commissioner has ordered the work done and will pay for it. This would appear to accord with the beliefs of most people who know nothing about copyright law. They would assume that in commissioning a wedding photograph the commissioner owned the photographs (as he does through the exception in section 4(3)) and that similar principles would apply to any commissioned work. While this view has its attractions, the contrary view would be that the person commissioning the work can always protect his position by express agreement and that it is preferable to leave the copyright with the author of the work. Any change in the law giving copyright to the commissioner of work would remove the emphasis on the author's rights. This emphasis is in keeping with the spirit of Berne.

Employee works

3.9 Equally divergent views could be expected on the ownership of copyright in works created by employees in the course of their employment. Here, too, the situation is capable of resolution in the contract of employment. Whatever the present law, or possible future changes, the question of ownership will be resolved by the bargaining power of the parties. The present exception that favours journalists was included in the 1956 Act because it took account of an injustice that would otherwise exist if the journalist's employer were to be able to use the work for a purpose not directly connected with the employer's business. It could be argued, however, that similar injustices could arise in relation to other categories of employment (such as academics at universities or civil servants within government) and the exception made in respect of journalists should apply more widely.

Deficiencies in the existing law

3.10 There is a lack of consistency in the present provisions. From the point of view of getting what you pay for, it would be logical to favour commissioners and employers owning the first copyright. On the other hand, the general copyright principle that ownership follows creation would lead to the opposite result and would give first ownership of the copyright to the author of the work.

Options for reform

The Whitford recommendations

3.11 In the United Kingdom Whitford made recommendations amounting to a compromise. On the subject of commissioned works, the committee was divided in its views. The majority recommended that, subject to any agreement to the contrary, the copyright in all commissioned works should belong to the author (or his employer) subject to two important qualifications:

- (i) the person commissioning the work should have an exclusive licence for purposes which could reasonably be said to have been within the contemplation of the parties at the moment of commissioning, and
- (ii) the person commissioning the work should have the power to restrain any exploitation for other purposes against which he could reasonably take objection.

A minority of the Whitford Committee considered that where a work is commissioned and the only purpose of the commission is the creation of the copyright work then, subject to any agreement to the contrary, the copyright should vest in the commissioner, but the author should have the right to an award from the commissioner if the commissioner exploits the work in a way which could not reasonably have been contemplated at the time when the work was made.

3.12 In the case of a work produced by an employee in the course of his employment, Whitford recommended that copyright should vest in the employer, but, if the work is exploited (by the employer or someone else with his permission) in a way that was not within the contemplation of the employer and employee at the time of making the work, the employee should have a statutory right to an award from his employer which, if not agreed, should be settled by a Tribunal. This provision, which would be subject to any agreement to the contrary, would replace the journalist exception in section 4(2) of the 1956 Act, as well as the general employee exception in section 4(4).

3.13 These recommendations were not adopted in the 1988 Act. They were thought to introduce considerable uncertainty and difficulties were anticipated in determining what was within the contemplation of the parties when the work was made by an author who was employed or commissioned.

The 1988 Act

3.14 The United Kingdom Government, after further consultation, concluded that it was unnecessary and undesirable to amend the basic

ownership provision contained in section 4 of the 1956 Act (described at para 3.2 above) or the specific exceptions. Besides the need for clarity, an important consideration taken into account was the need to avoid disturbing numerous established arrangements. Significant changes were introduced in the 1988 Act nonetheless:

- (i) the photographer, painter, engraver and draftsman are brought into line with other authors and become the first owners of copyright in their work (section 11 (1)).
- (ii) there is a new provision (section 85) which grants a right to privacy for the commissioner of photographs or films to prevent their public dissemination;
- (iii) the journalists' exception is removed. They are brought into line with other employees in that work created in the course of employment is owned by the employer, subject to any agreement to the contrary (section 11(2));
- (iv) joint authorship now contemplates the joint contribution to any type of work where the contribution of each author is not "distinct" from that of the other author or authors (section 10(1)). Section 11(3) of the 1956 Act used the word "separate" rather than "distinct" in an otherwise identical provision;
- (v) authorship and ownership do not depend, under the 1988 Act, upon the ownership of the material upon which the new work is created. In the case of sound recordings and films the author, and thus the owner, is the person by whom the arrangements necessary for the making of the recording or film are undertaken (sections 9(2)(a) and 11 (1));
- (vi) the provisions concerning ownership of cable programmes are revised (section 9(2)(c));
- (vii) a new provision dealing with computer generated work is introduced (section 9(3));
- (viii) a small change is made regarding the anonymous author. The identity of an author is unknown if it is not possible for a person to ascertain his identity by reasonable enquiry; but if his identity is once known it is not to be subsequently regarded as unknown (section 9(5)).

3.15 In response to the problem of defining the author, the 1988 Act states that "author", in relation to a work, means the person who creates it (section 9(1)).

The results of consultation

3.16 The views of those who responded to our consultation paper were divided as to the best approach to commissioned and employee works, some favouring the 1956 Act's approach while others preferred the 1988 Act. It was pointed out by one commentator that any copyright legislation had to achieve a balance of interests between the copyright industry, users and authors.

Our recommendations

3.17 **We conclude that the authorship and ownership provisions should be as clear as possible and recommend the adoption of the relevant provisions of the 1988 Act subject to the following modifications.**

Commissioned works

3.18 Having carefully considered the options and the submissions, we conclude that neither the 1956 Act nor the 1988 Act strike a satisfactory balance between the interests of the commissioner and of the author. **We recommend that the Whitford majority recommendation should be adopted that, subject to any agreement to the contrary, the copyright in all commissioned works should belong to the author (or his employer) subject to two important qualifications:**

- (i) **the person commissioning the work should have an exclusive licence for all purposes which could reasonably be said to have been within the contemplation of the parties at the time of commissioning, and**
- (ii) **the person commissioning the work should have the power to restrain any exploitation for other purposes against which he could reasonably take objection.**

Employee works

3.19 In the case of works produced by an employee in the course of his employment, we note the divergent views expressed by those responding to our consultative document. **We conclude that the Whitford solution provides a fair balance between employer and employee and we recommend that copyright should vest in the employer, but, if the work is exploited (by the employer or someone else with his permission) in a way that was not within the contemplation of the employer and employee at the time of making the work, the employee should have a statutory right to an award from his employer which, if not agreed,**

should be settled by a Tribunal. This provision, which would be subject to any agreement to the contrary, would replace the journalist exception in section 4(2) of the 1956 Act, as well as the general employee exception in section 4(4).

Dispute settlement

3.20 In recommending the Whitford solutions to commissioned and employee works, we are aware that difficulties may arise in determining what is within the contemplation of the parties at the moment of commissioning or at the time when the employee work is made. On reflection, we do not think that this will cause significant problems. The new Copyright Tribunal (which we discuss in chapter 8) should, we believe, be able to deal with any disagreements that may arise.

Ownership of design right

3.21 In the case of first ownership of a design right (see Chapter 17) which is created in pursuance of a commission or in the course of employment, we conclude that different considerations apply for two reasons. Firstly, design right is a new property right outside the scope of international copyright conventions, and, secondly, it seems desirable that, in order to achieve consistency as far as possible, we recommend the 1988 Act's provisions on design right be adopted in their entirety. We therefore recommend the adoption of section 215 of the 1988 Act which vests first ownership of a design right in the commissioner if the work is a commissioned work, and in the employer if the work is created by the employee in the course of his employment.

Right of privacy

3.22 Section 85 of the 1988 Act gives a right to privacy in respect of photographs or films commissioned for private and domestic purposes. We have concluded that the right of privacy under section 85 of the 1988 Act should be modified and extended to apply to all works. In making this recommendation, we would add a note of caution that the full implications of such an extension are not readily apparent at this stage.

Chapter 4

Duration of copyright

Introduction

4.1 This chapter describes the present law on duration of copyright, the option for reform, the results of consultation and our conclusions and recommendations.

The present law

Part I works

4.2 The 1956 Act provides for several different terms of copyright. The usual term is the life of the author plus fifty years after the end of the year in which he dies¹ and is provided for:

- (i) published literary, dramatic or musical works (section 2(3));
- (ii) published artistic works, except for photographs, (section 3(4));
- (iii) unpublished artistic works, other than photographs or engravings, (section 3(4)).

4.3 If unpublished, the term of protection for literary, dramatic or musical works, photographs and engravings, continues indefinitely. If a literary, dramatic or musical work which was unpublished at the author's death is subsequently published, performed in public, offered for sale to the public in the form of records, or broadcast, protection ceases fifty years from the end of the calendar year in which that event took place (section 2(3)). Publication of an engraving after the author's death gives a fifty year protection from the end of the calendar year in which the publication took place (section 3(4)(a)). In the case of a photograph, protection ends 50 years from the end of the calendar year of publication (section 3(4)(b)).

Part II works

4.4 Copyright in a sound recording continues until the end of a fifty year period from the end of the calendar year in which the recording is first

¹ There are detailed provisions for the duration of copyright in anonymous and pseudonymous works, and works of joint authorship, in the 2nd and 3rd schedule to the 1956 Act respectively.

published (section 12(3)). Copyright in a cinematographic film subsists for a similar period after first publication (section 13(3)). Television or sound broadcasts enjoy copyright protection for fifty years from the end of the calendar year in which the broadcast was first made (section 14(2)) and cannot be extended by repeats. Copyright in a published edition continues for 25 years from the end of the calendar year in which it was first published (section 15(2)).

Crown copyright

4.5 Crown copyright in literary, musical or dramatic work is perpetual if the work is unpublished but, if published, subsists for 50 years from the end of the calendar year in which the work was published (section 39(3)). An artistic work, other than a photograph or an engraving, is given fifty years protection from the end of the calendar year in which it was made. A photograph or engraving is protected for fifty years following publication (section 39(4)). Crown copyright in sound recordings and cinematography films subsists for the same periods applicable to a normal copyright for these works (see section 39(5)).

Rationale for the lengthy term of protection

4.6 The reason given for the lengthy term of general copyright protection (the author's life plus 50 years) is that it allows the author to derive the benefit of his work throughout his life and pass it on to his spouse and heirs. The term was agreed as the normal minimum term at the Berlin Revision of Berne on 13 November 1908 and adopted in the United Kingdom Copyright Act 1911 ("the 1911 Act").

The law in practice

4.7 In practice, the present length of term for copyright protection does not appear to give rise to any great injustice, other than possibly in the field of industrial designs, which are at present protected as three dimensional reproductions of design drawings. Industrial design is dealt with in chapter 17. Whether such a lengthy protection is necessary for computer programs, which are treated as literary works, is doubtful.

4.8 The existing provisions on duration of copyright serve to stimulate original literary, dramatic and musical works. It does not appear to us that the public interest in the dissemination of copyright works is unduly hindered by the present term of copyright. It is in line with that adopted by other members of the Berne Copyright Union and is sometimes referred to as the "international durational norm"

4.9 Where problems may be encountered is in determining whether or not a work is still protected. It may never have been published, or it may be difficult to identify the author, or to determine the date of his death.

4.10 The reason for the difference in the terms of protection for Part I and Part II works is historical. The latter were seen as derivative works. Furthermore, as sound recordings and cinematographic films are often produced by corporations rather than an identifiable individual, the shorter term of protection emerged out of a need to avoid perpetual rights. There is certainly little rationale in the differences. No one could seriously argue that it takes greater creative effort to produce a book than to produce a film. Nonetheless, the distinction between the length of copyright protection for different work has been a feature of the law of Hong Kong since the 1911 Act.

The international position

The Berne Convention

4.11 Article 7 of the Berne Convention establishes the minimum period for copyright protection as the author's life plus 50 years. There are exceptions. The Convention allows Union countries to adopt for cinematographic works one of two minimum periods: either 50 years after the author's death, or 50 years after the work has been made available to the public, or, if this does not happen, 50 years after its making. The duration for protection of photographic works is left to member countries but insofar as they are protected as artistic works the minimum period is 25 years. The Convention does not extend to sound recordings or to broadcasts.

The UCC

4.12 Article IV of the UCC requires a minimum period for copyright protection of the author's life plus 25 years. Photographs and works of applied art must receive not less than 10 years protection.

Options for reform

The Whitford recommendation

4.13 Whitford was strongly opposed to perpetual copyright in any form². The Whitford Committee appear to have accepted the submission that the period of copyright protection should be fixed irrespective of publication and that it was wrong that material of possible interest or importance should be protected in perpetuity.

² Paragraphs 638 to 642.

The 1988 Act

4.14 The 1988 Act removed the distinction between Part I and Part II Works. Copyright in a literary, dramatic, musical or artistic work expires at the end of the period of 50 years from the calendar year in which the author dies (section 12(1)).

4.15 The copyright in anonymous and pseudonymous works continues under the 1956 Act for 50 years after the end of the year in which they are first published. The Berne Convention specifies (Article 7(3)) a term for such works of 50 years after they have been lawfully made available to the public, subject to the proviso that protection will no longer apply when it is reasonable to presume that the author has been dead for 50 years. Section 12(2) of the 1988 Act brings the law into line with this requirement. Works of unknown authorship not made available to the public continue to have an indefinite term of protection subject to the exception in section 57 which provides that copyright will not be infringed if it is reasonable to assume that the author has been dead for 50 years.

4.16 The Berne Convention requires (Article 7(2)) a term of copyright for films of 50 years from the time they are first made available to the public with the consent of their makers, provided this occurs within 50 years of their making. If not, protection will cease 50 years from the making of the film. Under the 1956 Act publication is the starting point. Section 13 of the 1988 Act adopts the Berne formula for films and sound recordings and provides:

- "(1) Copyright in a sound recording or film expires -*
- (a) at the end of the period of 50 years from the end of the calendar year in which it is made, or*
 - (b) if it is released before the end of that period, 50 years from the end of the calendar year in which it is released.*
- (2) A sound recording or film is 'released' when -*
- (a) it is first published, broadcast or included in a cable programme service, or*
 - (b) in the case of a film or film sound-track, the film is first shown in public;*

but in determining whether a work has been released no account shall be taken of any unauthorised act."

4.17 In an attempt to avoid perpetual copyright, which was thought undesirable, significant changes were made in the periods for which copyright subsists. These changes avoid (save for published editions) reference to publication in defining the term of copyright. This was to avoid difficulties

caused by the technical meaning given to the word which rendered it uncertain as to whether a work was published or unpublished.

4.18 Computer generated works, that is works generated in a computer in circumstances such that there is no human author of the work, attract 50 years protection from the end of the year in which the work was made (section 12(3)) (This is dealt with in chapter 13).

4.19 Crown copyright (see Chapter 14), which had been perpetual as long as the work was unpublished, is now to be 125 years from the making of the work. A work published commercially before the end of the period of 75 years from the year in which it was made, enjoys copyright for another 50 years (section 163).

The issues

4.20 The principal issues which we have had to consider are whether the length of the existing periods of copyright protection should be changed and whether different types of work should continue to attract different periods of protection. It was pointed out to us on consultation that the underlying principle for protecting a work after the author's death is to protect his descendants for two generations after his death. Reflecting today's higher life expectancy, some jurisdictions (including France and Germany) have adopted a period of copyright protection of 70 years rather than 50 years after the author's death.

Our Recommendations

Duration

4.21 We note that the existing periods of protection have been a feature of Hong Kong's law for many years and are in line with the minimum international legal requirements. While increasing the duration of protection does not cause difficulties as far as the international Conventions are concerned (since they only lay down minimum requirements) we have concluded that there should not be any major changes in the duration of copyright protection which would be out of step with international practice. **We recommend that the duration of copyright protection in Hong Kong should be compatible with the international minimum legal standards and we believe this can be achieved by following generally the provisions of the 1988 Act.**

Unitary approach

4.22 We have concluded that there are no great differences in the nature of literary, dramatic, musical or artistic works (formerly Part I works)

which require different duration of protection. We have also concluded that there should not be any extension in the periods of protection for sound recordings, films, broadcasts, satellite broadcasts, cable programmes and published editions (formerly Part II works). **We recommend that the durations of protection for each type of work as provided under the 1988 Act should be adopted.**

No reference to publication

4.23 In order to avoid difficulties caused by the technical meaning given to the word "publication" which rendered it uncertain as to whether a work was published or unpublished, we have concluded that save for published editions no reference to publication should be made in defining the duration of copyright. **We recommend that the changes made in the 1988 Act be followed.**

No perpetual copyright

4.24 Whitford observed that copyright is not a protection for confidences. Private letters can be made public by recipients or the beneficiary of the copyright. We share Whitford's lack of sympathy for those who would make a profit out of the exploitation of private correspondence and conclude that there should not be any perpetual copyright. **We recommend the adoption of the provisions of the 1988 Act which remove indefinite protection from unpublished literary, dramatic, and musical works, and photographs and engravings.**

Duration of crown copyright

4.25 We examine in more detail the question of Crown copyright in chapter 14 and at this stage are concerned only with the question of its duration. We feel that a maximum length of protection of 125 years for unpublished works generated by employees in the service of the Crown does not seem excessive in the context of the normal rule of the author's life plus 50 years. Furthermore, to lessen the period of protection of Crown copyright works may contravene Berne, and may create problems regarding joint authorship between a Crown author and a non-Crown author. **We recommend that the 1988 Act provisions on duration of Crown copyright should be adopted without modification.**

Chapter 5

Performing rights

Introduction

5.1 This chapter examines the present law in relation to the exclusive right of copyright owners to control public performance of their works, subject to certain specific exceptions. This right is loosely described as the "performing right". This chapter reviews options for reform against the background of international obligations.

The international legal framework

Berne Convention

5.2 The protection of "literary and artistic works" within Berne includes dramatico-musical works and musical compositions with or without words (Article 2(1)). Apart from having the exclusive right to authorise reproductions in whatever form (Article 9(1)), the authors of dramatic, dramatico-musical and musical works also enjoy the exclusive right to authorise public performance or any communication to the public of their works (Article 11). The convention does not give protection to makers of sound or visual recordings, which are treated as reproductions of the works embodied in them (Article 9(3)).

The impact of Berne and the UCC

5.3 Berne and the UCC ensure rights for authors (including composers and artists) and film makers. They give no specific protection to performers, makers of sound recordings or broadcasting organisations. Their rights are governed internationally by the Rome Convention.

The Rome Convention

5.4 The Rome Convention was the first international agreement that recognised the private rights in sound recordings of the producers of the recording. Like the copyright conventions, the Rome Convention provides that performers, producers of phonograms and broadcasters shall enjoy "national treatment". Certain specific rights are laid down:

- (i) Performers (which means "actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, or otherwise perform literary or artistic works" under Article 3(a) of the Convention) have the "possibility of preventing" (as distinct from authorising or prohibiting) the fixation, broadcasting (and wire dissemination) or reproduction, without their consent, of their "live" performances of works (Article 7).
- (ii) Producers of phonograms enjoy the right to authorise or prohibit "reproduction", which is the making of a copy or copies of a fixation (Articles 3 and 10).
- (iii) Broadcasting organisations are given the right to authorise or prohibit the re-broadcasting, fixation or reproduction of their broadcasts, and (subject to the possibility of a reservation) the "communication to the public" of their television broadcasts "in places accessible to the public against payment of an entrance fee" (Article 13).

5.5 The Rome Convention, which was ratified by the United Kingdom and came into force on 18 May 1964, has not, to date, been declared to apply to Hong Kong. Hong Kong's present law, the 1956 Act, offers protection to the makers of sound recordings and to authorised broadcasters. Broadcasting is examined in chapter 11 of this report.

The Phonograms Convention

5.6 The Phonograms Convention extends the protection given to phonograms (unlike the Rome Convention) not only to the making of illicit duplicates (ie those made without the consent of the producer), but also to their importation and distribution, provided the making or importation is for the purpose of distribution to the public (ie for commercial purposes) (Article 2).

5.7 The Phonograms Convention was ratified by the United Kingdom and has been declared to apply to Hong Kong.

Performing rights in Hong Kong

Public performance

5.8 Public performance is a way in which works are disseminated to the public in non-material form. A musical work can be performed in public, in the absence of performers, by means of a sound recording and a dramatic work can be presented by means of a cinematography film. Literary works can be publicly performed when they are recited or read out in public. Techniques of broadcasting sounds and images, together with the aid of satellite and cable systems, make it possible for performances to be seen and heard in every part of the world. The right of the copyright owner to control

the public performance of his work extends to its dissemination by broadcasting and cable diffusion.

Infringement by public performance

5.9 Public performance is one form of direct infringement and is dealt with in several sections of the 1956 Act. Thus, in respect of literary, dramatic and musical works it is an infringement to perform the work, or an adaptation thereof, in public (section 2); to cause a sound recording to be heard in public (section 12); to cause a cinematography film to be seen or heard in public (section 13); or in the case of a television broadcast, to cause it to be seen or heard in public, if it is seen or heard by a paying audience in circumstances set out in the Act (section 14).

5.10 It is also an infringement for someone other than the copyright owner to authorise any of the acts referred to in paragraph 5.9 (section 1). Authorisation is not defined in the 1956 Act and has been the subject of a number of reported cases¹. Section 48(6) of the 1956 Act provides that, where a work is performed, or visual images or sounds are caused to be seen or heard, by means of apparatus provided by or with the consent of the occupier of the premises where the apparatus is situated, the occupier shall be taken to be the person giving the performance, or causing the images or sounds to be seen or heard, whether he is the person operating the apparatus or not.

5.11 The expression "in public" is not defined in the 1956 Act. It is a question of fact for the court in each case whether a performance was or was not "in public". As a result, a considerable body of case law has been built up over the years: in brief, the courts have interpreted the term "performance in public" as a term in contradistinction to a performance which takes place within a domestic or quasi-domestic circle.

The licensing arrangements in Hong Kong

5.12 Blanket licences can be obtained from the Composers and Authors Society of Hong Kong ("CASH") and the International Federation of the Phonographic Industry ("IFPI") through its licensing arm, Phonographic Performance (S.E. Asia) Ltd ("PPSEAL"), in return for payment of royalties for performing in public their controlled works. Unless a performance is clearly excepted from being an infringement it may be necessary for a licence to be obtained to avoid possible infringement.

The 1988 Act

5.13 The 1988 Act introduced relatively few changes to the law regarding performing rights. The main features of the Act are:

¹ See, for example, *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] 2 WLR 1191

- (i) section 19 neatly brings together the infringing acts: performance of literary, dramatic or musical works, and the playing or showing in public of sound recordings, films, broadcasts or cable programmes. The section is broadly similar to the provisions in the 1956 Act;
- (ii) section 26 provides a new approach in relation to suppliers of apparatus and occupiers of premises where infringing performances take place. In broad terms, the supplier of the apparatus or a copy of a sound recording or film, or the occupier of the premises where the infringement takes place, will be liable if he knew or had reason to believe that the apparatus or copy was likely to be used in an infringement. In addition, where the normal use of the apparatus involves a public performance, playing or showing, the supplier infringes if "he did not believe on reasonable grounds that [the apparatus] would not be so used as to infringe copyright".

Results of consultation

5.14 There was a division of view between those who argued that the supplier of apparatus should be liable for any resulting copyright infringement and those who felt that the existing law provided adequate protection to copyright owners. Those who favoured an extension of the law along the lines adopted in the United Kingdom took the view that, where copyright is infringed by public performance, there are at least two infringers: (1) the person causing the copyright work to be seen or heard and (2) the person authorising the performance. They believed that the supplier of apparatus should be deemed to be the person authorising the performance.

5.15 The contrary view was that the present section 48(6) of the 1956 Act was adequate to protect the interests of copyright owners and that liability should not be extended. It was further argued that it would simply not be practical to attach liability to suppliers of equipment. The supplier is unlikely to have any control over how that equipment is ultimately used or whether the necessary licence has been obtained from the copyright owners to permit the works to be heard in public. The present law places liability on the occupier of the premises where the performance takes place as the person who has direct control over conduct within those premises.

Our recommendations

5.16 We have considered whether anything could be gained by defining the public element which would determine whether infringement had taken place. In the end we rejected this option in order to maintain the existing precedents and to allow the law to be developed by the courts.

Adoption of section 26 of the 1988 Act

5.17 We note that section 26 of the 1988 Act imposes liability for infringement by public performance not only on the occupier of the premises where the infringement takes place but also on the supplier of the apparatus or the copy of the film or sound recording. The possibility that the adoption of provisions such as these in Hong Kong might lead to liability for infringement falling on innocent parties initially caused us some concern. **However, we are satisfied on reflection that the necessity for real or constructive knowledge of the infringement is a sufficient safeguard. We accordingly recommend that the whole section 26 should be adopted without modification.** We would add that we believe that it is desirable that widespread publicity should be given to these provisions if they are adopted, explaining to the public the dangers inherent in supplying apparatus.

Chapter 6

Copyright exceptions

Introduction

6.1 This chapter is concerned with the various copyright exceptions which allow copyright material to be used in certain circumstances without the necessity of obtaining the express permission of the copyright owner. The chapter examines the concept of "fair dealing" and the copyright exceptions which apply to copying or public performance for educational purposes, copying by librarians and copying for public administration purposes.

(A) Fair dealing and reprography

6.2 The most significant exception to copyright is the concept of fair dealing. This exception operates in the face of developments in reprography, a term used to describe all mechanical or electronic means of reproducing printed matter, including photocopying.

6.3 This subject is controversial because it is concerned with the use to which modern copying devices can be put by industrialists, professionals, educationalists, students and members of the public. Photocopiers are used in almost every office and may soon be a common feature in the home. Quite apart from the commercial piracy of books, a problem largely contained by the work of the Customs and Excise Department, publishers and authors complain that they suffer grave loss through uncontrolled and unlawful copying. If permitted to continue, they claim, it may make some forms of publishing uneconomic. We acknowledge the problem but note also the necessity for access to swift and efficient copying. A fair balance has to be struck, taking into account existing international obligations under the copyright conventions.

International conventions

The Berne Convention

6.4 Article 9(1) of Berne provides that authors of literary and artistic works shall have the exclusive right to authorise the reproduction of their protected works in any manner or form. Article 9(2) however allows countries to permit reproduction of works in certain special cases, provided that the reproduction does not conflict with normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

6.5 The official report of the Stockholm Conference (1967) provides an explanation of what is meant by the exception in Article 9(2):

"If it is considered that reproduction conflicts with the normal exploitation of a work, reproduction is not permitted at all. If it is considered that reproduction does not conflict with the normal exploitation of the work, the next step would be to consider whether it [unreasonably prejudices] the legitimate interests of the author. Only if such is not the case would it be possible, in certain special cases, to introduce a compulsory licence, or to provide for use without payment. A practical example might be photocopying for various purposes.

If it consists of producing a very large number of copies it may not be permitted, as it conflicts with the normal exploitation of the work. If it implies a rather large number of copies for use in industrial undertakings, it may not unreasonably prejudice the legitimate interests of the author provided that, according to national legislation, an equitable remuneration is paid. If a small number of copies is made photocopying may be permitted without payment particularly for individual or scientific use."

6.6 Instances of uses covered by Article 9(2), subject to conditions, may be interpreted to include judicial and administrative use, private use, individual copying for research and scientific purposes, and possibly the making of insubstantial copies of works for internal use in industrial and commercial enterprises.

6.7 Quotation and copying from works, provided they are compatible with fair practice, are dealt with specifically in Articles 10(1) and (2) which provide as follows:

"10 (1) It shall be permissible to make quotations from a work which has already been lawfully made available to the public, provided that their making is compatible with fair practice, and their extent does not exceed that justified by the purpose, including quotations from newspaper articles and periodicals in the form of press summaries.

(2) It shall be a matter for legislation in the countries of the Union, and for special agreements existing or to be concluded between them, to permit the utilisation, to the extent justified by the purpose, of literary or artistic works by way of illustration in publications, broadcasts or sound or visual recordings for teaching, provided such utilisation is compatible with fair practice."

UCC

6.8 The UCC provides in Article IV bis 1 that the protection of the author's economic interests should include the exclusive right to authorise reproduction by any means. Paragraph 2 of that Article, however, allows states to make exceptions which do not conflict with the "spirit and provisions" of the Convention and offer "a reasonable degree of effective protection".

Rome Convention

6.9 The Rome Convention governing the fixation of performances, sound recordings and broadcasts permits exceptions for private use, short excerpts for reporting of events, use in teaching and scientific research. Compulsory licences are provided for to the extent to which they are compatible with the Rome Convention, (Article 15). Broadcasters are not given the right to control the wire diffusion of their programmes.

Hong Kong's present law

6.10 Section 6 of the 1956 Act lists the general exceptions from protection of literary, dramatic or musical works. Fair dealing does not constitute an infringement of copyright in the work if:

- (i) it is for the purposes of research or private study (section 6(1));
- (ii) it is for the purposes of criticism or review, whether of that work or of another work, and is accompanied by a sufficient acknowledgement¹ (section 6(2));
- (iii) it is for the purpose of reporting current events
 - (a) in a newspaper, magazine or similar periodical, or
 - (b) by means of broadcasting or cinematography film, provided in case (a) it is accompanied by a sufficient acknowledgement (section 6(3)).

6.11 Section 6 also contains exceptions permitting public recitation of a "reasonable extract" of a published literary or dramatic work, if accompanied by a sufficient acknowledgement (section 6(5)). The same section includes an exception permitting the inclusion of a short passage from a published literary or dramatic work in a collection intended for use in schools provided certain requirements are met. Those include requirements that the work was not published for the use of schools, that the collection consists mainly of non

¹ "Sufficient acknowledgement" in the Act means an acknowledgement identifying the work by its title or other description, and unless the author agrees otherwise, also identifying the author (section 6(10)).

copyright material, and that there is sufficient acknowledgement¹ (section 6(6)).

6.12 Section 7 of the 1956 Act and the regulations made thereunder contain detailed provisions for the supply of copies by librarians in prescribed non-profit-making libraries². The provisions in subsections (1) to (3) are limited to the needs of bona fide researchers who require the copies for research or private study (i.e. they correspond to the exceptions in section 6(1)). To summarise section 7, as it applies to the making of copies of printed works, it permits:

- (i) the supply of one copy of an article in a periodical to a bona fide researcher on payment of the cost of the copy (section 7(1));
- (ii) the supply of a copy of part of a published literary, dramatic or musical work, limited in the regulations to a reasonable proportion of the work³. This exception does not apply if the librarian knows, or could by reasonable inquiry ascertain, the name and address of the person entitled to authorise the making of the copy (section 7(3));
- (iii) a librarian in a prescribed library to supply another librarian of a prescribed library with a copy of, or part of, a published literary, dramatic or musical work. The regulations permit such supply, on payment, where the library seeking supply has lost a copy already supplied, or where the copy already supplied has been destroyed or damaged. This section may not be relied upon where the librarian knows or could reasonably ascertain the identity of the person entitled to authorise the making of the copy (section 7(5));
- (iv) unpublished literary, musical or dramatic work kept by a library, museum or other institution where it is open to public inspection to be copied for the purposes of research or private study, or with a view to publication, if the author has been dead for fifty years, and more than one hundred years have elapsed since the work was made (section 7(6)).

6.13 There are general exceptions dealing with artistic works in section 9 of the 1956 Act permitting, inter alia, fair dealing for research or private study (section 9(1)) or for the purpose of criticism or review, provided it is accompanied by sufficient acknowledgement (section 9(2)). The exceptions in section 9 are relatively uncontroversial and deal, for example,

¹ "Sufficient acknowledge" in the Act means an acknowledgment identifying the work by its title or other description, and unless the author agrees otherwise, also identifying the author (section 6(10)).

² See section 7(1) of the 1956 Act and the Copyright (Libraries) Regulations.

³ See section 7(4) and the limits on a reasonable portion in Reg 6(2) of the Copyright (Libraries) Regulations.

with an exception to allow the incidental inclusion of an artistic work in a film or broadcast (section 9(5)).

6.14 Section 41 details limited exceptions for the use of copyright material for the purposes of education, though this is limited to schools within the meaning of the Education Ordinance (Cap 279)⁴:

- (i) copyright in literary, dramatic, musical or artistic works is not infringed if they are reproduced by a teacher or pupil in the course of instruction, otherwise than by use of a duplicating process, or where they are reproduced as part of questions or answers in an examination (section 41(1));
- (ii) performance of a literary, dramatic or musical work in class, or otherwise in the presence of an audience limited to teachers and pupils, or others directly connected with the activities of a school, is not a public performance (and hence does not infringe) if it is performed in the course of the activities of activities of the school by teachers or pupils (section 41(3));
- (iii) section 41(3) applies to the playing of sound recordings, cinematography films and television broadcasts in the same manner as it applies to the performance of literary, dramatic, musical or artistic works (section 41(5)).

6.15 In the 1956 Act there is no "fair dealing" in derivative works (i.e. sound recordings, cinematography films or broadcasts) though they are subject to various exceptions that permit public performance rather than copying. Furthermore, the copyright in the typographic arrangement of the published edition is only subject to the library exceptions in the Copyright (Library) Regulations (section 15).

The operation of the law

6.16 The principle of fair dealing allows conduct which would otherwise be an infringement. To constitute an infringement, there must be a "substantial" taking of part of the work. It is not possible to say with precision what a "substantial" taking amounts to, substantial being determined by quality rather than quantity.

6.17 There is no hard-and-fast rule as to the quantity of a work that can be copied under the fair dealing exceptions. Some guidance was provided by the Society of Authors and Publishers in the United Kingdom in 1965. They agreed that they would not normally regard it as "unfair" if, for

⁴ Section 41(7) of the 1956 Act. In section 3 of Cap 279 "school" means "an institution, organisation or establishment which provides for 20 or more persons during any one day, whether or not at the same time, any nursery, kindergarten, primary, secondary or post secondary education or any other educational course by any means, including correspondence delivered by hand or through the postal services"

the purposes of research or private study, a single copy was made of a copyright work not exceeding 4,000 words or a series of extracts, each not exceeding 3,000 words, was taken to a total of 8,000 words, provided in no case the total amount copied exceeds 10 per cent of the whole work. Poems, essays and other short literary works are to be regarded as whole works in themselves⁵. This statement has apparently been misunderstood as setting limits and having the effect of law, both in the United Kingdom and in Hong Kong, rather than indicating the level below which authors and publishers would rather not be troubled with requests for permission to copy. This concession was in any event withdrawn in March 1984⁶. Publishers in the United Kingdom, having regard to the damaging effects of photocopying, advocate blanket licences which are available through the Copyright Licensing Agency Limited ("CLA").

6.18 In practice the exceptions in the 1956 Act are very limited. As fair dealing in the published edition is limited to library exceptions, most copying would fall outside the fair dealing exception even if done for the purpose of non-commercial research or private study. Section 7(3), which allows the copying of a part of a book by a librarian, does not apply when reasonable enquiries by the librarian could ascertain the person entitled to authorise the making of a copy. Since this will usually be the person named in the copyright notice in the book, the exception in section 7(3) is of little practical use⁷.

6.19 Section 41(1)(a) permits copying by a teacher in the course of instruction other than by a duplicating process. Without this exception teachers might infringe copyright when writing on a blackboard! It is obvious that the exceptions permitted to schools are narrow. Photocopying in schools is often outside the law and so is the practice of recording television programmes of educational value for subsequent viewing by pupils.

6.20 Although it is unlawful for schools to make recordings of television or sound broadcasts for use in education, in practice they may be given permission by broadcasting companies subject to certain conditions, such as that copies are erased within a specified period. There is a problem where the programme is originated by a third party or a programme contains copyright material not in the ownership of the broadcaster. Authorisation is required and this is not easily obtained where the third party is overseas. The introduction of cable television and satellite television would increase the amount of material available which would be of interest to educationalists. It is desirable that the law be clarified and that it be made simpler for teachers to make private recordings of wireless and cable broadcast programmes.

⁵ See Copyright (Libraries) Regulations, R6(2).

⁶ See 'Photocopying and the law', published in 1970, which reproduced the announcement made in 1965 jointly by the Society of Authors and the Publishers Association about the amount of photocopying which authors and publishers would not normally regard as unfair. This announcement did not apply to the copying of entire articles in periodicals, to which the special exceptions in section 7 apply.

⁷ See also section 7(5) and Copyright (Libraries) Regulations, regulation 8.

6.21 In Hong Kong, educational television ("ETV") is produced jointly by the Education Department and Radio Television Hong Kong ("RTHK"). ETV provides a loan service for the video tapes and schools are allowed to retain copies for repeat viewing.

6.22 Educational video cassettes are becoming increasingly available in Hong Kong (e.g. through BBC Enterprises, which market BBC video tapes). Such recordings cater for both general and specific syllabi. Copyright owners generally seek to prevent illegitimate copies being made, or works being used other than for the purpose for which they are intended. Distance learning institutions or educational establishments using commercially purchased material will be bound by the terms of a licence.

The 1988 Act

Fair dealing in the published edition

6.23 The 1988 Act makes it clear in section 29 that fair dealing in literary, dramatic musical or artistic works for research or private study does not infringe copyright in the work, nor does it infringe copyright in the typographical arrangement. The same section appears to permit copying to be done by a person representing the researcher or student only if that third party has no 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.

Fair dealing in other derivative works

6.24 Section 30 of the 1988 Act, which, inter alia, removes the photograph from the exception for reporting current events, reads as follows:

"(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, does not infringe any copyright in the work provided that it is accompanied by a sufficient acknowledgement.

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

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

Incidental inclusion of artistic works

6.25 Section 31 deals with the incidental inclusion of copyright material in other works. This appears to be an improvement on the existing

limited provision governing the incidental inclusion of artistic work in films or television broadcasts. Section 31 reads as follows:

“(1) Copyright in a work is not infringed by its incidental inclusion in an artistic work, sound recording, film, broadcast or cable programme.

(2) Nor is the copyright infringed by the issue to the public of copies, or the playing, showing, broadcasting or inclusion in a cable programme service, of anything whose making was, by virtue of subsection (1), not an infringement of the copyright.

(3) A musical work, words spoken or sung with music, or so much of a sound recording, broadcast or cable programme as includes a musical work or such words, shall not be regarded as incidentally included in another work if it is deliberately included.”

Results of consultation

6.26 A number of key issues were raised by those who commented on our consultative document. Firstly, there was debate as to whether or not there should be a statutory definition of fair dealing. Opinion was divided on this question.

6.27 Secondly, there was divergence of views as to the permissible extent of fair dealing. Users favoured generous exceptions while publishers and authors argued that the fair dealing exception was to their economic detriment. Related to this was the question of whether a distinction should be drawn between commercial and non-commercial research. Some argued that such a distinction was unworkable as it would be difficult to distinguish satisfactorily between one category and the other. Others argued that the research exception was never intended to benefit commercial concerns who should be required to pay the full costs of the research they carry out.

6.28 Thirdly, there was much comment on the possibility of extending the fair dealing exception to the published edition. Many of those who commented pointed out that the existing law effectively precluded any kind of photocopying and argued that the law should be relaxed to remove this anomaly. Photocopying of reasonable quantities of material was an essential part of the educational process in the tertiary institutions. Publishers, however, preferred to retain the fair dealing exception in its present form but to impose a small royalty for every photocopy made. There were some who favoured extending the present fair dealing exception to all copyright works, either for research or private study or for the purposes of criticism, review or news reporting.

Our recommendations on fair dealing

6.29 The sub-committee was divided in its views on some aspects of this matter. They were unanimous in agreeing, however, that the 1988 Act represents a considerable improvement on the present law in Hong Kong and favoured the adoption of many of the changes introduced by that Act. **We agree with that conclusion.** We shall now consider a number of specific issues which were raised during the consultation process.

(a) Definition

6.30 We agree with the approach adopted by the 1988 Act in not specifically defining or limiting fair dealing by definition and conclude that no formula could be sufficiently comprehensive to deal with all circumstances for which it would be needed. Furthermore, by leaving matters as they are, existing precedent will be preserved. **Accordingly, we recommend that there should not be a statutory definition of fair dealing.**

(b) Private and commercial research

6.31 The 1986 White Paper proposed to remove commercial research from the exception for fair dealing. Ultimately that proposal did not pass into the law: it is not difficult to see why. Research with a commercial motive or consequence is not easily distinguished from non-commercial research. It would be difficult to define commerce. **We do not favour the adoption of complex distinctions and do not therefore recommend that a distinction be drawn between commercial and non-commercial research for purposes of the fair dealing exception.**

(c) The published edition

6.32 Opinion was divided in the sub-committee as to whether or not fair dealing should be extended to the published edition. The majority of the sub-committee believed that the present law is unrealistic in attempting to restrict those who wish to take advantage of the fair dealing exception to copying extracts from a copyright work by hand in order to avoid infringing the copyright in the published edition. The majority took the view that fair dealing should extend to the published edition and that a reprographic licensing scheme should apply to copying which goes beyond what could be said to be fair dealing. To continue the present restrictions and to allow copyright owners to make a charge for even the most insignificant copying would in effect negate the existing application of the fair dealing exception to the contents of the work copied. The minority of the sub-committee maintained that fair dealing should not be extended to the published edition. They argued that photocopying even a single page of a work should infringe the copyright in the published edition, though not the underlying work. The minority thought that only by so doing could the publishers exploit their rights since it is difficult to know whether the user has exceeded the limit of fair dealing and has committed a copyright infringement. We are unanimous in agreeing with the view of the majority of the sub-committee on this issue. The present legal position is, in our view, unrealistic. As matters stand, while a person is at liberty to copy in manuscript an extract from a printed work

under the fair dealing exception, he cannot copy the same extract by photocopying lest he infringe the copyright in the publisher's edition. We do not believe that this is a desirable consequence. It is in any case an area of the law that is widely flouted and virtually impossible to enforce. We believe that the law should allow copying of a reasonable proportion of a printed work. Such an amendment will reduce the danger of an unenforceable law bringing the legal process into disrepute and will recognise an everyday reality. **We therefore recommend that the fair dealing exception should be extended to the published edition.**

(d) *Research and private study*

6.33 **We further recommend that the fair dealing exception for the purpose of research or private study should be extended to all copyright work. We do not see why the old Part II derivative works should be excluded, since fair dealing does not permit multiple copying.**

(e) *Criticism, review or news reporting*

6.34 **Similarly we also recommend the removal of the limits on fair dealing for the purposes of criticism, review or news reporting, so that the exception applies to all copyright works.**

(f) *Direct records of spoken words*

6.35 Section 3 of the 1988 Act makes it clear that the speaker's literary copyright comes into existence when the speech is recorded, in writing or otherwise, whether or not the work is recorded with the permission of the author. This poses a serious problem to journalists who conduct interviews. The speaker may wish to restrain an unfortunate or embarrassing remark. Section 58 of the 1988 Act attempts to remove this difficulty by creating an exception to the effect that there is no infringement where a direct record of spoken words is used for the purposes of reporting current events or broadcasting. This exception is subject to conditions, the most important of which is that neither the making of the recording nor its subsequent use are forbidden by the speaker in advance.

6.36 We think that great care must be taken to ensure in any reforming legislation that freedom of speech and freedom of the press are fully maintained by clear exceptions. **We take the view that section 58 strikes a fair balance and recommend that the section be adopted in Hong Kong.**

(B) Educational exceptions

The 1988 Act

6.37 Section 32, which excepts things done for the purposes of instruction or examination, maintains the prohibition on copying by

reprographic means. It extends the exception to the making of copies of sound recordings, films, broadcasts or cable programmes for the purpose of instruction in the making of films or sound-tracks (the "film school" exception). Copies used for any other purpose become infringing copies. Section 32 also extends the material upon which examination may be based to include all copyright material.

6.38 Section 33 permits the inclusion of short excerpts of copyright material in anthologies for educational use. It is simply a restatement in a different form of section 6(6) of the 1956 Act, though it has been extended to include anthologies for use in any educational establishment and is no longer limited to use in schools.

6.39 Section 34 deals with the performance of literary, dramatic or musical works at an educational establishment. It reads:

“(1) The performance of a literary, dramatic or musical work before an audience consisting of teachers and pupils at an educational establishment and other persons directly connected with the activities of the establishment

(a) by a teacher or pupil in the course of the activities of the establishment, or

(b) at the establishment by any person for the purposes of instruction,

is not a public performance for the purposes of infringement of copyright.

(2) The playing or showing of a sound recording, film, broadcast or cable programme before such an audience at an educational establishment for the purposes of instruction is not a playing or showing of the work in public for the purposes of infringement of copyright.

(3) A person is not for this purpose directly connected with the activities of the educational establishment simply because he is the parent of a pupil at the establishment.”

6.40 Section 35 of the 1988 Act is an entirely new provision. It reads as follows:

“(1) A recording of a broadcast or cable programme, or a copy of such a recording, may be made by or on behalf of an educational establishment for the educational purposes of that establishment without thereby infringing the copyright in the broadcast or cable programme, or in any work included in it.

(2) This section does not apply if or to the extent, that there is licensing scheme certified for the purposes of this section under section 143 providing for the grant of licences.

(3) Where a copy which would otherwise be an infringing copy is made in accordance with this section but is subsequently dealt with, it shall be treated as an infringing copy for the purposes of that dealing, and if that dealing infringes copyright for all subsequent purposes.

For this purpose 'dealt with' means sold or let for hire or offered or exposed for sale or hire."

6.41 In the United Kingdom prior to the 1988 Act there were certain designated educational programmes which schools and colleges were permitted to record, subject to certain conditions. Licensing schemes had also been set up to allow Open University and Channel 4 programmes to be recorded. This nonetheless left a large number of programmes of potential educational value which teachers were precluded from recording for classroom use. It was difficult to obtain the necessary authorisation from the copyright owners involved. Section 35 was designed to overcome that problem, while allowing copyright owners to take steps to commercialise the use of their work. Copyright licensing is explained in Chapter 8, but the certification under section 143 referred to in section 35(2) is a process whereby a scheme put up by copyright owners to the Secretary of State is certified provided it enables the works to which it relates to be identified and sets out clearly the charges payable.

6.42 Section 36 is also new. It is important to note that section 36 is an educational exception that permits multiple copying by reprographic means, albeit of small portions of copyright works. Section 36 reads as follows:

"(1) Reprographic copies of passages from published literary, dramatic or musical works may, to the extent permitted by this section, be made by or on behalf of an educational establishment for the purposes of instruction without infringing any copyright in the work, or in the typographical arrangement.

(2) Not more than one per cent of any work may be copied by or on behalf of an establishment by virtue of this section in any quarter, that is, in any period 1st January to 31st March, 1st April to 30th June, 1st July to 30th September or 1st October to 31st December.

(3) Copying is not authorised by this section if, or to the extent that, licences are available authorising the copying in question and the person making the copies knew or ought to have been aware of that fact "

Results of consultation

6.43 Few authors wanted to stop their work being used in education. Both publishers and authors are concerned, however, to limit abuses, particularly by multiple copying. They did not think it desirable to modify the existing section 41(1)(a) of the 1956 Act which permits copying by a teacher in the course of instruction other than by a duplicating process.

6.44 Educationalists suggested that section 41(1)(a) should be modified so that:

- (1) the number of copies duplicated should not exceed the number of pupils in the class for one-off instructional purposes;
- (2) the use of overhead projector transparencies of any printed material should be accepted as an extension of the traditional blackboard;
- (3) multiple copying by a duplicating process for educational use during the course of instruction should be allowed at 5% of the work per occasion plus special allowance in respect of small works;
- (4) the making of multiple copies for the setting of examination questions should be permitted; and
- (5) the making of two copies of audio and video materials should be permitted for use inside educational establishments.

6.45 While many favoured the adoption of the provisions of the 1988 Act, there were a number of suggestions made for amendment to the United Kingdom provisions. One comment was that the exception in section 34 of the 1988 Act for performances by educational establishments was not wide enough to cover school plays performed in the presence of parents (see section 34(3)).

6.46 A criticism voiced of section 35 of the 1988 Act was that there was no requirement that acknowledgements need be recorded. Allowing a copy of the recording to be made would effectively allow acknowledgements to be edited out with commercials. It was also suggested that the words "may be made by or on behalf of an educational establishment" in section 35(1) would permit the setting up of professional copying agents who would offer the services of recording and copying broadcast and cable programmes for educational establishments for a service charge. As the copies are neither sold nor let for hire the restriction in section 35(3) would not apply.

6.47 There was some debate among those who commented on the limitation on copying imposed by section 36(2) of the 1988 Act, with some favouring an increase from 1 % to 5 %.

Our recommendations on educational exceptions

6.48 We think that the 1988 Act's provisions relating to educational exceptions are an improvement on those under the 1956 Act and we agree in general with the balance achieved between the interests of the copyright owners and those of the users. **We therefore recommend the adoption of the educational exceptions in sections 32 to 36 of the 1988 Act, subject to the following modifications and remarks.**

(a) Definition of "educational establishment"

6.49 We have noted the suggested option that profit-making educational establishments should be excluded from the definition of "educational establishments" so that they cannot benefit from the permitted acts for educational purposes under these sections. We think that this is a sensible approach. **We therefore recommend that "educational establishments" should be defined and only those educational establishments run as non-profit-making bodies should be included in the statutory definition.**

(b) Performance at an educational establishment

6.50 Under section 34(3) of the 1988 Act, the performance of a literary, dramatic or musical work before an audience consisting of parents of pupils at an educational establishment is a public performance and infringes copyright. We feel that the exception under section 34(3) is too narrow and harsh since parents of pupils are excluded. **We recommend that section 34(3) should be extended to include parents or guardians of a pupil as persons directly connected with the activities of the educational establishment.**

(c) Acknowledgement

6.51 It has been suggested that if recording of material is to be allowed by educational establishments then proper acknowledgement should be given to those responsible for producing the work. **We recommend, therefore, that there should be a requirement that any acknowledgements of authorship or other creative input contained in the work recorded is incorporated in the recording made by the educational establishment.**

6.52 We are sympathetic to the worries of the industry that professional copy agents may develop as a result of the introduction of the section. **We therefore recommend that a proviso should be added to section 35(1) to the effect that recording should not be done on behalf of the educational establishment by any person for gain. This would be intended to prevent any possibility of abuse.**

(d) *Limit on reprography*

6.53 We have discussed at great length whether the quantitative limit of 1% under section 36 should be increased. We were concerned as to the possible effect this might have on the commercial viability of educational publications. **We think that it is preferable not to depart from the United Kingdom model but appreciate that the figure may have to be reviewed in future to suit the local circumstances.**

(C) Library copying

The 1988 Act

6.54 Sections 37 to 44 of the 1988 Act, which relate to libraries and archives represent a development of Hong Kong's existing laws.

6.55 Broadly speaking, the new library provisions correspond closely to those of the 1956 Act, envisaging the use of detailed regulations for prescribed libraries (see section 37(1) of the 1988 Act). The regulations envisaged place the librarian in a much clearer position regarding requests made to him to supply copies. He may rely on the signed declaration of the person making the request, unless he is aware that it is false in a material particular (section 37(2)(a)). The regulations may also prescribe that he shall not make or supply a copy without such a declaration (section 37(2)(b)).

6.56 The two most important exceptions that permit the copying of articles from periodicals and parts of books by librarians for private research or study are retained in sections 38 and 39 respectively. The most significant change is in section 39 which allows the copying "from a published edition... of part of a literary, dramatic or musical work". It is available even though the librarian may be aware of the identity of the person authorised to make the copy. The extent of the copying, which is permitted under section 39 is not defined but it may well be that the standards applied to the fair dealing exception under section 29 would be adopted.

6.57 Section 40 empowers the making of regulations to restrict production of multiple copies; to ensure that librarians are not faced with multiple applications for the same material; and to prevent related applications designed to allow the applicant to exceed the exceptions in section 38 and 39.

6.58 Section 41 of the 1988 Act, which permits copying by librarians to supply copies to other libraries, is effectively a restatement of the previous section 7(5).

6.59 Section 42 is new. It applies to prescribed libraries and archives. The librarian or archivist may copy a literary, dramatic or musical work in the permanent collection of the library or archives to preserve or replace an existing copy or replace a damaged or destroyed copy. The section

envisages prescribed conditions in regulations which permit such copying where it is not reasonably practical to purchase a copy of the item in question.

6.60 Section 43 replaces the existing section 7(6) of the 1956 Act relating to the publication of unpublished material. It gives much wider access to the material since it no longer imposes a time requirement, but is more restrictive in the use for which the copy may be made. Section 43 reads as follows:

"(1) The librarian or archivist of a prescribed library archivist may, if the prescribed conditions are complied with, make and supply a copy of the whole or part of a literary, dramatic or musical work from a document in the library or archives without infringing any copyright in the work or any illustrations accompanying it,

(2) This section does not apply if -

- (a) the work had been published before the document was deposited in the library or archives, or*
- (b) the copyright owner has prohibited copying of the work,*

and at the time the copy is made the librarian or archivist making it is, or ought to be, aware of that fact.

(3) The prescribed conditions shall include the following -

- (a) that copies are supplied only to persons satisfying the librarian or archivist that they require them for purposes of research or private study and will not use them for any other purpose;*
- (b) that no person is furnished with more than one copy of the same material; and*
- (c) that persons to whom copies are supplied are required to pay for them a sum not less than the cost (including a contribution to the general expenses of the library or archive) attributable to their production. "*

Results of consultation

6.61 There was considerable criticism of the existing law in Hong Kong, particularly from librarians. Although there is freedom to copy unpublished material under the "fair dealing" exception in section 6, librarians do not have this freedom under section 7 and this can lead to difficulties,

particularly in the case of archives. Almost all those librarians consulted considered that librarians and other persons designated as maintaining archives should be permitted to make (for research or private study purposes) copies of works deposited with them, provided that the work was unpublished at the time of deposit and the copyright owner has not expressly prohibited reproduction.

6.62 It was suggested that one of the prescribed conditions under section 38(2)(b) which puts the onus on librarians to ensure that copies are not supplied to different patrons for the same purpose places librarians in a difficult position.

6.63 There was some suggestion that the "reasonable proportion of any work" that may be copied under section 39(2)(b) should be replaced by a fixed percentage so that the librarians can supply copies with more confidence. There was also a proposal made that librarians should be able to copy single periodical articles for library users and for other libraries' patrons under inter-library loan arrangements with a minimum of formality. Provision for such copying on the lines of the 1988 Act was thought to be desirable.

Our recommendations on library copy

6.64 A substantial majority of the sub-committee were in favour of adopting the library exceptions contained in the 1988 Act. The minority maintained that reprographic licensing was the most appropriate solution to the problems faced by the librarian. We agree with the opinion of the majority of the sub-committee on this. We note the librarians' concern that under section 38 librarians will have to ensure that no person will be furnished with more than one copy of the same article. We feel, however, that nobody will be in a better position than the librarians to ensure that the section is not abused. **We therefore recommend the adoption in Hong Kong of provisions similar to those in sections 37 to 43 of the 1988 Act. We believe that these provisions best serve the public interest.**

(D) Copying of articles of cultural or historical importance prior to export

6.65 Section 44 of the 1988 Act relates to the copying of articles of cultural or historical importance prior to export. It provides:

"If an article of cultural or historical importance or interest cannot lawfully be exported from the United Kingdom unless a copy of it is made and deposited in an appropriate library or archives, it is not an infringement of copyright to make that copy."

Section 44 reflects restrictions which exist on the export of articles of cultural or historical importance from the United Kingdom. There are no similar restrictions in Hong Kong.

6.66 Those consulted generally believed that a new exception should be provided to permit a copy of an article of historical importance or interest to be made and deposited in an appropriate library or archives if the article is likely to be lost through sale or export. **We therefore recommend the adoption of section 44, with modification to take account of the fact that Hong Kong has no restrictions on exports similar to those in the United Kingdom.**

(E) – Public performance

Exceptions for institutions

6.67 Section 12(7) of the 1956 Act provides that a public performance of a sound recording is not an infringement of the copyright in the recording (as distinct from the copyright in the work recorded) where a record is played:

- “(a) at any premises where persons reside or sleep, as part of the amenities provided exclusively or mainly for residents or inmates therein, or*
- (b) as part of the activities of, or for the benefit of, a club, society or other organisation which is not established or conducted for profit and whose main objects are charitable or are otherwise concerned with the advancement of religion, education or social welfare.”*

Under a proviso to this subsection the exception does not apply in case (a) above if a special charge is made for admission to the part of the premises where the recording is to be heard or, in case (b) above, if a charge is made for admission to the place where the recording is to be heard, and any of the proceeds of the charge are applied other than for the purposes of the organisation.

6.68 The 1988 Act removes the exception benefiting hotels, etc, in section 12(7)(a) of the 1956 Act, while the exception in section 12(7)(b) is retained in section 67 of the 1988 Act in a slightly different form.

Exceptions in connection with broadcasts

6.69 In the case of a television broadcast, it is a restricted act to cause the broadcast to be seen or heard in public, if it is seen or heard by a paying audience (section 14(4)(c)). There are detailed provisions governing what is and what is not to be regarded as a paying audience. In so far as the sound and television broadcasts of authorised broadcasters consist of sound recordings or cinematography films, exceptions in section 40(1) and (2) prevent the showing or playing of such broadcasts to the public from being an infringement of any copyright in the sound recordings or films.

6.70 These exceptions do not extend to the underlying material in the sound recording or broadcast. To avoid liability for copyright infringement of the underlying work by public performance, it may be necessary to seek permission in the form of a licence from the copyright owner or his representative.

6.71 The exception for television broadcasts for non paying audiences has been extended under section 72 of the 1988 Act to sound broadcasts and cable programmes. The same section excepts from infringement of copyright the showing or playing in public of any sound recording or film included in the broadcast or cable programme.

Results of consultation

6.72 Opinion on the exception in section 12(7)(a) of the 1956 Act was divided between those who favoured its retention, on the ground that the provision of music within guest rooms was a basic amenity for which a guest would not expect to be charged, and those favoured its abolition as they saw no reason why a commercial enterprise such as a hotel should not be required to pay a licence fee for the use of copyright material like any other business.

Our recommendations on public performance

6.73 We have considered whether anything would be gained by defining the public element which would determine whether infringement had taken place. This option was rejected in order to maintain the existing precedents and to allow the law to be developed by the courts.

6.74 We note that only about half of the states parties to the copyright Conventions grant the copyright owner exclusive rights to the public performance of sound recordings, and countries which do not recognise exclusive rights to the public performance of sound recordings include Singapore and the United States. However, the current laws of Hong Kong, the United Kingdom, Australia, New Zealand and France among many other countries recognise exclusive rights of public performance in sound recordings.

(a) Public performance of sound recordings

6.75 It is difficult to know whether or not hotel guests expect the playing of sound recordings in hotel rooms and public areas as one of the services they should receive. Even if it is so regarded, we see no good reason why commercial concerns using copyright works in this way should not pay for that use. We feel that any commercial enterprise running for profit should pay a proper licence fee for the public performance of sound recordings. **We therefore recommend that the existing exception in section 12(7)(a), which allows the public performance of sound**

recordings (but not the underlying works in the sound recordings) should be removed.

6.76 We can see no logical distinction between the use of sound recordings in hotels and other public places. The copyright work is being commercially employed and the copyright owner should be recompensed for that use. In the light of our recommendation in the preceding paragraph to remove the exception allowed by section 12(7)(a), it follows that we do not favour any extension of the exception. **We feel that the suggested extension of the exceptions would seriously affect the interest of the copyright owner and we recommend that no new exceptions be created.**

(b) Public showing of broadcast or cable programme

6.77 We take the view that the showing or playing in public of a broadcast or cable programme to an audience who have not paid for admission to the place where the broadcast or programme is to be seen or heard should be a copyright exception. Unlike the position with sound recordings, royalties will already have been paid by the broadcaster or cable operator. They will wish to maximise their audience and we think it right that the showing or playing in public of a broadcast or cable programme to an audience who have not paid for admission should be a copyright exception. This exception would allow the provision of incidental amenities to residents of a place or members of a club and would also enhance the freedom of information. **We therefore recommend that a provision to the same effect as section 72 of the 1988 Act should be adopted.**

(F) Exceptions necessary for public administration

6.78 The 1956 Act provides for a number of exceptions to allow what would otherwise be infringing activity. Several of these exceptions allow the Crown to publish copyright material belonging to another person, or to permit access to works in which Crown copyright subsists. The most significant of these exceptions allow: -

- (i) fair dealing in literary, dramatic or musical works for the purposes of research, private study, criticism, review or reporting current events (section 6) and corresponding special exceptions as respects libraries and archives (section 7).
- (ii) reproduction of literary, dramatic or musical works for the purposes of judicial proceedings, or a report of judicial proceedings (section 6(4)).
- (iii) the making or supplying to any person of any reproduction of the record where copyright subsists in public records (section 42).

6.79 The 1988 Act contains several important exceptions to copyright which appear on the face of it to be necessary for the proper administration of government and justice.

- (i) Copyright is not infringed by anything done for the purposes of Parliamentary or judicial proceedings, or reporting such proceedings, but this shall not be construed as authorising the copying of a published report of the proceedings (section 45).
- (ii) Similarly, copyright is not infringed by anything done for the purposes of a Royal Commission or a statutory inquiry, or for reporting on any such proceedings held in public, but this shall not be construed as authorising the copying of a published report of the proceedings (section 46).
- (iii) Material open to public inspection pursuant to a statutory requirement or on a statutory register (eg a planning application) may be copied if the various conditions under section 47 are met. The provision is designed to enable persons to consult documents such as planning applications and to make copies of the information they contain. The detailed circumstances under which copies may be taken or how they may be used are designed to assist the inquirer with bona fide motives and not to facilitate issue of copies to the public. The Secretary of State may order copies so made available to be marked in such manner as he may specify.
- (iv) Section 48 applies where "literary, dramatic, musical or artistic work has in the course of public business been communicated to the Crown for any purpose, by or with the licence of the copyright owner and a document or other material thing recording or embodying the work is owned by or in the custody or control of the Crown". It may be copied or issued to the public for the purpose for which it was communicated to the Crown, or for any related purpose which could reasonably have been anticipated by the copyright owner. This right is not applicable to work which has previously been published, or where there is an agreement to the contrary with the copyright owner.
- (v) Material contained in public records within the meaning of the various Public Records Acts which are open to public inspection may be copied and a copy may be supplied to any person without infringement of copyright (section 49).
- (vi) Where the doing of a particular act is specifically authorised by an Act of Parliament whenever passed then, unless the Act provides otherwise, the doing of the act does not infringe copyright (section 50).

6.80 The 1988 Act makes more generous provision for fair dealing in all copyright material, including Crown copyright. Sections 45 and 46 are extensions of the existing rights in section 6(4) of the 1956 Act. Section 47 is new and removes many difficulties associated with the filing or inspection of documents required for statutory purposes where the person filling the document wishes to protect the document from being issued to the general public while permitting copying for limited purposes. Section 48 has no corresponding forbears. In the past Government departments appear to have relied upon implied permission to copy, and, in cases of doubt, to have sought express permission. Section 49 corresponds to section 42 in the 1956 Act but is stated in clearer terms.

Results of consultation

6.81 There was widespread acceptance of the need for exceptions to copyright in the interests of good administration. Equally, it was felt to be important that Government copyright should only be used to protect the Government's economic interest in the works and should not be extended to allow censorship of the media. The possible use of copyright to restrict freedom of speech was not considered to be a real threat, however, bearing in mind section 58 of the 1988 Act which allows the reporting of current events without infringement.

Our recommendations on exceptions necessary for public administration

6.82 We consider the exceptions in the 1988 Act to assist public administration to be a considerable improvement. **We take the view that there is a need to have statutory provisions such as sections 47 and 48 of the 1988 Act in order to facilitate public administration. We think that these provisions adequately balance the interests of copyright owners and users. We accordingly recommend that sections 47 and 48 of the 1988 Act be adopted.**

Chapter 7

Moral rights

Introduction

7.1 This chapter is concerned with the rights which an author may have to prevent any distortion or modification of his work. These “moral” rights are quite distinct from any rights the author has to benefit financially from his work. Berne referred to these moral rights and the 1988 Act introduced the concept to the statutory framework in the United Kingdom¹.

Moral rights

7.2 Berne distinguishes between an author's economic right and his moral rights. The former enable him to earn money while the latter protect his reputation. Article 6 bis specifies the requirement for moral rights:

"(1) Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honour or reputation.

(2) The rights granted to the author in accordance with the preceding paragraph shall, after his death, be maintained, at least until the expiry of the economic rights, and shall be exercisable by the persons or institutions authorised by the legislation of the country where protection is claimed. However, those countries whose legislation, at the moment of their ratification of or accession to this Act, does not provide for the protection after the death of the author of all the rights set out in the preceding paragraph may provide that some of these rights may, after his death, cease to be maintained.

(3) The means of redress for safeguarding the rights granted by this Article shall be governed by the legislation of the country where protection is claimed. "

¹ See the 1986 White Paper at the Preface to Part II, paragraph 12. The United Kingdom has since ratified the Convention.

7.3 The right to claim authorship is usually described as the "right of paternity", and the right to object to any distortion is often referred to as the "right to integrity". It is difficult to state with certainty the extent of the obligations under Article 6 bis. Most European countries implement their convention obligations with a simple provision more or less reproducing the language of Article 6 bis.

7.4 In Hong Kong, moral rights are at present protected by the 1956 Act, which contains remedies in section 43 regarding false attribution of authorship, and to some extent by the law of contract, passing off and defamation. One of the changes introduced by the Paris Act of Berne was to extend the duration of moral rights beyond the lifetime of the author to the same period as economic rights (i.e. the life of the author plus 50 years). In these circumstances it is clear that the existing laws are not sufficient, in particular because defamation is only available during the author's lifetime². To remove any doubts concerning the provision for moral rights in the domestic law the United Kingdom makes express provision for their protection in Chapter IV of the 1988 Act³.

7.5 It should be noted that a recent authoritative review in Australia, whose laws are very similar to the United Kingdom's, concluded that compliance with the Paris Act did not require express provision for moral rights⁴. Ultimately the interpretation of international treaty is a matter for Government, and we do not propose to venture an opinion.

7.6 Moral rights present problems to the user of a copyright work. What steps must he take to identify the author when the work is published, performed or broadcast? How are matters of honour and integrity to be determined? Publishers, broadcasters, film producers and distributors fear that their investment in new copyright material will be even more uncertain. On the other hand, authors may feel passionately about their work, seeing moral rights as inalienable rights that should not be the subject of commercial bargaining⁵.

The 1988 Act

The right to be identified as the author or director

7.7 The author of a copyright literary, dramatic, musical or artistic work, and the director of a copyright film has the right to be identified as the author or director (section 77), but this right is not infringed unless the author or director has asserted it in accordance with section 78. The right arises

² See Whitford, paragraph 53.

³ See the 1986 White Paper at paragraph 19.2.

⁴ The Australian Copyright Law Review Committee's Report on Moral Rights, published in January 1988.

⁵ This is not expressly stated in Article 6 bis, but that Article makes it clear that an assignment of the economic rights does not carry with it the author's moral rights.

whenever the work is made available publicly in the circumstances set out in section 77.

7.8 It is important to appreciate the width of the right of paternity in section 77. Almost every public communication of a work of literature, music, film or work of art gives rise to a right of the author to be identified in relation to the work. A work of architecture in the form of a building requires identification visible to persons entering or approaching the building.

7.9 Section 78 describes in detail how the author or director is to establish this right by assertion. The effect of section 78 is to require a positive assertion in writing, either at the time of assignment of copyright, in which case it binds the successor in title, or subsequently, in which case it is binding only on notice. This provision is highly controversial because it is a right requiring formality.

7.10 There are many exceptions to the right to claim identification as author or director. They are set out in section 79. Computer programs and computer generated work are excepted. The most important exception is for the employee creator, where the copyright vests in the employer. The employee has no right to be identified as author. A film director is treated in a similar fashion if he is an employee. No rights apply in relation to any work made for the reporting of current events, nor do rights attach to publication in a newspaper, magazine or similar periodical, nor encyclopaedias and other collective works of reference. Again the exceptions are the subject of controversy. It could be argued that the exceptions contemplate the bulk of copyright material.

The right to object to derogatory treatment of a work

7.11 Section 80 gives the author of a copyright literary, dramatic, musical or artistic work, and the director of a copyright film, the right not to have his work subjected to "derogatory treatment". That is treatment which "amounts to distortion or mutilation of the work or is otherwise prejudicial to the honour or reputation of the author or director".

7.12 The right arises in the detailed circumstances described in section 80, which broadly correspond to the circumstances in which an author may exercise his right to be identified as author or director. There are also provisions for claiming this right against secondary infringers who might possess or deal in derogatory material (section 83).

7.13 Section 81 sets out exceptions to this right to integrity. They include computer programs and computer generated work; any work made for the purpose of reporting current events; works included in newspapers, magazines and other similar periodicals; and encyclopaedias and other collective works of reference. Importantly, the right is not infringed by any act done to avoid committing an offence or to comply with a statutory duty, though a sufficient disclaimer must be made. The BBC does not, for

instance, infringe the right by removing from a programme matter which "offends against good taste or decency or which is likely to encourage or incite to crime or to lead to disorder or to be offensive to public feeling". Where an author or director is an employee he has no rights regarding anything done with the authority of the copyright owner unless he has been identified before or at the time of the alleged derogatory treatment (section 82). If he has been identified, liability may be avoided by a sufficient disclaimer. There is a similar exception for works which are the subject of Crown copyright.

7.14 Section 84 of the Act is an extended version of the remedy which exists in section 43 of the 1956 Act: the right of the author of a literary, dramatic, musical or artistic work not to have a work falsely attributed to him. The film director is now given the same right. Unlike the moral rights of paternity or integrity this right subsists for only twenty years after the person's death.

7.15 The two moral rights in sections 77 and 80, and the right to prevent false attribution in section 84, may be lost through consent or waiver (section 87). Normally, waiver will be required to be in writing signed by the right holder, but Chapter IV does not exclude the operation of the general law of contract or estoppel to allow informal waiver.

7.16 Moral rights are of the same duration as the author's rights in copyright (section 86). Moral rights are not assignable (section 94), but they may be transmitted on the death of the author or director, and may be bequeathed separately from the copyright (section 95). An infringement of a right conferred by Chapter IV (moral rights) is actionable as a breach of statutory duty owed to the person entitled to the right (section 103)). Furthermore, in proceedings by the author for infringement of his right not to have his work subjected to derogatory treatment the court may, if it thinks that the remedy is adequate in the circumstances, grant an injunction prohibiting any act unless a disclaimer is made, in such terms and in such manner as may be approved of by the court, dissociating the author or director from the treatment of the work.

7.17 The United Kingdom's approach represents a compromise. We noted that the Bill as introduced into the House of Lords had far fewer exceptions to the right to be identified with one's work or to object to unjustified modification⁶. Whether the pursuit of workable legislation goes too far in watering down express moral rights protection has to be considered.

7.18 Moral rights could make a considerable impact. The views of the general public are important in determining the extent of the provision that needs to be made for rights of paternity and integrity. Would the public support or sympathise with a film director who wished to prevent the broadcast of a film that had been cut to fill a time slot? Is it practical to allow the author of a musical copyright to prevent it being used to advertise tobacco?

⁶ See HL Bill 12, clauses 71 and 73.

Should a sculptor have any say in deciding how a work he has sold is to be exhibited? If an architect object to any decoration or alteration to a building he has designed how could a court find a just accommodation of his rights with the building's occupier?

Results of consultation

7.19 Consultation pointed to overall support for the introduction of express provision for moral rights. There was opposition, some of it quite strong, to the introduction of specific protection for a right of paternity and a right to integrity. Even the most enthusiastic supporters of moral rights legislation recognised that such changes introduced difficulties. Many respondents accepted that a reasonable degree of modification must be allowed when ownership of copyright passed from the author to the next copyright owner. On the question whether an author should ever be able to waive his moral rights, opinion was divided. This aspect is vital to the entertainment industry. Producers favoured permitting waiver by contractual agreement while artists and authors stressed the inalienable quality of moral rights. It was feared that the stronger bargaining power of producers would be brought to bear to exclude moral rights protection.

Our recommendations

7.20 We are sympathetic to the needs of authors and artists for greater protection. If Hong Kong were to adopt specific provision for moral rights it would require a detailed code, rather than a simple statement corresponding to Article 6 bis. We think in general that the United Kingdom's approach to moral rights should be the appropriate model for Hong Kong.

7.21 It has been suggested to us that moral rights should not be recognised. We think that would be a retrograde step, firstly because Hong Kong would not be able to apply the higher standards of international copyright protection, and secondly because certain indirect moral rights protection, such as the statutory remedy on false attribution of work and common law passing off and defamatory actions, would not be applicable in the circumstances. We therefore rejected this option.

7.22 We note that in civil law countries moral rights are protected by enacting a general provision corresponding to Article 6 bis of the Berne Convention. We feel that such an approach will not be suitable for common law jurisdictions like Hong Kong and that the United Kingdom approach in the 1988 Act should be the preferred option.

7.23 We are well aware that authors or employee-authors would like to have maximum moral rights protection, including the right to be identified as the author or director without the need for a written assertion in writing. Authors are against the waiver of moral rights while employee authors believe they should be entitled to the moral right of integrity and consider that a

"sufficient disclaimer" would not be good enough. We do not think that moral rights protection would lead to uncertainty as to what would amount to permissible exploitation of a work. **We believe that the provisions of the 1988 Act have struck a fair balance among the various competing interests and we recommend that these provisions be adopted in Hong Kong.**

7.24 It was suggested to us that the right of paternity in section 79(6) should be modified to bring it into line with the protection given to the right of integrity in section 81(4). We think it right that the right of integrity does not apply to any subsequent exploitation elsewhere of a work without modification of the published version. It would be unreasonable in our view to place a person in breach of the author's rights because he has made use of a newspaper article which, unknown to him, derogated from the author's original text. We think it sensible, however, that the right of paternity should not have such a limitation, thus giving authors more paternity right protection. We therefore do not recommend any amendment to sections 79(6) or 81(4) of the 1988 Act.

Chapter 8

Collective administration of rights and dispute settlement

Introduction

8.1 The object of this chapter is to describe the operation of, and the copyright law concerning, collecting societies, collective licensing schemes, and dispute settlement mechanisms at both the international and municipal levels. The chapter also examines the deficiencies of the municipal law, the views of consultees, the law reform options and the conclusions and recommendations of the Commission.

(A) Collective administration of rights

8.2 "Collective administration of rights" refers to the administration of the rights of copyright owners by collecting societies. It is effected by the joint exploitation of works. The rationale for collective administration of rights is to be found in economies of scale: it is too difficult for an individual copyright owner to enforce his rights against all potential users or for users to obtain the required permission from copyright holders and this is far more efficiently and effectively achieved by a collecting society which acts for him with respect to authorisation of use and the collection of royalties. The collecting societies issue licences to prospective licensees, enforce the rights of their members by legal action and distribute the royalties collected back to the copyright owners after deducting the necessary costs of administration. The many practical problems of collective administration can usually be overcome with the use of appropriate sampling and accounting methods and the application of computer technology, though this is inevitably costly if it is to operate on an equitable basis.

Advantages

8.3 The system has great advantages. From the point of view of copyright owners no individual copyright owner can, in practice, secure total protection for his work, or deal with the very large number of persons and bodies desirous of exploiting such works. From the point of view of copyright users, they can obtain licences from a single or a small number of collecting societies, rather than having to obtain individual licences from a large number of owners of copyright which would be the case where no collective licensing system existed. The delay and inconvenience, and the risk of copyright

infringement where a licence had not been obtained from the person entitled to grant one, would greatly add to the difficulty and expense of using copyright material on any substantial scale.

Disadvantages

8.4 The existence of such collecting societies has, however, given rise to complaints of monopoly (because they control virtually all the works in their particular field) and anti-competitive conduct where users are denied access to particular works or unreasonably high royalties are imposed. What may be to the ultimate financial benefit of copyright owners may therefore have injurious effects on the general public. It is felt that some measure of public control over the activities of such collecting societies (such as regulation of the administration of collecting societies, providing a right of appeal by interested parties to arbitration or to some other forum, etc) is necessary in the public interest.

The international legal framework

8.5 As a matter of customary international law, a convention concerned with the protection of private rights does not interfere with the power of a sovereign state to regulate matters in the public interest within its own territory. Thus, the imposition by contracting states to Berne of statutory controls over copyright collecting societies would not be inconsistent with that state's obligations under any international copyright conventions.

The Berne Convention

8.6 The Berne Convention has been extended to apply to Hong Kong. With regard to the question of potential abuse of their monopolistic positions by copyright collecting societies in the field of public performance, the United Kingdom Government made an (interpretative) declaration in relation to Article 11 (Right of public performance in dramatic and musical works) that the United Kingdom should "remain free to promulgate any legislation that it thinks necessary in the public interest to prevent or remedy any abuse of the exclusive rights belonging to a copyright owner by virtue of the laws of the United Kingdom." This interpretative declaration (which was also adopted by a number of other countries) indicates the preferred interpretation of the Article and enables the United Kingdom to qualify and limit the exclusive rights of copyright owners by making them subject to the jurisdiction of a Tribunal.

8.7 It should also be mentioned that Article 9(3) of Berne provides that any sound or visual recording is regarded simply as a reproduction of the work. While all member countries provided for such a right, difficulties arose because they all had differing exceptions to it. Article 13(1) further provides that:

"Each country of the Union may impose for itself reservations and conditions on the exclusive right granted to the author of a musical work and to the author of any words, the recording of which together with the musical work has already been authorised by the latter, to authorise the sound recording of that musical work, together with such words, if any; but all such reservations and conditions shall apply only in the countries which have imposed them and shall not, in any circumstances be prejudicial to the rights of these authors to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority."

The Article states in effect that compulsory licence provisions may be imposed in respect of musical works, and any associated words, of which sound recordings have already been authorised, subject to the payment to copyright owners of equitable remuneration.

The Rome Convention

8.8 The Rome Convention was ratified by the United Kingdom and came into force on 18 May 1964. It has not been declared to apply to Hong Kong to date. Article 15(2) provides that "any Contracting State may, in its domestic laws and regulations, provide for the same kinds of limitations with regard to the protection of performers, producers of phonograms and broadcasting organisations, as it provides for, in its domestic laws and regulations, in connexion with the protection of copyright in literary and artistic works. However, compulsory licences may be provided for only to the extent to which they are compatible with this Convention."

8.9 It is worth noting that the Rome Convention which provides for, among other things, the possibility of a compulsory licence for the performance right of broadcasting organisations, does not deal with cable television.

The Phonograms Convention

8.10 The Phonograms Convention was ratified by the United Kingdom and has been declared to apply to Hong Kong. Article 6 provides that:

"Any Contracting State which affords protection by means of copyright or other specific right, or protection by means of penal sanctions, may in its domestic law provide, with regard to the protection of producers of phonograms, the same kinds of limitations as are permitted with respect to the protection of authors of literary and artistic works. However, no compulsory licenses [sic] may be permitted unless all of the following conditions are met.

- (a) *the duplication is for use solely for the purpose of teaching or scientific research;*
- (b) *the license shall be valid for duplication only within the territory of the Contracting State whose competent authority has granted the license and shall not extend to the export of duplicates;*
- (c) *the duplication made under the license gives rise to an equitable remuneration fixed by the said authority taking into account, inter alia, the number of duplicates which will be made. "*

Worldwide developments

8.11 The most significant development has been the application of collective administration in areas other than musical works, cable transmission, radio and TV broadcasting and mechanical reproduction. The Federal Republic of Germany appears to be the leading Western country in this regard, with collective administration in respect of many other rights apart from those in musical works. Germany has collective administrative mechanisms on private copying royalties schemes, reproduction rights, public reception of broadcasts, radio and TV broadcasting, cable transmission, and the rental of videocassettes and books.

Voluntary licences

8.12 There are many ways in which collective administration may be carried out. For voluntary licences, the author voluntarily grants his rights to the collecting society, which then undertakes to license potential users, to collect royalties and to distribute these back to the author, after deducting any administrative expenses. The licensee under such a scheme (e.g. those operated by CASH and IFPI) acquires the right to use the whole of the repertoire controlled by the collecting society.

Non-voluntary licences

8.13 Collective administration can also be used in the case of a statutory compulsory licence; or a royalty system on recording hardware and blank recording media. In copyright law the effect of a non-voluntary licence is that the absolute right of the copyright owner is reduced to a right to equitable remuneration. This right to equitable remuneration distinguishes a compulsory licence from free use of the work.

8.14 Non-voluntary licensing systems may take two different forms: those that provide for a "statutory licence" and those that provide for a "compulsory licence".

8.15 A "statutory licence" is a licence under which the protected works can be freely used on condition that the user pays a royalty at a level fixed by statute to the body designated in the legislation. The royalty is distributed in accordance with rules established by the legislation. The "statutory recording licence" (the "SRL", which is discussed in chapter 9) provided under section 8 of the 1956 Act is the only statutory licence in Hong Kong to date.

8.16 A "compulsory licence" arises where the copyright owner is obliged to grant a licence to reproduce on payment of the appropriate royalty. The royalty is not fixed statutorily as is the case with a statutory licence but if agreement cannot be reached between the prospective licensee and the copyright owner then the administrative or judicial authorities would fix the amount of remuneration.

Regulating collecting societies

Collecting societies in Hong Kong

8.17 The Composers and Authors Society of Hong Kong Ltd ("CASH") issues licences in respect of public performance, broadcasting and diffusion of music, an entirely separate and distinct copyright to the one covering recorded music.

8.18 At present the recording industry operates two licensing arrangements in Hong Kong. First, the International Federation of the Phonographic Industry ("IFPI") contracts with radio and television stations for the broadcast of its members' sound recordings and music videos. Supplemental licences are also offered for re-recording ("dubbing") material for broadcast. Secondly, PPSEAL licenses the recordings of the members of IFPI for public performance in Hong Kong.

8.19 If such collecting societies are to operate effectively they must control almost the works in their field still in copyright. Any person wishing, for example, to perform music in public has no choice but to obtain a licence from CASH before he has the right to perform any copyright work within the repertoire of CASH. Similarly, if he wishes to play recorded music from IFPI or PPSEAL's member recording companies in public, he must have, in addition, a licence from IFPI or PPSEAL.

Comparative law

Federal Republic of Germany

8.20 The German law on collecting societies is specially regulated by the Administration of Copyright Act 1965 as amended in 1985. In the interests of both the copyright owners and users, the law regulates the administration of collecting societies and places them under state supervision.

8.21 Under German law, a collecting society has to obtain authorisation to conduct business from the supervising authority, the German Patent Office ("GPO"). The GPO examines, among other things, the articles of association of the collecting society before granting authorisation.

8.22 An authorised collecting society is under a duty to administer the activities of the society in an equitable manner. It has to apportion the income in accordance with definite rules (apportionment plan) which prevent any arbitrary system of apportionment. The apportionment plan has to conform to the principle that culturally important works and performances are to be promoted.

Furnishing information

8.23 The collecting society is required, upon written request, to inform any person as to whether it administers, on behalf of a copyright owner, the right to use a particular work.

Obligation to contract

8.24 The collecting society is required, with respect to the rights administered by it, upon request, to grant anyone a licence on equitable terms.

Schedule of charges

8.25 The collecting society has to establish a schedule of charges covering the remuneration it demands for the rights administered by it. The schedule of charges and any amendment thereto have to be published in the Federal Gazette.

Calculating the charges

8.26 When calculating the charges, the proportion of a work used must be taken into account. In establishing such charges and in collecting the remuneration, the collecting society must have due regard to the religious, cultural and social interests of the persons liable to pay the remuneration, including the interests of youth welfare.

Supervision

8.27 The GPO is entitled to demand from the collecting society information on any matters concerning the conduct of its business. It can attend by proxy the meetings (including board and committee meetings) of the society. It has to be kept informed of, among other things, any amendment to the articles of association or the schedule of charges, the resolutions of boards and committees and other meetings, as well as the accounts and various reports.

Australia

8.28 The Australian Copyright Amendment Act 1989 regulates the administration of collecting societies in the fields of copying of television broadcasts by educational and other institutions, the copying of works by educational and other institutions, and the use of blank tapes for private and domestic copying.

Authorisation

8.29 The Attorney General may, by notice in the Gazette, declare a body to be the collecting society in one of the above fields. He has to be satisfied that the potential collecting society is a local company limited by guarantee; all the relevant copyright owners are entitled to become its members; its rules prohibit the payment of dividends to its members; and that its rules contain other necessary provisions to protect the interests of the collecting society's members. These rules include provisions about the collection and distribution of royalties, the payment of administrative costs of the society, and access to records of the society by its members.

Supervision

8.30 The collecting society is under an obligation to send an annual report of its operations to the Attorney General. The collecting society has to keep accounting records correctly recording and explaining the transactions and the financial position of the society. These accounts must be sent to the Attorney General and members of the society should have reasonable access to copies of all reports and audited accounts.

Results of consultation

8.31 Opinion on copyright collecting societies can be divided into two strands. On the one hand, it is argued that the collecting societies serve a useful function in facilitating the payment of royalties by copyright users and ensuring that copyright owners are adequately recompensed for the use to which their works are put. On the other hand, the collecting societies are effectively monopolies with no realistic means of controlling the charges they impose on copyright users. In Hong Kong's free market society, there are some who argue that this is not an area in which the Government should intervene. Others advocate some form of legislative control, albeit minimal, over the collecting societies to ensure that they do not abuse their monopolistic position.

Our recommendations on regulation of collecting societies

8.32 We begin by pointing out that our recommendations on this aspect differ from those of the sub-committee. The sub-committee's recommendations on the regulation of collecting societies were closely linked to their conclusion that a levy should be imposed on blank audio tapes, with a possible extension later to videotapes (see the discussion of this issue in

chapter 10). They took the view that new collecting societies should be established to administer the blank tape levy scheme. These new societies would be subject to some form of legislative control, but the existing societies would not. The existing societies would take no part in the administration of the new blank tape scheme. Equally, the societies formed to administer that scheme would not involve themselves in areas at present covered by the existing societies.

8.33 We considered the sub-committee's views on this matter with great care. As will be seen in chapter 10, we rejected the sub-committee's suggestion of a blank tape levy. As a result of that decision, the question of specific societies formed to administer the scheme does not arise. There remained the question of whether or not the existing societies should be regulated. In this regard, it seemed to us needlessly complex to endeavour to differentiate between existing societies and those yet to be formed. If there was a need to regulate societies, that need would presumably apply to any society, regardless of when it was formed. Furthermore, to attempt to apply different regulatory regimes to different societies would, it seemed to us, cause unnecessary complication and create confusion in the minds of the public and the societies themselves. **We therefore recommend that any proposed statutory controls should apply to all collecting societies, both existing and future.**

8.34 We have no doubt that collecting societies serve a useful purpose, both for copyright owners and those who would use their works. The societies are, however, in a monopolistic position. Like all monopolies, that situation is open to abuse. **While the evidence we have does not suggest widespread abuse or overcharging, we nevertheless feel that there is a need for a regulatory framework to be established for the collecting societies. We do not think it part of our brief to draft the precise contents of such a scheme of control but we have nevertheless identified a number of elements which we feel could be included.** We list these in the following paragraphs.

8.35 We consider that a scheme of control could include the following elements:

- (a) collecting societies should be non-profit making. While the societies should be able to recoup their reasonable administrative expenses, their function is to collect and distribute royalties for the use of copyright material owned by their members, rather than to make a profit for the management of the society itself.
- (b) membership of a society should be voluntary. Societies should not be able to enter into exclusionary agreements which would prohibit the licensee from, for instance, playing music in his premises by an artist who was not a member of the society.

- (c) societies should be required to make available to the public for perusal at the society's offices (perhaps on payment of a nominal fee to cover administrative costs) a list of all the works and artists covered by the society.
- (d) societies should be required to make available on request a scale of fees to be charged. There could be a statutory right to apply to the Copyright Tribunal for a ruling as to whether or not a particular fee was reasonable

8.36 Other areas of control which, it seems to us, require consideration are:

- (i) whether any scheme of control should apply only to locally incorporated societies, or whether it should apply to societies established overseas but operating in Hong Kong. If the latter, consideration would need to be given as to whether the whole scheme should apply to overseas societies, or only some aspects.
- (ii) whether the constitution of a collecting society should be prescribed (e.g. a company limited by guarantee).
- (iii) whether approval should be obtained from an appropriate authority (e.g. the Intellectual Property Department) for a collecting society to be formed and to operate; if no approval is required, whether a collecting society has to be registered with an appropriate authority; whether the fact that it is so approved and/or registered should be gazetted.
- (iv) whether rules as to apportionment and distribution of royalties collected should be regulated to ensure fairness amongst members of a collecting society.
- (v) to what extent an appropriate authority is to exercise supervisory control over the running of the business of a collecting society, if at all; one possibility would be to require the society to furnish an annual report to the authority regarding royalties collected, the administrative expenses incurred, the distribution of royalties and the tariffs. This might prove burdensome to the authority, however.

Licensor's indemnity to copyright users

8.37 In its most straightforward form, a licence from a collecting society allows the licensee to use copyright material belonging to persons who are members of the society. This may prove unduly restrictive. A licensee may innocently infringe copyright by making use of material which is not part of the society's repertoire. To deal with this difficulty, some jurisdictions have

introduced a variety of indemnities given by the licensor to the licensee. The effect is that, in return for the licence fee, the licensor undertakes to indemnify the licensee for any use of works not in the licensor's repertoire. We have considered the following five approaches to the licensor's indemnity to copyright users:

(1) Statutory implied indemnity

Section 136 of the 1988 Act provides that when reprographic licensing schemes are introduced which purport to be comprehensive, an undertaking will be implied by the operator of the scheme to indemnify each licensee against liability for copyright infringement incurred by making copies within the apparent scope of the licence.

(2) Contractual approach

Collecting societies and users have to negotiate their licence agreements. One item to be negotiated may be a clause in the licence agreement requiring the collecting society to defend any infringement action brought by an author or publisher who is not a member of the collecting society, and for the collecting society to pay any resulting damages. The legal effect would be that the collecting societies would indemnify their licensees for any harm resulting from a legal action in relation to the copying of the works of a non-member of the collecting society. The potential liability could be large, and would be largest at the early stages when collecting societies had only begun to recruit their members and had the least resources to devote to such an indemnity provision. It is not known whether collecting societies will give this kind of guarantee. This option, however, should become increasingly viable as collecting societies begin to represent larger numbers of authors and publishers in Hong Kong, and have reciprocal arrangements on collective administration of rights with foreign collecting societies.

(3) Statutory extended licence

The copyright laws of Finland and Sweden provide that a licence from a collecting society representing a substantial number of national authors entitles the licensee to copy not only the works of members of the collecting societies, but also the works of non-members. Authors who are non-members have a right to compensation from the collecting society. The right to compensation expires two years after the reproduction for which compensation is claimed. This option is called an "extended licence" because its legal effect is to extend the collecting society's licence to cover all works of national authors, whether or not the author is a member of the collecting society. The

only condition is that the collecting societies must represent a substantial number of national authors.

(4) Compulsory membership of a collecting society for rights owners

Another legislative solution would provide that copyright owners could exercise their rights only through a collecting society. Authors and publishers could not license their right of reproduction on an individual basis, nor could any suit for infringement be brought on that basis. There is an international precedent for this approach in the Federal Republic of Germany which requires that all photocopying be paid for. Authors are entitled to "payment of equitable remuneration" but the claim may only be asserted by a collecting society. The legal result of this option is that obtaining a licence from the collecting society ensures that no infringement suit can ever be brought. There are international treaty considerations inherent in this solution, however. A provision compelling authors to join a collecting society in order to exercise their right to authorise the reproduction of their works may contravene Hong Kong's obligation under the Berne Convention to provide copyright protection without any formalities.

(5) Statutory limited damages

One other possibility is to limit by law the amount of damages which could be awarded to an author who refuses to join a collecting society to the amount the author would receive if he had joined the collecting society. The major benefit is that everyone would know with certainty the amount of damages a court could award. These would be so small that few authors would find it to their advantage to sue for infringement. However, this option has no international precedent.

Results of consultation

8.38 The majority of those who expressed a view on this issue favoured following the United Kingdom model. They felt that this would encourage licensing, especially reprographic licensing.

Our recommendations on the licensor's indemnity to copyright users

8.39 **We think that a combination of statutory implied indemnity (option (1) in para. 8.37) and statutory limited damages (option (5) in the same paragraph) would be the most effective approach in Hong Kong to collective licensing, especially in relation to the licensing of reprographic copying. We have considered whether this unprecedented approach (ie to limit by law the amount of damages a**

non-society member might claim against the society for wrongful exploitation of his work) would contravene international copyright standards. We have concluded that in appropriate circumstances it is permissible for any country which is party to an international copyright convention such as the Berne Convention to reduce the exclusive right of the copyright owner to a right of equitable remuneration.

8.40 In the United Kingdom, as we saw at paragraph 8.37, section 136 of the 1988 Act provides for an implied indemnity in certain schemes and licences for reprographic copying. It applies to schemes or licences which do not specify the works to which they apply "with such particularity as to enable licensees to determine whether a work falls within the scheme or licence by inspection of the scheme or licence and the work." An indemnity is implied in favour of the licensee "against any liability incurred by him by reason of his having infringed copyright by making or authorising the making of reprographic copies of a work in circumstances within the apparent scope of the licence." We agree with the approach of the 1988 Act and therefore recommend that where the licence does not specify the works to which it applies with such particularity as to enable licensees to determine whether a work falls within the licence by inspection of the licence and the work, the licensor's indemnity should be statutorily implied. However, the amount of damages which may be awarded to an author who refuses to join a collecting society should be limited by law to the amount the author would receive if he had joined the collecting society. Such an amount may be agreed between the parties and, in default of agreement, may be referred to and determined by a Tribunal. We therefore recommend the adoption of section 136 of the 1988 Act subject to this modification as to the maximum damages which may be recovered by a non-member of a collecting society.

Excepted works

8.41 Regarding reprographic copying by educational establishments, we think that there could be a situation where works which are similar to those within a licensing scheme are unreasonably excluded from it. We consider there should be statutory power to extend the scope of the scheme or licence in such cases, provided that this does not conflict with the normal exploitation of the works or unreasonably prejudice the legitimate interests of the copyright owners. **We therefore recommend provisions similar to those in sections 137 to 141 of the 1988 Act to extend the coverage of reprographic licensing, particularly for the purposes of education.**

Coin-operated photocopiers

8.42 We have considered the possibility of special licences for coin-operated self-serve photocopiers to ensure that some payment might be

obtained for copyright owners but conclude that this is impractical. There appears to be no means to determine whether copyright works are being copied and no basis for distribution of the sums gathered.

Levy on reprographic equipment

8.43 It has been suggested to us that a levy be charged on reprographic equipment at the time of the initial sale or lease, similar to that in Germany. We think that much of the photocopying carried out in commerce, industry and education will be legitimate copying of documents produced by the organisation itself and will not therefore infringe copyright. Furthermore, it would be difficult to establish a fair means of distributing any such levy to copyright owners since different machines might be used to different degrees for copying copyright material. **We conclude that a levy should not be imposed on reprographic equipment at the point of sale or lease.**

(B) Dispute settlement

The Hong Kong performing right tribunal

8.44 A number of countries, including the United Kingdom, Australia, Austria and Canada, have provided in their municipal laws for the establishment of Tribunals and other arbitral bodies to determine disputes over royalties and licence conditions.

8.45 Sections 23 to 30 of the 1956 Act provide for the establishment of a standing Tribunal, called the Performing Right Tribunal, to decide disputes between collecting societies and prospective copyright users of controlled works. The provisions of the 1956 Act, with certain modifications and exceptions, have been extended to Hong Kong by the Copyright (Hong Kong) Orders 1972 to 1990. The rules regulating the procedure for making references and applications to the PRT, and the proceedings before the PRT, are provided under the Copyright (Performing Right Tribunal) Rules 1979.

Functions

8.46 Section 24(1) of the 1956 Act provides that the PRT has two quite distinct functions, one being concerned with general tariffs and the other with individual complaints:

- (i) it has the power to confirm or vary licence schemes put into operation by collecting societies; and
- (ii) it has the power to deal with applications by individuals or organisations who are aggrieved either because the collecting society concerned refuses or fails to grant a licence in accordance with an existing licensing scheme, or because the individuals or organisations claim that there is no applicable

licence scheme and the collecting society refuses to grant a licence.

Jurisdiction

8.47 Section 24(2) of the 1956 Act sets out the jurisdiction of the PRT over the issue of licences:

- "(a) in the case of a literary, dramatic or musical work, a licence to perform in public, or to broadcast, the work or an adaptation thereof, or to cause the work or an adaptation thereof to be transmitted to subscribers to a diffusion service;*
- (b) in the case of a sound recording, a licence to cause it to be heard in public, or to broadcast it;*
- (c) in the case of a television broadcast, a licence to cause it, in so far as it consists of visual images, to be seen in public and, in so far as it consists of sounds, to be heard in public."*

8.48 The jurisdiction of the PRT is limited under section 24(2), in the case of category (a) licences, to collecting societies which issue general licences, each extending to the works of several authors. CASH is the only collecting society issuing such licences in Hong Kong. If an author exercises his own rights or an agent acts for several authors quoting terms for each, the PRT has no power to override a refusal to licence, however unreasonable.

8.49 In the case of category (b) and (c) licences, there is no such restriction and the PRT's jurisdiction covers the performing rights of record makers and broadcasters even if exercised individually. In practice, however, record companies exercise their public performance rights in Hong Kong through PPSEAL and IFPI.

Composition

8.50 The Order in Council provides that the chairman of the PRT shall be "a person qualified for appointment as a District Judge" under s.5 of the District Court Ordinance. The chairman could be a barrister or solicitor in private practice, a magistrate, or a lawyer in the public service. There should be not less than 2, nor more than 4, other members, all of whom are appointed by the Governor.

Reference

8.51 Section 25(1) provides for reference of a dispute over a licence scheme to the PRT where the dispute is between the operators of the scheme and an organisation or individual requiring a licence in cases of a class to which the scheme applies.

Order

8.52 Sections 25(5) and (6) provide that the PRT is empowered to make an order, either confirming or varying the scheme, in so far as it relates to cases of the class to which the reference relates. The order may be either for an indefinite period or for whatever period the PRT may determine.

8.53 In order to preserve the position after a licence scheme has been referred to the PRT but before an order is made, section 25(7) provides that the licence scheme remains in operation until the PRT has made its order. After an order has been made, the scheme remains in operation, in so far as it relates to the class of cases in respect of which the order was made, so long as the order remains in force.

Reference to court of questions of law

8.54 Section 30 of the 1956 Act provides that any question of law arising in the course of the proceedings may, at the request of any party, be referred by the PRT to the Court of Appeal for decision, whether before or after the PRT has given its decision in the proceedings. If the PRT refuses any such request, the party by whom the request was made may apply to the Court of Appeal for an order directing the PRT to refer the question to the Court of Appeal. If the Court of Appeal decides that the question was erroneously determined by the PRT, it is to reconsider the matter in conformity with the decision of the Court of Appeal, which is final on any such reference.

Licensing schemes and licensing bodies in the United Kingdom

8.55 The 1988 Act provides the statutory framework for collecting societies in a number of areas and also widens the jurisdiction of the Performing Right Tribunal (renamed the Copyright Tribunal) to oversee the proper administration of licensing schemes.

8.56 The Copyright Tribunal has jurisdiction over two main classes of case: licensing schemes under sections 117 to 123 and licences granted by licensing bodies under sections 124 to 128.

8.57 A licensing scheme, as provided under section 116, is not in itself a licence but is a scheme setting out:

- “(a) the classes of case in which the operator of the scheme, or the person on whose behalf he acts, is willing to grant copyright licences, and*
- (b) the terms on which licences would be granted in those classes of case.”*

8.58 In relation to collective administration of rights, licensing schemes will be the basis on which numerous individual licences (often covering a large repertoire of works) will be granted to individual users. Thus, many individual licences are subject to the jurisdiction of the Tribunal because the scheme or tariff under which they are granted is itself subject to control. Another category of licences (those granted by a licensing body "otherwise than in pursuance of a licensing scheme") are also subject to control by virtue of sections 124 to 128.

8.59 It appears that while the 1988 Act has introduced a difference in the type of licences and schemes that are to be controlled it has not departed from the principle of collective administration under the 1956 Act.

8.60 As far as licensing schemes are concerned, the Tribunal's jurisdiction is extended under section 117 from performing rights to cover the following:

- (a) licensing schemes operated by a licensing body and covering works of more than one author relating to copying, performing or broadcasting of literary, dramatic, musical and artistic works and films,
- (b) all licensing schemes in relation to the copyright in sound recordings, broadcasts, cable programmes and published editions,
- (c) all licensing schemes relating to the rental of copies to the public of sound recordings, films and computer programs.

Reference

8.61 Licensing schemes coming within any of the above three categories can be referred to the Tribunal:

- (a) in a dispute over the terms of a proposed scheme, by an organisation representing users to whom the scheme would apply (section 118),
- (b) in a dispute over the terms of a scheme already in operation, by a person requiring a licence or by a representative organisation (section 119),
- (c) in a dispute over a licensing scheme which has already been the subject of an order by the Tribunal pursuant to a reference under either sections 118 or 119 (a power to cause the Tribunal to review an order) (section 120),
- (d) in a dispute between a person who claims to be covered by a licensing scheme but complains that the operator of the scheme

has refused to grant him a licence or has offered one on unreasonable terms (section 121), and

- (e) in a dispute between a person and the operator of a scheme with respect to an order made under section 121 (a request for a review of a Tribunal decision).

Criteria of reasonableness

8.62 In each case, the Tribunal can, under section 120, confirm or vary the licensing scheme, whichever it determines "to be reasonable in the circumstances". Unlike the position under the 1956 Act, guidance is provided by the 1988 Act on the criteria of reasonableness. In particular, section 129 provides that there should not be unreasonable discrimination between licensees under the scheme in question and licensees under similar schemes operated by the same person. The terms of the licensing scheme or licences must also be taken into account.

8.63 The 1988 Act also specifies relevant factors in specific contexts, namely: licences for reprographic copying (section 130); licences for educational establishments in respect of works included in broadcasts or cable programmes (section 131); licences to reflect conditions imposed by promoters of events (section 132); licences to reflect payments in respect of underlying rights (section 133); and licences in respect of works in re-transmissions (section 134).

8.64 However, section 135 makes it clear that these factors are not exhaustive and places on the Tribunal a "general obligation in any case to have regard to all relevant considerations".

Certification of licensing schemes and exclusion of permitted acts

8.65 The reference of licensing schemes to the Tribunal should be distinguished from the certification of a licensing scheme by the Secretary of State under section 143. Section 143(2) of the 1988 Act provides that:

"The Secretary of State shall by order made by statutory instrument certify the scheme if he is satisfied that it -

- (a) *enables the works to which it relates to be identified with sufficient certainty by persons likely to require licences, and*
- (b) *sets out clearly the charges (if any) payable and the other terms on which licences will be granted."*

8.66 Certification does not relate to the reasonableness or otherwise of the scheme but merely guarantees that the scheme clearly identifies the works covered and sets out the charges and terms. It also makes the existence of the scheme a matter of public knowledge and excludes a number

of what would otherwise be permitted acts in relation to works covered by the certified scheme.

8.67 The acts which would be permitted were the scheme not certified are listed in section 143(1). They are:

- (a) educational recording of broadcasts or cable programmes (section 35);
- (b) copying of abstracts of scientific or technical articles (section 60);
- (c) rental of copies of sound recordings, films and computer programs (section 66);
- (d) the provision by a designated body of sub-titled copies of broadcasts or cable programmes for people who are deaf or hard of hearing (section 74); or
- (e) reprographic copying of published works by educational establishments (section 141).

8.68 The relationship between certification of licensing schemes and the exclusion of permitted acts can be illustrated by an example. The permitted act of copying an abstract of a scientific journal is not available if there is a certified licensing scheme covering the particular work. A person wishing to make a copy must either take out the licence available under the scheme and pay the relevant fee or risk being sued as an infringer. If he considers the scheme to be unreasonable, he can refer it to the Copyright Tribunal, even though it is certified (as to its clarity) by the Secretary of State.

8.69 Section 190 provides that the Copyright Tribunal has power to give consent on behalf of performers for the making of a recording from a previous recording of a performance where (a) the identity or whereabouts of the performer cannot be ascertained by reasonable enquiry or (b) a performer unreasonably withholds his consent.

Appeal to the court on a point of law

8.70 Section 152 provides that there is a right of appeal on any point of law arising from a decision of the Copyright Tribunal to the High Court.

Results of consultation

8.71 There was widespread support for the suggestion that a Copyright Tribunal should be empowered to consider disputes between collecting societies and copyright users. A number of suggestions were made as to the features of the proposed Copyright Tribunal:

- (a) the jurisdiction of the Tribunal should be clearly defined;

- (b) there should be firm guiding criteria to determine royalty rates so that arguments before the Tribunal would not be lengthy and wide-ranging;
- (c) the Tribunal should only interfere with those terms proposed by a collecting society which are so far from those that the Tribunal would consider reasonable that to permit the collecting society to implement them would be unfair;
- (d) the membership of the Tribunal should include experienced judicial personnel conversant with copyright;
- (e) the chairman of the Tribunal should be of no less standing than a High Court Judge;
- (f) in any given reference the parties should each have the right to nominate one person to sit on the Tribunal in order to enhance the confidence of the parties in the Tribunal's understanding of the environment in which the parties operate; and
- (g) the procedure adopted by the Tribunal should be as simple as possible to enable laymen to appear in person without the necessity of incurring substantial legal costs.

Our recommendations on the Copyright Tribunal

8.72 We are satisfied that there is a need to extend the jurisdiction of the existing Performing Right Tribunal along the lines of the provisions in the 1988 Act. **We accordingly recommend the extension of the jurisdiction of the existing Performing Right Tribunal, which should be renamed the Copyright Tribunal.**

8.73 It has been suggested to us that a tribunal should be established with comprehensive jurisdiction on copyright disputes. We conclude that the function of a tribunal is different from that of a court and we do not recommend that the jurisdiction of the Copyright Tribunal be extended to cover disputes in all areas of copyright.

8.74 **We recommend that the provisions of Chapters VII (Copyright Licensing) and VIII (The Copyright Tribunal) of the 1988 Act should be adopted in Hong Kong.**

8.75 We have considered whether the Copyright Tribunal should have additional jurisdiction to intervene in licences where the terms are unreasonable. We are concerned that any additional jurisdiction of the Tribunal must strike a fair balance between competing interests. We feel that there are already adequate provisions in the 1988 Act safeguarding the

public interest and we do not recommend any modification of the relevant provisions of the 1988 Act in this respect.

8.76 Suggestions have been made to us that there should be established criteria for determining royalty rates for different works. We feel that the factors in sections 129 to 135 which the Tribunal must take into account in certain classes of case should suffice and we do not think any further amplification of these provisions is necessary.

8.77 In our view, it is not clear under the existing law whether the Performing Right Tribunal could award interim payment. **We feel that express provisions should be enacted empowering the Copyright Tribunal to award interim payment in favour of the licensing body and to restrict the licensing body's liberty to apply for an interlocutory injunction against the licensee, potential or actual, pending final determination of the reference by the tribunal. These measures should be provided in tandem in order to avoid abuse by either the licensing body or the licensee. We are reinforced in our views by our respondents' general support for this proposal.**

8.78 It has been suggested to us that the Tribunal's jurisdiction to award costs should be limited. We believe that, while a general restriction on the power of the Tribunal to award costs may encourage references, it would also run the risk of attracting frivolous references. We feel that if no costs can be awarded unless there are special reasons to the contrary this might lead to abuse of the Tribunal procedure, with an upsurge in unmeritorious applications. **We therefore conclude and recommend that the Tribunal should have unlimited jurisdiction to award costs but that it should have the discretionary power not to award costs in special circumstances.**

8.79 One suggestion made to us was that the Tribunal's procedural rules should encourage more written presentation of evidence and submissions. We feel that the Tribunal's procedural rules should be simple and efficient so that costs and time could be saved. **We believe that this end is satisfactorily achieved by the United Kingdom rules and we therefore recommend that the Copyright Tribunal Rules 1989, with necessary modifications, should be adopted in Hong Kong.**

8.80 As regards the Chairman of the Copyright Tribunal, the sub-committee took the view that the Chairman or President of the Tribunal should be a judge of the High Court having actual experience in copyright litigation. It was pointed out in support of this that most copyright cases are dealt with in the High Court and it is in that jurisdiction that the greatest depth of experience is likely to be found. We believe that the sub-committee's approach is too restrictive. There may well be, for instance, solicitors with considerable relevant experience who would be eminently suited to appointment as Chairman of the Tribunal. We do not think the pool from which a Chairman is to be appointed should be restricted to the High Court bench. We think that any lawyer of standing should be eligible for appointment and we so recommend.

8.81 It was suggested to us that a single member Tribunal would be adequate. We disagree, and feel that it is desirable to maintain the general practice that the composition of a tribunal, including the Copyright Tribunal, should be collegiate. **We therefore recommend that the composition of the Copyright Tribunal should consist of a legally qualified Chairman or President, assisted by a number of lay assessors, from the copyright field as members. We also recommend that members of the Tribunal who do not hold public office should be properly remunerated.**

Chapter 9

Mechanical rights and the statutory recording licence

Introduction

9.1 "Mechanical rights" are the rights of a copyright owner to make or to authorise the making of records embodying their works. The "statutory recording licence" ("SRL") is a form of statutory licence enabling new recordings to be made in Hong Kong of a musical work together with the accompanying literary or dramatic work in the form of words sung or spoken incidentally to or in association with the music, all of such works having previously been recorded for sale in Hong Kong, subject to payment of a statutory royalty. "Mechanical rights" and "the SRL" are terms used in practice by the industry, rather than statutory terms.

Mechanical rights

9.2 One of the acts restricted by copyright in a literary, dramatic or musical work is "reproducing the work in any material form" (section 2(5)(a) of the 1956 Act). This restriction is central to the concept of the so-called "mechanical rights", which are the rights of the copyright owners in literary, dramatic, and, most commonly, musical works to make and to authorise the making of records embodying their works. This right includes any form of recording, whether onto disc (e.g. compact disc) or tape (e.g. audio-cassette tape, video-cassette tape, film soundtrack), and also the direct encoding onto electronic circuitry capable of storing and realising sound patterns (e.g. watches and video games).

International position

9.3 The mechanical right was first included as an international copyright obligation under Article XIII of the 1908 Berlin Revision of the Berne Convention. Parties to the Berne Convention were given the right to introduce limitations and conditions.

9.4 Article 13(1) of Berne provides that:

"Each country of the Union may impose for itself reservations and conditions on the exclusive right granted to the author of a musical work and to the author of any words, the recording of

which together with the musical work has already been authorised by the latter, to authorise the sound recording of that musical work, together with such words, if any; but all such reservations and conditions shall apply only in the countries which have imposed them and shall not, in any circumstances, be prejudicial to the rights of these authors to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority."

9.5 The Article states in effect that compulsory licence provisions may be imposed in respect of musical works, and any associated works, sound recordings of which have already been authorised, subject to the payment to authors of equitable remuneration.

Historical development of the statutory limitation

9.6 The 1911 Act first granted copyright in "the original plate" from which a mechanical reproduction of music could be made to the owner of that plate (section 19(1)). At the same time, sub-sections 19(2) to (6) of the 1911 Act also introduced provisions to allow the making of records in certain circumstances on payment of a statutory royalty, commonly known as the Statutory Recording Licence ("the SRL"). The SRL was introduced to encourage the growth of the then infant recording industry and to prevent the establishment of monopolies in the United Kingdom.

Existing law on second and subsequent recordings

9.7 The 1956 Act retained the principles of the SRL. Under section 8 of the 1956 Act and the respective Copyright Royalty System (Records) Regulations, once records of a musical work have been made or imported into Hong Kong for the purpose of retail sale by or with the licence of the owner of the copyright in the work, the owner loses his exclusive right to authorise the manufacture of other records of the work. Anyone is then free to make his own original recording of the work and to sell such records in Hong Kong, subject to certain detailed conditions prescribed in the section and elaborated in the Copyright Royalty System (Records) Regulations as to giving of notice and payment of royalties.

Statutory scope of SRL

9.8 The SRL is extended to cover lyrics sung or spoken incidentally to or in association with the music, provided that the records that have been made or imported into Hong Kong were so made or imported by or with the licence of the owner of the literary or dramatic copyright in the lyrics, and subject to the same conditions as to giving of notice and payment of royalties.

9.9 It is important to note that strict compliance with the statutory provisions is essential. Any change to the lyrics or re-arrangement of a copyright musical work would fall outside the scope of the SRL and would be an infringement (see section 8(8) of the 1956 Act). In such circumstances, the permission of the copyright owners would need to be obtained. These qualifications may be regarded as the indirect protection of the moral rights of the copyright owners.

Statutory procedures and arrangements

9.10 Anyone wishing to avail himself of the SRL must give prior notice to the copyright owner of his intention to make records of the work (section 8(1)(b)) and must pay to the owner of the copyright a statutory royalty which is currently 6¹/₄ per cent of the ordinary retail selling price of the record, subject to a statutory minimum royalty of five cents (section 8(2)). Where the record comprises two or more musical works, or both musical and literary or dramatic works, the royalty shall be apportioned among the different owners in such manner as they may agree or as, in default of agreement, may be determined by arbitration (section 8(4)(b)).

9.11 Under section 8(3) of the 1956 Act, the statutory rate of royalty or the minimum royalty might be varied by an order of the Board of Trade in the United Kingdom after holding a public inquiry. The order had to be first approved by both Houses of Parliament (section 8(3)(a)). The procedure was viewed by Whitford as cumbersome. The provisions of any such order varying the statutory royalty are effective in Hong Kong subject to the conversion of any sum of money to an equivalent amount in local currency.

Present United Kingdom position

9.12 In response to Whitford and subsequent consultation, the United Kingdom Government determined that, on balance, the SRL had outlived its usefulness and it was not maintained in the 1988 Act.

Results of consultation

9.13 The principal argument advanced in favour of retaining the existing SRL was that it encouraged the growth of the local recording industry, allowing "cover versions" of songs to be produced by local artists. A secondary argument was that the statutory royalty rate provided a useful standard for potential users of musical compositions for recording purposes.

9.14 Those who favoured the removal of the SRL argued that the market place should be allowed to determine the level of royalties. A further argument was that the removal of the SRL would provide copyright owners with a more realistic reward for their efforts.

Our recommendations

9.15 We feel that, while the number of cases that use the SRL procedure might be small, it appears that there is overall support for retention of the SRL.

9.16 While the majority of the sub-committee favoured the retention of the SRL, one member dissented on the ground that the SRL amounts to a compulsory licensing provision which derogates from the exclusive rights of the copyright owner. We agree with the majority of the sub-committee on this issue and believe that there is a continuing need to encourage the growth of the local recording industry. **We therefore recommend that the SRL scheme should be retained in Hong Kong.**

9.17 It has been suggested to us that, on a literal interpretation, section 8 may be invoked in relation to audio-visual material. We note, however, that the SRL has its origins in the 1911 Act, at a time when the recording of audio-visual works was unknown. We therefore take the view that the legislature cannot be said to have intended that the scope of the SRL scheme should cover those works.

9.18 We consider that under the 1956 Act a sound recording, an audio-visual work and a karaoke disc are different. A karaoke work differs from an audio-visual work in that the insertion of lyrics in the visual display would amount to an unauthorised reproduction of the literary element of a song. We also consider that it would not be advisable to extend the SRL scheme to audio-visual works including karaoke discs, since such an extension would probably not be compatible with the permissible limitations under the Berne Convention. **We accordingly recommend that the scope of the SRL scheme should be clarified so as to exclude its application from the manufacture of recordings of audio-visual works and karaoke discs.**

9.19 We have considered the possibility of a compulsory right to translation or lyric substitution to promote the creation of Cantonese popular songs. We conclude that this option should be rejected because: (i) it would be in conflict with existing international obligations; (ii) moral rights in musical works and lyrics might be put in jeopardy by such a licence; and (iii) there is no evidence that the existing arrangements lead to any difficulty on the part of artists or record companies in negotiating for the right to make Cantonese or other Chinese lyric versions of recordings. **We recommend that the new legislation should make it plain that the SRL scheme only covers records in which the same music and lyrics are used in association.**

9.20 One suggestion made to us was that a central register should be established, in which copyright owners of recorded music works would be able to register their claims to ownership. A recording company would be under no obligation to seek out the copyright owner other than by checking the

register. The recording company should be obliged to check the register before selling its records. If the copyright owner is not registered, the recording company should be able to register itself and its records in respect of which it is willing to pay royalties. It would then be up to the owner of the music copyright to claim royalties from the recording company. The effect of this suggestion is that royalties would be payable to the copyright owner only on demand.

9.21 We doubt whether this complex option would work and we reject it. **We are of the view, and so recommend, that no formalities should be required of the music copyright owner before he becomes entitled to claim royalties. A significant advantage of the present regime of copyright protection is its lack of formalities. It is also a legal principle which has been internationally recognised.**

9.22 As the SRL, scheme has been abolished in the United Kingdom, we conclude that there is a need to localise the institution responsible for the review of royalties under the SRL system. **We recommend that the Copyright Tribunal should be vested with the power to review the statutory royalty and to make recommendations to the Legislative Council on the appropriate level of royalty. It would be for the Legislative Council to set the statutory royalty by resolution, taking into account the public interest.**

Chapter 10

Private copying of audio and visual works

Introduction

10.1 This chapter examines the problem posed by private copying, the widespread practice by members of the public of recording audio and video material both from broadcast and from pre-recorded sources, sometimes referred to as "home taping". Much of this private copying is, as explained below, unlawful and it is so widespread that it must damage the interests of the copyright owners in the material recorded. As technology advances the problem of private copying grows more acute. The present generation of analogue recording devices is soon destined to be replaced by digital recording which permits the making of near-perfect copies.

10.2 The same problem has arisen in other jurisdictions and a variety of widely differing solutions have been adopted. We have examined those solutions in considering options for reform. We undertook initial consultation of interested parties in Hong Kong and also received the benefit of a private survey prepared for the recording industry in early 1989.

Present law and practice

10.3 It is an infringing act under the 1956 Act to reproduce literary, dramatic, musical or artistic copyright works in any material form, and it is also an infringing act to make a record embodying a sound recording or to make a copy of a film¹. As to sound and television broadcasts, it is an infringing act to make a sound recording or a cinematography film of a broadcast (or a record embodying such a recording or a copy of such a film) otherwise than for private purposes (section 14(4)). The private purposes exception extends only to the copyright in the broadcast and not to copyright material contained in the broadcast.

10.4 Although not beyond argument, private copying is regarded as not falling within the "fair dealing" exception. The law has strange consequences. It is not at present an infringing act to make a video recording for private purposes of a sporting event broadcast live. Such a programme has no copyright content. If, however, a recording is made of a programme of highlights of the same event, where the broadcast employs a

¹ See sections 2(5)(a), 3(5)(a), 12(5)(a) and 13(5)(a).

pre-recorded video form, private copying infringes, because the pre-recorded video has a cinematography film copyright. Similarly private copying of a sound recording infringes not only the copyright in the sound recording but also infringes the underlying musical or literary copyright of the melody and lyrics.

10.5 In practice, copyright owners do not enforce their rights. When the 1956 Act was introduced few private individuals had any facilities to make recordings from broadcasts. The law has been left behind by technological advance. A sound recording industry survey completed in April 1989 revealed that 95 per cent of households in Hong Kong have some form of audio recorder, the majority owning more than one type. Video recorders were owned by 59 per cent of households. The Government's own figures revealed that, in 1988, 98 per cent of households owned a television set.

10.6 Referring to the result of the survey, half the respondents who owned recording equipment admitted having recorded, or having asked someone to record on their behalf, some form of audio material in the 12 months prior to the survey. Clearly, private copying from both broadcast and pre-recorded sources is widespread.

10.7 We have no empirical evidence on the level of use of video recorders and assumed that most recording is of broadcast material to enable the programme to be watched at a more convenient time (a practice known as "time-shifting"). We believe that private copying of pre-recorded video sources also occurs.

10.8 Double spool audio recorders are widely sold, as are "music centres" which permit the user to record from a compact disc onto a tape cassette. It is highly unlikely that anything other than copyright material is being copied in those circumstances. The manufacturers and sellers of such devices are not liable for "authorising" infringement simply because they advertise or sell machines which most users will use to infringe copyright².

10.9 Digital recording equipment is already available and is likely to become popular as its cost decreases. Recordable erasable compact discs have been demonstrated. Digital broadcasting and high definition television promise a future where copies of the highest quality may be made by private individuals. For many years the recording industry has attempted to develop anti-copying devices without achieving much success. Authors and record producers successfully resisted the widespread introduction of digital audio taping ("DAT") while seeking an acceptable measure of protection from manufacturers. In June 1989, leaders of the international recording and consumer electronics industries reached an agreement on a joint recommendation to governments for a new system applicable to DAT recorders. The agreement envisages machines which allow digital to digital copying of pre-recorded music but limit the subsequent reproduction of those copies. This system is described as the "serial copy management system".

² See *CBS Songs Ltd v Armstrad Consumer Electronics Plc* [1988] 2 WLR 1191.

The parties to the agreement have agreed amongst themselves that the adoption of technical standards will not be relied upon either for supporting or opposing royalties. Whether this system will prove technically successful or whether machines subject to such copy controls will sell to the public remains to be seen. Recent reports indicate a further development, the digital compact cassette ("DCC"). This will be a digital version of the existing compact cassette which will provide the same sound quality as the compact disc.

The copyright conventions and an international comparison

10.10 Article 9(1) of Berne contains the basic copyright principle that authors shall have the exclusive right of authorising the reproduction of their works in any manner or form. It was clear when this Article was introduced that it was not a right that could be upheld without exception. An exception clause was created that was sufficiently general to find approval by all signatory states. Article 9(2) reads:

'It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.'

10.11 The UCC provides in Article IV bis 1 that the protection of the author's economic interests should include the right to authorise reproduction by any means. Paragraph 2 of that article however allows States to make exceptions which do not conflict with the "spirit and provisions" of the Convention and offer "a reasonable degree of effective protection". The Rome Convention (which protects the rights of performers, producers of phonograms (records) and broadcasters) contains exceptions permitting private use. The Phonograms Convention is limited in its scope to phonograms, defined as "any exclusively aural fixation of sounds of a performance or of other sounds"³.

10.12 The European Commission ("EC") Green Paper commented upon Article 9(2) of Berne thus:

*"This wording leaves states which are signatories to the Berne Convention fairly wide room for manoeuvre and it is consequently not surprising that the legal position has developed somewhat differently in the member states"*⁴.

10.13 The 1986 White Paper announced the United Kingdom Government's intention to introduce a compulsory levy on blank tapes as a means of providing remuneration to copyright owners and performers. It was

³ Article 1.

⁴ See paragraph 3.3. 1.

the stated aim of the scheme to ensure that "copyright owners and performers (and not merely the manufacturers and importers of blank tape and recording equipment) should obtain some economic benefit from home-taping"⁵. The White Paper noted that legislative provision for a blank tape levy had already been introduced in the Federal Republic of Germany, France, Portugal, Austria, Finland, Hungary, Iceland, Norway and Sweden. Australia has since joined this group. When the Copyright, Designs and Patents Bill was placed before the House of Lords in October 1987 the levy system was not part of the proposed legislation and, despite considerable efforts to re-introduce the royalty payment scheme on blank tapes, the Act passed into law without such provision. The reasons for the about turn are discussed below. The United Kingdom is not alone in its approach since neither the United States nor Japan appear likely to introduce such a scheme in the near future.

The United Kingdom's rejection of a royalty payment scheme

10.14 The United Kingdom Government explained that they faced a conflict of interest where one side or the other would feel aggrieved whatever the solution⁶. They acknowledged that a great deal of music was recorded illegally, but it did not follow that the Government should step in to tax those who made the recording possible by supplying blank tapes. The fact that the Government did not receive any revenue from the scheme did not make it any less of a tax imposed on one sector of the community (private copiers) for the benefit of another (copyright owners) as a substitute for the exercise of the copyright owners' private rights. The Government would not normally step in to enforce private rights unless there was a very strong case in the public interest to do so.

10.15 The United Kingdom Government doubted whether the creation of a levy scheme would be in the copyright owner's interest as it would involve making home taping legitimate. This would reinforce the public's perception that copyright need not be respected: the public would be largely unaware of the levy which merely added to the price they paid for tapes.

10.16 The Government emphasised the rough justice worked on those who purchased tapes for legitimate purposes, in particular the handicapped. There was also a fear that the levy would lead to a "mark up" throughout the retail chain to give wholesalers and retailers a windfall profit. Finally, the Government were not satisfied that the costs of administration would not eat substantially into the revenue collected.

10.17 These arguments have not been accepted by the recording industry. In any event, the 1988 Act does not permit private copying from pre-recorded sources, but it does make specific provision for "time shifting". Section 70 reads:

⁵ At paragraph 6.6. See also generally Chapter 6.

⁶ See Paragraphs 3.5.9 and 3.5.10.

“The making for private and domestic use of a recording of a broadcast or cable programme solely for the purpose of enabling it to be viewed or listened to at a more convenient time does not infringe any copyright in the broadcast or cable programme or in any work included in it. “

10.18 This provision only emerged after much debate and public controversy. Members of the public were troubled that they would break the law by using a video recorder for time-shifting (time-shifting is illegal under the current law in Hong Kong). Similar concern was also expressed about a proposal that the recording should become an infringing copy if it were not erased within a particular period. Section 70 of the 1988 Act does not answer the question whether retention of a private copy after one viewing is unlawful, nor is it clear what the position is of the loan of such a private copy to friends.

The problem posed by private copying

10.19 At present private copying and “time shifting” fall into a legal “twilight zone” in that the law is widely disobeyed and is largely unenforceable. The basic problem posed by private copying is that copyright owners are not recompensed for the use of their works. It is not possible to say how the total market for all kinds of recorded material is affected by private copying. The EC Green paper indicated that total world sales of all kinds of recordings from 1981 to 1985 remained nearly constant, at about 12 billion US dollars. It also pointed to trends that suggested that a decrease in sales of vinyl discs was offset by sales of other recording media, including compact discs⁷. We are not aware of any figures for sales in Hong Kong.

10.20 There are obvious practical difficulties in accurately recording the level of private copying and ensuring that appropriate payments are made to copyright owners. In practical terms, as matters stand at present it is difficult for copyright owners to enforce their rights in respect of private copying. One method of enabling copyright owners to receive some recompense which we have considered in detail is the introduction of a blank tape levy. The basis of such a system is that the purchaser of a blank tape would be required to pay an additional sum, amounting probably to no more than 10 per cent of the total price of the tape, which would be distributed to copyright owners through collecting societies specifically established to administer the levy. In return for payment of the levy, the purchaser of a tape would be free to record from any source for private purposes. We examine the arguments for and against such a levy in the next section.

10.21 A further option which we considered, but readily rejected, was the possibility of an equipment levy. Some purchasers of cassette recorders may use these only to play pre-recorded tapes or to record non-copyright

⁷ See the Secretary of State for Trade and Industry's speech in the House of Lords, 10 December 1987.

material. It would be unfair to impose a blanket levy on equipment which would penalise these legitimate users. Equally, there is no satisfactory means of weighting an equipment levy to reflect different levels of usage by different purchasers of equipment. It *may* be reasonable to assume that an individual purchasing 10 blank audio tapes is more likely to indulge in more extensive copyright infringements than an individual purchasing one audio tape but there is no such assistance when dealing with audio recording equipment. The purchase of that equipment gives no indication of the level to which it will be used and, by inference, the level of possible copyright infringement. Fixing a fair levy on equipment thus becomes difficult.

The arguments for and against the creation of a blank tape levy

10.22 We received more submissions on this aspect of our study than any other. Broadly, the introduction of a levy was supported by the record industry, authors, music publishers and record producers. It was opposed by consumer groups and bodies representing community interests, and the blank tape industry. This section sets out the main arguments which were put forward by those who responded to the sub-committee's consultative document.

10.23 The arguments in favour of the creation of a blank tape levy include the following:

- (i) copyright owners should, if possible, receive payment for the use of their material by private copying. There is no practical way in which specific instances of private copying can be identified and the individual charged. A blank tape levy provides an effective way of ensuring that copyright owners are properly recompensed for the use to which their work is put;
- (ii) similar schemes are already in place and working satisfactorily elsewhere. Hong Kong would not be embarking on an untried course if it adopted a blank tape levy here;
- (iii) technological advances in copying equipment mean that privately made copies of high quality can be made with increasing ease. This is likely to further aggravate the problem of private copying and make more pressing the need for a solution such as a blank tape levy;
- (iv) the present state of the law, which gives a right to a copyright owner without a realistic remedy, encourages abuse of the law and lowers the law's esteem in the eyes of the public;
- (v) experience in other jurisdictions suggests that the imposition of a levy would not impose an undue burden on consumers. In

return for payment of the levy, consumers would have a licence to copy whatever they wanted;

- (vi) any harshness in the operation of a blank tape levy scheme could be overcome by incorporating a system of rebates for particular classes of user, such as schools or other educational establishments; and
- (vii) the creation of a royalty scheme is the only response compatible with the obligations under the Berne Convention.

10.24 The main points argued against a blank tape levy are:

- (i) a blank tape levy would work "rough justice" against those who do not use tapes for illicit copying of copyright material. In effect, it would substitute unfairness against innocent users for the existing unfairness to copyright owners;
- (ii) the levy is essentially a tax by another name. The State should not become involved in legislating to enforce the private rights of a minority (copyright owners) at the expense of the general public without strong and compelling reasons;
- (iii) no matter how sophisticated the sampling method, it would never be possible accurately to determine the level of use and so to decide how the levy could fairly be distributed. Inevitably, the collecting societies would divide the levy according to the level of sales achieved by each copyright work. That need not reflect the true level of copying at all. Some copyright owners might be over-compensated and others under-compensated for the copying of their works;
- (iv) the effect of a levy would be to subsidise copyright owners at the expense of blank tape manufacturers, whose sales would suffer because of the increase in price of their tapes. In a free trade environment such as Hong Kong's this would be difficult to justify;
- (v) the revenue generated by an acceptable levy (e.g. around 10 per cent of the retail price) would never adequately compensate for the losses incurred by unrestricted copying, particularly by digital copiers;
- (vi) technical solutions to prevent or limit private use should be explored before resorting to the imposition of a levy which is unfair and presents serious practical difficulties;
- (vii) the administrative costs of operating a levy scheme would be disproportionate to the revenue collected; and

- (viii) the countries in which most copyright owners reside (Japan, USA and the United Kingdom) do not offer reciprocal rights to Hong Kong copyright owners. A substantial amount of any levy collected would be allocated to copyright owners in overseas countries without any corresponding benefit for Hong Kong copyright owners.

Law reform options

10.25 In the absence of any comprehensive technical solution to the problem posed by illicit home copying, it seems to us that there are, broadly, three choices:

- (i) do nothing;
- (ii) recognise the copyright owners' right to payment for use by introducing a blank tape royalty payment scheme; or
- (iii) follow the United Kingdom example by legalising time-shifting but continuing to prohibit recording from pre-recorded sources.

10.26 We reject the first option. It is clear that there is widespread abuse of the current law and much private copying. We are not convinced that there is an easy solution to the problem of providing fair recompense to copyright owners. We take the view, however, that the present restriction on "time shifting" is unrealistic and unenforceable. Furthermore, we do not believe that this results in any loss of revenue either to the broadcaster or the copyright owner. We conclude that at the very least the law should be changed to allow "time shifting".

10.27 In the next section, we examine each of the other two reform options in turn and outline our final conclusions.

Our recommendations

A blank tape levy

10.28 We begin by pointing out that the sub-committee concluded unanimously after considerable debate that a blank tape levy should be introduced in Hong Kong, initially restricted to audio tapes. The sub-committee pointed out that the basic problem posed by private copying is that copyright owners are not recompensed for the private copying of their works. Much of the evidence as to the scale of the problem is speculative but it seems reasonable to suppose that private copying is carried out on an extensive scale and that the existing law is widely flouted. The sub-committee believed that there was a need to change the law, both to ensure that there was a realistic mechanism for copyright owners to obtain proper

recompense for the use of their works and to ensure that the law was enforceable and no longer brought into disrepute by widespread disregard.

10.29 The sub-committee thought it unrealistic to expect copyright owners to be able to enforce their rights through existing legal channels. Private copying could not, by its very nature, be policed in any but the most flagrant cases of copyright abuse. The sub-committee did not think it reasonable, therefore, to reject a blank tape levy on the grounds that copyright owners should protect their own interests without the intervention of the legislature. They argued that while the protection of private rights was not generally a matter for government intervention, where the reality of the situation was that those rights could not be effectively enforced and were disregarded on a large scale, then there was justification for legislative action.

10.30 The sub-committee noted the practical and equitable objections which had been advanced against a levy but concluded that a blank tape levy provided a reasonable balance between the interests of the public and those of the copyright owners, and that the worst of the inequities could be overcome by a system of exemptions.

10.31 We have naturally treated the views of the sub-committee with considerable respect, knowing that they are the product of much anxious deliberation. We express here our appreciation of the care with which the sub-committee considered this issue. Our discussions were greatly helped by the clarity with which the sub-committee presented the arguments to us in their report. **We have, however, unanimously decided against the introduction of a blank tape levy.**

10.32 We are sympathetic to the difficulties faced by copyright owners but we do not believe that those difficulties justify the introduction of a scheme which would unfairly penalise the innocent user of blank tapes who did not engage in the copying of copyright material. In our view it would be wholly wrong to impose a levy on all users merely to ensure that the guilty were caught. The most compelling argument against a levy is that it works rough justice. We do not believe that it would be right to replace one type of unfairness (the difficulty faced by copyright owners in enforcing their rights) with another (a requirement to pay a levy for copying on someone who does not copy). Neither are we convinced that any system of exemptions can satisfactorily be devised which overcomes this difficulty. In effect, the introduction of a levy would result in an innocent consumer being asked to pay compensation to a relatively small interest group. We do not believe that the fact that the law is widely flouted provides sufficient justification for such a course.

10.33 Our concern at the unfairness which would result from the introduction of a levy is not our only reason for rejecting this approach. We think there would be significant practical difficulties in devising a satisfactory way of fairly distributing the levy. For one thing, a levy would not catch tapes which were bought elsewhere and brought into Hong Kong, nor would it adequately deal with repeated use of the same tape for copying.

Furthermore, as was pointed out at paragraph 10.24, there would be no satisfactory way to determine accurately the actual level of copying of any particular work. The collecting society would inevitably have to rely on the level of sales as a measure for distributing the levy. That need not necessarily coincide with the level of copying, however.

10.34 A further reason for rejecting the idea of a blank tape levy is that we do not think it desirable that Hong Kong should set itself apart from the international community in copyright matters. While levy systems have been introduced in some jurisdictions, it is significant that neither Japan, the USA nor the United Kingdom have as yet followed this course. There is much to be said for keeping our copyright law broadly in line with the international approach, particularly in respect of the law in the United Kingdom. Allied to this is our concern at the lack of reciprocity in any levy scheme. The effect of introducing such a scheme would be that levies collected in Hong Kong would benefit copyright owners overseas without any reciprocal scheme in those jurisdictions to collect on behalf of Hong Kong rights owners.

10.35 In our view, the arguments against the introduction of a blank tape levy outweigh those in favour. We do not think that the difficulties experienced by copyright owners justify the intervention of the legislature and the imposition of a levy which would unfairly penalise the innocent consumer.

10.36 We have already referred at paragraph 10.21 to the possibility of imposing a levy on recording equipment and explained that we rejected that option also. While there may be a strong likelihood that a blank tape will be used for illicit taping, the same cannot necessarily be said of, for instance, a cassette player. While the player may be used for unauthorised recording, it is just as likely to be used for the unobjectionable playing of pre-recorded tapes. To impose a blanket levy on recording equipment would work even "rougher justice" on innocent users than the blank tape levy. **We therefore recommend that no levy should be imposed on recording equipment.**

Follow the United Kingdom

10.37 While we reject the idea of introducing a blank tape levy, or an equipment levy, we nevertheless believe that one aspect of the present law is capable of improvement. We refer here to the law's prohibition on time shifting. In the United Kingdom, section 70 of the 1988 Act allows a recording of a broadcast or cable programme to be made "solely for the purpose of enabling it to be viewed or listened to at a more convenient time" (see paragraph 10.17). It seems to us that this is a sensible provision which recognises the reality of a situation where the practice of time shifting cannot be policed. In this we differ once more from the view taken by the sub-committee but their decision not to adopt a provision similar to section 70 was a logical consequence of the decision to introduce a blank tape levy. Since a levy would give the consumer a licence to copy whatever material he wished, an exception to allow time shifting would be otiose. Having rejected the idea

of a blank tape levy, we have reached a different conclusion in relation to time shifting.

10.38 The United Kingdom provision is silent as to whether a copy made for time shifting purposes becomes an infringing copy if it is retained after a single viewing, or if it is used by a person other than the person making the copy. **We do not regard this as a significant problem and recommend that a provision in similar terms to section 70 of the 1988 Act be adopted in Hong Kong.**

Chapter 11

Broadcasting, satellite broadcasting and cable diffusion

Introduction

11.1 There are about 1,500,000 television receivers in Hong Kong. Watching television is possibly the most popular leisure activity. In 1957 the television service commenced. It was supplied by cable and relied heavily on overseas programme material. Wireless television stations started broadcasting in 1967. The Cantonese channels of both local television broadcasting companies attract by far the largest audiences, and over 80% of their programmes are now locally produced. There is a considerable market outside Hong Kong for these productions. The entertainment industry finds and develops much of its talent through work in and on television. There is everything to suggest that Hong Kong's significance as a centre for television production will increase and continue to be highly profitable. The property in a television programme, and the material contained in it, relies upon copyright to facilitate its commercialisation and protection, both in Hong Kong and overseas.

11.2 Throughout the world television is experiencing a revolution. New ways of exploiting the medium are rapidly becoming established, in particular satellite broadcasting and subscription or pay television delivered by cable ("CTV") or microwave frequencies. The services available, supplied by wireless broadcasting or by cable, go far beyond mass market television. In addition to a much wider range of entertainment, tomorrow's consumer may well come to rely upon telecommunications systems supplying shopping and banking services, or even allowing him to "telecommute" to his place of work or education. Copyright law will play an important part in this development.

The present law

Copyright in broadcasts

11.3 The present law, found in the Copyright Ordinance (Cap 39) and those parts of the 1956 Act that have been extended to Hong Kong, grants ownership of copyright in sound and television broadcasts to the authorised broadcasters, RTHK, Hong Kong Commercial Broadcasting Company Ltd, TVB, ATV, Metro Broadcast Corporation Ltd and Hutchvision Hong Kong Ltd¹.

¹ This is the effect of section 3 of the Copyright (Amendment) Ordinance 1991 and section 14 of the Copyright Act 1956. The principal orders that extend the 1956 Act to Hong Kong, The

This copyright in the broadcast does not prejudice the rights in the material underlying the programme, such as musical copyright in songs or cinematographic film copyright in films and pre-recorded programmes². The copyright in a broadcast is additional to and independent of the copyright in the works from which it is wholly or partly derived. This is essential to allow the broadcaster to protect his product, particularly if it is a "live" production which is unscripted, such as a discussion programme or sporting event, since live programmes have no copyright material underlying the broadcast.

11.4 Broadcasting a work (or in the case of an artistic work including the work in a television broadcast) is a restricted act requiring the authorisation of the owner of the copyright in the literary, dramatic, musical and artistic work in question. The same is the case for broadcasts of sound recordings and cinematograph films, and the re-broadcasting of sound or television broadcasts³. Broadcasting itself is defined by reference to telecommunications and broadcasting legislation. "Broadcasting" means: (a) in relation to sound broadcasting, transmitting sound (otherwise than as part of a TV broadcast) for general reception by means of radio waves; (b) in relation to commercial television broadcasting, the transmission by terrestrial radio communication of television programmes that are readily accessible to, and are made available free of charge to, the general public; and (c) in relation to satellite television broadcasting, transmitting wireless television to a satellite in geostationary orbit⁴. Essentially, "broadcasting" in the context of copyright protection means the emission of messages intended for general reception by electromagnetic energy otherwise than by wires.

Satellite broadcasting

11.5 Satellite transmission of television programmes is, broadly speaking, of two types: "fixed satellite services" ("FSS"), which allow programme providers to supply signals to broadcasters or cable programme operators via satellite; and "direct broadcasting by satellite" ("DBS"), where a broadcaster beams a signal to a satellite which then transmits the signal directly to the viewers. This distinction became blurred by advances in antenna technology and the availability of sophisticated equipment to the public. There are sound reasons for treating both as broadcasts if the signal can be lawfully received by the public.

Copyright (Hong Kong) Orders 1972 and 1990, included in the extension the Copyright (Broadcasting Organisations) Order 1961, the effect of which is to apply the specified provisions of the Act relating to television and sound broadcasts to the lawfully authorised broadcasters in Hong Kong.

² Sections 16(6) and (7) of the 1956 Act.

³ See sections 2(5)(d), 3(5)(c), 12(5)(c), 13(5)(c) and 14(4)(d) of the 1956 Act.

⁴ See section 2 of the Broadcasting Authority (Amendment) Ordinance (Cap 391), and section 2 of the Television Ordinance (Cap 52); cf sections 2 and 13A of the Telecommunication Ordinance (Cap 106) and section 6 of the 1988 Act; and sections 12(10) and 48(2) of the 1956 Act, and the Wireless Telegraphy Act 1949;

Copyright and cable diffusion

11.6 It is a restricted act to transmit literary, dramatic, musical and artistic works and cinematograph films to "subscribers to a diffusion service"⁵. It is not a restricted act to diffuse sound recordings. Diffusion service is described at length in section 48(3) of the 1956 Act. Essentially, it is transmissions to subscribers by wire. There are notable exceptions to what constitutes a diffusion service, and hence what is or is not restricted. In particular, section 48(3) excludes "the service of distributing broadcast or other programmes where the service is only incidental to a business of keeping or letting premises where persons reside or sleep, and is operated as part of the amenities provided exclusively or mainly for residents or inmates therein." (It should be noted here that the provisions of the 1956 Act which apply in Hong Kong are those which were originally enacted. In the United Kingdom, the Cable and Broadcasting Act 1984 introduced copyright protection for cable programmes and other minor and consequential amendments to the 1956 Act.) There is no copyright protection for cable programmes under the present law in Hong Kong.

11.7 Section 4 of the Copyright Ordinance (Cap 39) is of importance: it permits the reception and transmission of broadcasts of authorised broadcasters to subscribers to a diffusion service without infringing the rights of the copyright owners in the underlying material. This is known as the "must carry" rule which allows diffusion companies to pass on the signal to their subscribers who live in places where normal reception is not satisfactory. It corresponds to section 40(3) of the 1956 Act before the subsection was substituted by two subsections introduced by the Cable and Broadcasting Act 1984⁶, though curiously, while the section was designed to facilitate immediate re-transmission, similar to section 40(3) of the 1956 Act as originally enacted, it is not expressly so limited.

Domestic reception, public performance and private copying

11.8 It is important to distinguish reception from public performance. Domestic reception may be permitted, but the communication of the programme to a wider audience may amount to the restricted act of public performance. Domestic reception of broadcasts is, naturally enough, not a restricted act. However, causing a television broadcast to be seen or heard by a paying audience is restricted⁷. Making a recording, other than for private purposes, of a sound or television broadcast is a restricted act⁸.

⁵ See sections 2(5)(e), 3(5)(d), 13(5)(d) of the 1956 Act.

⁶ Section 23(4) of the Cable and Broadcasting Act 1984. Section 40(3) of the 1956 Act as originally enacted was not extended to Hong Kong

⁷ See section 14(4)(c).

⁸ See section 14(4)(a) and (b) of the 1956 Act.

Protection of foreign broadcasts

11.9 Foreign broadcasts, other than those of the BBC and the Independent Broadcasting Authority, are not protected in Hong Kong as broadcasts⁹. This does not mean to say that the underlying material is not protected: the protection against broadcasting extends to Berne Convention and UCC countries, and countries with which the United Kingdom has made bilateral treaties, in respect of their literary, dramatic, musical and artistic works, sound recordings and cinematograph films¹⁰. Live broadcasts relayed to Hong Kong are thus not protected until they are re-transmitted, when their ownership may be claimed by the authorised broadcaster.

International position

11.10 Berne grants the authors of dramatic, dramatico-musical and musical works exclusive rights to authorise public performance or any communication to the public of the performance of their works¹¹. The authors of literary and artistic works enjoy exclusive rights of authorising broadcasting or communication by wire to the public, though it is a matter for each country's legislation to determine the conditions on the exercise of these rights, subject to a minimum entitlement to equitable remuneration in the event of their exercise¹². Public recitation or communication of literary works is also a right exclusive to the author¹³. The author of cinematic films of such works has exclusive rights over any communication to the public by wire¹⁴. Berne is silent on the protection for broadcasting organisations and their broadcasts.

11.11 Article IV bis (1) of the UCC grants the exclusive right to authors and other copyright proprietors to authorise reproduction of the same works, by any means, including broadcasting, though a contracting state may, in accordance with paragraph (2), by its domestic legislation make exceptions that do not conflict with the spirit and provisions of the Convention.

11.12 The United Kingdom is a party to the Rome Convention which is concerned with the protection of performers, record makers and broadcasters. Programmes emitted via direct broadcasting satellites may be protected by the Convention, depending on a party's approach to treaty interpretation.

⁹ Foreign broadcasts were protected in the United Kingdom by the Copyright (International Conventions) Order 1979 which gave protection to countries named in Schedules 4 and 5. While Parts I and II of this Order have been extended to Hong Kong, the vital Part III, which gives protection to foreign broadcasts, has not. While this Order is preserved regarding Hong Kong, it has been revoked and replaced in the United Kingdom by orders made under the 1988 Act.

¹⁰ See the Copyright (International Conventions) Order 1979 and subsequent orders made under section 32 of the 1956 Act. The protection of sound recordings is the subject of the Phonograms Convention (see Chapters 8 and 9).

¹¹ Art 11.

¹² Art 11 bis.

¹³ Art 11 ter.

¹⁴ Art 14 (1) (ii).

The United Kingdom has not extended the rights and obligations under this Convention to Hong Kong.

11.13 The Satellite Convention (to which the United Kingdom is not a signatory) aims to prevent distribution of programme carrying signals on or from the territory of a member state by any distributor for whom the signal emitted to the satellite is not intended (Article 2(1)). The Convention does not cover signals "intended for direct reception from the satellite by the general public" (DBS) (see Article 3). The Convention requires the protection of satellite transmissions against wire diffusion. The United States became party to this Convention in 1985.

11.14 We take the general view that Hong Kong should apply international copyright standards as far as possible. **We recommend that if the United Kingdom becomes a party to the Satellite Convention, the obligations under that Convention should be extended to apply to Hong Kong. In the meantime, we recommend that Hong Kong should nevertheless apply the international standards required under the Satellite Convention (in addition to those under the Rome Convention) so as to enable Hong Kong satellite broadcasting organisations to obtain copyright protection overseas on the basis of reciprocity (if not on the basis of accession to the Convention).** We note in passing that there may be some incompatibility between the obligations imposed by the Satellite Convention and the terms of the existing Hong Kong licensing regime for Satellite Master Antenna Television ("SMATV") in Hong Kong. Under the Satellite Convention, a contracting party is obliged to prevent the distribution of programme-carrying signals by any distributor for whom the signal is not intended. Under the SMATV licensing scheme, the SMATV operator may distribute any satellite television programme signal intended for general reception, but the definition of a "signal intended for general reception" does not depend on the intention of the originator of the signal (see General Condition 11 of the SMATV licence at paragraph 11.18 below). An SMATV operator may therefore distribute an unencrypted signal even if the signal operator does not intend the signal to be received by that SMATV operator unless the signal originator takes action to collect charges for viewing the programmes in Hong Kong.

Broadcasting policies and reform of copyright law

11.15 Broadcasting and copyright policies interact with each other. Copyright may subsist in any signs, signals, writings, images, sounds, or intelligence of any nature included in a television or sound broadcast, or a cable programme. Broadcasting policy may aim to improve the public's access to broadcast material by, for instance, exempting authorised cable programme providers from copyright infringement by allowing them to include the broadcast in a cable programme which immediately follows the broadcast and which is transmitted for reception in an area in which that broadcast is intended to be received. On the other hand, there is an international legal

requirement that copyright owners have the exclusive right to exploit their copyright-protected material and the use of their copyright works, including broadcasting them, should be subject to the payment of equitable remuneration. Any new copyright law in Hong Kong should provide a legal framework within which authorised broadcasters and cable programme providers can operate while maintaining a satisfactory balance with the interests of the public in maximising their access to broadcast and cable material.

Reception and broadcasting of satellite television

11.16 In July 1990, the Government decided that as far as reception of satellite TV signals intended for general reception was concerned, "Television Receive Only" aerials (one dish connected to one TV set) should not be subject to licensing requirements. All forms of SMATV systems (one dish connected to more than one TV set in an apartment block) should, however, be subject to licensing controls. In addition, the licensing of satellite TV uplinks (i.e. transmission) from Hong Kong had also to be examined. Since 1981, Hong Kong Telecom International Ltd (then Cable and Wireless (Hong Kong) Ltd) has held a licence which allows it to uplink and downlink television signals transmitted by satellite. The aim was the introduction of a regulatory environment for satellite TV which was equitable having regard to the interests of both existing and planned TV stations.

11.17 In October 1990, the Government expanded upon this decision and announced details of the licensing regimes. They covered, inter alia, provision for copyright protection of satellite TV signals received into and uplinked from Hong Kong. For reception, licensed SMATV operators are to be required, amongst other conditions, to distribute only signals intended for general reception. As for uplinking, licensed satellite TV broadcasters will be required to take all reasonable steps to ensure that material broadcast by them does not infringe others' copyright. In addition, the Government recognises its general supervisory role to ensure that reception and broadcasting of satellite TV signals in Hong Kong comply with obligations arising from international treaties or conventions in force.

11.18 The relevant principal and subsidiary legislation was amended in 1991 to give legal effect to these policy decisions. For example, the Copyright Ordinance was amended to extend the protection of the Ordinance to Hutchvision Hong Kong Limited, the holder of a satellite television uplink and downlink licence. The Satellite Master Antenna Television Licence¹⁵ now spells out when a signal can be said to be intended for general reception. General condition 11(1) provides that a signal is intended for general reception if:

"(a) the programme carried by the signal is not encrypted or where the programme carried by the signal is encrypted, the

¹⁵ Part II of Schedule 1 to the Telecommunication Regulations (Cap 106) 1991.

programme originator has declared publicly and notified the Authority and the Authority is satisfied that (i) the programme is intended for general reception and (ii) he will not charge any fee for the right to view the programme in Hong Kong; and

(b) neither the licensee nor the users of the system are required to pay a fee to the programme originator or his authorized agent."

Cable diffusion

11.19 Following the recommendations of the Broadcasting Review Board, the Government announced in September 1988 a decision to invite proposals from interested parties to establish and operate cable television in Hong Kong. A contract was entered into with a consortium in 1989 for the provision of cable television but the consortium failed to carry out the project. The consortium abandoned the project in November 1990 and went into liquidation shortly afterwards. In 1991 the Government conducted a comprehensive review of the Hong Kong television industry and decided in summer 1992, inter alia, to revise the licensing framework for subscription-based television services. The Government considered it inappropriate to restrict the delivery technology for such services to cable because recent advances in broadcasting technology have made it perfectly feasible for multi-channel subscription TV services to be delivered by microwave as well (i.e. by a multi-point microwave distribution system, or "MMDS"). Instead of calling such services "cable television", the Government has decided to use the more technologically neutral term of "subscription television".

11.20 The Television Ordinance (Cap 52), which used to govern only wireless television broadcasting, was amended in April 1993 to accommodate subscription television. It is also necessary to give copyright protection for the subscription television programmes and their underlying materials broadcast on cable because the existing copyright legislation protects only the wireless television broadcasts and satellite television broadcasts received in, and uplinked from, Hong Kong.

The future

11.21 If the last ten years are a pointer to the future Hong Kong can expect to see a proliferation of technologies that further facilitate communications or provide avenues for education or entertainment. Unfortunately, copyright law cannot always keep pace. The law attempts to provide a balance between the owners of property in information (literature, film, etc), the providers of the technology, and the public in general. Finding a just and workable balance takes time. The results of our consultation, which are discussed below, pointed to a system that had worked reasonably well, but which was inadequate to accommodate rapid development in the field.

Results of consultation

11.22 A number of areas of the current law were highlighted to us as requiring attention:

(1) Definitions

The present definition of cable transmission referred to "subscribers to a cable service". This might permit abuse where there was no subscriber element.

The definition of cable diffusion, and the exceptions existing in section 48(3) of the 1956 Act, were loopholes through which satellite broadcasts might be supplied to the public by cable from a SMATV operator.

(2) Satellite broadcasting

Satellite broadcasting is accompanied by an inevitable overspill when the signal returns to earth. There may well be a different copyright owner in each of the countries within the "footprint" of the satellite. The copyright owner should have control over the reception and decoding of the signal within the "footprint" of the satellite.

(3) Exemptions from copyright infringement

The exception in section 48(3) of the 1956 Act which in effect permits unrestricted cable diffusion of copyright works to residents in hotels and blocks of flats might cause grave damage to copyright owners whose works were played over such systems.

The present section 4 of Cap 39 does not appear to restrict cable suppliers to reception and immediate re-transmission of broadcast material.

Cable diffusion of a sound recording is not a restricted act.

The Government's position over the operation of the "must carry" rule is not at all clear.

(4) Protection of foreign broadcasts

The lack of protection for foreign broadcasts might encourage signal piracy.

11.23 Initial consultation pointed strongly to the benefits of the international copyright conventions, both in protecting Hong Kong's authors and copyright owners and reassuring overseas interests whose products are made available in Hong Kong. The present omission of protection for foreign broadcast material should be remedied in the future, though it is not apparent at the moment that the lack of protection leads to serious economic damage to the originators. As far as satellite broadcasting is concerned, regional agreements among countries within the signal "footprint" appear to be the best long term solution. It is obvious that the full development of broadcasting in Hong Kong would benefit from some form of agreement with neighbouring jurisdictions.

The approach to reform

11.24 Rather than tinker with the individual features of the law that attract complaint it seemed to us preferable to proceed from basics in attempting to find a proper balance. The essential question is to determine when the dissemination of copyright material amounts to communication with the public. Communication may be limited to a group of persons who should not be regarded as the public (e.g. pupils in a school or members of a club). The limiting factor could be the nature of the telecommunications system: a closed circuit television network or an encrypted signal that can only be deciphered by the intended recipient. The question arises whether the approach to ordinary broadcasting and satellite broadcasting should differ from cable transmission, if only because cable systems are concrete and can be geographically limited and defined.

11.25 We take the view that in our attempt to advise upon a comprehensive local Copyright Ordinance which will serve Hong Kong for possibly three decades we must consider all available technologies and take account of what will become available in the near future.

11.26 We feel that the obvious source of a model for reform is the 1988 Act. We think that it represents a development of familiar features in our present law and accommodates today's technology while attempting to anticipate future developments. **We recommend that the 1988 Act be used as the basis for reform while recognising that certain provisions of the 1988 Act should be modified to suit Hong Kong's special circumstances.** Discussed below are the essential features of the Act, the comments made by our respondents in the second round of consultation, and our conclusions and recommendations.

The 1988 Act

11.27 The 1988 Act maintains the separation of wireless transmission ("broadcast"¹⁶) from transmission by wire ("cable programme service"¹⁷).

¹⁶ Section 6.

The definitions of both, discussed below, are widely cast. The result is that the restricted acts of broadcasting, or causing a work to be included in a programme service, will refer to a wider range of transmissions than formerly. The 1988 Act is a development of the 1956 Act with many similar features, including provisions for the "must carry" requirements¹⁸.

(A) Broadcasts

11.28 "Broadcast" in the Act (section 6(1)) means:

"a transmission by wireless telegraphy of visual images, sounds or other information which -

- (a) is capable of being lawfully received by members of the public, or*
- (b) is transmitted for presentation to members of the public;*

and references to broadcasting shall be construed accordingly."

A single definition is provided and there is no distinction between television and sound broadcasts. Protection now extends to transmission of information such as teletext, computer programs or databases. The definition encompasses conventional terrestrial broadcasting, and accommodates satellite transmissions. Section 6(4) provides that in the case of a satellite transmission, the place from which the signals are transmitted to the satellite is the place from which the broadcast is made. This would cover both DBS and FSS signals. It will also accommodate many more than the present small number of authorised broadcasters. A transmission will not be lawful if a required government licence has not been obtained. Paragraph (b) would appear to cover broadcasts which the public might view other than through general reception at specified locations, perhaps on payment of an admission charge.

Views on consultation

11.29 Doubt was expressed to us as to why the word "lawfully" was included in section 6(1)(a) of the 1988 Act. It was presumably intended to mean lawfully in terms of the relevant telecommunications law (as opposed to copyright law), but it was argued that the copyright owner should also be able to restrain unlawful reception. As regards the expression "members of the public", it was suggested that the public referred to is the public originally contemplated by the copyright owner, not a wholly new audience generated by the re-transmission.

¹⁷ Section 7.

¹⁸ Section 7(6) and section 73 of the Act.

Our recommendations

11.30 We are of the view that the expression "a transmission ... which ... is capable of being lawfully received" in section 6(1)(a) should be employed to mean lawfully in telecommunications terms, and no further elaboration of the expression "members of the public" is required. **We therefore do not recommend any modification of section 6(1).**

(B) Encrypted transmissions

11.31 Encrypted transmissions are to be regarded as "capable of being lawfully received by members of the public" (the expression "intended for general reception" is used in the SMATV Licensing General Conditions) only if decoding equipment has been made available to members of the public by or with the authority of the person making the transmission or the person providing the contents of the transmission (section 6(2)). Sections 297 and 298 respectively provide penalties for fraudulent reception of transmissions and remedies against dealings in devices designed or adapted to enable or assist persons to receive transmissions without authority.

Views on consultation

11.32 It was pointed out by some commentators that the expression "intended for general reception" seems to mean "not scrambled". The assumption seems to be that any satellite delivered signal not intended for general reception will be scrambled or encoded. There was criticism of this assumption in some quarters. Some signals which were not intended for general reception might nevertheless be unencrypted. It was suggested that the revised copyright law should provide that, whether or not encrypted, signals meant for certain markets or classes of recipients should not be freely re-transmitted elsewhere without the payment of copyright royalties.

Our recommendations

11.33 We appreciate the concerns of the broadcasting industry, both local and overseas, but feel that the need to encrypt a signal, especially for satellite broadcasting, is likely to be stronger if the broadcaster wishes to prevent reception by unauthorised viewers. We think that a balance has to be struck between the rights of copyright owners and the interests of the public to receive information by whatever technological means. **We recommend that an unencrypted programme signal should be presumed to be intended for general reception, unless the programme originator or its agent or its licensee have declared publicly and notified the Broadcasting Authority that (i) the programme is not intended for general reception and (ii) it will charge a fee for the right to view the programme in Hong Kong.**

(C) Cable diffusion

11.34 "Cable programme" means any item included in a "cable programme service", which itself means:

"a service which consists wholly or mainly of sending visual images, sounds or other information by means of a telecommunications system, otherwise than by wireless telegraphy, for reception -

(a) at two or more places (whether for simultaneous reception or at different times in response to requests by different users)¹⁹ or

(b) for presentation to members of the public,

and which is not, or so far as it is not, excepted by or under the following provisions of this section." (section 7(1))

"Telecommunications system" means a system for conveying visual images, sounds or other information by electronic means (section 178). There follows on from this "core" definition a series of detailed exceptions in section 7(2). The Secretary of State is given power, by Statutory Instrument placed before Parliament for affirmative resolution, to add to or remove exceptions²⁰.

11.35 There are obvious parallels with broadcasting. The definition of cable programme service contemplates a range of different types of cable television, including "a pay as you view" system where the customer selects a programme from a catalogue. It is also applicable to the transmission of computer services and databases.

11.36 It is not possible to describe the exceptions in section 7(2) in detail; they may be fine-tuned, or removed or added to as required. In brief, the exceptions are designed to ensure that private, in-house or telephone communications between only two individuals are not caught by the definition. Thus, cable programme services do not include:

- (i) the product of the service's interaction with its user;
- (ii) closed circuit business services for purposes internal to the business, and not by way of rendering a service or providing an amenity to others;
- (iii) personal or domestic cable systems which are not connected with other telecommunications systems;

¹⁹ This will accommodate a "pay as you view" system, which may supplant video-hire in due course.

²⁰ Section 7(3) and (4).

- (iv) cable systems within premises in single occupation, but not when the services are operated as amenities for residents or inmates of premises run as a business. (This exception removes the present exception for hotels in section 48(3), but retains it for National Health Service hospitals and teaching establishments, etc.);
- (v) internal services within the operations of organisations concerned with broadcasting or the provision of cable programme services.

Views on consultation

11.37 One observation made was that the 1988 Act, in separating wireless transmission from transmission, distinguishes television broadcasting from cable diffusion but it does not make provision for media technology which does not fall within these two categories, such as "local multipoint microwave distribution system" ("MMDS"), in which programmes are delivered by satellite for distribution. MMDS in a purely physical sense is both broadcast and cable. It is like broadcast in that it transmits over-the-air, although only in higher frequencies. It is like cable in that it uses wiring from reception points (roof-tops) throughout buildings to individual flats and often via hardware to adjacent buildings within a single complex. It was argued by some commentators that any definition in the copyright legislation should be broad enough to accommodate rapid developments in media technology such as MMDS.

11.38 As to exceptions allowed under the law, some argued that the exception in section 48(3) of the 1956 Act which allows cable programming services to be provided in hotels, flats and other premises where persons reside or sleep was against the legitimate interests of authors.

Our recommendations

11.39 We think that any definition provisions we adopt should be able to accommodate developments in media technology such as MMDS. **We recommend that the definition sections 6(1) and 7(1) of the 1988 Act should be modified by using the expression "unguided transmission" for wireless telegraphy and "guided transmission" for cable.**

11.40 We have considered with some care the exceptions at present provided in section 7(2) of the 1988 Act. As we remarked at paragraph 11.36, those exceptions may be fine-tuned and adjusted as required. Section 7(3) of the 1988 Act gives the Secretary of State power to amend the exceptions in section 7(2) by order. With the rapid pace of technological advance, it has become increasingly difficult to predict what developments will be in place in the coming years. **We believe that Hong Kong's copyright legislation should contain a provision similar to that of section 7(3) to allow the exceptions in section 7(2) to be amended as the need arises.** One further aspect of the exceptions in section 7(2) requires comment. The

present wording of section 7(2)(d) excludes from the definition of "cable programme service" services where:

- "(i) all the apparatus comprised in the system is situated in, or connects, premises which are in single occupation, and*
- (ii) the system is not connected to any other telecommunications system,*

other than services operated as part of the amenities provided for residents or inmates of premises run as a business..."

11.41 It seems to us that it would be difficult to justify drawing a distinction between business and residential property. We feel that an office block containing a number of independent business premises, all served by the one cable or aerial, should be treated in the same way for copyright purposes as a block of flats in multiple ownership. Equally, we believe that any legislative provision in this area should not restrict the immediate re-transmission of material via a Common Aerial Broadcast Distribution ("CABD") system, which is widespread in Hong Kong. We consider that all that the cable programmer or CABD user who re-transmits broadcast material purports to do is to improve the accessibility of what is already available to all the intended receivers. The action of the cable programmer in re-transmitting the broadcast does not affect the overall size of the broadcaster's potential audience. The owners of underlying copyright in the broadcast material do not suffer any loss by this enhancement of the accessibility of the broadcast through cable diffusion or the use of CABD. **We therefore recommend that, subject to the need for any legislative provision in Hong Kong to reflect the concerns we have expressed earlier in this paragraph, section 7(2)(d) should be adopted in its entirety on the grounds that the economic interests of the rights owners will not be affected since the diffusion is essentially one and the same communication to the public and thus no new audience has been generated. In making this recommendation we are also influenced by the fact that not all households could afford, nor is it practicable for them to install, an individual satellite antenna or conventional aerial.**

(D) Satellite broadcast

11.42 For the purposes of ascertaining whether a satellite broadcast is entitled to copyright protection, section 6(4) of the 1988 Act provides that the place from which the broadcast is made is the place from which the signals carrying the broadcast are transmitted to the satellite. This will be applicable to both DBS and FSS transmissions²¹.

Views on consultation

²¹ Cf section 3(2) of the Copyright (Amendment) Ordinance 1991.

11.43 Concern was expressed that a transmitter should be able to protect his uplinked signals, not only in the country of uplink but also in any other country where the signals are downlinked.

Our recommendations

11.44 **Taking into consideration Hong Kong's international legal obligations, a broadcast should qualify for copyright protection in Hong Kong if it is made from a place in Hong Kong or another country to which the relevant provisions of the new law extend or apply. This is the position adopted under the 1988 Act. Such countries would include parties to the Rome Convention and the Satellites Convention if Hong Kong is to become a party and countries with which Hong Kong may enter into bilateral agreements.**

(E) Ownership

11.45 The new approach to ownership of copyright in a broadcast is worthy of note: the transmitter is the owner of the copyright in a broadcast if he has any responsibility for the programme content, jointly with the person providing the programme who makes (along with the person transmitting it) the arrangements necessary for its transmission (section 6(3)). This joint ownership facilitates a broadcasting structure where programme makers market their product through a transmitting authority, as with United Kingdom independent television. Further, it enables the transmitter to escape liability where he is not responsible for programme content.

Views on consultation

11.46 A suggestion was made to us that conferring ownership on the programme maker would encourage a competitive market in programme making. The transmitter's right to joint ownership in the programme copyright, where he has responsibility for the programme's content, may need to be curtailed to avoid abuse in restricting the programme's broadcast.

Our recommendations

11.47 We note that the transmitter's right to joint ownership only arises when he has some responsibility for the programme content and thus see no reason to depart from the rule of co-ownership by statutorily curtailing the transmitter's joint ownership right in restricting broadcast. **We therefore consider that no modification to section 6(4) is required.**

(F) Restricted acts

11.48 Copying a broadcast or cable programme is a restricted act and, as with films, copying includes making a photograph of the whole or a substantial part of any image forming part of the broadcast or cable

programme (section 17(1) and (4) of the 1988 Act). The playing or showing of a work in public is an act restricted by copyright in a sound recording, film, broadcast or cable programme (section 19(3)). This infringement will be additional to the infringement by public performance of any literary, dramatic or musical work included in the sound recording, film, broadcast or cable programme (section 19(1)). Public performance and related exceptions are considered in Chapter 5. It is a restricted act to include any copyright work in a broadcast or cable programme (section 20).

Views on consultation

11.49 A submission was made to us that, in order to enable copyright owners to have a fair return on their efforts, reception should be regarded as a restricted act. It was argued that there was no logical reason why the type of delivery system (i.e. cable, closed circuit TV, microwave, etc) should dictate the nature and extent of the protection available to a copyright owner. The basic issue should be the actual reception by the public, not how the transmission is received.

Our recommendations

11.50 **We think that it is contrary to general copyright principles to make the unauthorized reception of signals a copyright infringement. We do however agree that copyright owners should have a statutory remedy in cases where their subscription broadcasting programmes or cable programme services have been dishonestly received. We therefore recommend that a statutory remedy should be created against the dishonest reception of subscription broadcasting programme or cable programme services so as to protect the copyright owners under such circumstances²².**

(G) Exceptions

(i) Fair dealing

11.51 Fair dealing with the copyright in the broadcast or cable programme is a statutory defence under section 30 of the 1988 Act. Fair dealing is considered in Chapter 6.

(ii) Ephemeral recording

11.52 The exception which allows the incidental recording or copying of works for the purpose of a broadcast or cable programme (so-called "ephemeral recording") is retained in a different form from the 1956 Act²³ in

²² Cf sections 297 and 298 of the Act.

²³ This is in accordance with Article 11 bis (3) of the Berne Convention and Article 15(1) of the Rome Convention for the protection of Performers, Producers of Phonograms and Broadcasting Organisations. It is wider than the 1956 Act exception and given in the form of a licence. Section 68 extends to artistic works, sound recordings and films. The "ephemeral

section 68²⁴. Copyright is not infringed by recording such programmes or using such recordings (by BBC and authorised broadcasting and cable authorities) for the purposes of supervision and control of broadcast or cable programmes (section 69).

Our recommendations

11.53 We think in general that we should follow the provisions of the 1988 Act unless there are compelling reasons not to do so. **In this case, we consider that the 1988 Act provides a sensible approach which is in accord with international copyright principles and we accordingly recommend the adoption of sections 68 and 69.**

(iii) Educational recording

11.54 Educational recording of broadcasts or cable programmes is permitted to a certain extent under section 35. Section 35(1) permits a recording of broadcasts and cable programmes in their entirety to be made by or on behalf of the educational establishment for the educational purposes of the educational establishment without infringing the copyright in the broadcasts and cable programmes, or in any work included in it. But this does not apply to the extent that there is a certified licensing scheme under section 143 (section 35(2)), and any subsequent use of the copy, such as sale or hiring out, will probably be an infringing use (section 35(3)). Copyright licensing is considered in Chapter 8.

(iv) Private copying and time-shifting

11.55 Recordings of broadcasts or cable programme services for private or domestic purposes is permitted where the recording is made to allow the programme to be viewed at a more convenient time (section 70), as is the taking of a photograph forming any part of an image forming part of a broadcast or cable programme for private and domestic use (section 71). Private copying is considered in Chapter 10. Section 72 restates in a slightly different form the provisions contained in section 14 of the 1956 Act applying to free public showing or playing of broadcasts. They now also apply to sound broadcasts and to cable programme services.

Our recommendations

11.56 We have already indicated in chapter 10 that we believe that the practice of time shifting should be permitted by the law. **We have recommended that the time-shifting provision contained in section 70 of the 1988 Act be adopted in Hong Kong.**

right" may now be exercised by the agent on behalf of the broadcaster or cable programme service provider.

²⁴ On the scope of the fair dealing exception for the purpose of reporting current event see *British Broadcasting Corporation v. British Satellite Broadcasting Ltd* [1991] WLR 174.

(v) *Reception and re-transmission of broadcasts in cable programme services*

11.57 Section 73 makes provision for broadcasts that a cable programme service is obliged to receive and immediately re-transmit under the "must carry" requirement.

Views on consultation

11.58 There was comment that the purpose of the "must carry" rule in the context of Hong Kong was not clear. It was suggested that if the aim was to increase competition and improve quality, then wireless broadcasters should have to carry cable programmes. It was argued that wireless and cable operators should both be subject to similar cost considerations and overheads, including the payment of royalties, and there should not be different treatment of wireless broadcasters and cable operators. The point was made that the enhancement of competition between these operators is not justified at the expense of the copyright owners of the underlying works in the broadcast or cable programmes. If the "must carry" provisions are introduced, the question then arises whether the programmes have to be re-broadcast simultaneously or whether the programmes can be delayed (i.e. time-shifted). Delayed transmission would result in varied programming, increased competition and consumer choice.

Our recommendations

11.59 We favour the "must carry" requirement for both unguided transmissions and guided transmissions (cable diffusion, etc) on the grounds that the simultaneous, unaltered and complete re-transmission within the service area is but a part of the original broadcast. Copyright owners do not suffer in financial terms since the "must carry" requirement will not generate any new audience and therefore they should not be entitled to double royalties in respect of what is essentially the same communication to the public. We observe that the precise scope covered by the section 4 exception of the Copyright Ordinance is not clear in two respects. First, it may be argued that delayed re-transmission is permissible. Secondly, the "must carry" requirement is only implicitly provided in the section. We take the view that the transmission permitted under the exception must be for immediate transmission since the possibility of delayed transmission will defeat the very purpose of the "must carry" requirement and its justification that there is no new audience. In relation to satellite broadcast, including foreign satellite broadcast, we are of the view that it should be treated differently since the standards to be applied are those under the Satellite Convention. **We therefore recommend that the section 4 exception should be repealed and replaced by provisions similar to the better drafted section 73(1), (2)(a) and (3)(a) of the 1988 Act.**

(vi) *"In-area" exception*

11.60 There is a further "in area" exception under section 73(2)(b) and (3)(b) which permits a similar re-transmission within the reception area of the broadcaster. This "in area" exception, insofar as infringement of copyright in a broadcast (as distinct from the underlying material) is concerned, does not apply to satellite or encrypted transmissions: the right to control such "in area" simultaneous transmission is given to the satellite broadcaster, not to the owner of copyright in the underlying material.

11.61 There are two types of re-transmission by wireless telegraphy which currently occur in Hong Kong and for which some extension of the "in-area" exception will be necessary. The first is the private transposers for terrestrial free-to-air television broadcasts to cover remote areas of the territory. These transposers operate for certain remote pockets of population not served by transposers operated by the broadcasters. It seems reasonable not to impose royalty payments on these private transposers as the broadcasters are supposed to cover the entire territory.

11.62 The second type of re-transmission is by private transposers for terrestrial free-to-air sound broadcasters to cover tunnels. There is no new audience generated by extending the coverage of the broadcasts into the tunnels. Again, it seems reasonable not to impose royalty payments on the operators of these transposers.

Our recommendations

11.63 Given Hong Kong's small size and dense population, we do not recommend the adoption of the "in area" exception, with the proviso that adequate provision should be made for the two categories of re-transmission referred to in paragraphs 11.61 and 11.62.

(vii) Provision of sub-titled copies

11.64 Section 74 introduces an exception allowing recordings to be made by a designated non-profit making body of broadcasts and cable programmes for the purpose of applying subtitles for deaf people and issuing copies of these works to the public. It removes legal obstacles to the provision of a useful service.

(vi) Recording of broadcast for archival purposes

11.65 Section 75 is new. It permits the recording of broadcast or cable programmes of a designated class for archival purposes by a designated body. Much early television, important as a record of popular culture, has been lost in the United Kingdom through copyright restrictions placed upon the use of material, or the impracticality of obtaining the permission of the copyright owners to record the work. This provision reflects Article 11 bis (3) of the Berne Convention which allows domestic legislation to provide for the preservation of "ephemeral recordings" in official archives on the ground of their exceptional documentary character.

Our recommendations

11.66 We have received no comments on sections 74 and 75. **We feel that these exceptions are justified and recommend that they be adopted without modification.**

(H) Sanctions for unauthorised reception of transmissions

11.67 Section 297 creates a summary offence of dishonestly receiving a programme included in a broadcasting or cable programme service provided from a place in the United Kingdom with intent to avoid payment of any charge applicable to the reception of the programme. Section 298 provides civil remedies in favour of a person who makes charges for the reception of programmes included in a broadcast or cable programme service provided from a place in the United Kingdom, or who sends encrypted transmissions from a place in the United Kingdom, in respect of dealings in any apparatus or device designed or adapted to enable or assist persons to receive the programmes or other transmissions without authority, and in respect of publication of information calculated to enable or assist persons to receive the same without authority. Section 299 provides that these provisions may be applied by Order in Council to programmes included in services and encrypted transmissions provided or sent from a foreign country on a reciprocity basis.

Views on consultation

11.68 Views were divided among those who responded on this point. Some argued that the dishonest reception of programmes with intent to avoid payment of any applicable charge should be a criminal offence. Others argued that copyright should be a matter exclusively for the civil law, since copyright was concerned with the proprietary rights of owners rather than protecting the public from deception. A third view was that no criminal sanction should attach to reception of any wireless transmission or possession or use of equipment by an individual in his dwelling, if that reception, possession, or use is intended for his personal use only and is not intended for commercial gain or re-transmission.

Our recommendations

11.69 We are of the view that the criteria for sanctions for copyright infringement for all kinds of protected works should be consistent. We feel that the fraudulent reception of a transmission should be a criminal offence. In relation to the supply of apparatus or the publication of information for unauthorised reception of a transmission, we take the view that civil rights and remedies against the person should be sufficient. **We recommend that section 297 (Offence of fraudulently receiving programmes) and section 298 (Rights and remedies in respect of apparatus, etc, for unauthorised reception of transmissions) should be adopted in their totality.**

(I) Provision of unauthorised decoders

11.70 Section 179(1) of the Broadcasting Act 1990 inserts a new section 297A (unauthorised decoders for encrypted services, etc) which provides that a person who makes, imports, sells or lets for hire any unauthorised decoder shall be guilty of an offence unless the defendant can prove that he did not know, and had no reasonable grounds for knowing that the decoder was an unauthorised decoder²⁵. It should be noted that there might well be Bill of Rights implications in introducing a similar provision in Hong Kong. Section 299(2) of the 1988 Act grants the United Kingdom Government the discretion to extend sections 297 and 298 by Order in Council to cover signals uplinked from a foreign country. The 1990 Act fails to amend section 299(1) to grant a similar discretion to extend section 297A by Order in Council to cover signals uplinked from a foreign country. The reciprocity requirement under section 299 has been removed pursuant to section 179(2) of the Broadcasting Act 1990.

(J) Protection of foreign broadcasts

11.71 The 1988 Act applies to broadcasts and cable programme services sent from the United Kingdom or another country to which the Act extends (section 156). There is power to apply the Act's provisions to other countries so that they obtain protection in the United Kingdom for their broadcasts and cable programme services (section 159).

²⁵ Doubt was expressed in *BBC Enterprises Ltd v. Hi-Tech Xtravision Ltd*. [1990] 2 ALL ER 118 CA as to whether section 298 of the 1988 Act confers a right to prevent unauthorised dealings in decoders, in the absence of any underlying copyright protection in the broadcast. The Court of Appeal held that a person is only entitled to receive programmes/transmissions if he is authorised to do so by the programme provider. The basis of the decision was that the legislative intent behind section 298 was to create both a right and a remedy. The House of Lords on 7 June 1991 has affirmed the Court of Appeal decision on two grounds. Firstly, section 298(2) does not purport to regulate the conduct of television users outside the UK. It regulated conduct of makers and sellers of decoders in the UK in a way which might have consequential effects on television users outside the UK. If providers of direct satellite programmes emanating from the UK were to be protected in respect of the collection of charges made by them for the reception of such programmes, that protection must, so far as practicable, have effect, albeit indirectly, in relation to reception by persons in other countries. However, it could not be disputed that any protection afforded to programme providers in relation to television users in other countries could easily be by-passed by decoders being made and sold by persons in those countries. Accordingly, the persons referred to in section 298(2)(a) as being enabled or assisted to receive programmes or other encrypted transmissions included all persons, whether in the UK or outside it, who were capable, with the necessary decoders, of receiving such programmes or transmissions. Secondly the key to the interpretation of the expression "not entitled to do so" in section 298(2) was to be found in appreciating that the whole section was concerned with the legal relationship between one class of persons, the providers of programmes and senders of encrypted transmissions on the one side, and another class of persons, those capable by the use of decoders of receiving such programmes and transmissions on the other. It thus became justifiable and necessary, in order to achieve the purpose of the section, to interpret the expression "not entitled to do so" as having the meaning "not authorised by the provider of the programmes or the sender of the encrypted transmissions to do so" rather than "prohibited by the law of the UK from doing so". Since the Court of Appeal decision, the UK Broadcasting Act 1990 has amended the 1988 Act by inserting a new section 297A which makes it a criminal offence to make, import, sell or let for hire any unauthorised decoders.

See *British Broadcasting Corporation v. British Satellite Broadcasting Ltd*, 11 January 1991, unreported, on the interpretation of this new defence under the 1988 Act.

11.72 In addition, section 298 provides extensive civil remedies against a wide range of activity concerned with the supply of devices or information which enable a person to gain unauthorised reception of broadcasts or cable programme services. These remedies are available to the person who makes the charge for supplying the services and the person who supplies an encrypted signal. Under the legal framework of the 1988 Act, the criminal sanction of section 297 and the civil remedies in section 298 can be extended to cover services provided from outside the United Kingdom (section 299).

Views on consultation

11.73 It was pointed out that the present lack of protection for foreign broadcasts might encourage signal piracy and discourage investment. To achieve an adequate measure of protection as soon as possible, the Hong Kong Government should initiate multilateral and bilateral agreements with other countries and request the United Kingdom to extend the application of the Rome Convention to Hong Kong.

11.74 Broadcasts, under the Rome Convention, include satellite broadcasts which are "for public reception", provided that they are transmitted wireless (cablecasting is not covered, although it may be incorporated at a subsequent revision conference). It was argued that it is important to assure foreign broadcasters that they will have protectable rights to restrain piracy of signals, particularly as satellite receivers proliferate in Hong Kong (a development which the Hong Kong Government is encouraging by the general licensing of SMATV receiver systems). This will become all the more important if the Hong Kong Government permits pay TV in relation to satellite and terrestrial broadcasts within Hong Kong. The adoption of the 1988 Act provisions with respect to broadcasts will have little effect unless protection has been accorded to the foreign broadcasters by way of bilateral or multilateral treaties. Extending the application of the Rome Convention to Hong Kong would go a considerable way to providing that protection and would provide substantial assurance to foreign broadcasters, programmers and others who might otherwise be deterred from investing in, or broadcasting within or at, Hong Kong.

Our recommendations

11.75 We note the possible limitations of the wording of section 297A and the possible different interpretations that may be given to section 298. **We recommend that section 299(1) should be modified to permit an amendment by Order in Council to be made to section 297A to cover signals uplinked from a foreign country in order to provide subsidiary legislative power to protect foreign broadcasts to correct a drafting error; and that the repealed section 299(2) should be retained so that foreign broadcast and cable services may only be protected on the basis of reciprocity.**

11.76 **We agree that foreign broadcasting organisations (ie organisations other than those which have some with Hong Kong) should be protected under the copyright law in Hong Kong and recommend that copyright protection should be granted on a reciprocity or treaty basis. We also recommend that the rights and duties under the Rome Convention should be extended to apply to Hong Kong so that the scope of mutual copyright protection of broadcasting organisations between Hong Kong and other parties to the Convention can be extended to the international level.**

(K) *Enforcement institution*

11.77 We note that the Customs and Excise Department is at present in charge of enforcement of copyright infringement matters generally. It is unlikely that they will be equipped to react to copyright infringements of broadcasts. It was suggested to us that consideration should be given as to whether or not the Broadcasting Authority (or the Postmaster General's Office) should be established as the enforcement body. The Recreation and Culture Branch have advised, however, that they do not consider that the Broadcasting Authority is a competent enforcement authority to deal with copyright infringements, taking into account the statutory role of the Authority and the resources and expertise required in dealing with copyright infringements of broadcasts. In enforcing licence conditions the Broadcasting Authority should nevertheless be made aware of any copyright infringements by broadcasting licensees. The Office of the Telecommunications Authority ("OFTA") has also indicated that it does not consider itself the appropriate body to enforce copyright law in broadcasting. OFTA argues that this function should be performed by a separate authority responsible for copyright or intellectual property rights.

Our recommendations

11.78 **We recommend that an appropriate authority to monitor broadcasting copyright infringement should be identified.** We note the reservations expressed by the Recreation and Culture Branch and OFTA and we think that identifying the particular body is a matter for government. We would add that we believe it to be essential that whatever authority is chosen for the task of monitoring infringement should be given adequate resources to fulfil its functions satisfactorily.

Chapter 12

Performers' protection

Introduction

12.1 By "performers' protection" we mean the legal remedies available to deter the unauthorised recording or filming of performances of literary, dramatic or musical works or performances by variety artists. Hong Kong at present has no body of law specifically available to protect performers, though such legislation has been in existence in the United Kingdom for many years.

12.2 Such protection grew out of a need to deter or take action against the making and dealing in illicit recordings of live performances, commonly known as "bootleg" recordings. As far as we can determine, Hong Kong does not suffer a problem with bootleg recordings of local or overseas material. On the other hand, technical advances have rendered the making of high quality bootleg recordings a relatively simple matter, and the advent of inexpensive compact digital recording makes the potential problem even more acute. We took the view that we should consult on the possible provision of performers' protection. Any such provision would be closely related to copyright remedies.

The law in the United Kingdom

12.3 Prior to the 1988 Act coming into force, performers in the United Kingdom relied upon the Performers' Protection Acts 1958 to 1972 which made certain unauthorised acts connected with performances punishable by fines or imprisonment. The offences related to unauthorised recording or filming of live performances; sale or publication of such recordings or films; and the unauthorised broadcasting or inclusion in a cable programme of a live performance. The legislation was interpreted as giving the performer civil remedies against unauthorised use of recordings of a performance. The civil remedy created was even wider than that conferred by copyright because it was apparently perpetual and subject to no exceptions.

12.4 Part II of the 1988 Act replaces the earlier legislation with a detailed body of law dealing with rights in performances. Both civil and criminal remedies are available, including remedies that extend to dealing in unauthorised sound or film recordings. The rights in performances are subject to exceptions that correspond closely to the exceptions created in the 1988 Act for copyright works.

12.5 Under Part II of the 1988 Act the performer is protected against the unauthorised recording of a performance, or unauthorised transmission, by broadcast or cable, of a live performance. He is also protected against the importation of or other dealing with illicit recordings (sections 182 and 184). There is an exception for recordings for private or domestic purposes. The performer shares his rights with anyone who holds an exclusive recording contract (sections 185 to 186).

12.6 The limitations on rights in performances are important:

- (i) Schedule 2 of the Act sets out extensively permitted acts which correspond to the permitted acts in relation to copyright;
- (ii) rights in performances are limited in duration to 50 years from the end of the calendar year in which the performance takes place (section 191);
- (iii) subject to exclusive recording rights under section 185, the right is not assignable in the performer's lifetime;
- (iv) the Copyright Tribunal is given powers to give consent in certain cases to what would otherwise be acts which infringed a performer's rights where the performer cannot be identified or traced or unreasonably withholds consent (section 190); and
- (v) it should also be noted that the 1988 Act does not extend protection against plagiarism or unfair appropriation of a performer's style.

Arguments in favour of performers' protection

12.7 The following considerations appear to favour the creation of rights in performances:

- (i) the creative contribution of the performers is at least as great as that made by the holder of the copyright or the producer. The performer should have equal protection for a performance;
- (ii) performers should be given some protection against exploitation of their original performance;
- (iii) performing rights akin to a copyright would give the performer greater bargaining power;
- (iv) a performing right would control fixation of a performance. The artist could control the use of his work to avoid possible over-exposure or to benefit from increased use of his work in the electronic media.

Arguments against performers' protection

12.8 The following considerations militate against the creation of rights in performances:

- (i) performers can secure their position more simply by contract;
- (ii) it is difficult to determine what makes a performance attractive, unique or original. It would be equally difficult to determine when a performance had been plagiarised;
- (iii) the present balance between the bargaining power of artists and producers does not require redress;
- (iv) it appears that the majority of performers are concerned more with wider exposure;
- (v) bootleg recordings are usually in breach of an existing copyright and can be dealt with in the same way as any other pirated recording.

Results of consultation

12.9 Our consultation was designed to gauge the entertainment industry's views on the possible provisions of performers' protection and how extensive such protection should be. The results were mixed. There was some support for legislation similar to the United Kingdom Performers' Protection Acts. Recording companies appeared to favour laws that would give rights to the holder of the performer's exclusive recording contract on the grounds that the holder had made the greatest investment in the performer's career and stood to suffer greatly from bootleg recordings. They apparently had no rights under the Performers' Protection Acts, though this situation has been remedied in the 1988 Act (see section 185 of the 1988 Act).

12.10 There was some support for the provision of civil remedies to counter dealing in bootleg recordings as these were thought to be more effective than criminal remedies alone.

12.11 Those opposed to the introduction of rights in performances argued that the 1988 Act introduced rights that were little short of a copyright in a performance. The introduction of such rights would undoubtedly complicate the arrangements necessary to put together the production of performances in Hong Kong and would thus inflate costs. It should also be noted that despite several attempts to gather the opinions of leading artists in Hong Kong no input was forthcoming.

12.12 Some thought that any attempt to follow the 1988 Act and to give the performer rights to control the fixation of his performance was ill

founded. They argued that such an approach would give undue weight to the creative contribution of the artist while failing adequately to recognise the creative and financial input of the production team. It also wrongly assumes that the artist is in a position of unequal bargaining power as compared to the producer. With fame and popularity, the artist will be in a powerful bargaining position, so it is erroneous to consider redressing this balance by granting the artist the right to control fixation. It was pointed out that Hong Kong is the leader in entertainment business in Asia. It must remain competitive in the Asian market. To legislate for performers' rights in Hong Kong would be to take away Hong Kong's competitiveness and to encourage production of entertainment programmes outside Hong Kong. The United Kingdom is in a different position because it operates within the framework of the western market where performers' rights have already been accepted. It was argued by some that Hong Kong should not follow the United Kingdom because of the very different circumstances in which the Hong Kong entertainment business operates.

Our recommendations

12.13 In our view, the provisions of the 1961 Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations leave little room for manoeuvre if our aim is to ensure harmony between Hong Kong's law and international norms. We are not convinced by the submission arguing against the introduction of rights in performance. **We recommend the creation of a regime for the protection of rights in performances as part of a comprehensive new Copyright Ordinance.**

12.14 We consider that it is necessary to go beyond the mere provision of criminal remedies for unauthorised recording or dealing in such recordings. The performer should be given the exclusive right to control fixation of his or her performance. This should not be seen as an attempt to redress the bargaining strengths between producers and performers. Without a right of fixation the performer has no bargaining position at all.

12.15 We think that it is in Hong Kong's interests that the standards of the Rome Convention (including performers' protection) should be extended to apply to Hong Kong since this will ensure that rights in performances of local artists will also be protected in Convention countries. We have examined Part II of the 1988 Act as a possible model for Hong Kong and we conclude that it is an appropriate basis for new rights in performance. **We therefore recommend that Part II (Rights in Performances) of the 1988 Act be adopted, subject to such technical modifications as may be necessary.**

Chapter 13

Computer programs and databases

Introduction

13.1 In recent years there has been a dramatic increase in the impact of the computer in almost every aspect of modern life. It has been estimated that worldwide commercial software sales in 1985 were between US\$30 and \$39 billion. In Hong Kong, there are estimated to be 10,000 people employed to develop and support computer programs for use within the organisations of their direct employers. The development of computer programs and databases may be the result of massive investment and the success or otherwise of those products will have considerable economic consequences. It is important that the law should offer adequate protection to those who have invested resources in developing computer software, while ensuring that legitimate use of the work is not penalised. That end is not easy to achieve since both computer programs and databases are highly susceptible to copying.

13.2 This chapter examines the present law and how it operates. It discusses the result of a consultation exercise aimed at copyright owners of computer programs and users. Our aim is to produce recommendations that result in laws that are as clear in their operation as possible. Both the copyright owner and user must be aware of the extent to which a work is protected, how it may be used and in what areas legitimate competition may develop. In seeking to achieve that aim, we have been conscious also of the need to provide Hong Kong with laws that will accommodate existing technologies and those that can be foreseen.

Technical background

13.3 There are no universally accepted definitions of either a "computer" or a "program". Whitford proceeded on the basis that a program meant "a series of instructions for controlling or conditioning the operation of a computer so as to make it perform certain desired tasks". The computer was described as a device for storing and processing information¹.

13.4 Programs may be classified in different ways. They are commonly divided into operating systems (which control the internal functioning of the computer) and applications programs (which direct it to perform particular functions for the user, such as word processing programs

¹ Whitford, paragraph 471.

or spread sheets). In broad terms the market for programs is divided between specialist applications programs developed for a particular customer, commercial programs for general use in the business world and mass market programs sold to the public at large. A program will normally be accompanied by its supporting documentation, such as an operating manual.

13.5 The development of a computer program starts with a definition of the task the program is desired to perform. This normally involves taking and storing data and processing it to produce the desired result for the program user. In developing the program the authors may employ logic flow charts before writing the program in one of a range of computer languages. "High level languages" record the instructions in the program in a fashion very similar to natural languages, while "low level languages" record the same information in code recognisable by the computer itself. A programming language which cannot be directly read by the computer but has to be translated into machine language that can be understood by the computer is called a "source language". A program written in a "source language" is said to be "in source code". When the program is translated into a machine language it is said to be "in object code".

13.6 A program may be recorded on a variety of media in source or in object code or some intermediate form. When it is loaded into the computer it is normally copied from the medium in which it is stored into the memory of the computer where it is acted upon by the computer or further processed. After loading, the program may be copied again many times, although only in parts as the program is run.

The present legal protection of computer programs in Hong Kong

13.7 The Copyright (Computer Software) (Amendment) Act 1985 was extended to Hong Kong on 1 February 1988 by Order in Council. The Act is something of a stop-gap measure and was enacted in the United Kingdom pending a comprehensive review of the 1956 Act, a review that subsequently resulted in the 1988 Act. The effects of the 1985 Act in Hong Kong are threefold:

- (a) to make it clear that computer programs attract copyright protection;
- (b) to establish that a work created directly in a computer (e.g. by typing in from the keyboard without its first having been written on paper) attracts copyright protection; and
- (c) to make it clear that storing a work in a computer is a form of reproduction requiring the copyright owner's consent.

13.8 Prior to the extension to Hong Kong of the 1985 Act there was doubt as to the extent to which a computer program was protected as a

literary work. Section 1(2) makes it clear that a program is protected in whatever language or code it is found, and is regarded as an adaptation of the original program. The 1985 Act extended references to the reduction of any work to material form, or to the reproduction of any work in a material form, to include computer storage (section 2), neatly ensuring that work created directly within a computer is protected and that copying to computer storage, without the copyright owner's permission, is an infringing act.

International position

13.9 Computer programs are not specifically referred to in the list of examples of works covered by the Berne Convention. Whitford proceeded on the assumption that they fell within the general definition in Article 2(1) which states that "the expression 'literary and artistic works' shall include every production in the literary, scientific or artistic domain, whatever may be the mode of its expression". A similar situation applies in the UCC. Article 2(5) of the Berne Convention protects collections of literary or artistic works provided that the selection or arrangement of their contents constitute intellectual creations. This protection is without prejudice to the copyright in each of the works forming part of such collections.

The Commission's approach

13.10 In the course of widespread consultation with the computer industry and commercial organisations it became apparent that there was general satisfaction that the 1985 Act had been extended to Hong Kong. By removing doubts as to whether or not computer programs enjoyed protection as literary works the Act represented an improvement in the law.

13.11 As has been mentioned, the 1985 Act was introduced as a stop-gap measure pending a comprehensive revision of the United Kingdom's laws that culminated in the 1988 Act. That Act, and the terms of the Bill as it made its passage through Parliament, provided the main framework for our consultation and discussion. Copyright protection for computer programs is the solution adopted by many of Hong Kong's trading partners. In our deliberations we examined the approach of related Commonwealth jurisdictions and the United States, a common law country with a broadly similar approach to the protection of copyright. We also found the Commission of the European Communities' Green Paper on "Copyright and the Challenge of Technology" (June 1988) very illuminating². In broad terms we agreed with the approach adopted by the 1988 Act.

13.12 We identified a number of key issues which had to be addressed:
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² The European Commission published a proposal for a Council Directive on the Legal Protection of Computer Programs on 12 April 1989. The draft has been the subject of much criticism both by academics and in the press (see, for instance, the article by Prof G. P. Vandenberghe [1989] 11 EIPR 409 and the editorial in "The Economist" 10 March 1990).

- (a) whether copyright was the appropriate mechanism for the protection of computer programs and databases; if it was,
- (b) the circumstances in which copyright arises to protect an original program or database;
- (c) the extent of the protection, and whether any exceptions must be permitted to allow the development of applications programs
- (d) the approach to loading, using and running a computer program or database, including to what extent "back-up" copies should be permitted;
- (e) the duration of the protection which should be afforded;
- (f) authorship and ownership of programs and computer generated copyright work;
- (g) protection against storage in electronic media;

The remainder of this Chapter examines each of these issues in turn and outlines the approach favoured by us in each case.

(A) Copyright protection for computer programs

13.13 Computer programs as such are excluded from protection under the United Kingdom Patents Act 1977 (section 1(2)(c)), though this does not prevent computer related inventions qualifying in some circumstances³. While there are doubts as to whether copyright is entirely appropriate to protect programs, we do not consider that in the light of worldwide trends it is a practical option for Hong Kong to pursue a different form of protection for computer programs. We note that most industrialised countries provide for copyright protection against unauthorised reproduction of computer programs.

13.14 Copyright protection appeared to have the advantage of protecting the original expression of ideas while not permitting the ideas themselves to be so protected, which would tend to stifle development. The application of the ideal/expression dichotomy to copyright protection of computer programs has led some authors to suggest⁴ that, while programs are protected, their underlying logic is not⁵.

³ Computer programs as such were excluded under the Patents Act 1949 to the extent that they were mere schemes or intellectual concepts. This corresponds to the position in other jurisdictions in excluding programs as mere mathematical methods or presentations of information: see E. C. Green Paper, at 5.3.3.

⁴ The EC Green Paper, 5.5.6

⁵ Algorithm is a series of instructions or procedural steps for the solution of a specific problem: source, *The Penguin Dictionary of Computers*, 3rd Edition, (1985).

Views on consultation

13.15 It was generally felt that computer programs should be protected by copyright. It was pointed out that computer programs are protected by copyright law in most countries and reciprocal protection is available in signatory countries of Berne and the UCC.

Our recommendations

13.16 **We conclude that copyright is the most satisfactory approach and recommend that original computer programs should continue to attract copyright protection as literary works, and computer programs and other works created in any medium should be protected at creation.**

(B) The circumstances in which protection arises

13.17 The 1985 Act states that the 1956 Act shall apply to a computer program as it applies in relation to a literary work⁶. The 1988 Act goes further and defines a literary work as including a computer program⁷. Neither Act defines computer program. This appears to be quite deliberate. Quite apart from the difficulty of providing a meaningful comprehensive definition of a program it allows the legislation to automatically update itself by leaving the extent of the meaning to be determined by the courts.

13.18 The Australian Federal Court described a program as "a concise set of instructions that directs a computer to do the tasks required of it step by step and to produce the desired result"⁸. The United States Copyright Act defines a computer program as being "a set of statements or instruction to be used directly or indirectly in a computer to bring about a certain result"⁹. Those responding to our request for comments appeared to favour the 1985 Act approach and, on balance, we accept that little would be gained and possibly much lost by attempting to define a computer program. We also favour the wide description in the 1988 Act of the circumstances in which copyright comes to subsist in literary, dramatic or musical work. The Act provides that it subsists when "it is recorded, in writing or otherwise". "Writing" includes "any form of notation or code, whether by hand or otherwise and regardless of the method by which, or medium in or on which, it is recorded"¹⁰. The extent to which a flow chart or diagrammatic representation can ever protect ideas through an artistic copyright is still to be fully determined by the courts. However, it is arguable that literary copyright subsists in such representations since they are a form of notation or code.

⁶ Section 1(1). The change is retrospective. It applies to computer programs made before the commencement of the 1985 Act.

⁷ Section 3(1)(b). See Chapter 3 for a fuller description of literary work.

⁸ *Apple Computer Inc & Another v Computer Edge Property Ltd* [1984] F.S.R. 481, at 509.

⁹ 1976, 17 U.S.C., section 101.

¹⁰ See sections 3(2) and 178.

13.19 Copyright will only subsist in original works. While a slavish copy is obviously not an original work it is not always possible to predict with certainty what the courts will determine to be an original work. It appears to depend upon the labour, skill and investment of the author in producing the work. There will be a limit on originality if a particular idea can only be expressed in a limited number of ways. We foresee much debate in the future regarding originality as it applies to computer programs.

Views on consultation

13.20 Opinion was divided as to whether there should be a legislative definition of a computer program, some favouring a definition such as that in the United States and others arguing that no attempt should be made to produce a statutory definition.

Our recommendations

13.21 We have noted the submissions favouring the incorporation in our copyright legislation of a definition of the term "computer program", a term not defined in the 1988 Act. We have considered the following three definitions:

- (1) The Australian interpretation in the *Apple Computer* case (*Computer Edge v. Apple Computer* [1986] FSR 537) that a computer program is "a concise set of instructions that directs a computer to do the tasks required of it step by step and to produce the desired result".
- (2) The definition in section 101 of the United States Copyright Act that a computer program is "a set of statements or instructions to be used directly or indirectly in a computer to bring about a certain result".
- (3) The WIPO draft model law definition that a computer program is "a set of instructions expressed in words, codes, schemes or in any other form, which is capable, when incorporated in a machine-readable medium, of causing a 'computer' - an electronic or similar device having information-processing capabilities - to perform or achieve a particular task or result".

13.22 There appear to us to be shortcomings with each of these definitions. For instance, there are doubts as to whether the United States definition would cover "pictures on screen" (a part of the program's "look and feel"). There is also concern that if the American definition were adopted, the extent of copyright protection for computer programs in Hong Kong would be affected by the development of American jurisprudence. On the other hand, the WIPO definition remains only a draft provision and has yet to be tested in any jurisdiction.

13.23 The problem of arriving at a satisfactory definition for "computer program" is a worldwide one. We are not aware, however, that the absence of a statutory definition in the United Kingdom has resulted in any copyright abuse. **We believe that there is no compelling reason why we should depart from the United Kingdom in this respect and we therefore recommend that "computer program" should not be defined.**

13.24 **Turning to the question of originality, we think it unwise to put a gloss on the word "original" for computer programs and we recommend that there should be no express modification or explanation of originality as it relates to computer programs.**

(C) The extent of protection

13.25 Similar considerations apply to the extent of the protection available to computer programs. Under the 1988 Act copying the whole or a substantial part of any literary, dramatic, musical or artistic work is a restricted act, and this includes storing the work in any medium by electronic means (section 17(2)). To this extent we favour the approach of the 1988 Act.

13.26 The 1988 Act goes further, restricting copying which is "transient or incidental to some other use of the work" (section 17(6)) and this extended definition of copying initially did not find support with us in the context of loading and using a legitimately purchased computer program.

13.27 Making an adaptation is a restricted act under the 1985 and 1988 Acts. An adaptation includes a translation of the literary work, which, in relation to a computer program, "includes a version of the program in which it is converted into or out of a computer language or code into a different language or code, otherwise than incidentally in the course of running the program" (section 21(4)).

13.28 It will be important to both the copyright owner and his competitor to know what the law will regard as copyright infringement because it constitutes a substantial part of the original creation or is an adaptation. We sought views on the protection that the law should offer to what has come to be known as the "look and feel" of a computer program. That term is used to describe the situation where for two different programs the images on a visual display are similar but the underlying programs are different. "Look and feel" has been at the centre of several important disputes in the United States. It is of great value to software publishers as customers are attracted to ease of use and tend to resist retraining once they are comfortable with the look and feel of a program or family of programs.

Views on consultation

13.29 Some commentators took the view that copying which is transient or incidental to other use of the work ought not to be restricted. Others favoured the prohibition of transient or incidental copying of computer

programs. What amounts to transient or incidental copying is, however, unclear. This raised the question of whether it is necessary to copy part of the computer's operating system in order to use an application program with a particular computer. One view is that it is not necessary, and accordingly it is unnecessary to permit copying of any portion of the computer's operating system. Another view is that it is necessary to copy a portion of a computer's operating system, or at least its interfacing software, in order to design application software that can "communicate" with the operating system. Such copying may only take the form of decompiling the operating or interfacing software by "reverse engineering"

Our recommendations

13.30 The views obtained on consultation varied widely. Those copyright owners who feel they have a valuable asset to protect are anxious for specific recognition of the concept of "look and feel". Others suggest there is already protection to the extent that substantial copying of a significant and original feature of a program will be restricted by the courts. We feel it would be unwise to proceed alone to protect "look and feel" by introducing a novel extension to familiar copyright principles. **We therefore recommend that the extent of the protection for original computer programs be left to be determined by the courts employing established copyright principles. We recommend that no specific protection be given for "look and feel".**

13.31 The sub-committee put forward the view in their letter of consultation that for an application program to work with a particular computer it may be necessary to copy part of that computer's operating system. The sub-committee asked whether this assumption was correct, and whether it was necessary to make an exception to copyright for this purpose. There was little support for such an exception and the assumptions that accompanied the question were challenge¹¹.

13.32 It appears to us that the problem of limited copying of operating systems may be more imagined than real. The creator of any new hardware has much to gain by encouraging a proliferation of applications programs that can be used on a computer. The United States has seen manufacturers who are very willing to permit limited copying of their operating systems, perhaps on payment of a nominal fee to provide recognition for their copyright. **We accordingly recommend that no express provision be made for compulsory licensing to permit the copying of part of the operating system of a computer to facilitate the development of applications software.**

13.33 **In relation to adaptation, we agree with the approach used in the 1988 Act and recommend that the relevant provisions be adopted in Hong Kong. As to decompilation, we take the view that a limited**

¹¹ The problem is addressed at some length in the EC Green Paper, 5. 5. 9 to 5. 5.13.

right to decompilation is tantamount to creating another exception to infringement and we do not recommend any such limited right.

13.34 As to the suggestion that express provisions should be introduced to sanction improvement or repair, **we take the view that such terms are already implied in the contract of sale and we recommend that no such express provisions should be provided.**

(D) Loading and using a computer program and "back-up copies"

13.35 Section 17(6) of the 1988 Act defines a restricted act as "the making of copies which are transient or are incidental to some other use" of the computer program. Loading and using a computer program are therefore restricted acts even for legitimately purchased computer programs. The Bill in its original form contained in clause 17(7) a "use right" that permitted loading and viewing. That clause provided that:

"Storing a work in a computer does not amount to copying the work where done only incidentally in the course of viewing the work or, in the case of a computer program, running the program".

Section 17(6) of the 1988 Act as enacted, however, has the opposite effect. The copyright owner is able to specify exactly how, when, where, for what purpose and with what machine his program can be used. The section not only considerably toughens the protection available to the owner of the copyright but also exposes to civil liability and possible criminal prosecution every user who does not comply with the terms of his contract with the supplier of the program. We think that this goes much too far, particularly where the contractual relationship between the supplier and the user is unclear.

13.36 The strictures of section 17(6) may be appropriate when the contractual arrangements are clear to both parties, such as when a manufacturer builds software specifically for a particular client. They are less reasonable when mass market software is sold to the public in circumstances where the contractual licence is not communicated before the contract is concluded. Mass market software is often supplied with what is called a "shrink-wrap licence". This is a licence which sets out the terms and limitation of use and is visible to the prospective purchaser by being placed within clear outer wrapping on the product box. There is much doubt as to the effect of this mechanism to incorporate contractual terms¹². There are also difficulties if the computer program is sold on to a third party.

13.37 The "use right" which was incorporated in clause 17(7) of the original Bill would have supplied that right when the contract did not

¹² See *Computer Software: Legal Protection in the United Kingdom* by Henry Carr (E.C.S.C., 1987), pp 92 to 95. Also *Legal Protection for Computers, Programs and Data*, by Christopher Millard, pp 142, 143 (Sweet and Maxwell, 1985).

specifically do so. It may well be that where there is no contractual term there is implied permission to load and use, but we take the view that a clear right to use should be incorporated in any new legislation.

13.38 It is not clear to what extent the present law in Hong Kong permits the making of "back-up copies", which are copies the user may require as a safeguard against the computer program being lost or damaged. Programs are susceptible to damage. It is quite clear that the 1988 Act does not permit the user to make back-up copies without the express permission of the copyright owner.

13.39 Copyright owners fear that a right to make back-up copies would serve as a guise for the generating of untold numbers of illegitimate copies. Computer programs are easily copied by the user unless the program is protected by, for instance, the incorporation of an electronic device that prevents copying. These devices are not popular with purchasers who feel safer with computer programs from which they may make back-up copies. Consultation revealed divided opinions.

13.40 The arguments for a statutory right to copy a computer program as an integral part of loading and using it and to make back-up copies are that:

- (i) it conforms with good data management practice;
- (ii) it confirms what the law would probably imply in the absence of an express, term to the contrary;
- (iii) the contractual right is limited to the first purchaser;
- (iv) it conforms with what is becoming the industry practice; and
- (v) "shrink-wrap licences" communicate contractual terms ineffectively.

13.41 The arguments against such a statutory right are that:

- (i) it may be used as a guise for piracy;
- (ii) such rights are normally given by contract;
- (iii) Article 5(2) of Berne does not require the right to forbid the making of copies to be formally claimed¹³.

13.42 International practice varies. The United States permits the making of back-up copies in its legislation¹⁴, as does Australia to the extent that such rights are not expressly excluded by the contract¹⁵.

¹³ This is the view expressed on behalf of the United Kingdom Government in debate in the House of Lords on 2 November 1988. It does not appear to have so limited Australia or the United States.

¹⁴ See United States Copyright Act 1976, 17 U.S.C., section 117.

13.43 The United States legislation provides at 17 USC section 117 as follows:

“Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorise the making of another copy or adaptation of that computer program provided:

- (1) that such a new copy or adaptation is created as an essential step in the utilisation of the computer program in conjunction with a machine and that it is used in no other manner, or*
- (2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.*

Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorisation of the copyright owner.”

13.44 The United States legislation appeared to us to compare favourably with the 1988 Act approach in that:

- (i) it makes statutory provision for use, or adaptation for use, with a computer;
- (ii) it gives a limited right to make archival (back-up copies);
- (iii) it provides for transfer of these rights to third parties¹⁶.

13.45 Section 56 of the 1988 Act deals with the transfer of copies of works in electronic form, but it is far more difficult to interpret. Section 56 provides:

“(1) This section applies where a copy of a work in electronic form has been purchased on terms which, expressly or impliedly or by virtue of any rule of law, allow the purchaser to copy the work, or to adapt it or make copies of an adaptation, in connection with his use of it.

(2) If there are no express terms -

¹⁵ Australian Copyright Act 1968, section 43A.

¹⁶ Subject to what is said below about a "rental" or "hiring right".

(a) *prohibiting the transfer of the copy by the purchaser, imposing obligations which continue after a transfer, prohibiting the assignment of any licence or terminating any licence on a transfer, or*

(b) *providing for the terms on which a transferee may do the things which the purchaser was permitted to do,*

anything which the purchaser was allowed to do may also be done without infringement of copyright by a transferee; but any copy, adaptation or copy of an adaptation made by the purchaser which is not also transferred shall be treated as an infringing copy for all purposes after the transfer.

(3) *The same applies where the original purchased copy is no longer usable and what is transferred is a further copy used in its place.*

(4) *The above provisions also apply on a subsequent transfer, with the substitution for references in subsection (2) to the purchaser of references to the subsequent transferor."*

It is not clear what rights exist "by virtue of any rule of law". This section is made in the hope that the courts will imply the appropriate rights. It is also subject to express terms in the contract prohibiting transfer.

13.46 Section 39 of the Singapore Copyright Act of 1987 appears to be an amalgam of Australian and United States legislation. It provides that:

"(1) Subject to subsection (2), the copyright in a literary work being a computer program is not infringed by the making of a reproduction of the work, or of computer program being an adaptation of the work, if -

(a) *the reproduction is made by, or on behalf of, the owner of the copy (in this section referred to as the 'original copy') from which the reproduction is made; and*

(b) *the reproduction is made for the purpose only of being used, by or on behalf of the owner of the original copy, in lieu of the original copy in the event that the original copy is lost, destroyed or rendered unusable.*

(2) *Subsection (1) shall not apply to the making of a reproduction of a computer program, or of an adaptation of a computer program -*

(a) *from an infringing copy of the computer program; or*

(b) *contrary to an express direction by or on behalf of the owner of the copyright in the computer program given to*

the owner of the original copy not later than the time when the owner of the original copy acquired the original copy.

(3) Notwithstanding section 31, it is not an infringement for the owner of a copy of a computer program to make or authorise the making of another copy or adaptation of that computer program provided that such a new copy or adaptation is created as an essential step in the utilisation of the computer program in conjunction with a machine and that it is used in no other manner.

(4) For the purposes of this section

(a) a reference to a copy of a computer program or of an adaptation of a computer program is a reference to any article in which the computer program or adaptation is reproduced in a material form; and

(b) a reference to express direction, in relation to a copy of a computer program or of an adaptation of a computer program, includes a reference to a clearly legible direction printed on the copy or on a package in which the copy is supplied."

13.47 Section 39 cross-refers to section 31 which provides as follows:

"31 (1) Subject to this Act, the copyright in a literary, dramatic, musical or artistic work is infringed by a person who, not being the owner of copyright, and without the licence of the owner of the copyright, does in Singapore, or authorises the doing in Singapore of, any act comprised in the copyright.

(2) Sections 32 to 34 (Infringement by importation for sale or hire, infringement by sale and other dealings, and infringing copies made on machines installed in libraries and archives) shall not affect the generality of subsection (1)."

Views on consultation

13.48 It was pointed out that although software copyright owners' interests would be best served by making loading a restricted act requiring a licence, this would result in the copyright owners acquiring greater rights than was the case with traditional forms of literary works. For instance, a book can be read freely without the need for the copyright owner's further permission once it has been lawfully acquired.

13.49 There was wide support for allowing the making of back up copies as this was operationally and commercially desirable. One commentator thought that under common law principles it was likely that the

courts would imply a right to make back-up copies. Furthermore, any contractual prohibition against making back-up copies would probably be considered an unreasonable restraint of trade.

Our recommendations

13.50 Having examined the relevant legislation in Australia, the United States and Singapore, we conclude that the Singapore approach provides the most satisfactory model for Hong Kong. **We conclude that Hong Kong should not follow the 1988 Act in respect of loading or using a computer program or making back-up copies. Instead, we recommend a provision similar to section 39 of the Singapore Copyright Act 1987 which permits copying or adaptation as an essential step in the utilisation of the computer program with a machine. We also agree with the Singapore Act's approach on back-up copies and recommend that the making of back-up copies should be permitted. That right should only be capable of exclusion by express terms in the contract of sale. The right should be modified to exclude back-up copies where the program is not fixed into a medium which is easily destroyed. In that case, the necessity of allowing back-up copies no longer arises.**

13.51 We were sympathetic to the suggestion that section 39 of the Singapore Act should be modified in subsection (3) so as to prevent indiscriminate copying of a program for use in conjunction with more than one machine at any one time. It was accepted that software producers would have a legitimate complaint where, for instance, a corporate purchaser bought only a single copy of a program and then had it installed on numerous computers in the workplace enabling that program to be used simultaneously by a large number of employees.

13.52 At the same time, we considered that software producers and distributors should not be entitled to impose unreasonably strict limits on use of a purchased program without the express agreement of the purchaser. Thus, an individual who purchases a software package ought reasonably to be entitled to load it onto, say, his computer in the office, his computer at home and his note-book computer used when he is travelling, particularly where, for instance, he only uses one of those computers at a time. It seems unrealistic and unwarranted to require him either to buy three copies of the same program in such a case or to require him to delete the copy installed on Machine No. 1 before installing it for use on Machine No. 2, and so forth, to avoid infringement. Such a law is likely to command no respect and would be impossible to enforce on any scale.

13.53 **We therefore consider it desirable that the wording of section 39(3) should be adapted to strike a more even balance between the interests of software producers on the one hand and software purchasers on the other. We believe this could be done by:**

- (a) making it an infringement, unless licensed by the producer, for a program to be copied in order to enable it to be used**

simultaneously on more than one computer or workstation (where several workstations are linked by network); and

- (b) making it an exception to the abovementioned prohibition for the program to be copied by an individual purchaser who installs it onto more than one computer ordinarily used by that purchaser personally and where, in the ordinary course of events, only one of the machines is expected to be in use at any one time.**

13.54 As to whether we should follow section 17(6) of the 1988 Act, the Commission has given this matter further consideration. The Commission thinks the answer is that when adopting section 17(6) the exception referred to in the preceding paragraph should be exempted from its operation. In principle, even transient or incidental copying should be a restricted act but in order to use a computer program at all some transient or incidental copying is necessary. Clearly, the owner of the copyright in the software would not wish to prohibit copying necessary to run the program and in practice such copying is usually specifically permitted by the terms of the "shrink-wrap" licence issued to the purchaser at the time of sale. In the absence of such a specific licence, **we take the view that copying necessary to operate the program would not be prohibited by the terms of section 17(6) as the effect of such a prohibition would be to render the software unusable for the purpose for which it was sold. An alternative to put the matter beyond doubt might be to adopt a provision similar to clause 17(7) of the original Bill in the United Kingdom to which we referred at paragraph 13.35 above, specifying that copying necessary for the purpose of operating a computer program on one machine at one time did not amount to an infringement of section 17(6).**

(E) The duration of protection

13.55 The majority of those consulted favoured a period of 50 years after the death of the author as the duration of protection for computer programs. This is the protection to which programs are entitled if they fall within Berne obligations, and it appears to be the view favoured by the United Kingdom¹⁷. The French copyright legislation protects computer programs for 25 years, possibly considering them to be works of applied art. There was significant minority support for much shorter protection for computer programs than for patents.

Views on consultation

13.56 There were a variety of views expressed as to the appropriate period of protection. One point that was made was that the date of creation of a computer program or database cannot always be readily ascertained as both programs and databases are regularly updated over a period of time.

¹⁷ House of Lords Official Report, Hansard, 2 November 1988, at Column 210.

Our recommendations

13.57 We note the calls in some quarters for a reduction in the period of protection from 50 years to 10 to 15 years. Computer programs are, however, protected by copyright as literary works under the Berne Convention. **We think it right, therefore, that the period of protection should be in line with that for other literary works and we recommend no change in the existing duration of protection of the author's life plus 50 years. Where computer-generated works are concerned, we recommend a similar period of protection. We deal with the question of who should be treated as the author of such works in the next section.**

(F) Authorship and ownership

13.58 Computer technology presents a particular problem in determining who is the owner of output generated with the assistance of a computer program. Whitford thought the correct approach was to regard the computer as a mere tool, albeit a very sophisticated tool, that extended human powers of creativity. On this basis the author should be regarded as the person who applies the computer program to the data used to produce the result¹⁸, or, in other words, the program user rather than the original programmer. Consultation revealed opinions broadly in line with this view, but stress was laid on the need for originality in the application of the computer program in order to justify copyright protection for the output that was generated. We agree with this approach which appears to be the position under both the present law and the 1988 Act. Consultation alerted us to a fear that the owner of the program might have some claim over the output to the extent that it incorporated copyright material within the program. In our view, unless the computer program copyright owner expressly reserves any rights in the output, he must be taken to impliedly license all foreseeable uses to which his program is put.

13.59 It becomes more difficult to identify the person who should receive the benefit of copyright protection as "author" of a work where the computer generates a product which could not have been achieved by human hands alone. Where, for instance, a weather map is generated by using satellite photographs and other weather recording devices in conjunction with stored data and a computer program it is less obvious to what extent the computer user can be said to have been the "author" of the resultant map. Selection 9(3) of the 1988 Act introduces a provision for the ownership of such "computer generated" work. That section states that in such cases the author "shall be taken to be the person by whom the arrangement necessary for the creation of the work are undertaken." "Computer generated" work is defined in section 178 as work "generated by computer in circumstances such that there is no human author of the work." The effect of those provisions would seem to be that the user of the computer program, rather than the

¹⁸ See Whitford, 513 to 517. The Committee realised that there might be problems with joint ownership, but they did not think a special provision was necessary to deal with this situation.

original programmer, would be the "author" of the computer generated work since it is the former who has initiated the production of the work.

13.60 There are difficulties with the approach followed by the 1988 Act in distinguishing circumstances where there is human authorship from those where this is not the case.

Our recommendations

13.61 **While we appreciate that difficulties may arise with the approach followed by the 1988 Act, we believe it provides a satisfactory model for Hong Kong's legislation and we recommend the adoption of sections 9(3) and 178 of that Act.** We think it sensible that the rights in computer generated work should fall to the program user rather than the program maker. It is the application of the former's abilities to the program which results in the computer generated result.

(G) Databases and the fixation of copyright works in electronic media

13.62 Doubt existed before the 1985 amendment as to whether literary works were protected when recorded in a form other than writing¹⁹. Original literary works are now protected upon creation in a computer and all works are protected when recorded in computer storage (section 2 of the 1985 Act). The 1988 Act goes further and provides that creation of literary, dramatic or musical works takes place when they are recorded "in writing or otherwise" (section 3(2)). Section 178 defines writing as including "any form of notation or code, whether by hand or otherwise and regardless of the method by which, or medium in or on which, it is recorded". Section 17 of the 1988 Act prohibits the copying of a literary, dramatic, musical or artistic work. "Copying" means reproduction in any material form, including storage in any medium by electronic means. We agree with this approach.

13.63 Databases are protected under the present law as original literary works as "written tables or compilations". Article 2(5) of the Berne Convention illustrates their relationship with the works out of which they are compiled:

"Collections of literary or artistic works, such as encyclopedias and anthologies which, by reason of the selection and arrangement of their contents, constitute intellectual creations shall be protected as such, without prejudice to the copyright in each of the works forming part of such collections."

13.64 Electronic databases and electronic publishing in all forms are becoming increasingly important. The pointers available indicate a very rapid increase in their use in the next decade²⁰.

¹⁹ See Laddie, Prescott & Vitoria, *Modern Law of Copyright* (Butterworths, 1980), at 2.138.

²⁰ See EC Green Paper, Chapter 6.

13.65 The 1988 Act makes no specific provision for databases. The inclusion of compilations or tables in the description of literary works is maintained by section 3(1). The wider meaning of writing and copying means that there is considerably more protection for electronic databases than in the 1956 Act. It is also possible for a database to be protected as a broadcast (section 6) or a cable programme service (section 7), since both are defined in such a way as to include any broadcast or wire diffused "information" (which presumably includes computer programs and databases).

13.66 The author of a database may include part of another copyright work without permission if it does not amount to a substantial part of that work. This has been interpreted in earlier cases to relate to the quality of what is taken rather than the quantity²¹. The more a database moves towards a compilation of source material and away from a brief index the more likely it is to infringe copyright.

13.67 To what extent the rights of fair dealing for research or private study (section 29) permit private databases to compile sources is also not clear. Fair dealing for the purpose of criticism, review or for reporting current events (section 30) may be the basis of electronic newsgathering and dissemination.

13.68 Networked databases are already common. Section 7 of the 1988 Act provides protection for such databases as cable programmes included in a cable programme service. Excluded by section 7(2)(a) from the definition of cable programme service are the products of the user's interaction with the database. We accept that it is necessary to make such provision but are doubtful whether the Act achieves this successfully. Also excluded by section 7(2) are telecommunication systems which are essentially for private or domestic use. Section 7(3) allows the Secretary of State to add to or amend the systems excepted from the definition of cable programme services. Cable programme services are considered in more detail in chapter 11.

13.69 As with computer programs, any use of the database (whether fixed in electronic form or networked) is a restricted act. Making a hard copy of the database is copying in a material form. Even screening a database is restricted under section 17(4) through the wide definition of photograph. The restricted act of copying extends to the making of copies which are transient or incidental to some other use of the work (section 17(6)). This appears to allow the author of a database fixed in electronic form to control the circumstances in which it may be accessed. The question arises as to the necessity to create a "use" right for databases corresponding to that proposal for computer programs.

13.70 Databases that are constantly updated present a problem in deciding how the period of copyright protection should be determined to

²¹ For an example see *University of London Press v University Tutorial Press Ltd* [1916] 2 Ch 601.

prevent them attracting perpetual copyright protection. There is no author's death to identify as the point around which calculate the duration of copyright protection.

13.71 Computer programs are denied moral rights in the 1988 Act but databases, as literary works, will enjoy this protection. The question arises as to whether it is possible to maintain this separation. Whitford saw the distinction between a program and data as being arbitrary²².

Our recommendations

13.72 We feel that it is unwise to create a special regime for databases for much the same reason that we refrained from an approach to computer programs which moved away from trends in other jurisdictions. Hong Kong must follow international developments. The United Kingdom's approach is a development of existing principles that retains the database, close association with the treatment of literary work, rather than a radical new form of treatment. **We recommend that the United Kingdom's approach should be followed and that there should not be any special category of copyright work for electronic databases. These should continue to be protected as original literary works. We further recommend that the 1988 Act should be followed in its protection of databases to the extent that they receive protection upon creation in any medium and protection against being copied by electronic means in any medium. Broadcast or networked databases should be protected as broadcasts or cable programme services.**

²² Whitford, para 504.

Chapter 14

Hong Kong Government and legislative council copyright

Introduction

14.1 This chapter is concerned with the copyright applying to works generated by the machinery of government and administration, how it arises, its duration, and those exceptions to copyright that are necessary for good administration and government. The term "Crown copyright" is used to describe this right in Hong Kong's existing law but such a term will be redundant after 1997. The need for copyright to apply to government material, no matter how that right may be termed, will remain, however.

The present law

14.2 Section 39 of the 1956 Act provides that the Crown is entitled in the first instance, setting aside the rights arising from publication, to the copyright in every original literary, dramatic, musical or artistic work and in every sound recording or cinematographic film "made by or under the direction or control of Her Majesty or a Government department", unless there is an agreement to the contrary. For the purposes of section 39, "Government department" means any department of Her Majesty's Government in the United Kingdom or of the Government of Northern Ireland, or "any department or agency of the Government of any other country to which [section 39] extends," which includes Hong Kong¹. Thus, in the normal course of events, all copyright material produced by Government servants in the course of their duties, from the simplest memo to the most complex report, attracts Crown copyright. Commissioned work may be covered by the same copyright unless the maker takes steps to secure rights by contract.

14.3 Section 39(2) gives Her Majesty copyright in Part I works (i.e. literary, dramatic, musical or artistic works) first published by or under the direction or control of Her Majesty or a Government department. Thus it appears possible for the Crown to extinguish the rights of any Government employee who claims copyright in an unpublished work.

14.4 The particular status of a Government employee may be difficult to determine. A Crown servant may be the subject of a contract of employment. It appears that the ownership of a work produced in the course

¹ Copyright Act 1956, section 39(9) and S.I. 1972 No. 1724.

of employment will be the same whether it depends on section 39, or on section 4(4) of the 1956 Act (section 4(4) provides that the copyright in a work made in the course of the author's employment under a contract of service or apprenticeship belongs to the employer). What is important is the status of the body concerned with the material produced. The question arises what is a "Government department". For instance, neither the Urban Council nor the Regional Council are Government departments, as they have a separate existence as corporations under their respective Ordinances².

14.5 Crown copyright in unpublished literary, dramatic, musical works and engravings and photographs continues indefinitely. Once the work is published the copyright ceases at the end of 50 years from the end of the calendar year in which publication occurs³. The copyright in artistic works, other than photographs or engravings, subsists until 50 years from the end of the calendar year in which the work was made⁴.

14.6 Sound recordings and cinematographic films made by or under the direction or control of Her Majesty or a Government department are entitled to copyright for the same period as if copyright subsisted by virtue of, and was owned in accordance with, sections 12 or 13 of the Act: that is, copyright subsists indefinitely until publication occurs and thereafter continues until the end of the period of 50 years from the end of the calendar year in which publication took place⁵.

14.7 The 1956 Act provides for a number of exceptions to allow what would otherwise be infringing activity. Several of these exceptions allow the Crown to publish copyright material belonging to another person, or to permit access to works in which Crown copyright subsists. The most significant of these are the exception which permits the reproduction of literary, dramatic or musical works for the purposes of judicial proceedings, or a report of judicial proceedings, and the exception allowing the copying of any public record without infringing copyright.

The operation of the existing law

14.8 Initial research, limited to consultation of Government departments, did not reveal any great difficulties associated with the operation of Crown copyright in Hong Kong. The Crown produces much material in the exercise of the Government's functions, only a small portion of which is intended for or emerges as published material. Because of Hong Kong's small size there is a greater tendency than in larger jurisdictions for public sector employees at a local level to be Crown servants rather than employees of a local Government tier.

² The Urban Council Ordinance (Cap 101) section 3 and the Regional Council Ordinance (Cap 385) section

³ Copyright Act 1956, section 39(3)(a)&(b) and section 39(4).

⁴ Copyright Act 1956, section 39(4).

⁵ Section 39(5)(b) of the 1956 Act.

14.9 The Public Records Office, under Government Records Service Division of the Government Secretariat, keeps many Government records generated in all parts of the Government. Unclassified records are changed to open records thirty years after the date of creation. Classified records always remain as closed records regardless of their age. Individuals can apply directly to the Public Records Office for use of the closed records. Approval will then be sought from the relevant branch or department before permission is given.

14.10 The Crown normally claims copyright in materials produced by outside individuals or organisations at Government's request. Regarding Government publications, clearance is normally sought before copyright material is incorporated. If permission to produce extracts from Government publications is sought by third parties it is normally granted where the extracts are not so substantial as to interfere with sales of the original publication. Photographs are available for commercial purposes at the full rate normally applicable to such material.

14.11 Though the Hong Kong Government is not in the business of publishing for profit there exists a clearly articulated policy of recovering, as far as is possible, the costs involved in publication, unless the public interest demands otherwise.

14.12 Unlike the United Kingdom, no General Notice on Crown copyright has ever been issued setting out the Government's broad policy and intentions with respect to various types of publication⁶. The United Kingdom Notice states the practice to be followed with regard to Crown copyright and recognises that certain classes of publication (including Bills, Acts and Official Reports of Parliamentary Proceedings) should be diffused as widely as possible and legal rights of the Crown in respect of copyright in them will not normally be enforced. Nonetheless, all rights are reserved under the Notice. Copyright may be asserted where reproduction of a whole or substantial part of a publication is such as to result in a significant loss to public funds. The Notice also makes it clear that rights are also reserved to protect official material from misuse by unfair or misleading selection, undignified associations or undesirable use for advertising purposes. Initial research pointed to the Hong Kong Government taking a very similar view.

Possible shortcomings of the present law

14.13 Prior to the 1911 Act the Crown appears to have stood in the same position in relation to copyright as any other employer or commissioner of copyright work. The wide language of section 39 was examined by Whitford which was critical of two aspects in particular. Firstly, they queried the meaning of the words "under the direction or control" of Her Majesty or a Government department. As they pointed out:

⁶ General Notice GEN 75/76.

“The report of this Committee is being written at the request and for a Government department. Is it being written under the direction or control of the Department? Can it be said to be written 'under the direction or control' of the Department merely because they have asked for it, although they do not in any way seek to direct or control the procedures adopted by the Committee, the form in which the report is written, or its conclusions?”⁷

Whitford was also critical of the Crown copyright that arose through first publication under section 39(2): the automatic vesting on official publication was said to be necessary in order to safeguard the right of the Crown to publish, for example, evidence given to committees or commissions and the findings of such bodies in which a pre-existing copyright may exist. Whitford considered that, while it "is understandable that it may indeed be desirable to safeguard this right... we do not see that a right arising because of publication safeguards a right to publish. Further, it seems indefensible to provide such a safeguard by a provision enabling the Crown to override an independent copyright in works independently produced"⁸.

14.14 The special position in which the Crown is placed in relation to copyright was said to be justified because of the large number of employees and the impracticality of attributing individual authorship. The problem, it was said, was exacerbated by the fact that a copyright work such as a report might contain material provided by a large number of Crown servants. Whitford rejected these arguments and pointed out that the difficulties of keeping records relating to authorship were just as acute in any large organisation and there was little reason why the Crown should be placed in a different position from other employers. Whitford recommended that all existing Crown copyright provisions be brought to an end.

14.15 It is apparent that the exceptions currently available to the Crown to publish the work of another, or to permit the reproduction of work in which the Crown holds copyright, are narrow and inconsistent. For example, copyright in a cinematograph film is not infringed by making a copy of it for the purposes of a judicial proceeding, or causing it to be seen or heard in public for the purposes of such a proceeding (section 13(6)). There is, however, no corresponding exception for sound recordings.

14.16 Similar criticism may be levelled at the duration of copyright, which could be put on a more uniform basis. Whitford did not favour perpetual copyright in unpublished work⁹.

14.17 Unless a specific right to publish or reproduce is given under statute the power to copy or disseminate works for the normal purposes of good government and administration is unclear. This problem is particularly acute when correspondence from third parties needs to be copied, or where

⁷ Paragraph 594, Whitford.

⁸ Paragraph 599.

⁹ Paragraphs 638 to 642.

material originated by third parties is retained for reference or put into an archive.

14.18 Since 1956 the means to record, reproduce and disseminate copyright works have become increasingly inexpensive and widely available. Legislative Council sessions are already being recorded for sound and television broadcast¹⁰. A recent United Kingdom Bar Council Working Party report has recommended that television cameras be permitted to record and report court proceedings¹¹. Whether or not this recommendation is adopted it is a pointer towards the future. The public business of the Government, whether executive, legislative or judicial, is increasingly likely to produce works which when recorded will be subject to someone's claim of copyright. These developments will force the resolution of issues which are presently the subject of academic debate. For example, the decisions of a judge and the proceedings of his court cannot be said to be under the direction or control of Her Majesty or a Government department.

Options for Reform

14.19 Whitford's recommendations were not entirely accepted by the United Kingdom Government, who took the view that the provisions had worked with little criticism for nearly seventy years¹². It was agreed that the Crown must safeguard the right to publish in certain circumstances, such as the evidence given to or the report of a committee. It was also accepted that section 39(2) was too widely drawn when it gave Crown copyright on publication, possibly even to the extent of extinguishing other rights.

14.20 The Australian Copyright Act is similar in many respects to the 1956 Act. The recent Singapore Copyright Act is closely modelled on the Australian Act. Both make provision for the use of copyright material in the service of the Government, granting a right to copy without infringing if done in such service¹³. Though rights to seek compensation are given these provisions may offend Berne. The Australian Act grants a right to make one copy by reprographic reproduction of prescribed works, which include Acts and judgements of the courts (section 182A).

The 1988 Act

14.21 The 1988 Act cuts back the wide terms under which Crown copyright material is created, placing the Crown in a position much closer to that of an ordinary person. Section 163(1) provides:

¹⁰ The Legislative Council have granted access to RTHK for the purposes of recording or broadcasting the proceedings in the Chamber on radio or television. These recordings are made available to the other television and radio channels.

¹¹ The Times 23 May 1989.

¹² The 1981 Green Paper, Chapter 10, Paragraphs 17 and 18.

¹³ Section 183 of the Copyright Act in Australia, and section 198 of the Singapore Act of 1987.

“Where a work is made by Her Majesty or by an officer or servant of the Crown¹⁴ in the course of his duties -

- (a) the work qualifies for copyright protection notwithstanding section 153(1) (ordinary requirement as to qualification for copyright protection), and*
- (b) Her Majesty is the first owner of any copyright in the work.”*

This corresponds closely to the general provision for ownership of works created by an employee in the course of his employment (section 11(2)). Commissioned work does not attract Crown copyright. The Crown secures its ownership by contract.

14.22 The removal of the right to Crown copyright in works first published by the Crown necessitated the creation of a category of Parliamentary copyright works made by or under the direction or control of the House of Commons or the House of Lords (section 165). Copyright in every Act of Parliament is retained by the Crown and subsists from Royal Assent until the end of the period of 50 years from the end of the calendar year in which Royal Assent is given (section 164)¹⁵. Parliamentary copyright similarly lasts for 50 years from the end of the calendar year in which the work was made and includes recordings and broadcasts of the proceedings of the House. Special provision is made for Parliamentary Bills which enjoy only a brief copyright ceasing on assent, withdrawal or rejection of the Bill, or the end of the Session (section 166).

14.23 The 1988 Act removes the possibility of perpetual copyright. Crown copyright in literary, dramatic, musical or artistic work continues to subsist until the end of the period of 125 years from the end of the calendar year in which the work was made, or if the work is published commercially before the end of the period of 75 years from the end of the calendar year in which it was made, until the end of the period of 50 years from the end of the calendar year in which it was first so published (section 163(3)). The 75 years appears to correspond to the normal span of an author's life. A film or a sound recording obtains a term of 50 years from the end of the calendar year in which it is made, or, if it is released before the end of that period of 50 years, from the end of the calendar year in which it is released (section 13).

14.24 The 1988 Act also introduces moral rights, discussed in detail in Chapter 7. Works which are the subject of Crown or Parliamentary copyright are partially excepted. The right to be identified as author or director is not available unless the right has been asserted and the author or director has previously been identified as such in or on published copies of the work (section 79(7)). The right to object to derogatory treatment does not apply to

¹⁴ The Crown includes the Crown in right of Her Majesty's Government in Northern Ireland and any country outside the United Kingdom to which the Act is extended (section 178).

¹⁵ The Crown's rights in Acts of Parliament formerly derived from the Royal prerogative. In Hong Kong this appears still to be the case.

anything done in relation to Crown or Parliamentary copyright material by or with the authority of the copyright owner unless the author is identified at the time of the relevant act, or has previously been identified in or on published copies of the work, or in cases where the right does apply, it is not infringed if there is sufficient disclaimer (section 82).

The purpose of crown copyright

14.25 We think that great care must be taken to ensure that in any reforming legislation freedom of speech and freedom of the press are fully maintained by clear exceptions. Crown copyright exists primarily as a means of protecting Government's economic interests in publication and it should not be used indirectly as a means of exercising censorship. On the other hand, the Crown's rights to publish official texts, bills and Ordinances, reports, etc, is necessary to ensure the existence of authentic and complete texts.

Results of consultation

14.26 Our consultation with the Government revealed that it viewed the 1988 Act as an improvement upon the current law. The Government is anxious to reserve a copyright to recover the costs of official publication and to prevent distortion of official publications or a proliferation of non-authentic texts. The Government nevertheless recognises that it is necessary to avoid copyright becoming an unwarranted restriction on press freedom.

14.27 Some views were expressed that the period of Crown copyright should be reduced but others argued that it was logical to place government created works so far as possible in the same category as works created by ordinary persons. In this respect, the maximum 125 year protection for unpublished material did not appear excessive.

Our recommendations

14.28 We consider that the terms of the 1956 Act, which gives copyright to works made "under the direction or control" of a Government department, need to be considered in the light of Whitford's observations. Similarly, we believe that the right that arises through first publication is objectionable. It could be used to extinguish existing copyright, and possibly offends the terms of the Berne Convention granting exclusive rights to authors. We agree with the United Kingdom legislature that perpetual copyright in unpublished work is inappropriate, and we consider that the approach in the 1988 Act is the appropriate solution. We note that the 1988 Act draws a novel distinction between Crown and Parliamentary copyright. The distinction was introduced as an expression of Parliament's independence from the Crown and to give Parliament more direct control of the reports of its own proceedings in the light of sound and television broadcasting. We feel

that such a distinction is also appropriate for Hong Kong. **We recommend that the relevant provisions of the 1988 Act on Crown and Parliamentary copyright should be adopted in Hong Kong but with technical modifications to suit the local circumstances. The terms "Crown" and "parliamentary" copyright used in the United Kingdom should be replaced in Hong Kong by "Hong Kong Government" and "Legislative Council" copyright.**

14.29 We would wish to make one further observation in relation to this area of copyright. We think that it is in the public interest that material which is fundamental to the operation of the legal system should be available to the public without unreasonable restraints on its use. We are thinking here in particular of the situation where Crown or State copyright subsists in statutes or case reports. It would be undesirable that access to these materials could be prevented by an unreasonable executive. We do not offer a solution to this potential problem but raise it as a matter which should be considered carefully when the legislation is being drafted.

Chapter 15

Typeface

Introduction

15.1 Hong Kong is now the second largest exporter of quality printing work in Asia after Japan. It is world renowned for its high printing quality, quick delivery, competitive price and ability to cope with short run printing. A survey in September 1987 found nearly 4% of employees in manufacturing industry were engaged in the printing industry. In the same year domestic exports of printed matter accounted for 1.3% of Hong Kong's total domestic exports.

15.2 It is important to the printing and publishing industry that investment in new typefaces should be protected. The need grows as desktop publication creates a large market for printing associated with computer services and databases. Chinese character printing, until recently an expensive and labour intensive activity, will be revolutionised by the availability of electronic founts of characters.

15.3 Whitford recommended the introduction of copyright protection for every original set of lettering¹. This need is recognised internationally, Germany and France having protection for typefaces through a deposit system. The Vienna Agreement of 1973 for the Protection of Typefaces and their International Deposit (the Vienna Agreement) exists as a model, though few countries have signed the treaty. The United Kingdom is a signatory, though Hong Kong does not come within its obligations. The United Kingdom put itself in a position to ratify the agreement after introducing protection for typefaces in section 54 of the 1988 Act.

The present law

15.4 The 1986 White Paper, reviewing the United Kingdom's position, which represents the present position in Hong Kong, concluded that "although an individual character may attract protection under existing copyright law or may be registered as a design, the set as such is not registrable under the Registered Designs Act 1949, and probably does not qualify for copyright protection."² As Whitford put it (at para 521):

¹ See paragraph 521 to 538, Whitford.

² See 1986 White Paper at 19.6.

“The problem briefly was that whereas designs for individual letters are registrable under the Registered Designs Act 1949, if they are novel, founts of designs are not usually registrable as sets because of the difficulty in practice of passing the test in that Act for registration as a set, namely that the individual letters of the founts bear the same design or the same design with modifications or variations not sufficient to alter the character or substantially affect the identity of the design (section 4). The point is that ‘A’ is different from ‘B’. The individual letter may, and usually will, possess a harmony which runs through the fount and is characteristic of it, but the practice of the Patent Office since about 1939 has been to hold that their harmony does not satisfy the requirements for a set.”

15.5 At the House of Lords Committee Stage the Government appeared to acknowledge that their doubts about copyright protection for typefaces as artistic works were unfounded (Hansard, 30 November 1987, columns 843-6).

15.6 On initial consultation the replies received confirmed the need for a clear and effective method of protecting new or original typefaces. They suggested that the present law is inadequate for Hong Kong, in particular in relation to Chinese character printing which requires approximately 20,000 characters together with up to 36 permutations of each character. The creation of an original fount of Chinese or Japanese characters involves considerably greater investment than is required for Latin typefaces and that investment should be entitled to protection.

The 1988 Act

15.7 The Vienna Agreement requires by Article 3 that contracting states undertake to protect typefaces “by establishing a special national deposit, or by adopting the deposit provided for in their national industrial design laws, or by their national copyright provisions”. The provisions on typefaces in the 1988 Act enable the United Kingdom to ratify the Vienna Agreement by ensuring that typefaces are protected by copyright law.

15.8 Section 54 of the Act is worth reproducing in full:

“(1) It is not an infringement of copyright in an artistic work consisting of the design of a typeface -

- (a) to use the typeface in the ordinary course of typing, composing text, typesetting or printing,*
- (b) to possess an article for the purpose of such use, or*
- (c) to do anything in relation to material produced by such use;*

and this is so notwithstanding that an article is used which is an infringing copy of the work.

(2) However, the following provisions of this Part apply in relation to persons making, importing or dealing with articles specifically designed or adapted for producing material in a particular typeface, or possessing such articles for the purpose of dealing with them, as if the production of material as mentioned in subsection (1) did infringe copyright in the artistic work consisting of the design of the typeface -

section 24 (secondary infringement: making, importing, possessing or dealing with article for making infringing copy),

section 99 and 100 (order for delivery up and right of seizure),

*section 107(2) (offence of making or possessing such an article),
and*

section 108 (order for delivery up in criminal proceedings).

(3) The references in subsection (2) to ‘dealing with’ an article are to selling, letting for hire, or offering or exposing for sale or hire, exhibiting in public, or distributing.”

15.9 Typeface is defined to include “an ornamental motif used in printing” (section 178). Where the equipment for producing a particular typeface has been marketed anywhere in the world with the consent of the copyright owner the protection ceases after the period of 25 years from the end of the calendar year in which the marketing took place (section 55). The transitional provisions provide existing typefaces with 25 years copyright protection from the coming into force of the Act (Schedule 1, paragraph 14(5)).

Options for reform

15.10 The 1988 Act has chosen to follow the course of providing protection to typefaces through copyright provisions. It proceeds upon the assumption that the designs of typefaces are protectable artistic works. The Vienna Agreement refers to two other options: a special deposit provision, or normal industrial design laws. Countries which provide a system of protection by design or special deposit are obliged to participate in an international deposit scheme provided for in the Agreement. Essentially, therefore, the choice of approach to protection of typefaces is between an unregistered right or a registered right with the requirement of a deposit. There appear to be difficulties with either option. An unregistered right (such as that provided under the 1988 Act) may be inadequate in the face of modern technology while a registered right requiring deposit may be unduly onerous where, for instance, a multiplicity of Chinese characters is involved.

15.11 It has been argued that a failure to give Hong Kong designers and printers clear and effective protection for typeface would deprive them of the ability to participate in the profits of a potentially vast market. To this end, new and existing designs should be granted a clearer form of protection by any new legislation, and that legislation should be sufficient to allow Hong Kong to become party to the Vienna Agreement. To ensure reciprocity Hong Kong could provide that typeface designs of foreign nationals are protected only to the extent that Hong Kong designs are protected abroad.

Our recommendations

15.12 One suggestion made to us was that there should be special protection for Chinese characters. **We take the view that the definition of typefaces under section 178 of the 1988 Act is sufficiently broad to include Chinese characters and we recommend that the section be adopted without modification.**

15.13 **At the international level, we favour the application to Hong Kong of the Vienna Agreement (upon the United Kingdom's ratification of the Agreement) so that locally designed typefaces can be protected in other member countries and territories of the Agreement on the basis of reciprocity.**

Chapter 16

Folklore

Introduction

16.1 Folklore, for copyright purposes, is an unpublished work where the identity of the author is unknown, but where there is every reason to believe that the author is the national of a particular country. We note that Hong Kong itself has a heritage of folklore, especially in the New Territories. There is at present no statutory provision which directly provides for the protection of folklore.

International legal standard

16.2 Article 15(4) of the Berne Convention places an obligation upon member states to protect folklore as a special category of anonymous and unpublished works of other member states. A country which wishes to protect or raise revenue from its folklore may notify the International Secretariat of the Convention of the name of an authority designated to enforce rights in unpublished works believed to have come from that country but of which the author is unknown.

The 1988 Act

16.3 Section 169 of the 1988 Act gives effect to the obligation to protect folklore. Where there is evidence that the author of folklore was a "qualifying individual" by connection with a country outside the United Kingdom, he is presumed to be a qualifying individual until the contrary is proved. If under that other country's law a body has been appointed to protect and enforce copyright, that body may be designated by Order in Council as having authority to enforce copyright in the United Kingdom on behalf of the copyright owner.

Views on consultation

16.4 Consultation produced no great response to the creation of rights to protect folklore. While there was some support for machinery similar to that adopted in the United Kingdom, it was suggested that section 169 of the 1988 Act did not appear to apply to folklore of United Kingdom origin. If some form of statutory protection of folklore was to be introduced in

Hong Kong, it would be necessary to appoint an appropriate body, such as the Urban Services Department (Museums and Libraries Section), to protect and enforce copyright in Hong Kong folklore.

Our recommendations

16.5 **Since the Berne Convention requires the protection of folklore, we think it right that Hong Kong should introduce appropriate legislative provisions and we recommend the adoption of a regime similar to that in the United Kingdom.** As to which institution should be designated as having the authority to enforce rights in folklore, we feel that this is a matter that we should leave for the Government to decide.

Chapter 17

Copyright in designs, registered designs and design rights

Introduction

17.1 Hong Kong's current prosperity depends in large part upon successful manufacturing industries exporting a wide range of products but particularly clothing and fashion accessories, domestic appliances, watches and toys¹. To remain competitive it is increasingly necessary for these products to be well designed.

17.2 Hong Kong has little heavy industry and increasingly manufacture of basic products is undertaken by Hong Kong industrialists in countries where costs are significantly lower and labour is available. Hong Kong's strength lies in offering manufacturing expertise for sophisticated product lines requiring advanced engineering techniques and excellent quality control. While a great deal of work involves manufacture to overseas designs, locally designed and developed products enjoy considerable export success.

17.3 Good design demands considerable skill, effort and expense on behalf of the designer. While successful designs may be difficult to achieve they are easily copied using modern manufacturing methods. Hong Kong recognises the need to protect investment in creativity and innovation. At an international level it has become clear that free trade and the encouragement of investment are closely linked to the effective protection of intellectual property, including industrial design protection.

17.4 Hong Kong has come a long way in the last twenty years. The problem of pirated designs has been largely contained. Disputes are now more likely to concern the extent of the protection available under the law. Recent decisions point to uncertainty and a need to reset the balance between the designer, his legitimate competitor and the consumer².

¹ Manufacturing industries are an important component of the Hong Kong economy, accounting for 20.4 per cent of the gross domestic product and 30 per cent of total employment. About 66 per cent of the total industrial workforce is employed in the textiles, clothing, electronics, plastic products, electrical appliances, and watches and clocks industries. These industries together accounted for 71 per cent of Hong Kong's domestic exports in 1988 (source Hong Kong 1990, a review of 1989 at p.78).

² See in particular *BLMC Ltd. v Armstrong Patents Ltd.* [1986] AC 577. There is a review of recent authorities in *Interlego AG v Tyco Industries Inc and Another* [1988] 3 WRL 678.

17.5 A product's appeal to the consumer is determined by factors such as quality, performance and appearance. This chapter is concerned with the law that protects appearance, but not quality (which may be protected through the laws of trade marks and passing off), nor performance, which may be protected through the law of patents.

The present legal protection for industrial designs in Hong Kong

(A) *An overview*

17.6 The central features of Hong Kong's design law are the 1949 Act which gives protection to designs by registration, and the 1956 Act in the form in which it was extended to Hong Kong in 1972, which gives protection to designs without requiring the formalities of registration. Registration of a design in the United Kingdom is effective to protect the design in Hong Kong by virtue of the United Kingdom Designs (Protection) Ordinance (Cap 44). Section 2 of that Ordinance grants to the proprietor of a design registered in the United Kingdom the same privileges and rights as though the certificate of registration had been issued with an extension to Hong Kong. Registration confers on the proprietor for a period of 15 years a number of exclusive rights over the design (or a design not substantially different from it). A competing product would infringe the rights conferred by the registration even if it was independently created. In effect registration, like a patent or trade mark, confers a monopoly. In contrast, copyright is a negative right and confers no such monopoly: it only prevents copying but not independent creation. Consequently, where a second individual independently produces a similar work, the first author cannot complain of copyright infringement. Both have copyright and can prevent others from copying. The term of copyright however varies depending on whether the design corresponding to the artistic work is registrable or unregistrable under the 1949 Act.

17.7 Whilst a purely functional object is not registrable and not protectable as a registered design, it may nevertheless be entitled to copyright protection (as the test for originality is a low one) and, somewhat surprisingly, for a much longer period of protection than a novel and aesthetic design which *is* capable of registration. Under the 1956 Act (as amended by the 1968 Act) as extended to Hong Kong, the present position is broadly as follows:

- (i) pre-1973 registrable designs (if intended to be applied industrially) attract no copyright protection³;
- (ii) post-1972 registrable designs attract copyright protection for 15 years from the date of their industrial application and

³ See Transitional Provisions contained in paragraph 8 of the Seventh Schedule of the 1956 Act and The Copyright (Hong Kong) Orders 1972 to 1990; see also *Interlego AG v Tyco Industries Inc and Another*, *supra*.

subsequent sale or hire or offer for sale or hire in Hong Kong or elsewhere⁴;

- (iii) unregistrable designs attract copyright protection for the life of the author plus 50 years⁵.

17.8 No attempt will be made here to trace the long and complex historical developments leading to the anomaly in the present law⁶. That an unregistrable design, typically for a completely functional article such as an exhaust pipe, should attract a much lengthier period of copyright protection has been recognised as bizarre. This is even more so when conversion damages are available in copyright infringement actions.

17.9 A more detailed description of the present laws is set out below. Hong Kong's law is that of the United Kingdom prior to the coming into force of the 1988 Act, which introduced a radical new approach to design protection. However, the substantial amendments to the 1949 Act will automatically affect Hong Kong as and when designs are registered under the amended Act by reason of the automatic extension of the privileges and rights in such designs to Hong Kong.

(B) The 1949 act

17.10 The Designs Registry (a branch of the Patent Office) in Newport maintains a register of designs successfully registered. Upon an application for registration, the Registry may make searches for the purpose of deciding whether or not the design applied for has sufficient novelty to justify registration. The Register offers facilities to members of the public for searches of current registrations.⁷ In practice, these facilities are limited.

17.11 The register is available to protect designs applicable to a wide range of goods, including clothes and fabric designs, jewellery, toys and domestic appliances. Certain designs are specifically excluded from design registration by the Registered Design Rules 1989. They are primarily of a literary or artistic character and include: -

- (i) works of sculpture other than casts or models or patterns to be multiplied by any industrial process;
- (ii) wall plaques, medals and medallions; and

⁴ See section 10 of the 1956 Act, as amended by the Design Copyright Act 1968.

⁵ *Dorling v Honnor Marine Ltd* [1964] Ch 560, *BLMC Ltd v Armstrong Patents Ltd* [1984] FSR 591, C.A.

⁶ The development of the law is reviewed in *BLMC Ltd. v Armstrong Patents Ltd* supra; see also *Interlego AG v Tyco Industries and Another*, supra and Whitford paragraphs 89-104.

⁷ See section 17 to 22 of the 1949 Act, as amended. Section 23 provides that, on the request of a person furnishing such information as may enable the registrar to identify the design, and on payment of the prescribed fee, the registrar shall inform him, inter alia, whether the design is registered, and, if so, in respect of what articles, and give the date of registration and the name and address of the registered proprietor.

- (iii) printed matter which is primarily of a literary or artistic character, including book jackets, calendars, certificates, coupons, dressmaking patterns, greetings cards, leaflets, maps, plans, postcards, stamps, trade advertisements, trade forms and cards, transfers, playing cards, labels and the like.

17.12 The key provision of the 1949 Act is the definition of a registrable design. Section 1(3) of the Act provided that:

"... 'design' means features of shape, configuration, pattern or ornament applied to an article by any industrial process or means, being features which in the finished article appeal to and are judged solely by the eye, but does not include a method or principle of construction or features of shape or configuration which are dictated solely by the function which the article to be made in that shape or configuration has to perform."

This definition was amended by the 1988 Act (which does not apply to Hong Kong). The amended definition of design in the new section 1(1) reads:

"In this Act 'design' means features of shape, configuration, pattern or ornament applied to an article by any industrial process, being features which in the finished article appeal to and are judged by the eye, but does not include -

- (a) *a method or principle of construction, or*
- (b) *features of shape or configuration of an article which -*
 - (i) *are dictated solely by the function which the article has to perform, or*
 - (ii) *are dependent upon the appearance of another article of which the article is intended by the author of the design to form an integral part.*⁸

17.13 The amendment to the definition is designed to remove difficulties in interpretation that had arisen in the past in applying the test. The original formulation of section 1(3) had been interpreted to exclude registration of an article which had eye appeal but where every feature of the article was dictated by function⁹. The new definition appears to give much the same result.

17.14 The 1988 Act introduced a number of important changes. The new definition of "design" contained in section 1(1)(b)(ii) of the amended 1949 Act is intended to prevent registrability attaching to spare parts. This

⁸ Special provision is made for kits on the question of infringement (see the new section 7(4)).

⁹ *Interlego AG v Tyco Industries Inc and Another*, supra.

ensures, for instance, that a car door is not registrable as it must match the appearance of the body shell. The overall body design is, however, registrable.

17.15 Further, section 1(3) of the amended 1949 Act provides:

"A design shall not be registered in respect of an article if the appearance of the article is not material, that is, if aesthetic considerations are not normally taken into account to a material extent by persons acquiring or using articles of that description, and would not be so taken into account if the design were to be applied to the article."

If the look of an article is not a material factor to a would-be purchaser the article is excluded from registration by this subsection. The definition of design in the unamended 1949 Act has been interpreted to exclude from registration an article made to a design not in order to appeal to the eyes of the customer but solely to allow the article to work or perform its function¹⁰. Thus a machine part normally hidden from view was not registrable. Section 1(3) of the amended Act stresses the need for aesthetic considerations and a similar interpretation was clearly intended.

17.16 Section 7(6) of the amended 1949 Act provides that the right of the proprietor is not infringed by reproduction of a feature of the design which, by virtue of section 1(1)(b), is left out of account in determining whether the design is registrable.

17.17 Section 1(5) of the amended 1949 Act permits the Secretary of State to make rules excluding from registration designs for such articles of a primarily literary or artistic character as the Secretary of State thinks fit. This prevents too great an overlap between copyright and registered design protection. Rule 26 of the Registered Design Rules 1989 (which do not apply to Hong Kong) sets out the excluded designs.

17.18 Under the amended 1949 Act qualification for registration depends solely on novelty (section 1(2)). The new section 1(4) provides:

"A design shall not be regarded as new for the purposes of this Act if it is the same as a design -

(a) registered in respect of the same or any other article in pursuance of a prior application, or

(b) published in the United Kingdom in respect of the same or any other article before the date of the application,

or if it differs from such a design only in immaterial details or in features which are variants commonly used in the trade."

¹⁰ AMP Inc v Utilus Pty Ltd [1972] RPC 103.

This is substantially similar to the unamended Act's requirements for qualification, though registration was available to both "new or original" designs under the unamended Act. It is however not clear whether any real distinction existed between a novel and an original design. Publication has been widely interpreted on the basis of public availability in the United Kingdom. Publication of the design in Hong Kong prior to the date of registration is a bar to the acquisition in Hong Kong of rights and privileges under the 1949 Act (section 4 of Cap 44).

17.19 Registration gives the proprietor the exclusive right to make or import for sale or hire, or for use for the purposes of trade or business, or to sell, hire or offer or expose for sale or hire, an article in respect of which the design is registered. The proprietor's exclusive right extends to a design not substantially different from the registered design (section 7(1) as amended). As was explained earlier, design registration gives a monopoly right and there is no need for the proprietor to show that there has been copying.

17.20 Damages for infringement shall not be awarded against a defendant who proves that at the date of infringement he was not aware, and had no reasonable grounds for supposing, that the design was registered. A defendant is not deemed to be so aware merely because the article has been marked with the word "registered" unless the registration number accompanies the words (section 9). It is an offence to falsely represent that a design has been registered in respect of an article, or that an expired design continues to subsist (section 35). It is permissible to mark an article "design registration pending".

17.21 The registration of a design gives assurance to the proprietor who will normally advertise the fact that his design is registered so that competitors may avoid anything that could be taken to be an infringement. In the United Kingdom the proprietor cannot use his right too aggressively. Anyone aggrieved by threats of proceedings for design infringement, other than threats to bring proceedings for an infringement alleged to consist of the making or importing of anything, may sue and obtain a declaration, an injunction and damages on the basis that the threats are unjustifiable (section 26 of the 1949 Act). The burden of proving that the threats are justified lies on the proprietor of the design. Mere notification that a design is registered is not an actionable threat. It is doubted whether Cap 44 is effective to extend the effect of section 26 to Hong Kong¹¹. Threats to sue for design infringement in Hong Kong are routine.

17.22 Unlike a copyright, a registered design may be the subject of a compulsory licence on terms determined by the Registrar when the design is not applied in the United Kingdom to such an extent as is reasonable (section 10). This provision, which existed in the 1949 Act prior to its amendment, has been little used. In the United Kingdom licences as of right may be

¹¹ See *Smith Kline and French Laboratories v Attorney General* [1966] HKLR 498, which considered the operation of the Registration of United Kingdom Patents Ordinance, Cap 42. See also *Pfizer Inc v Jiwa International (HK) Co* [1988] RPC 15.

secured following a reference to the Monopolies and Mergers Commission under the new section 11A, where a right in a registered design is operated against the public interest. There is doubt whether the effect of these sections is felt in Hong Kong.

(C) The 1956 Act

17.23 Copyright protection for an original artistic work includes protection against reproduction in three dimensions¹². Originality means little more than that the artistic work was not itself copied. Artistic works include paintings, drawings, sculptures, engravings and photographs irrespective of artistic quality¹³. Copyright protection arises only if and when an "artistic work" is made and the copyright will subsist in the work. The attraction of copyright protection for an industrial design may thus be fortuitous: if no "artistic work" was made when the design was created, the opportunity for acquiring copyright protection would be lost forever. It is also possible to protect artistic works which are "works of artistic craftsmanship", but this has been interpreted to require both artistic quality craftsmanship¹⁴. The typical situation where copyright protection is claimed is where a design drawing is made, though it is possible that moulds, models or prototypes, constructed during the development of a design, may also be the basis of a claim. As explained in *British Leyland Motor Corporation Ltd. v. Armstrong Patents Ltd.* [1986] 1 AC 577, contrary to the intention of Parliament, the courts have over the years extended copyright protection to industrial drawings of purely functional objects which are neither patentable nor registrable as designs. As was described earlier (paragraph 4.7), copyright protection for a registrable design is limited to a period of 15 years from the date of first marketing. Unregistrable designs acquire copyright protection for the author's life plus fifty years.

17.24 Copyright in a work is infringed by reproduction of the whole or "a substantial part" of it (section 49(1)). "Substantial part" is a question of quality rather than quantity and implies a significant or material part. Independent creation is not infringement. It is also actionable to import or deal in infringing copies, but knowledge must be proved, a burden normally overcome by proving a letter or notice informing the recipient of the claim of copyright infringement (section 5 of the 1956 Act).

17.25 The making of an object in three dimensions does not infringe the copyright in an artistic work in two dimensions if the object would not appear, to persons who are not experts in relation to objects of that description, to be a reproduction of the artistic work (section 9(8) of the 1956

¹² Section 3(5)(a), and the definition of reproduction in section 48(1) of the 1956 Act.

¹³ Section 3(1)(a) of the 1956 Act. It should be noted that, in the *Interlego* case (*supra*), the Privy Council refused to confer originality on the redrafting of industrial designs drawings where the redraft contained visually insignificant changes.

¹⁴ See the various different opinions expressed in *Hensher (George) Ltd. v Restawile Upholstery (Lancs) Ltd.* [1976] AC 64.

Act). This "lay recognition" test has seldom proved an effective way to avoid liability¹⁵.

17.26 In practice proof of copying is not difficult. Providing the plaintiff can show copyright in his product he need only show a "striking similarity" between his product and the alleged infringing article, and that the defendant had access to his product¹⁶.

17.27 From the competitor's point of view it is difficult to determine with certainty the extent of the protection. He may attempt to design around or away from the features of an article, or even commission an independent designer to evolve a new product on the basis of specifications supplied by the competitor, but still find himself infringing copyright¹⁷. The consequences can be very grave because of the availability of additional and conversion damages and the risk of criminal prosecutions.

17.28 One major problem which arose in relation to copyright for industrial designs was with the spare-parts industry. The problem was fully discussed in the *British Leyland Motor Corporation Ltd* case. In that case, the plaintiffs were car designers and manufacturers and also produced some of the spare parts for their cars. In addition they licensed other manufacturers to copy and sell spare parts. The defendants did not obtain a licence from the plaintiffs but produced replacement exhaust pipes for the plaintiffs' cars by copying the shape and dimensions of the original. The plaintiffs alleged that the copyright in their drawings of the exhaust system had been infringed.

17.29 Although exhaust pipes were purely functional articles which were neither patentable nor registrable as designs, it was held at first instance that artistic copyright subsisted in drawings for such articles and that the defendants had infringed such copyright. The Court of Appeal upheld that decision.

17.30 The House of Lords acknowledged the anomaly in extending copyright protection to purely functional objects and saw a direct conflict between the exercise of copyright in spare parts by the manufacturer and the right of the car consumer to repair as economically as possible. The majority of the House were however compelled by authority to hold that the manufacture of a purely functional object was capable of being a "reproduction" in breach of the copyright in the drawing of the object if a non-expert recognised the object as a copy of the drawing (see section 9(8) of the 1956 Act), and that the manufacture of the exhaust pipe therefore infringed British Leyland's copyright. However, in allowing the defendants' appeal, the majority of the House of Lords held that car owners had an inherent right to repair their car in the most economical way possible and for that purpose to

¹⁵ Section 9(8) was described in *BLMC Ltd v Armstrong Parents*, supra, as an ineffective tool in the 1956 Act to avoid extending copyright protection to mechanical drawings of functional objects which were not registrable as designs.

¹⁶ See *L. B. Plastics Ltd. v Swish Products Ltd.* [1979] RPC 551.

¹⁷ See *House of Spring Gardens Ltd v Point Blank Ltd* [1983] FSR 213.

have access to a free market in spare parts. British Leyland were not entitled to derogate from that right by enforcing their copyright even against a person manufacturing parts solely for repair. Lord Templeman remarked (at page 644):

"The exploitation of copyright law for purposes which were not intended has gone far enough. I see no reason to confer on a manufacturer the right in effect to dictate the terms on which an article sold by him is to be kept in repair and working order."

(D) Hong Kong protection for foreign designs

17.31 Foreign designs do not need prior registration overseas before an application can be made under the 1949 Act but the Act makes provision for earlier registrations which might otherwise have amounted to publication. If the foreign design is registered in its own jurisdiction, and that country is a member of the Paris Convention (which includes most industrialised countries), an application for a United Kingdom registration can still be filed. The United Kingdom application must be made within six months of the application for registration in the originating jurisdiction. The date of the foreign application becomes the deemed date of the United Kingdom application (section 14 of the 1949 Act).

17.32 Foreign designs may also claim copyright protection (as if they had originated in Hong Kong), irrespective of registration in their originating jurisdiction and irrespective of whether they are protected from copying in that jurisdiction. These rights are granted under section 32 of the 1956 Act by way of United Kingdom Orders in Council, extending qualification for protection under the Act to those countries which are members of the Berne Convention or the UCC or parties to bilateral copyright protection treaties.

(E) Protection for Hong Kong designs in foreign jurisdictions

17.33 Broadly speaking, most industrialized countries have design registries similar to that of the United Kingdom and an application can be filed within the same grace period to obtain priority. Very few countries follow Hong Kong's present law granting copyright protection to designs. There is little uniformity in the approach to protection of unregistered designs and designs which exhibit functional features. Foreign jurisdictions may well protect overseas designs by unfair competition laws. In some jurisdictions, notably Japan and Germany, a system of petty patent (or utility model) registration is operated. This grants protection to the design of articles which are an advance on the existing version but do not display the measure of inventiveness required for full patent protection. In a sense, the petty patent can be seen as a half-way house between patents and registered designs.

The international position

17.34 Hong Kong is party to three international conventions that are concerned with and establish minimum standards for the protection of industrial designs: the Berne Convention, the UCC, and the Paris Convention.

The Berne Convention

17.35 Article 2(1) of the Berne Convention states that "the expression 'literary and artistic works' shall include ... works of drawing ... ; works of applied art; ... and three dimensional works relative to ... architecture or science." Unfortunately "works of applied art" is not defined, but does not appear to have been interpreted by member countries to extend to the functional features of design. Article 2(7) gives member countries freedom "to determine the extent of the application of their laws to works of applied art and industrial designs and models, as well as the conditions under which such works, designs and models shall be protected."

17.36 Article 5 establishes the principle of "national treatment". That is, authors enjoy in respect of protected works "in countries of the Union other than the country of origin, the rights which their respective laws ... grant to their nationals, as well as the rights specially granted by [the] convention". This principle is subject to an important exception. Article 2(7) provides that works protected in the country of origin solely as designs or models (i.e. registered designs) are entitled in the country where the right is invoked only to such special protection as that country grants to designs and models. However, if no such special protection is granted in that country, such works shall be protected as artistic works.

17.37 If works of applied art are protected as "artistic works" (i.e. by copyright), Article 7(4) provides that the minimum period of protection is 25 years from the making of the work.

17.38 Article 2(7), introduced in the 1967 Stockholm revision of the Convention, requires a country to protect designs by copyright if it makes no provision for special design protection. Should reform result in the removal of the present design registration system there would therefore be an obligation to introduce copyright protection.

The UCC

17.39 As part of the obligation of member countries to protect artistic works, Article IV(3), requires a minimum of 10 years protection for "works of applied art". The term is not defined, though probably has the same meaning as within Berne.

The Paris Convention

17.40 This convention has no direct bearing on copyright save that Article 5 quinquies baldly states that "Industrial designs shall be protected in all countries of the Union". The means of protection appears to be within the discretion of the member country, and no definition is offered of an industrial design. International comparison shows that this provision has not been interpreted to impose an obligation to protect purely functional designs.

17.41 Article 4 requires member countries to give a priority date to an application for design registration (where such protection is available) on the basis of a first application made not more than six months earlier in another convention country. Thus an applicant may during the priority period apply for registration for the same design in other Convention countries without the novelty of the design being forfeited by virtue of the earlier application or by any intervening publication.

17.42 Article 10 bis requires all Convention countries to provide effective protection against unfair competition. This is expressed in terms that do not limit the obligation to registered designs or patents, and to that extent covers functional features of design. Unfair competition is widely described as "Any act of competition contrary to the honest practices in industrial or commercial matters". In particular, it includes "all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor"

An international comparison

17.43 Whitford concluded (at para 128) after a comparison of the design regimes of a number of countries, including several of Hong Kong's major trading partners, that:

"The international conventions provide comparative freedom for countries to work out their own solution in relation to the protection of industrial designs. This is probably a reflection of the fact that most countries start from very different positions in the first place. Relatively few countries give automatic copyright protection to designs which make no pretensions to being in any way artistic ... Many countries provide industrial design protection only by means of a registration procedure ... Countries differ considerably in their policy towards functional designs and also as to how these are defined, but the majority tend to be against protecting designs which are wholly dictated by function (although there are different views as to what this means, or should mean)."

17.44 Little appears to have occurred since 1977 to bring the design regimes of industrial nations closer together. There is probably more diversity in the industrial design laws of the world than is the case for any other intellectual property right.

The new legal protection for industrial design in the United Kingdom

17.45 The 1988 Act has introduced radical changes to the way in which designs are protected in the United Kingdom. In particular, it has created a new concept of "design right" alongside the concepts of registered designs and artistic copyright.

17.46 The United Kingdom rejected the recommendations of the Whitford majority to repeal the 1949 Act and replace it with copyright protection for both aesthetic and functional features of design. There was fear that protection of functional features would lead indirectly to protection of the way in which a thing worked rather than the way it looked and concern about the stifling effect on British industry if almost any product were protected against copying¹⁸.

17.47 The eventual United Kingdom solution was protection of aesthetic features of design by registration under an amended Act, together with copyright protection for artistic works and surface decoration applied industrially and a limited unregistered "design right" (a modified form of copyright) available to protect all aspects of shape or configuration against copying. This design right is of brief duration, intended to allow the manufacturer to gain a market lead¹⁹. The overall scheme of the Act is broadly as follows.

Design right

17.48 The "design right" described in Part III of Chapter 1 of the 1988 Act is a wholly new intellectual property right. It is a modified copyright approach where the undesirable or undeserved aspects of such protection are removed or cut back. The right arises automatically without the need for registration when a design is recorded or an article is made to the design. The right subsists in original (not commonplace) design consisting of the shape or configuration (whether internal or external) of the whole or part of an article. The right therefore subsists in both aesthetic and functional features of shape or configuration. It does not subsist in, inter alia, "must fit" or "must match" parts, nor in surface decoration. The right lasts for 10 years from first marketing or a maximum of 15 years from the creation of the design. The right is a right against copying and there are licensing provisions.

17.49 Section 213 of the 1988 Act reads:

"(1) Design right is a property right which subsists in accordance with this Part in an original design.

¹⁸ See the 1981 Green Paper, Chapter 1, and the 1986 White Paper 3.17 to 3.21.

¹⁹ For the theory behind this right, see the 1986 White Paper 3.26 to 3.36.

(2) *In this Part 'design' means the design of any aspect of the shape or configuration (whether internal or external) of the whole or part of an article.*

(3) *Design right does not subsist in -*

(a) *a method or principle of construction,*

(b) *features of shape or configuration of an article which-*

(i) *enable the article to be connected to, or placed in, around or against, another article so that either article may perform its function, or*

(ii) *are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part, or*

(c) *surface decoration.*

(4) *A design is not 'original' for the purposes of this Part if it is commonplace in the design field in question at the time of its creation.*

(5) *Design right subsists in a design only if the design qualifies for design right protection by reference to -*

(a) *the designer or the person by whom the design was commissioned or the designer employed (see sections 218 and 219), or*

(b) *the person by whom and country in which articles made to the design were first marketed (see section 220),*

or in accordance with any Order under section 221 (power to make further provision with respect to qualification)²⁰.

(6) *Design right does not subsist unless and until the design has been recorded in a design document or an article has been made to the design.*

²⁰ "Design right" does not correspond exactly to any international obligation undertaken by the United Kingdom. It operates on the basis of reciprocity if it appears to Her Majesty that the other country provides adequate protection for British designs (section 256). Note that EC countries are already extended the benefits in section 217(3)(c).

(7) *Design right does not subsist in a design which was so recorded, or to which an article was made, before the commencement of this Part."*

17.50 As a result of the difficulties experienced in relation to spare parts highlighted in the *British Leyland* case, two exclusions from design right cover are incorporated in the scheme. These have come to be known as the "must fit" "must match" exceptions. The "must fit" exception in section 213(3)(b)(i) excludes from protection features which enable an article to be fitted to another. This would cover, for instance, spare-parts like exhaust systems for cars. Similarly, the "must match" exception in section 213(3)(b)(ii) would, for example, exclude a product such as the wing panel of a car. By excluding such articles from design right protection, competitive manufacture of spare parts is assured. Section 260 makes provision for design right protection for articles assembled from a kit of parts.

17.51 The owner of a design right has the exclusive right to reproduce the design for commercial purpose by making articles to that design. Reproduction of a design is defined in section 226 to mean "copying the design so as to produce articles exactly or substantially to that design". It is an infringement to do or authorize another to do anything which is the exclusive right of the design right owner. It is also an infringement to knowingly deal with infringing articles for commercial purposes. The owner of the right has a range of remedies corresponding to those available to protect copyright or registered designs. The right expires fifteen years from the end of the calendar year in which the design was first recorded or an article was first made to the design, whichever is earlier. If articles made to the design are made available for sale or hire within five years from the end of that calendar year, then the right expires ten years from the end of the calendar year in which the articles are made available for sale or hire (section 216).

17.52 Licences as of right are available in the last five years of the design right on terms that, in default of agreement, are settled by the Comptroller-General of Patents, Designs and Trademarks (section 237). Machinery also exists to modify or grant licences in circumstances where the exercise of design right operates against the public interest (section 238).

Registered design

17.53 Part IV of the 1988 Act introduces significant amendments to the 1949 Act. As was described earlier, the definition of designs registrable under the 1949 Act has been amended and the period of protection has been extended from a total period of 15 years to a maximum period of 25 years. Section 1(1)(b)(ii) of the amended 1949 Act introduces a new exception to the definition and excludes features of shape or configuration of an article which are dependent upon the appearance of another article of which the article is intended by the author of the design to form an integral part. This exception is similar to the "must match" exception for "design right". There is a stress

on appearance and aesthetic considerations in the new section 1(3).

Copyright

17.54 The 1988 Act removes copyright protection for designs of articles which are not themselves artistic works and leaves such designs to be protected, if appropriate, by the new design right and/or by registration under the amended 1949 Act. The Act retains copyright protection for surface decoration. In brief, an artistic work not exploited industrially is entitled to the full term of copyright of author's life plus 50 years. If an artistic work is exploited industrially, copyright protection only lasts for 25 years from first marketing. How this position is achieved in the 1988 Act will be briefly explained in the following paragraphs.

17.55 While copyright in an artistic work is still infringed by making a copy in a different dimension (section 17(3)), it is no longer an infringement of any copyright in a design document or model recording or embodying a design for anything other than an artistic work or a typeface to make an article to the design or to copy an article made to the design (section 51(1). "Design" has a similar meaning as for the new "design right" and means "the design of any aspect of the shape or configuration (whether external or internal) of the whole or part of an article, other than surface decoration" and "design document" means "any record of a design, whether in the form of a drawing, a written description, a photograph, data stored in a computer or otherwise" (section 51(3)).

17.56 Thus, typical industrial products are no longer protected from copying through their design drawings or prototypes, though the drawings or descriptions would be protected by copyright as such. If the design is a design for an article which is itself an artistic work or typeface it is protected by copyright²¹. Thus, a sculptor would be entitled to copyright in his design sketches for a sculpture because the sculpture itself is an artistic work. As a complement to section 51, section 236 provides that where copyright subsists in a work which consists of or includes a design in which design right subsists, it is not an infringement of design right in the design to do anything which is an infringement of copyright in that work. In other words, any infringement in such circumstances must be pursued by a copyright action.

17.57 If an artistic work is industrially exploited (that is, if copies in the form of articles are made by an industrial process of an artistic work and the articles are subsequently marketed), copyright protection is restricted to a period of 25 years from the end of the calendar year in which the articles are first marketed. At the end of that period the work can be copied by making articles of any description without infringing copyright (section 52). The Secretary of State is empowered to make rules determining what circumstances amount to making an article by an "industrial process", and

²¹ Copyright Protection for industrially applied artistic works is required by the Berne Convention: see also the 1986 White Paper at 3.32.

excluding the operation of section 52 from such articles of a primarily literary or artistic character as he thinks fit. The Copyright (Industrial Process and Excluded Articles)(No. 2) Order came into force on 1 August 1989. Industrial exploitation occurs when more than fifty copies are made by an industrial process.

17.58 Copyright in an artistic work is not infringed by anything done in good faith in pursuance of an assignment or licence made or granted under a registered design, even if the person making or granting the licence is not in fact entitled to do so (section 53 of the 1988 Act). This corresponds closely to paragraph 3 of the first schedule of the 1956 Act. This section is necessary because a registered design may constitute an artistic work protectable by copyright under section 52 of the Act.

17.59 Surface decoration may be protected as artistic work and may further be registrable as a registered design if applied to an article. However, it is expressly excluded from protection by the new design right (section 213(3)(c)). Artefacts which are works of artistic craftsmanship (a category of artistic work under the 1956 and 1988 Act) will be protected by copyright or registration rather than by the design right which is applicable to industrial products which have no claim to art. In the future it may be important for manufacturers to establish the artistic quality of their products. This appears to require expert evidence²².

Conclusions

17.60 The design regime of the 1988 Act and the amended 1949 Act is not simple. Criticism has been levelled in particular at the following features:

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- (i) the new test for excluding from registration essentially functional articles, in section 1(3) of the 1949 Act, may prove difficult to apply;
- (ii) the "must match" exclusion from registration (section 1(1)(b)(ii) of the 1949 Act) and design right (section 213(3)(b)(ii) of the 1988 Act) may operate beyond the intended exclusion of spare parts;
- (iii) the "must fit" exclusion from design right (section 213(3)(b)(i) of the 1988 Act) is similarly uncertain. (How would it apply to a set of child's building bricks?)
- (iv) the "design right" goes far beyond protection for the way an object looks and reintroduces protection for functional innovation without patent examination;

²² See *Hensher (George) Ltd v Restawile Upholstery (Lancs) Ltd* supra.

- (v) the provisions for extending qualification for design right, exclusion of certain articles from such rights and the mechanism for licensing introduce considerable complexity, executive discretion and possible commercial uncertainty;
- (vi) determining whether an article is an artistic work may prove difficult, particularly if artistic quality is disregarded, in determining subsistence of copyright in articles such as a sculpture, engraving or etching.

An assessment of the strengths and weaknesses of the present law

The present registered design system

17.61 It appeared to us that the existing registered design system had the following strengths:

- (i) it does not stifle competition. A competitor is not prevented from developing a product of an equally attractive design;
- (ii) Hong Kong has had machinery extending the effect of United Kingdom design registration to Hong Kong since 1928 and the system is therefore familiar to local industrialists and legal practitioners;
- (iii) the United Kingdom design registry is relatively simple and inexpensive to use. The typical period required for registration (about 6 months) compares favourably with other jurisdictions;
- (iv) it is available to a wide variety of designs;
- (v) a competitor can readily find out where he stands by a search of the registry;
- (vi) the issue of a certificate of protection provides the proprietor with some protection from piracy of his design; and
- (vii) the system provides a stepping stone to an overseas registration by way of the 6 month grace period required by the Paris Convention (see para 17.31).

17.62 It appeared to us that the design registry exhibited the following weaknesses:

- (i) registry practice is inconsistent and applications sometimes are not scrutinised carefully enough for novelty or originality;

- (ii) protection only commences with the issue of a certificate of registration, which may be too late to prevent competition in Hong Kong for a vital selling season;
- (iii) manufacturers cannot afford the time or expense of registering all their designs, particularly where they have a wide product range and do not know immediately which designs will be successful enough to warrant the time and expense of registration;
- (iv) facilities for search are, in practice, limited.

17.63 We think that the United Kingdom Registry compares favourably with similar registries in other jurisdictions. Where litigation arises, design registrations are almost invariably challenged as to their validity. This will expose poorly prepared or ill conceived applications. On the other hand, unregistered copyright protection available automatically and without expense serves a need in supplementing registered protection.

Copyright protection for aesthetic or functional features of design

17.64 The most obvious advantage of copyright protection to the designer and manufacturer is the automatic protection it gives to both aesthetic and functional features of designs by protecting the design drawings. The protection is available to Hong Kong designs and qualifying overseas designs. To qualify for copyright protection the design must be "original", in the sense that it is not a copy, and have involved the application of skill and labour. There is no requirement for novelty, and the protection extends to preventing indirect copying.

17.65 The disadvantages of the present protection of functional and unregistrable designs are well recognised and can be listed:

- (i) originality in design does not equate with inventiveness. Lengthy protection (life plus fifty years) is granted with no requirement for novelty in respect of the design feature. Such protection is unjustified and undeserved, and may operate to the public detriment;
- (ii) the protection granted is uncertain. Competing designers have no way determining whether their designs will infringe copyright. There is no accepted method that will permit a competitor to "design around" an existing product's copyright. Rather than face threats of litigation manufacturers may, avoid competition completely;
- (iii) copyright in drawings, moulds, prototypes or models may continue to exist long after patent has fallen into the public

domain. Copyright should not be employed to extend indirectly patent protection;

- (iv) the protection given by copyright to foreign designs in Hong Kong is often far greater than would be given by the laws of their country to Hong Kong designs. Hong Kong designers therefore have to labour under restrictions which may make them less competitive, and may give rise to distorted patterns of trade.

17.66 The copyright protection introduced by the 1968 Act and given to registrable designs is less open to criticism since it is only available for a limited period of 15 years from first marketing.

Comparative law

17.67 The Australian law, modified in 1981, defines design as "features of shape, configuration, pattern or ornamentation applicable to an article, being features that, in the finished article, can be judged by the eye, but does not include a method or principle of construction." (section 4(1)). Section 18 provides that:

"An application for registration of a design shall not be refused, and a registered design is not invalid, by reason only that the design consists of, or includes, features of shape or configuration that serve or serve only a functional purpose."

17.68 This law is the result of the recommendations of the Australian Designs Law Review Committee which reported in 1973. Their recommendations were for protection on as broad a basis as practicable. It was not suggested that function itself should be capable of registration but simply that function should be no bar to registration, provided that the design was new or original and otherwise registrable. An applicant for registration is required to file a statement of the features in which he claims a monopoly (and those in which he does not), as well as a statement of novelty. It has been suggested that with a similar approach Hong Kong's law could protect a wider range of innovative designs.

Options for reform

17.69 It is difficult to determine the qualities and shortcomings of the present law because there is no perfect model to measure it against. A perfect law would strike a fair balance between the legitimate expectations of the manufacturer who invests in good design and his competitor's interest in knowing what he can lawfully design to compete in the same market place. The law must take account of the public interest by encouraging innovation but not stifling competition or granting protection of too lengthy a duration. All sides want simplicity, certainty and the least bureaucracy.

17.70 International comparison shows design protection may be achieved by one or, more often, a combination of the following measures:

- (1) Patent-like protection. That is, protection of designs or inventions by petty patents or utility models, particularly for purely functional designs with some inventive qualities where the grant of monopoly rights may be justified.
- (2) Registered design protection. This would be achieved by setting up a Hong Kong Industrial Designs Registry which would examine the design for compliance, determine novelty, search for prior publication and issue a certificate to the successful applicant. Alternatively, the registry might be merely a deposit registry where no check is made as to compliance by the depositor and the validity of any certificate issued is determined by subsequent litigation.
- (3) The United Kingdom approach under the 1988 Act. This would involve the introduction of an unregistered design right regime with a short duration of protection and the limitation of existing copyright protection for designs.
- (4) Unfair copying laws, where the courts determine the degree to which a design is protected against unfair competition by a competitor unlawfully appropriating the labour, skill and investment of the creator of the design.

Views on consultation

17.71 With a view to determining industry's view of the law the subcommittee circulated a letter of consultation before the publication of its Consultative Document. The letter, which was very widely distributed, described briefly how the law worked and sought guidance on the direction law reform should take. The initial consultation exercise did not reveal how the balance referred to above could be achieved. Naturally, manufacturers and designers want the maximum protection for their designs, both in extent and duration. Insufficient regard seems to have been paid to their needs as competitors, and to the public interest in not stifling industrial innovation. In brief, three conclusions could be drawn from the replies to the consultation exercise: first, that protection should be available for aesthetic designs; second, that protection should be available for functional features of design; third, that a local registry should be established as a matter of priority.

17.72 A second round of consultation followed the publication of the subcommittee's Consultative Document in 1991. There was considerable detailed response to that document and a wide divergence of views expressed. Those views assisted us greatly in our deliberations on this complex area of the law.

Our recommendations

17.73 **After careful consideration of the submissions we received, we have reached the view that there is a need to provide protection for designs through a number of different measures.** In the succeeding paragraphs, we will examine the four options outlined at paragraph 17.70 above.

(1) Patent-like protection

17.74 The main objective of a patent is to protect the way in which an article functions, rather than its appearance. It may be, however, that a patent sometimes also has the effect of protecting the underlying design. **While our aim is to carry out a comprehensive review of the possible regimes for the protection of designs, we do not think it would be proper for us to recommend any changes in patent protection but we prefer to leave that as a matter for consideration by the Patent Steering Committee.**

(2) Registered design protection

17.75 **We feel that the central feature of Hong Kong's design protection regime should be a registry that grants certificates to proprietors of innovative designs and is accessible to public search.**

17.76 The 1949 Act, in both its unamended and amended form, offers no protection to an aesthetically pleasing design that is composed entirely of functional features. This was thought by some of us to be a significant handicap, in that it would prove difficult to distinguish the aesthetic from the functional when considering factors contributing to the overall eye appeal of an object.

17.77 We do not favour the Australian approach since the possible advantages are not fully demonstrated. If every novel feature of design was protected there is a danger that monopolies would exist where there is little freedom of design open to competitors. Functional features are better protected by the limited design right. **We recommend a design registry for Hong Kong based closely on the model in the 1949 Act.** We take the view that a departure from that approach would break with a substantial body of established law. There would be only a limited disruption in the relocation of a registry to Hong Kong and by doing that a valuable source of precedent would be maintained. A Hong Kong based registry could search for novelty and prior publication in Hong Kong and provide a means of registering overseas designs. The United Kingdom model fully complies with the requirements of the international conventions.

17.78 **Of the two types of registry, we do not recommend a deposit system.** It imposes the need for formality while achieving little or no

degree of certainty. It should be noted that a registration which requires search and examination, as under the 1949 Act, still permits a challenge to the validity of the registration in subsequent litigation. However it offers some degree of certainty as against none in the case of a deposit registry.

17.79 We observe that one of the main objects of setting up the Intellectual Property Department was to establish the Hong Kong Industrial Design Registry alongside the future Hong Kong Patents Registry and the existing Hong Kong Trade Marks and Service Marks Registries. It was thought that the Registries would share the overhead costs while keeping the unit costs down.

17.80 **We conclude that establishing a Hong Kong Industrial Design Registry without examination capability (i.e. a deposit or re-registration registry) in order to save cost would not be desirable. We recommend that the ideal legal institution for registering industrial designs in Hong Kong should be an Industrial Design Registry with examination capability. There should be some saving in costs by establishing such a registry alongside other related registries. In addition, once established any such registry should be self-financing through user fees.**

17.81 **In order to maintain continuity of the present regime post 1997, we conclude and recommend that the United Kingdom Design Registry database should be transplanted to Hong Kong.**

17.82 We considered whether the requirement of novelty for registration of a design should be local or worldwide. The sub-committee took the view that the appropriate standard should be worldwide novelty, bearing in mind particularly that the international trend would seem to be away from a local novelty requirement. We carefully considered the sub-committee's recommendation on this issue but have concluded that to impose a requirement that a design must not previously have been published anywhere in the world would be too onerous a condition for local designers to satisfy. **We therefore recommend that the novelty requirement should be restricted to local novelty, an approach which mirrors that in the 1949 Act in the United Kingdom.**

(3) *Unregistered design right and copyright protection*

17.83 We feel that Hong Kong must continue to offer some degree of unregistered protection for designs, although we think that the broader the definition of design (and hence of registrability) the less is the need for unregistered rights. To do otherwise would be too great a departure from past practice.

17.84 We feel that the copyright regime is inappropriate for most industrial designs, though some protection should be given to protect investment on designs and to provide incentive. In the absence of any model which is clearly better, we take the view that it would be to Hong Kong's

advantage to follow the United Kingdom's approach to unregistered rights. That would mean a design right to protect novel aspects of shape and configuration of an article, and copyright protection for artistic designs applied industrially.

17.85 The United Kingdom's introduction of a statutory unregistered design right represents something of a compromise. We recommend that, subject to an expansion of the jurisdiction of the Copyright Tribunal in relation to disputes regarding licences of right under the design right regime, Hong Kong should adopt the relevant provisions of the 1988 Act. By doing so, Hong Kong could continue to benefit from development of the common law in the United Kingdom.

17.86 We have considered a number of modifications to the relevant provisions of the 1988 Act. The options and our recommendations are outlined in the following paragraphs.

"(a) modifying section 51 to make it clear that functional designs made from drawings are excluded from protection"

17.87 A modification such as this would create the need to define "functional designs", a change which might itself cause other complications. We take the view that the present wording of section 51 makes it quite clear that functional designs are excluded from copyright protection. We therefore do not recommend any modification to section 51 in this respect.

"(b) modifying section 51 by defining 'artistic work' to mean a work of artistic concept"

17.88 It has been suggested that the meaning of "artistic work" in section 51 should be different from the definition in section 4(1). In particular, it has been suggested that "artistic work" should include a work of artistic concept so that, for instance, the prototype of the mass-produced furniture in *Hensher v Restawile Upholstery (Lancs) Ltd.* [1976] AC 64 would be covered by the term. In that case, the House of Lords had taken the view that, while "the aim and purpose of [the] author may provide a pointer" whether or not a work was a "work of artistic craftsmanship" depended on assessing the thing produced. Lord Reid remarked that it was "of importance that the maker or designer of a thing should have intended that it should have an artistic appeal but I would not regard that as either necessary or conclusive" (at page 78). We believe that a modification of the definition of "artistic work" in section 51 would cause further confusion and we recommend that no amendment be made.

"(c) modifying section 51 by stating specifically that the copyright infringement provisions do not apply to making and dealing in spare parts"

17.89 We are satisfied with the exceptions for spare parts in section 213(3)(b)(i) and (ii) and we do not believe there is a need to repeat the

exceptions in section 51.

- "(d) modifying section 52 by making clear that the limited period of 25 years protection is for artistic works applied industrially, and that such artistic works are not excluded from protection as designs under section 51"

17.90 We feel that the scope of the two sections is clear and we do not see any need for modification.

- "(e) deleting section 213(4) so that a design that is commonplace is not specifically excluded from eligibility for design right protection"

17.91 We think that section 213(4) should be retained to ensure that competition is not unduly restricted. We do not see any need to modify the sub-section.

- "(f) deleting section 237 so that licences of right would not be available for unregistered designs in the last five years of the design right term of protection"

17.92 We feel that a balance has to be struck between the interests of the design right holder and the need for competition. **While retaining section 237 may create administrative problems in Hong Kong, we think that the proposed Copyright Tribunal should have extended jurisdiction to settle design right disputes even at first instance. We therefore conclude and recommend that section 237 should be retained, subject to the minor modification that the Copyright Tribunal would be the appropriate institution in Hong Kong to monitor the operation of the section.**

- "(g) providing that the licences of right provisions under section 237 should also apply to functional designs."

17.93 In our view, it is clear that design right applies to both aesthetic and functional designs and we accordingly see no need to amend the section.

- "(h) modifying the period of protection for all industrial designs, be they aesthetic or functional or both, to 15 years"

17.94 Modifying the period of protection in this way would result in the same period of protection being applied to both registered and unregistered designs. Such an approach would not be in line with either the United Kingdom or international standards and might affect reciprocal treatment between Hong Kong and other countries and territories. We do not recommend any modification to the duration of protection under the 1988 Act.

- "(i) modifying the period of protection for all industrial designs, be they aesthetic or functional or both, to 25 years."

17.95 We feel that the design qualities, such as inventiveness, originality, aesthetic appeal and functionality, differ from one type of design to another. We take the view that design with different qualities should attract different periods protection. We do not see any need to modify the relevant 1988 Act provisions.

"(j) providing a functional design regime accessible to members of all Convention countries"

17.96 The design right regime applies both to functional and aesthetic designs but operates outside international conventions. We consider that it is up to the Government to decide whether design right protection should be extended to any foreign nationals and companies.

"(k) modifying section 266 of the 1988 Act so that rights validly granted before new copyright legislation will not be taken away"

17.97 Section 266 appears to us to be a compromise solution which gives protection up to a maximum of 10 years to designs which could not be registered under the 1988 Act (such as must-match designs) after commencement of the new law. We do not believe that there is any need to modify section 266.

(4) Unfair copying laws as a supplement to a design registry to protect unregistered design innovation

17.98 The introduction of unfair copying laws in Hong Kong would in our view represent a significant departure from past practice and would, in our view, be likely to lead to a period of uncertainty until a sufficient body of judicial precedent had been established. We have concluded that the disadvantages associated with such a course outweigh any benefit and we therefore reject this option.

Chapter 18

Importation and rental rights

Introduction

18.1 This chapter examines controls on the importation of copyright material. It also looks at the ability of the copyright owner to restrict the rental of his work: the so-called "rental right". Hong Kong, like any advanced economy, trades heavily in goods which are subject to copyright. Among its most vital imports is computer software. Hong Kong purchases from abroad considerable quantities of educational literature and is a valuable market for overseas sound recordings, films and television programmes, though locally created material dominates the media.

18.2 Copyright is divisible both horizontally and vertically. The rights that make up copyright may be separated and, in turn, each of the rights may be geographically divided. The original copyright owner may assign any of his rights outright or, more commonly, he may license that right for a given period, perhaps on payment of a royalty. An exclusive licence is one which entitles the licensee to the exclusion of all other persons, including the copyright owner, to exercise any of the rights conferred by the licence¹.

18.3 Overseas copyright owners can choose to meet the market demand by manufacturing in Hong Kong or importing goods manufactured elsewhere. Importation and distribution of copyright materials is usually undertaken through established distribution networks. The wholesaler, and in some cases the retailer, may be the holder of an exclusive distribution agreement. Contractual arrangements may be buttressed by further protection given by the 1956 Act against importation and publication. In similar fashion Hong Kong authors may commercialise their work outside the territory by licensing manufacture in other jurisdictions.

¹ Under section 19 of the 1956 Act the exclusive licensee may sue in his own name to restrain infringement. His rights are concurrent with the owner. Section 19(3) requires the licensee to join the owner to proceed with an action, unless the court dispenses with this requirement. This does not prevent the licensee obtaining interlocutory relief.

(A) Importation

The present law

18.4 The 1956 Act sets out the restricted acts for the different descriptions of copyright work². The right of the copyright owner extends far beyond the obvious rights of authorising reproduction, public performance or broadcasting. While nobody can seriously challenge the copyright owner's powers to control counterfeiting or unauthorised performance, his rights to publish and his rights to control importation and distribution, given through sections 5 and 16, give him a great measure of control over distribution. The extent to which his power should continue to include the rights to control the importation and distribution of copyright material which has been lawfully manufactured or marketed outside Hong Kong is the subject of considerable controversy.

18.5 Under the 1956 Act, "publishing" a literary, dramatic, musical or artistic work is a restricted act (sections 2(5)(b) and 3(5)(b)). This is a primary or direct act infringement actionable without the need to prove guilty knowledge on the part of the defendant. "Publishing" is not defined but has been interpreted by the House of Lords to mean making public that which has not been previously made public in the United Kingdom, or any country to which the 1956 Act has been extended³. The restricted act of publishing hence does not mean simply the issuing of copies to the public.

18.6 Importation is restricted otherwise than for private or domestic use⁴. The copyright is infringed by any person who, without the licence of the owner of the copyright, imports (which includes goods in transit)⁵ the article into Hong Kong, if he knows the making of the article was an infringement of that copyright, or would have been an infringement if the article had been made in the place into which it is imported. It should be noted that this not only prohibits the importation of goods which are counterfeit copies, commonly referred to as "pirate copies", but also copies lawfully manufactured elsewhere, commonly known as "parallel imports", or "grey-market goods".

18.7 The provisions have been interpreted to the effect that exclusive

² For literary, dramatic or musical works, in section 2(5), for artistic works, in section 3(5). The restricted acts for sound recordings, cinematographic works, broadcasts and typographic arrangements are set out in sections 12(5), 13(5), 14(4) and 15(3) respectively. Infringement by importation, sale and other dealings in Part I works are set out in section 5, for Part II subject matter in section 16.

³ *Infabrics Ltd. v Jaytex Shirt Co Ltd* [1982] AC 1 (HL).

⁴ For literary, dramatic, musical or artistic works, section 5(2), and, for sound recordings and cinematographic films, section 16(2).

⁵ See *Mattel Inc v. Tonka* HCA No. A1918/91, 11 July 1991. It was held that the word "import" in section 5(2) should be given its ordinary meaning, i.e. "bringing into Hong Kong". Goods in transit are goods brought into Hong Kong voluntarily and for a deliberate reason and therefore goods in transit fall within the meaning of "import" under the section. The judge preferred to adopt the literal meaning of "import" which means to bring into Hong Kong. Goods in transit have not been specifically excluded from the Interpretation and General Clauses Ordinance Cap 1 and the Trade Description Ordinance Cap 362. Only the Import and Export Ordinance Cap 60 has specifically excluded articles in transit.

licensees of copyright do not own the copyright, and any owner who subsequently acts in breach of any agreement he may have with a licensee is therefore only liable for breach of contract, not for infringement of copyright. Hence, an overseas copyright owner who grants an exclusive licence to a Hong Kong manufacturer does not act in breach of copyright if he chooses subsequently to manufacture in Hong Kong himself the articles which are the subject of the licensing agreement. The hypothetical manufacturer in section 16(2) and (3) has been held to be the person who actually made the article in question abroad⁶. The net effect is that the exclusive licensee has no right to prevent importation of reproductions of copyright works manufactured abroad by the copyright owner, irrespective of who actually imports the goods. This is said to be a severe handicap to the exclusive licensee.

18.8 The subsequent sale of, or other commercial dealing in, an infringing copy also constitutes an infringement if the dealer knew that the making of the article constituted an infringement or, in the case of an imported article, would have constituted an infringement if the article had been made in the place into which it is imported⁷.

18.9 As a complement to the civil remedies, criminal penalties are faced by dealers in infringing copies, which will include goods which may be parallel imports⁸. Furthermore, section 22 of the 1956 Act permits the owner of the copyright in any published printed literary, dramatic or musical work to give notice to the Customs and Excise Department to treat copies of the work as prohibited goods. The offence provisions are widely employed against pirate copies, but their worth against parallel imports is much less. Section 22 has never been used in Hong Kong, though as a device available to copyright owners it has a deterrent value.

The international position

18.10 Neither the Berne Convention nor the UCC appear to impose an overall obligation upon their members to grant to the author or copyright owner the right to restrict importation, distribution or rental of their works. Article 14 of the Berne Convention gives authors of literary or artistic works the exclusive right of authorising the distribution, public performance or communication to the public of cinematographic adaptations of their works. Article 16(1) of the Berne Convention requires that infringing copies be liable to seizure in any country of the Union where the work enjoys legal protection, and Article 16(2) applies this obligation to reproductions coming from a country where the work is not protected or has ceased to be protected. The possibility of including in a Berne Protocol an explicit reference to the copyright owner's right to prevent parallel imports was discussed by a Committee of Experts under the auspices of the world Intellectual Property Organisation in June 1993. The report issued by the Committee summarises

⁶ *CBS Ltd. v Charmdale Record Distributors Ltd* [1981] Ch 91.

⁷ Section 5(3) for literary, dramatic, musical, or artistic copyrights, section 16(3) for cinematograph films and sound recordings.

⁸ Section 2(1) and 5 of the Copyright Ordinance (Cap 39).

the discussion on the issue of parallel imports thus:

"The proposed right of importation⁹ has limited but substantial support ... among governmental delegations, and most of the non-governmental organizations have argued in support of such a right. However, opinions are divided on this issue; many delegations reserved their position, and some delegations opposed the right of importation for various reasons. The International Bureau should study the issues, as well as the question of whether the right of importation could be ensured through an appropriate limitation on the application of the principle of exhaustion of the distribution right."

In short, future developments on the international scene are uncertain, though it is clear that at present most jurisdictions impose a restriction on parallel imports.

The 1988 Act

18.11 Importation of an infringing copy remains a restricted act (section 22), as does possession in the course of a business or other dealings (section 23). The Act strengthens the position of the exclusive licensee regarding copies made by the copyright owner. Section 27(3)(b) describes an infringing copy as one whose making in the United Kingdom would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work. An infringing copy would hence include an article manufactured by the copyright owner in breach of an exclusive licence agreement. Protection at the point of entry is also increased. Section 111 of the Act broadens the existing list of prohibited goods to include infringing copies of sound recordings and films. It should be noted that the prohibitions are subject to the laws of the European Economic Community which effectively forbid the barring of imports where the work has been put onto the market within the Community with the consent of the owner of the intellectual property rights in the article¹⁰. The Act preserves the right to import infringing copies for private or domestic use¹¹.

18.12 The 1988 Act also significantly changes the position regarding the restricted act of "publishing". It introduces instead the restricted act of "issue to the public of copies of a work" for every description of copyright work. This is described as "the act of putting into circulation copies not previously put into circulation, in the United Kingdom or elsewhere"¹². The new restricted act is wider in scope than the restricted act of "publishing" under the 1956 Act. Under the 1988 Act, the copyright owner of a work in respect of

⁹ The somewhat perverse terminology used by copyright experts to mean the right to restrict importation.

¹⁰ Section 27(5), and articles 30 - 36 of the Treaty of Rome. See also *Musik Vertrieb Membran v GEMA* [1981] F.S.R. 433.

¹¹ Section 22.

¹² Section 18(2).

which copies have already been put into circulation can still restrain the issue to the public of other copies of the work which have not previously been put into circulation. Copyright owners of sound recordings, films and computer programs are given the right to restrict rental by including rental within the restricted right of issuing copies to the public (section 18(2)).

The case for and against restricting parallel imports

18.13 The arguments advanced for continuing the present restriction on parallel imports include the following:

- (i) the restriction allows the copyright owner to maximise the return on his creative investment in the work;
- (ii) the parallel importer unfairly receives the benefit of the licensee's advertising, etc, to which he has contributed nothing;
- (iii) a manufacturer may legitimately choose to price his product lower in a developing market to encourage sales, perhaps at an initial loss to himself. The parallel importer takes unfair advantage of that strategy by buying in the low cost centre and selling in the higher cost centre;
- (iv) restriction on parallel imports conforms with widespread international practice;
- (v) parallel imports cut profit margins and therefore discourage licensees from providing less profitable specialised interest recordings, etc;
- (vi) where films are concerned, parallel importers are under no time restriction on the introduction of laser or video versions may therefore precede a film's release on the cinema circuit, with a consequent loss in revenue to cinema owners and the danger of reduced cinema choice in the future;
- (vii) if licensees are to be able to devote adequate investment to local manufacture and marketing, restriction of parallel imports is essential; and
- (viii) copyright is not supranational. It exists only by virtue of the domestic laws of each jurisdiction. It is unreasonable to suggest that because a copyright owner has authorised the commercial exploitation of his copyright work in country A, he should be regarded as having abandoned his rights under the laws of country B.

18.14 The arguments for lifting the current restriction on parallel imports include the following:

- (i) the restriction on parallel imports distorts the market and restricts free trade. If a product can be produced more cheaply in country A than country B, free trade principles dictate that the market should be allowed to encourage the shift of production from country B to country A;
- (ii) the restriction artificially reduces consumer choice. A prime example is the exclusion of US editions of books from Hong Kong;
- (iii) allowing parallel imports would prevent over-inflated pricing by Hong Kong distributors by injecting competition into the market;
- (iv) the present restriction allows manufacturers to sell older models in Hong Kong and to delay introduction of the latest stock;
- (v) an author can control importation of his works by contractual means and a restriction on parallel imports is therefore superfluous; and
- (vi) once copies of a work have been made with the authorisation of the copyright owner and placed on the market, wherever that may be, the right of distribution should be considered exhausted and not subject to a further right to control the importation of such copies.

Views on consultation

18.15 A range of views were expressed forcefully to us by those responding to the earlier consultation document. On the one hand, copyright owners and producers were generally in favour of continuing the restriction on parallel imports for the reasons set out above, while on the other hand consumers argued that the existing restriction distorted the market and enabled prices to be held artificially high.

Comparative law

18.16 While the international position appears generally to have been to impose a restriction on parallel imports, there are signs that this is changing in some jurisdictions. Recently, for instance, there has been some criticism of the existing restriction on parallel imports in the United Kingdom. *The Economist* reported on 25 May 1993 that the operation of copyright law in relation to parallel imports in the music industry in the United Kingdom is likely to be the subject of a reference to the Monopolies and Mergers Commission. It was argued that the disparity in prices between compact discs in the United States and the United Kingdom was difficult to justify. The National Heritage Committee of the House of Commons concluded that "the operation of the Copyright, Designs and Patents Act 1988 as it relates to parallel imports could

work against the public interest." The Committee recommended that the Department of Trade and Industry should re-examine current copyright legislation "with particular reference to its anti-competitive effects in the recorded music industry."

18.17 In Australia, the Prices Surveillance Authority considered the rule against parallel importation in the music industry and found that:

"the import provisions are not related to the need to protect composers and performers from free copying of their product, they merely restrict competition in the distribution of legitimately made products" (quoted at page 32 of "Designs", Issues Paper 11 of the Australian Law Reform Commission, April 1993).

On 10 June 1992, a joint press statement by the Treasurer and Attorney General of Australia announced in response to the Prices Surveillance Authority's report that the Federal Government had decided to open up the Australian market to imported records of foreign performers released after 1 July 1994.

18.18 In 1991, the Australian Copyright Amendment Act introduced a number of important copyright changes in relation to books. Firstly, the Act provides that, if a work is not first published in Australia (which includes publication in Australia within 30 days of first publication elsewhere), a "non-infringing book" can be legally imported into Australia for commercial purposes without the licence of the Australian copyright owner. There is thus no right to prevent parallel importation. A "non-infringing book" is a book made, other than in under a compulsory licence, without infringing the copyright subsisting in any work or published edition of a work in a country listed in the Regulations.

18.19 Secondly, if a book is first published in Australia (including one published in Australia within 30 days of first publication elsewhere), the copyright owner can continue to restrict parallel imports, subject to two exceptions. These are where a single non-infringing book is imported without the licence of the copyright owner to fill a customer's written order or verifiable telephone order, and where multiple copies of a non-infringing book are imported to fulfil a library's written order or verifiable telephone order. The effect of these changes is that, at least as far as books are concerned, the restriction on parallel imports has either been removed or reduced in scope.

18.20 The previous restriction on parallel imports in Malaysia also appears to have been modified in recent years. Section 41(1) of the Malaysian Copyright Act 1987 made it an offence for a person to import "into Malaysia, otherwise than for his private and domestic use any copy which if it were made in Malaysia would be an infringing copy." The Copyright Amendment Act 1990 has amended this to read "into Malaysia, otherwise than for his private and domestic use, an infringing copy." The effect is that

while the importation of infringing copies remains an offence, there is no longer a prohibition on parallel imports of non-infringing copies.

18.21 The legal position in the United States is not altogether clear. There is an apparent conflict between section 109(a) of the Copyright Act (which entitles the owner of a lawfully made copy, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy) and section 602 (which provides that it is an infringement to import copies into the United States without the authorisation of the copyright owner). It is as yet uncertain how this conflict will be resolved should a suitable case come before the Supreme Court.

Our recommendations

18.22 The sub-committee debated long and hard as to whether or not the present restriction on parallel imports should be maintained. They concluded that, on balance, continued regulation of parallel imports would better serve Hong Kong's interests than deregulation. Like the sub-committee, we have found this issue a difficult one on which to reach a conclusion. We have considered carefully the arguments for and against the continuation of the present restriction on parallel imports, set out at paragraphs 18.13 and 18.14, and the submissions which were made to us. In particular, we have considered whether the existing regulation regime is a barrier to free trade. We have noted that the effect of the prohibition on parallel imports is to elevate a contractual right (a licence) to a right that can be exercised against the world, and enforced by the criminal law. There appeared to be obvious potential for abuse, both in the ability of the licensee to overcharge where he possesses an exclusive right to import, and in the possibility that the rights are used to prevent a work being made available commercially in Hong Kong. Computer programs present a special problem. The present controls could be used to prevent access to important technology. There is only one theoretical safety valve: the permitted import for private use.

18.23 The question of whether or not parallel importation should be allowed in Hong Kong is an important and controversial issue. On the one hand, it is argued that the removal of restrictions on parallel imports would benefit the consumer by allowing enhanced competition and preventing the artificial price constraints which, for instance, protect United Kingdom books from competition from lower priced American editions. On the other hand, licensees argue that the restriction of parallel imports is essential if the licensee is to receive a fair return on his investment. The parallel importer would, for instance, obtain a "free ride" on any marketing carried out by the licensee.

18.24 We have noted the assertion made by a number of those we consulted that if restrictions on parallel imports were lifted, Hong Kong would be particularly vulnerable to a flood of imported lower-priced products from neighbouring countries, to the detriment of the copyright owner. It seems to us that this, and many of the other arguments presented to us, are largely

speculative and without empirical supporting evidence. Indeed, it could equally be argued that in some cases the existing restriction on parallel imports operates to the copyright owner's disadvantage. A textbook priced at \$600 in Hong Kong may be available for \$100 in India. Hong Kong students unable to afford the \$600 book will not purchase the book at all under the present law. Without the restriction on parallel imports they might purchase the affordable Indian edition, so giving the copyright owner royalties he would not otherwise have had.

18.25 While the negative effects for copyright owners of lifting the restriction on parallel imports appear to us to be largely speculative, we are concerned that the disadvantages for the consumer of the present regime are clearly apparent, notably in relation to books. Those problems are not unique to Hong Kong. As we have seen, the Australian legislature has already taken steps to redress the balance in favour of the consumer as far as the book business is concerned and is looking to extend those provisions to the recording industry. Similar concerns have been expressed in the United Kingdom in relation to the differential pricing of compact discs in the United Kingdom and the United States. It was argued forcefully to us that the difficulties which copyright owners and licensees claimed would result from the removal of the restriction on parallel imports were largely a matter of contract, or of incorrect pricing. That said, it seems to us reasonable to suppose that parallel importers would benefit from the marketing expenditure of the legitimate licensee, to which they had contributed nothing.

18.26 The decisive factor in our deliberations has been the international copyright framework within which Hong Kong must operate. We note that the rights granted under the Berne Convention have always been construed as territorial rights (that is, rights existing separately and independently country by country). We feel, however, that it would be inappropriate only to consider local circumstances in formulating a legal policy with international implications. We find that the existing restriction on parallel imports is in conformity with the copyright law of many countries with which Hong Kong has an ongoing trade. There have undoubtedly been moves in some jurisdictions to modify or remove the parallel imports prohibition, and we are in no doubt that the present restriction acts to the consumer's detriment in many cases. Nevertheless, we take the view that, unless there are compelling reasons to the contrary, Hong Kong should follow the international copyright standards. Those standards in general favour continued regulation of parallel imports. We note in this regard that, as we indicated at paragraph 18.10, there has been pressure in some quarters for the international community to reaffirm its stance in regulating parallel importation.

18.27 Taking all these factors into account, we have come to the conclusion that, on balance, continued regulation of parallel imports will better serve Hong Kong's interests than deregulation. **We accordingly recommend that parallel importation of copyright articles should be subject to continued regulation. At the same time, we express our concern that the present regime frequently results in the consumer paying prices higher than would otherwise be the case. We note in this**

regard in particular the cost of books in Hong Kong as compared with, for instance, the United States. We believe that, in a free trade environment such as Hong Kong's, this is an issue that deserves attention.

18.28 On the question of the sanction that should apply in relation to parallel imports, the sub-committee were divided. Half of the sub-committee were against any criminal liability attaching to dealing in parallel goods. They regarded it as objectionable that the sanction of criminal penalties should arise from the contractual arrangements of third parties. They argued that civil remedies should be sufficient to safeguard the proprietary interests of both rights owners and exclusive licensees. Accordingly, they proposed that section 107 of the 1988 Act, which deals with criminal liability for making or dealing in infringing articles, should be modified so that it would not apply to unauthorised parallel imports.

18.29 The other half of the sub-committee took the view that dealing in parallel imported copyright articles should attract both criminal and civil sanctions. They pointed out that the cost of pursuing a civil remedy would often outweigh any financial benefit which the rights owner or licensee might recover. Nevertheless, the cumulative effect of a significant number of small infringements which did not individually justify the legal costs of civil litigation might be substantially to the detriment of the rights owner or licensee. **We have considered these arguments with care and are unanimous in our view that criminal sanctions should not apply to parallel imports.** There seems to us no justification for the intervention of the criminal process in the enforcement of contractual rights.

18.30 **We have considered the suggestion which was made to us that certain types of works such as computer software and books should be deregulated but have rejected this option.** In our view, no such special treatment for particular categories of work should be introduced without first undertaking an in-depth study of the pricing situation in question. It also seems desirable to us that a clear policy for partial deregulation or exemption should first be formulated, as the introduction of an exception in one sector would inevitably invite demands for exemption in other sectors. One possibility might be to introduce enabling provisions in the proposed copyright legislation empowering the Governor in Council or an appropriate authority to exempt or suspend the application of the restriction on parallel imports to a particular sector where there is a clear case to do so. We are inclined to think, however, that the introduction of such special treatment for certain categories of work would only serve to cause confusion and uncertainty. We are satisfied in any case that, as far as education is concerned, the private and domestic use, fair dealing, education and library copying exceptions have already facilitated the public's access to educational works to a considerable extent.

18.31 We take the view that the object and purpose of restricting parallel importation is to protect local manufacture and to allow the copyright owner to maximise his profits through the commercialisation of his work.

There is no international obligation which requires copyright articles in transit to be subject to control. We are not aware of copyright legislation in any other jurisdiction which includes goods in transit within the definition of "import". We also note that vessels or aircraft frequently transit through Hong Kong en route to their final destination in another jurisdiction. We conclude that extending the meaning of "import" to include goods in transit would not achieve the object and purpose of copyright regulation, but would adversely affect Hong Kong's operation as a trading port. It would also create unnecessary and insurmountable enforcement difficulties for the Customs and Excise Department. **In view of the recent decision in *Mattel Inc v. Tonka Corporation* (HCA No. 1918/91) that the meaning of "import" includes goods in transit, we recommend that any new copyright legislation should make it clear that "import" does not include goods in transit. By "goods in transit" we mean goods genuinely passing through Hong Kong and the term should be extended to goods off-loaded and transferred to a go-down for export from Hong Kong at an indeterminate future date. As to how the definition of "import" is framed, we are content to leave that as a matter for decision by the Government. We would add that our recommendation applies only to parallel imports: where pirated goods are concerned, we believe that even goods in transit should be subject to seizure.**

(B) Rental rights

18.32 "Rental right" is something of a misnomer. What is meant by the term is not the right to rent but the right of a copyright owner to prohibit the purchaser of his product from renting it out. Hong Kong's law provides no statutory prohibition on the rental of copyright works but it is possible to restrict rental by contract in the terms of sale of the particular work, though this contractual right will not extend to third parties if the same work is subsequently sold without restriction.

18.33 There are two reasons why demands have grown among copyright owners for the creation of rental rights:

- (i) to allow them to control and share in the commercialisation of the rental of copyright works as rental grows as a means of exploitation; and
- (ii) to prevent rental where it exists as a guise for piracy (e.g. where a shop makes available an audio recording or computer program on the basis that the purchaser take it home and "try it" with an option to return the copy and obtain a limited refund, thereby enabling a pirate copy to be made¹³).

¹³ In *CBS Inc v Ames Records and Tapes Ltd* [1982] Ch 91, the owner of a record lending library was held not liable for authorising borrowers to infringe copyright even where it was apparent that many subscribers borrowed the records to copy them.

International situation

18.34 None of the international copyright conventions contain provisions relating to a right to control commercial rental. In the United States and Japan copyright owners in sound recordings have the right to authorise commercial rental of their recordings. A group of European countries, including Austria, Italy and Switzerland, give copyright owners a right to control the distribution of their material. In France, Belgium and Spain, although there are no rights of such a specific nature, it appears to be possible for copyright owners to control rental through more general copyright provisions. In Nordic countries there is an effective rental right provided through the distribution right. Various other countries are at present considering the introduction of rental rights.

The United Kingdom

18.35 The United Kingdom has recently introduced a rental right. There was grave concern that rental shops would damage the legitimate sale of sound recordings. Ample evidence was available from Japan to show how such rental outlets could flourish at the expense of the recording industry. Copyright owners of computer programs also expressed similar concern to the Government.

18.36 The rental right was created by extending the infringing act of issuing copies to the public to the rental of sound recordings, films and computer programs (section 18(2)). "Rental means:

“any arrangement under which a copy of a work is made available -

- (a) for payment (in money or money's worth), or
- (b) in the course of a business, as part of the services or amenities for which payment is made,

on terms that it will or may be returned" (section 178).”

18.37 Though it is not clearly spelled out in the 1988 Act, the right is restricted to the author of the computer program and to the producer of the sound recording or film. The Secretary of State may by order specify cases where rental of the three types of work is licensed subject to the payment of a reasonable royalty determined in default of agreement between the parties by the Copyright Tribunal (section 66). The provision would ensure that commercial development would not be impeded by, for instance, copyright owners unreasonably refusing to allow any rental at all but instead insisting every user purchase the works outright.

Views on consultation

18.38 Opinion was divided as to whether or not a rental right should be introduced. Those in favour argued that the renting out of copies may assist the making of further infringing copies. It was reasonable that the copyright owner should be able to exert some control over this. It was pointed out that the international trend was towards the introduction of a broad rental right. Those against the introduction of a rental right took the view that there was no need for rental rights and believed that copyright owners could exercise control over rental by way of agreements between the parties. They argued that a rental right would place the copyright owner in too strong a position and that the legitimate rental or hire of computer facilities could be affected. It was likely that the introduction of a rental right would put the copyright owners in a stronger position when bargaining with the rental industry. It would be highly unsatisfactory if the law were to be used by a particular sector to advance their own interests without due regard to the interests of other groups and the public as a whole.

Our recommendations

Introduction of rental rights

18.39 We feel that it is now an international copyright norm to introduce rental rights in relation to sound recordings, films and computer software. We think it right that such rental rights should be introduced in Hong Kong to ensure that Hong Kong's copyright law remains in tune with international standards. **We therefore recommend that rental rights should be introduced in relation to sound recordings, films and computer software.**

18.40 Section 66 of the 1988 Act in the United Kingdom provides that the Secretary of State may provide by order that "the rental to the public of copies of sound recordings, films or computer programs shall be treated as licensed by the copyright owner subject only to the payment of such reasonable royalty or other payment as may be agreed". **We think that this is a useful device to ensure that the creation of a new rental right does not lead to that right being exercised to impose a total ban on all rentals and we recommend that a provision in similar terms to section 66 be incorporated in our legislation.** The effect would be to enable the government to intervene in appropriate cases to reduce the rental right of the owner to a right of equitable remuneration.

Computer software

18.41 In relation to computer software, we maintain our initial view that the owner's rental right in a computer program should only apply to the situation where the program passes from the possession of the hirer. We do not think that this limited rental right would encourage copyright infringement. Our intention is to create an exception to allow service bureaus which hire

computer programs to re-hire them for the use of other sub-hirers within the service bureau. We are concerned that a broad rental right might drive such service bureaus out of business. **We accordingly recommend that the hiring of a computer program should be a restricted act, but only where the program passes from the possession of the hirer.**

Rental right ownership

18.42 A majority of the sub-committee took the view that owners of the underlying works should be able to share with the owners of the derivative works in the benefits from, and the exercise of, the new rental rights. They believed that the creative effort of the authors of the primary works should be recognised. They argued that any possible difficulties in administering the right were not a sufficient reason to deprive the primary right owners of the additional statutory protection.

18.43 A minority of the sub-committee took the view that the new law on rental right should be easy to administer. To grant rental rights not only to right holders of the derivative works but also to right holders of the primary works would create unnecessary problems of co-ordination and administration as there might frequently be a large number (or an unascertainable number) of authors in the underlying works. Many of these authors might have already assigned their rights to related copyright organisations and they would not therefore benefit from the rental right in any case. **Taking these concerns into account, we recommend that, in order to simplify the administration of the new rental right, the exercise of the right should rest with the producers while authors of the underlying works should be able to share in any rental royalties.**

Retrospectivity

18.44 We think it desirable that the new right should not have retrospective effect. This would ease enforcement problems and would also allow rental outlets to continue to function with their existing stock. We do not think it should prove an insurmountable problem for the industry to devise systems to distinguish new stock from the old. **We recommend an unrestricted right to rent copies which were bought before the introduction of a rental right in Hong Kong.**

Chapter 19

Remedies

Introduction

19.1 From the point of view of the copyright owner, as important as the law in a particular jurisdiction is the quality of the enforcement available. Fortunately, Hong Kong enjoys a reputation for swift and effective civil and criminal remedies. This reputation is due to a combination of factors:

- (i) reasonably clear and well understood laws;
- (ii) courts where justice is made available without undue delay;
- (iii) statutory presumptions which ensure that facts are easily and conveniently established before the civil and criminal courts (some of these may have to be curtailed to meet the requirements of Hong Kong's Bill of Rights Ordinance);
- (iv) tough criminal sanctions against counterfeiters; and
- (v) the Customs and Excise Department, a well staffed and experienced enforcement body with wide powers of search and seizure.

19.2 The importance of enforcement against counterfeiters can be gauged from the level of work undertaken in this area by the Customs and Excise Department. There are nearly 4,000 officers in the Department. Approximately 120 officers are engaged on a full time basis responding to complaints regarding suspected offences in respect of trade counterfeiting and copyright piracy though their numbers can be increased if operations so require. In 1991, 73 seizures of infringing material were recorded, the value of the goods seized being approximately \$3 million. Forty four prosecutions were instituted; resulting in fines totalling approximately \$0.64 million. It is not possible to describe the typical case: the complaints range, in a typical year, over sound and video recordings, school text books, computer software and manuals, and industrial goods. In the first quarter of 1992, there were 25 seizures and the value of the goods seized was about \$0.7 million. There were 25 prosecutions and about \$0.42 million in fines were imposed.

19.3 Despite the apparent success of the Customs and Excise Department and the effectiveness of the remedies available in Hong Kong, two reasons justify a careful re-examination of the existing enforcement machinery. The first is to identify any injustice associated with the present

system and the second is to ensure that the law keeps pace with the rapid developments in the means by which goods and services with a copyright content are made available to the public.

The international position

19.4 The international conventions do not, beyond the following, lay down requirements as to the form of the remedies available: this is left to local law.

- (i) Article 16(1) of the Berne Convention provides that infringing copies of a work shall be liable to seizure in any country of the Union where the work enjoys legal protection.
- (ii) As regards literary, dramatic, musical and artistic works Berne provides in Article 15(1) that "in order that the author of a ... work protected by this Convention shall, in the absence of proof to the contrary, be regarded as such ... it shall be sufficient for his name to appear on the work in the usual manner". A pseudonym is sufficient if it leaves no doubt as to the author's identity. If the author is not clearly identified then the publisher whose name appears on the work is deemed to represent the author¹.
- (iii) The Berne Convention provides in Article 15(2) that "the person or body corporate whose name appears on a cinematographic work in the usual manner shall, in the absence of proof to the contrary, be presumed to be the maker of the said work²."

(A) Civil remedies

The existing law in Hong Kong

(a) Damages, additional damages, injunctions, etc

19.5 Section 17 of the 1956 Act provides that "infringements of copyright shall be actionable at the suit of the owner of the copyright; and in any action for such an infringement all such relief, by way of damages, injunction, accounts or otherwise, shall be available to the plaintiff as is available in any corresponding proceedings in respect of infringements of other proprietary rights". Damages for infringement are limited to compensating the plaintiff, but additional damages are available having regard to the flagrancy of the infringement and any benefit shown to have accrued to the defendant. Before such an additional award is made the court must be satisfied that effective relief would not otherwise be available to the plaintiff

¹ These requirements are partially catered for by the 1956 Act, section 20(2) and (4).

² Section 105(2) of the 1988 Act takes account of this obligation.

(section 17(3)). Under the 1988 Act, the power of the Court to award additional damages has been enlarged.

(b) *Conversion damages*

19.6 The owner of any copyright is entitled to the same rights and remedies, in respect of the conversion or detention by any person of any infringing copy, or of any plate used or intended to be used for making infringing copies, as if he were the owner of the copy or plate and had been its owner since the time when it was made (section 18(1)). The term "conversion" in this context essentially means the doing of an act in relation to a copyright work which is inconsistent with the owner's rights in respect of that work. It would, for instance, be evidenced by the use of a copy of another's design on a shirt. There are defences (though difficult to establish) available under section 18 that protect the defendant who was not aware or had no reasonable grounds for suspecting that copyright subsisted or was infringed by the works he converted or detained. Infringing copies within the section include virtually all reproductions of copyright works, except reproduction of the work as a cinematograph film, where the plaintiff will be left to his remedies under section 17. A plate includes "any stereotype, stone, block, mould, matrix, transfer, negative or other appliance" (section 18(3)).

19.7 Section 18 has been the subject of considerable criticism in the United Kingdom. The "deeming" of ownership in the copyright owner confers upon the copyright owner a right to delivery up of infringing copies. "Conversion damages", which may be sought when the infringing copy is not available, for example because it has been sold, will be assessed on the basis of the value of the infringing copy without any deduction for the cost of manufacture or purchase by the unsuccessful defendant³. This could in many cases work considerable hardship. Where, for instance, an infringing design is applied to a precious metal the measure of damages would be the market value of the goods, not the value of the goods less the value of the precious metal. It was pointed out to us that as conversion damages would not take into account the value of the precious metal, independent of the copyright design, this would result in a "windfall" for the copyright owner. On the other extreme is a case where the cost of manufacturing is extremely small and the value of the copyright infringed is quite large. This is the case with software infringement. An infringer may sell pirated software that costs less than \$10 to "make" (the cost being only the diskette). On that disc may be software worth thousands of dollars. The loss to the copyright owner is not the amount collected by the seller, but rather the "value" of the software. The "cost" of manufacture is insignificant and irrelevant. In such a case, conversion damages do not unfairly reward the copyright owner. Instead, they merely compensate the copyright owner for actual damage suffered.

(c) *Delivery up*

³ *Infabrics Ltd v Jaytex Shirt Co Ltd* [1980] FSR 261. The remedy of conversion damages has been criticized in a number of English court decisions. See, for example, Lord Bridge in *British Leyland Motor Corporation v Armstrong Patents Ltd* [1986] AC 577, at 623.

19.8 As we have seen, section 18(1) of the 1956 Act effectively gives the copyright owner notional rights of ownership in any infringing copy which has been detained or converted. It follows from that that the owner can apply to court for an order for delivery up of the infringing copy or article. In the United Kingdom, the 1988 Act now clearly gives the court statutory power to make orders for the delivery up of infringing copies and the forfeiture, destruction or other disposal of infringing copies or other articles.

(d) *Seizure of infringing copies*

19.9 Though section 18 appears to permit seizure of infringing copies without recourse to the courts it is usual to seek a court order to enforce these rights. Civil search and seizure is available to the plaintiff on an interlocutory application to the court. The High Court has an inherent jurisdiction to order a defendant to permit the plaintiff to enter the defendant's premises in order to inspect, seize and remove disputed property, or make copies of documents. An interlocutory order may even be made *ex parte* (that is, without notice to the prospective defendant), but this will only be done if the plaintiff shows that there is grave danger of the property or other evidence being destroyed or smuggled away⁴. In the United Kingdom and in Hong Kong such orders have even been used successfully against hawkers who operate without premises. Another important interlocutory remedy can be used to prevent a defendant disposing of his assets or moving them outside the jurisdiction of Hong Kong⁵. Interlocutory injunctions may be obtained prior to a full hearing, securing a temporary prohibition on allegedly infringing activity⁶. The means of proof at the interlocutory stage depends on evidence proved by way of affidavit. The courts have developed procedural safeguards, the most important of which is the undertaking required from a successful applicant as to damages in the event of his eventually being unsuccessful in the suit.

19.10 In the United Kingdom, section 100 of the 1988 Act permits a "self-help" remedy so that infringing articles can be seized without a court order.

Views on consultation

(a) *Conversion damages*

19.11 Those who favoured the retention of conversion damages argued that the remedy must be maintained so as to act as a deterrent to piracy in Hong Kong. It was suggested that criminal sanctions in Europe were set at inadequate levels to provide the enforcement agencies with an incentive to police piracy.

⁴ Called an Anton Pillar Order, after the case in which the jurisdiction was first clearly recognised, *Anton Pillar K. G. v Manufacturing Processes Ltd* [1976] Ch 55.

⁵ Called a Mareva Injunction, after *Mareva Compania Naviera S.A. v International Bulk Carriers S.A.* [1980] 1 AER 213.

⁶ See generally *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 and published texts for details.

19.12 Those who opposed the retention of conversion damages pointed out such damages bore no relation to tortious principles of damage and were habitually used by plaintiffs as a lever to pressurise defendants into settling actions which they would otherwise wish to fight. The remedies of infringement damages and additional damages were adequate to compensate a plaintiff for damage done to him.

(b) Delivery up

19.13 While some felt that an order for delivery up should be automatic, there were those who thought that the remedy should be discretionary, but that an infringer should have to show cause why delivery up should not be ordered.

(c) Seizure of infringing copies

19.14 There was some support for the "self-help" provisions of section 100 of the 1988 Act. Although the section was limited in its effect, it was nevertheless a useful additional remedy to assist the copyright owner in certain types of counterfeiting cases.

Our recommendations

(a) Conversion damages

19.15 We noted that the sub-committee were divided in their views on conversion damages. Half of the sub-committee were emphatic in their defence of the doctrine. Conversion damages and the availability of delivery up as a right in their view had proved a formidable deterrent to the pirate manufacturer or dealer. Conversion damages to them were a legitimate means of assessing the damage suffered by the complainant. It was argued by those who favoured retention of conversion damages that the remedy and its possible grave consequences helped focus minds and kept unnecessary litigation out of court.

19.16 The other half of the sub-committee were strongly in favour of the removal of the doctrine of conversion. They saw the provision of conversion damages as a harsh remedy. In practice it was not always possible for a legitimate manufacturer to forecast whether a particular product would infringe an existing copyright. Unnecessary fears of conversion damages might stultify design development, particularly in the field of computer software. The court could be relied upon to employ their powers to grant additional damages to deter flagrant infringement.

19.17 In the light of the division of opinion in the sub-committee, the sub-committee was unable to reach a conclusion on the question of conversion damages. We considered with some care the opposing arguments on this point. **In our view, conversion damages are an unsatisfactory means of enforcing the copyright owner's rights in his**

work. They do not relate to the measure of loss caused by the infringer and seem to us a harsh and undesirable remedy. We would prefer to see the question of damages left to the court to assess in each case in the light of the particular circumstances. We are reinforced in this view by the fact that the court already has the power to award additional damages having regard to the flagrancy of the infringement (see para. 19.5 supra). We believe that this should ensure that adequate compensation is given for copyright infringement, and that prospective infringers are adequately deterred. In the circumstances, we have no hesitation in recommending that conversion damages should be abolished.

(b) *Delivery up*

19.18 As to a discretion in the court to order delivery up and disposal of infringing copies, we put our trust in the common sense of the judiciary. **We recommend that delivery up should be a discretionary remedy, exercisable in a similar fashion to that provided by section 99 of the 1988 Act in the United Kingdom to which we referred earlier.**

(c) *Seizure of infringing copies*

19.19 We are against the creation of "self-help" remedies like section 100 of the 1988 Act that would permit, for instance, the seizure of infringing copies from hawkers without a court order. In our view problems exist with such remedies, as is recognised by the elaborate safeguards in section 100. We think that local circumstance differ from those in the United Kingdom and a self-help remedy along the lines of section 100 would not be appropriate in Hong Kong. **We therefore recommend that section 100 of the 1988 Act should not be adopted.**

Other aspects of civil remedies

(a) *Groundless threats of action*

19.20 In the sub-committee's earlier consultation document, a majority of the sub-committee favoured the creation of a civil remedy in damages to counter groundless threats of proceedings (especially against customers). The majority of the sub-committee felt that this would provide a safeguard against "bullying" by way of false claims, a practice which would be potentially damaging to the unsophisticated individual. Such a remedy has parallels in the field of patents and industrial design law. The sub-committee looked at legislation on this point in other jurisdictions, notably section 202 of the Australian Copyright Act 1968 and section 200 of the Singapore Copyright Act 1987. Both provisions are in similar terms. Section 202(1) of the Australian Act provides:

"Where a person, by means of circulars, advertisements or otherwise, threatens a person with an action or proceedings in

respect of an infringement of copyright, then, whether the person making the threats is or is not the owner of the copyright or an exclusive licensee, a person aggrieved may bring an action against the first-mentioned person and may obtain a declaration to the effect that the threats are unjustifiable, and an injunction against the continuance of the threats, and may recover such damages (if any) as he has sustained, unless the first-mentioned person satisfies the court that the acts in respect of which the action or proceeding was threatened constituted, or, if done, would constitute, an infringement of copyright."

Section 202(2) provides that mere notification of the existence of a copyright is not a threat. A minority of the sub-committee strongly opposed this approach as introducing an unnecessary complication into Hong Kong's law, as it had not been established that unmerited threats of action were commonplace.

19.21 Section 202 of the Australian Act, though it relates to copyright, is broadly similar to a provision dealing with patents in section 70 of the United Kingdom Patents Act 1977. Section 253 of the 1988 Act in the United Kingdom, relating to infringement of design right, is to similar effect. It provides:

"(1) Where a person threatens another person with proceedings for infringement of design right, a person aggrieved by the threats may bring an action against him claiming -

- (a) a declaration to the effect that the threats are unjustifiable;*
- (b) an injunction against the continuance of the threats;*
- (c) damages in respect of any loss which he has sustained by the threats.*

(2) If the plaintiff proves that the threats were made and that he is the person aggrieved by them, he is entitled to the relief claimed unless the defendant shows that the acts in respect of which proceedings were threatened did constitute, or if done would have constituted, an infringement of the design right concerned."

19.22 Both section 253 of the 1988 Act and section 70 of the 1977 Act differ from the Australian and Singapore provisions in that they place a limitation on the application of the remedy for threats. Section 253(3) provides that proceedings under the section may not be brought "in respect of a threat to bring proceedings for an infringement alleged to consist of making or importing anything." The effect is that manufacturers or importers (as opposed to distributors, purchasers and the like) can be threatened with infringement proceedings without falling foul of section 253.

19.23 We have taken careful account of the views of the sub-committee and those expressed to us. We have concluded that the introduction of a remedy for groundless threats of proceedings should serve to balance the interests of copyright owners and users, and we so recommend. We further recommend that this new civil remedy should be extended not only to copyright cases, but also to the new unregistered design right and the future registered design right in Hong Kong. We favour the inclusion of a limitation such as that contained in section 253(3) of the 1988 Act in the United Kingdom. We believe that this course strikes a better balance and is consistent with our concern to provide a remedy where the customer is harassed.

(b) *Disclosure of information*

19.24 Commercial reality often compels the litigants to compromise on the basis of the judgement at the interlocutory stage. Interlocutory orders may even extend to requiring the defendant to disclose his suppliers, customers or the existence and whereabouts of damaging evidence. The normal privilege against self incrimination has been removed by section 44A of the Supreme Court Ordinance (Cap 4), though any such admissions obtained cannot be used in criminal proceedings.

19.25 It has been suggested to us that Customs and Excise should be under a statutory duty to disclose information about infringers to copyright owners whenever a seizure is made so as to enable civil action to be taken promptly against the infringer while criminal proceedings are still pending. We think that this would amount to an extension of the principles in *Norwich Pharmacal Co v. Customs and Excise Commissioners* [1974] AC 133. **We conclude that there is nothing wrong in principle with Customs and Excise divulging information about the wrongdoer to the copyright owner in order that civil action can be taken in a timely manner. On the other hand, we would not wish such disclosure to be to the detriment of any enforcement action. We therefore recommend that the Commissioner of Customs and Excise should have a discretion as to whether to assist or not, subject to *Norwich Pharmacal* jurisdiction.**

(c) *Joinder*

19.26 **We recommend the retention of the present rules that require the exclusive licensee to seek joinder of the copyright owner as a plaintiff or a defendant.** We think that the absence of any requirement for registration of copyright requires the maintenance of this safeguard.

(B) Criminal remedies

Existing law in Hong Kong

(a) *Offences under the 1956 Act*

19.27 Section 21 of the 1956 Act provides a wide range of summary offences prohibiting, inter alia, manufacture for sale or hire, sale, or offering for sale, or importing (other than for private and domestic use) an article which the defendant knows to be an infringing copy. There are offences aimed at possession or manufacture of a "plate", where the offender knew it would be used in making infringing copies of the work. It is a criminal offence to cause a literary, dramatic or musical work to be performed in public knowing that copyright subsists in the work and that the performance constitutes an infringement of the copyright⁷. The penalties have not been revised since 1972. A first offender, whose crime does not involve a plate or an unauthorised public performance, has his liability limited to \$500 per infringing article. Section 21 is seldom employed as a charge in Hong Kong. It requires the prosecution to prove beyond reasonable doubt the defendant's knowledge of the infringing character of the activity subject to complaint. In practice this will not often be possible.

(b) *Offences under the Copyright Ordinance (Cap 39)*

19.28 This Ordinance was introduced in 1973 to modify the 1956 Act as amended by the 1968 Act in its application to Hong Kong and to make further provision for aspects of copyright law peculiar to the circumstances existing in Hong Kong. At the time of its introduction Hong Kong's trading reputation was suffering as a result of widespread copyright piracy, particularly of sound recordings.

19.29 Section 5 of the Ordinance creates offences in connection with infringing copies, without prejudice to section 21 of the 1956 Act. Any person who for the purposes of trade or business has any infringing copy of a work or other subject matter in which copyright subsists under the Act or the Ordinance, shall, unless he proves to the satisfaction of the court that he did not know and had no reason to believe that it was an infringing copy of any such work or other subject matter, be guilty of an offence (section 5(1)). The offender is liable on conviction to a fine of \$1,000 in respect of each infringing copy and to imprisonment for 12 months. The interpretation currently put upon the words "for the purposes of trade or business" by the Prosecutions Division precludes prosecution where the possession is an isolated occasion or for a purpose merely incidental to the nature of the business⁸. There is a

⁷ This has quite wide implications because the exceptions that permit public performance in the 1956 Act (e.g. section 12(7)) only extend to the copyright work referred to expressly, i.e. an exception covering a sound recording does not permit public performance of the underlying musical work.

⁸ Similar words ("in the course of a trade or business") in an offence under section 1(1) of the Trade Descriptions Act 1968 were interpreted by the House of Lords to limit the application of the Act to transactions which had some degree of regularity so that they formed part of the normal practice of a business: *Davies v Sumner* [1984] 1 WLR 1301. Furthermore, to succeed in the prosecution of a business or trade, whether conducted by an individual, a firm or a company it will be necessary for the prosecution to establish that an individual in control of the management knew of the activity: see generally Smith and Hogan, *The Criminal Law* (6th Edition) at pages 171 to 176.

similar offence relating to possession of a plate⁹ used or intended to be used for making any infringing copy, carrying a penalty of \$50,000 and up to 2 years imprisonment (section 5(2)). Section 5 provides wide powers to the court to order destruction, delivery up or other forms of disposal in respect of infringing copies or plates which have been seized by officers of the Customs and Excise Department, irrespective of whether a conviction has been obtained or even a charge laid.

19.30 Section 6 of the Copyright Ordinance gives the Commissioner of Customs and Excise and his authorised officers wide powers to investigate suspicious activity and seize suspected infringing material and evidence. The right of entry to domestic premises may only be secured by a magistrate's warrant or the written authorisation of the Commissioner (section 7). Section 8 contains a number of offences designed to deter wilful obstruction of investigation.

Comparative Law

(a) The United Kingdom

19.31 Section 107 of the 1988 Act specifies the relevant criminal offences under that Act. These include a new offence for a person to:

"possess in the course of a business with a view to committing any act infringing the copyright....

an article which is, and which he knows or has reason to believe is, an infringing copy of a copyright work."

19.32 Section 107 preserves many of the offences to be found in section 21 of the 1956 Act in a different form, and with significant heavier penalties¹⁰. It is now simpler for the prosecution to establish a guilty mind, by showing knowledge of the infringing nature of an article or reason to believe. Offences making it a crime knowingly to infringe the copyright in a film or sound recording by public performance are also added.

19.33 A new offence, possession in the course of a business with a view to committing any act infringing copyright, has been created by section 107(1)(c)¹¹. Whitford recommended an offence of "possession in the course of trade" (paragraph 711). This was thought to be too onerous. In the passage of the Bill a Government spokesman expressed the view that the garage mechanic who possessed a photocopied repair manual, or a sales company that might be using an infringing video to train its staff, should not be caught by the criminal law. Such possession would be a purely internal

⁹ "Plate", in (Cap 39), has the meaning assigned by the 1956 Act and also "includes any machine, device or equipment".

¹⁰ Section 107(6) excludes the application of the presumptions under sections 104-106 from section 107 offences.

¹¹ The secondary infringing acts in section 23 of the 1988 Act include "possession in the course of business"

matter with no intent to exploit the material by further copying. Incidental possession would be a matter for remedy through the civil law only¹². We agree with this view which, coincidentally, corresponds closely to the present interpretation of section 5 of Cap 39.

19.34 Section 107 requires that the person must know or have reason to believe that the article concerned is an infringing copy. Furthermore, section 110 imposes personal liability on the director, secretary or other similar officer of the company where the offence specified in section 107 has been committed with his "consent or connivance".

(b) *Singapore*

19.35 Section 136(2)(b) of the Singapore Copyright Act 1987 provides that:

"A person who at any time when a copyright subsists in a work has in his possession any article which he knows, or ought reasonably to know, to be an infringing copy of the work for the purpose of - ...

... (b) distributing the article for the purpose of trade, or for any other purpose to an extent that will affect prejudicially the owner of the copyright in the work ...

... shall be guilty of an offence "

Section 136(7) provides that:

"... any person who has in his possession 5 or more infringing copies of any work or other subject-matter shall, unless the contrary is proved, be presumed -

(a) to be in possession of such copies otherwise than for private and domestic use; or

(b) to be in possession of such copies for the purpose of sale."

19.36 The Singapore Copyright Act has provided a presumption regarding possession of more than four infringing copies. In common with the 1988 Act in the United Kingdom, the Singapore Copyright Act makes clear that an offence is committed where the end user makes or possesses an infringing copy for commercial purposes in circumstances where he knows or has reason to believe that the copy is an infringing copy.

¹² See Hansard (H.L.) 10 December 1987 column 420 to 421. It is noted that, because computer programs are copied when they are run in a computer, the offence in section 107(1)(c) catches use of infringing software in the course of a business.

(c) *European community directive*

19.37 The EC Software Protection Directive (Article 7(1)(c)) requires that member states enact in their domestic laws appropriate remedies, including criminal sanctions, against persons committing certain specified acts. These acts include possession of an infringing copy of a computer program for commercial purposes in circumstances where the person knows or has reason to believe that the copy is an infringing copy. Under the present law in Hong Kong, the possession of an infringing program known to be used in a computer may attract criminal liability as running the program would involve copying of the program in the computer. This would be the case if the infringing program is considered a "plate" under section 21(3) of the 1956 Act. Section 107 of the 1988 Act only attaches criminal liability if the possession or use is in the course of a business.

Views on consultation

19.38 We received many submissions on this aspect of our study and these reflected a wide range of views. Of those who favoured the continued use of criminal sanctions, there was a division between those who believed that only infringing use should be an offence and those who argued that mere possession should be sufficient to provoke a criminal sanction. The principal argument advanced in favour of retaining criminal sanctions was that this provided a greater deterrent than the threat of civil proceedings. In contrast, there were others who argued that copyright should be a matter for the civil law exclusively. Unlike trade marks and trade descriptions legislation, copyright predominantly protects the proprietary rights of the owner rather than protecting the public from deception. It was not the function or domain of the criminal law to give protection to the copyright owner over and above other citizens.

19.39 There were a number of comments on section 107 of the 1988 Act. On the one hand, there were those who were satisfied that the section would not result in "mere" possession constituting a criminal offence. On the other hand, others felt that the section required amendment to ensure that innocent possession was not penalised.

Our recommendations

19.40 We have carefully considered the many submissions in relation to section 5(1) of the Copyright Ordinance. **We think that as a matter of legal policy, the remedies provisions should generally apply to all works and that computer software should not be subject to a different regime. For reasons of consistency, we conclude that it would be desirable to adopt all the relevant provisions of the 1988 Act and to repeal the existing offence provisions under the Copyright Ordinance, instead of adopting some United Kingdom provisions while retaining parts of the existing Hong Kong provisions.**

19.41 We prefer the approach of the United Kingdom provisions to our existing provisions for a number of reasons. Firstly, they comprehensively contain all the criminal provisions in one place. More importantly, we think it right that the prosecution, and not the accused, should bear the usual burden of proof. This would avoid any doubt that the new provision will be compatible with the Bill of Rights Ordinance. The provisions strike a just balance regarding the proof of guilty knowledge in that the prosecution is only required to prove that the accused has reason to believe that he is dealing with infringing copies. Section 110 deals with offences by bodies corporate and makes clear the liability of company officers. The provisions regarding possession of infringing copies also strike a good balance between the copyright owners and the users. **Accordingly, we recommend that the offence provisions (sections 107-110) of the 1988 Act should be adopted in Hong Kong. We accept the points made by the Customs and Excise Department in relation to section 107(2)(a) and recommend that in adopting this section, the words “specifically designed or adapted for making copies of a particular copyright work” are to be deleted.** We believe that our approach strikes the right balance between protecting the user and the copyright owner. In addition, our recommendations will be consistent with the international trend.

19.42 **We recommend an increase in the level of maximum fines to take account of inflation. We are concerned at the failure to establish realistic tariffs. To this end, we recommend a second tier of higher penalties for second or subsequent offences. Such a second tier could operate where two or more offences are committed within a specified time of each other.**

Other aspects of criminal remedies

(a) Conditional release of seized goods

19.43 In the course of enforcement action, Customs officers may come across bulky goods which are suspected of being infringing articles. Unless the officers are satisfied that the goods are not pirated, they are obliged to detain them pending further enquires. Where this occurs outside normal office hours and immediate consultation is not available, considerable efforts have to be expended removing the goods to a Customs and Excise or private godown for storage.

19.44 In order to minimise the resources necessary for the detention of suspected infringing items pending verification, the Customs and Excise Department suggest that a provision similar to section 30(2) of the Trade Descriptions Ordinance (Cap 362) should be enacted to empower the Commissioner of Customs and Excise to release the goods to the apparent owner or his authorised agent, subject to certain conditions being satisfied. Section 30(2) of Cap 362 provides:

"Where goods are seized or detained by an authorized officer under section 15, the Commissioner may at any time release such goods to the person who appears to him to be the owner thereof or his authorized agent subject to any such condition as the Commissioner may specify in writing."

19.45 **We think that the suggestion by the Customs and Excise Department for conditional release of seized goods makes sound sense and we recommend that a legislative provision in the terms suggested should be adopted. In order to render the provision enforceable, we further recommend that a penalty section should be added for breach of a condition imposed by the Commissioner.**

(b) Creation of an indemnity provision

19.46 When a copyright owner lodges a complaint about infringement with the Customs and Excise Department this will frequently lead to goods being seized. Sometimes after Customs and Excise have effected the seizures, the copyright owners fail to follow up by assisting the Government in the prosecution. Some ten years ago, both the Hong Kong Government and the responsible officers of Customs and Excise were sued by an importer for the wrongful detention of a shipment of music cassette tapes which the authorised agents of the copyright owner had claimed were infringing. The copyright owner had failed to render any assistance in the prosecution after the goods were seized. To overcome this problem, the Customs and Excise Department favour the introduction of an indemnity from the copyright owner in the event of wrongful seizure.

19.47 **We sympathise with the difficulties experienced by the Customs and Excise Department and think it right that an indemnity should be given by the copyright owner where he or his agents have advised the Department that the goods seized are infringing.**

(C) Statutory presumptions

Presumptions under the 1956 Act

19.48 Section 20 of the 1956 Act provides a variety of presumptions available to assist in the proof of facts in copyright actions. Section 20(1) establishes presumptions dealing with:

- (i) the subsistence of copyright in a work; and
- (ii) the plaintiff's ownership of that copyright.

These presumptions only apply if the defendant does not put these questions in issue, which, in practice, he almost invariably does. There are further presumptions under section 20(2) and (4) which cater for proof of authorship or ownership in the absence of proof to the contrary, where such details are

recorded on literary, dramatic, musical or artistic works. Presumptions of originality and the date and place of first publication are available when it is proved or admitted that the author of a literary, dramatic, musical or artistic work is dead (section 20(5)). Section 20(7) provides that labels or markings on records issued to the public recording the maker of the sound recording and the year and country of first publication shall be sufficient evidence of the facts so stated except in so far as the contrary is proved.

19.49 Under section 20 of the 1956 Act, the presumptions as to subsistence and ownership of copyright only apply if the defendant does not put them in issue. The presumptions do not apply to criminal proceedings. Hence, both questions of subsistence and ownership of copyright must be proved in the normal manner in criminal proceedings.

19.50 Sections 104 to 106 of the 1988 Act broadly follow the provisions contained in section 20 of the 1956 Act. The presumptions under the 1988 Act do not apply to criminal proceedings under section 107 (section 107(6)). New presumptions are added in section 105(2) and (3) of the 1988 Act concerning films and computer programs. Section 105(2) permits presumptions where copies of a film are issued to the public bearing the name of the author or director, naming the owner of the copyright at the date of issue and recording that the film was first published in a specified year or country. Until the contrary is proved this information is presumed correct. Section 105(3) gives the benefit of a similar presumption to computer programs issued to the public in electronic form bearing a statement that a named person was the owner of the copyright at the date of issue of the copies, and that the program was first published in a specified country or that copies were first issued to the public in electronic form in a specified year. In the 1988 Act the presumptions are only available in civil proceedings.

Our recommendations

19.51 **We think that the presumption provisions in the 1988 Act will facilitate the administration of justice and we recommend the adoption of the relevant provisions without modifications.**

Presumptions under the Copyright Ordinance (Cap 39)

19.52 The presumptions mentioned above are of limited use in Hong Kong, particularly when the author of the work or owner of the copyright is resident overseas. Section 9 of Cap 39 overcomes many difficulties of proof that would otherwise be faced by the plaintiff in a civil action or the prosecutor in criminal proceedings¹³. It is possibly the most significant presumption in Hong Kong's copyright law and is worth reproducing in full:

¹³ Any doubts about the application of section 9 to both civil and criminal proceedings were dispelled by the Court of Appeal in Civil Appeal 31 of 1988, *Phonographic Performance (South East Asia) Ltd v California Entertainments Ltd*.

"(1) An affidavit which -

- (a) purports to have been made by or on behalf of the owner of a work or other subject matter in which copyright subsists under the Act; and*
- (b) states that -*
 - (i) at a time specified therein copyright subsisted in the work or other subject matter;*
 - (ii) the person named therein is the owner of the copyright in the work or other subject matter; and*
 - (iii) a copy of the work or other subject matter exhibited to the affidavit is a true copy of the work or other subject matter,*

shall, if it complies with subsection (3), be admitted without further proof in any proceedings under the Act or this Ordinance.

(2) The court before whom an affidavit is produced under subsection (1) shall presume, until the contrary is proved -

- (a) that the statements made therein are true; and*
- (b) that it was made and authenticated in accordance with subsection (3).*

(3) An affidavit for the purposes of this section shall be -

- (a) made on oath -*
 - (i) before a magistrate or a notary public if it is made at any place within the Commonwealth; or*
 - (ii) before a consular officer of Her Majesty's Government in the United Kingdom or a notary public if it is made at any place outside the Commonwealth; and*
- (b) authenticated, so far as relates to the making thereof, by the signature of the magistrate, notary public or consular officer before whom it is made."*

Comparative Law

19.53 Section 9 is not unique to Hong Kong nor is it a Hong Kong invention. The first appearance of such a provision occurred in copyright related legislation in Singapore in 1968 and it has been retained there in amended form in the Copyright Act 1987. A similar provision also appears in the 1987 Copyright Act in Malaysia.

19.54 However, there are no similar provisions in other countries which are parties to the Berne Convention or the UCC, including Hong Kong's major trading partners. The position in the United Kingdom is to the contrary: the presumptions applicable in civil proceedings do not apply to criminal proceedings. In all these countries, there is the same need as in Hong Kong to cater for the interests of overseas copyright owners.

19.55 The nearest equivalent to section 9 is section 137 of the Singapore Copyright Act 1987. It provides greater safeguards for the defendant. The defendant may wish in good faith to cross-examine the deponent but the Court has a discretion to permit the affidavit to be used without cross-examination. Instead of laying down guidelines, the legislature appears to have left it to the Court to administer justice in the circumstances of each case. Whilst there is always an element of uncertainty wherever a discretion exists, the provisions at least attempt to strike a balance in cases where for some good reason the defendant desires to cross-examine the deponent. It also appears that the section meets the needs of that community.

Difficulties with section 9

19.56 Section 9 provides a convenient means to establish subsistence and ownership of copyright in the courts. The section has not been without its critics, however. The section raises three main areas of concern: firstly, whether the presumption should apply to both civil and criminal proceedings; secondly, whether the presumption should continue to operate as a mixture of fact and law; and, thirdly, whether the section is compatible with the Bill of Rights Ordinance. We now examine each of these aspects in turn.

The application of section 9 to civil and criminal proceedings

19.57 Cap 39 was enacted when the 1956 Act was extended to Hong Kong. The legislative intent of section 9 was to modify the 1956 Act in relation to prosecutions for infringements of copyright and other offences under the Act. The presumption under section 9 of Cap 39 differs from the presumptions under the 1956 Act in that the Act's provisions apply only to civil proceedings while section 9 of the Ordinance applies to both civil and criminal matters. The section was apparently not originally intended to apply to a civil action. The Hong Kong Court of Appeal has ruled, however, that the statutory presumption under section 9 applies to both civil and criminal

proceedings¹⁴. Among the reasons given by the Court of Appeal for its ruling¹⁵ is the fact that the owner of the copyright involved in Hong Kong proceedings, be they civil or criminal, is often resident outside Hong Kong, and that there would be considerable inconvenience to the non-resident owner of having to prove title to copyright in the usual way, with the necessity of producing all relevant documentation¹⁶.

19.58 *In A-Target v Kalon Ltd and others*¹⁷ the Court of Appeal ruled that the benefit of the presumptions under section 9 went to the first party to file an affidavit in proper form, though its effect might be rebutted by evidence presented by the other party, even at an interlocutory stage.

19.59 As far as criminal proceedings are concerned, the principal advantage of applying section 9 is that it avoids inconvenience to the owner of a copyright work who is resident overseas and releases the prosecution from the costly burden of arranging the owner's attendance at court. Despite this advantage, it can be argued that the provisions in section 9 have gone too far and may work injustice to the defendant in criminal proceedings. The following are the main objections:

- (1) Subsistence and ownership of copyright are questions exclusively within the knowledge of the copyright owner. There being no registration or deposit system for copyright (the Berne Convention forbids the imposition of formality requirements), the defendant is in no position to make any enquiry or to disprove anything which is not within his knowledge.
- (2) The burden of proof should lie on the prosecution, not the defense. It is for the prosecution to prove its case beyond reasonable doubt.
- (3) There is no justification for employing section 9 against the defendant where the copyright owners and the relevant witnesses are in Hong Kong.
- (4) Whilst it is desirable to admit evidence of overseas owners and witnesses by way of affidavits with or without a right of cross-examination, the affidavits should contain (and only contain) admissible evidence to prove subsistence and ownership, rather than bare assertions of those facts, which are conclusions of mixed fact and law for the tribunal.
- (5) It is wrong to allow conclusions of mixed fact and law to be the subject of a presumption. These are matters which should be

¹⁴ *Phonographic Performance (South East Asia) Ltd. v California Entertainments Ltd* [1988] 2 HKLR CA 237 at page 245.

¹⁵ *Ibid*, at pages 243-246.

¹⁶ *Ibid*, at pages 246.

¹⁷ Civil Appeal No. 115 of 1989.

decided by the court, rather than through the imposition of a presumption.

19.60 **We accept that the section 9 presumption is an important tool for those prosecuting criminal breaches of copyright. We are satisfied that the presumption should continue to operate in criminal proceedings, subject to such modifications as may be necessary to ensure compliance with the Bill of Rights Ordinance (discussed below). Turning to civil proceedings, the sub-committee were unable to reach a conclusion as to whether or not the section 9 presumption should continue to apply. We find no such difficulty and are firmly of the view that the section 9 presumption should not apply to civil proceedings.**

19.61 In reaching that conclusion, we note particularly that the judicial interpretation of section 9 flies in the face of the underlying legislative intent and that it was never intended that section 9 should apply to civil proceedings. There are already numerous presumptions assisting in the proof of subsistence and ownership of copyright to be found in section 20 of the 1956 Act. Similar presumptions exist under sections 104 to 106 of the 1988 Act. The need to call for evidence from overseas is not peculiar to copyright actions. It is a recurrent feature of other industrial property actions and much commercial litigation. There is, it is argued, no necessity for applying section 9 to civil proceedings.

19.62 In interlocutory proceedings, including in particular applications for interlocutory injunction and for summary judgment, evidence is adduced by way of affidavits which can contain even second-hand hearsay (RSC, Order 41, rule 5). Further, in applications for interlocutory injunction, all that the plaintiff needs to prove is that there is a serious question to be tried¹⁸. No witness, local or overseas, needs to be called at the interlocutory stage. In practice, the plaintiff should adduce affidavit evidence to prove the subsistence and ownership of copyright in such proceedings.

19.63 It is argued that the application of section 9 in Order 14 proceedings is oppressive. The defendant is deprived of his right to a proper statement of claim and evidence¹⁹. This is inconsistent with the defendant's right to particulars²⁰, discovery and to administer interrogatories and contrary to the notion of natural justice and the well-established principles and procedure in civil litigation. Once the plaintiff adduces prima facie affidavit evidence in an Order 14 application, it is for the defendant to show cause.

¹⁸ *American Cyanamid v Ethicon* [1975] AC 396.

¹⁹ *Phonographic Performance (South East Asia) Ltd v California Entertainments Ltd* per Clough J. A. at 243E.

²⁰ *Elram International Actuators Ltd. v Fluid Power Engineering Ltd.* [1984] FSR 151, *Shippam Ltd. v Princes-Buitoni Ltd* [1983] FSR 427.

19.64 The application of section 9 to a civil trial would be even more bizarre. It is not clear from the *California* case whether, and if so in what manner, the section has been interpreted as applicable to a civil trial. If it has, the legislature would have by a stroke of the pen drastically changed the well-established principles and procedure of civil litigation. Evidence at trial should as a general rule be proved by oral examination of the witnesses (see R.S.C. Order 38, r.1). The plaintiff is protected by costs when calling witnesses from overseas. There are also well-established procedures for adducing evidence from overseas for example, evidence by affidavit (R.S.C. Order 38, r.2), evidence of particular facts (R.S.C. Order 38, r.3), hearsay evidence (R.S.C. Order 38) and examination abroad (R.S.C. Order 39).

The nature of the section 9 affidavit

19.65 We noted earlier that the presumption in section 9 of Cap 39 differed from those in the 1956 Act in that it applied in both civil and criminal proceedings. A further distinction is that the section 9 presumption is as to the veracity of the contents of the affidavit while that of section 20 is as to the facts themselves. It should also be noted that the nature of a presumption in criminal proceedings, where facts must be proved beyond reasonable doubt, is different from that in a civil action where the standard of proof is a balance of probabilities.

19.66 It is questionable whether the section 9 affidavit is in truth an affidavit. Firstly, the affidavit states conclusions of mixed fact and law which at best can only be described as opinion. It is trite law that an affidavit should only contain facts and that an opinion, particularly one based partly on law, is not admissible evidence. Secondly, it is questionable whether the deponent (the owner or someone on behalf of the owner) has personal knowledge of all relevant facts, let alone laws, necessary to found the opinion. In most cases where the copyright owner is not the author, such facts have to be deponed to by different persons.

Human rights implications

19.67 Two provisions of the Hong Kong Bill of Rights Ordinance are relevant to the use of section 9 in criminal proceedings. The first is Article 11(1) which provides that "everyone charged with a criminal offence shall have the right to be presumed innocent until proved guilty according to law." The second is Article 11(2)(e) which provides that in the determination of any criminal charge against him, everyone shall be entitled "to examine, or have examined, the witnesses against him and to obtain the attendance and examination of witnesses on his behalf under the same conditions as witnesses against him". We believe that there is a significant risk that section 9 would be held to be inconsistent with Articles 11 (1) and (2) of the Bill of Rights Ordinance. The mandatory nature of the presumption in section 9(2) which requires a defendant to rebut on a balance of probabilities (rather than raising a reasonable doubt) would seem to us to be caught by the

principles adopted by the Court of Appeal in *R v Sin Yau-ming* [1992] HKCLR 127. On the authority of that case, such a presumption can stand only if it is "rational" and "proportional". We think it would be difficult to argue that the provision was either rational or proportional in its present form.

19.68 There are equal Bill of Rights difficulties, it seems to us, with section 9's removal of the accused's right to cross-examine the witness whose affidavit is brought against him. In determining in any action for infringement whether an infringing act has occurred, the subsistence of a copyright to be infringed by the act or acts in question must be established to the satisfaction of the court. The existence of a presumption such as that contained in section 9 greatly assists the prosecution in establishing this essential element of the offence. It avoids the necessity of calling as a witness the owner of the copyright who may in many cases be resident overseas. It is, however, a fundamental principle of our criminal justice system (and one now enshrined in Article 11 of the Bill of Rights) that the accused should be allowed to challenge the case against him. On one view, therefore, it has been argued that where the prosecution relies on affidavit evidence to prove the subsistence of copyright, the accused should be given the opportunity to challenge that evidence by cross-examination of the deponent.

19.69 To allow such a course by the accused naturally requires the presence of the deponent at the trial. That may prove inconvenient, costly and difficult to arrange if the deponent is not a Hong Kong resident. In the case of magistracy proceedings (where the majority of Cap. 39 prosecutions take place), the prosecution will be reluctant to incur the expense of bringing overseas witnesses to Hong Kong for a "minor" offence. In order to overcome that objection, one suggestion is that cross-examination should only be allowed if it is invoked "in good faith" and not merely to inconvenience the prosecution and delay conviction. The difficulty with such an approach is, however, to determine what constitutes "good faith" on the part of an accused. An alternative approach is to be found in section 20 of the Evidence Ordinance (Cap. 8), dealing with the evidence of bankers. We appreciate that the nature of the evidence involved here is different from that under section 9 of the Copyright Ordinance, but it is the extent of the discretion given to the court in dealing with the evidence that is of relevance. In essence, section 20 provides that bank records may be proved by affidavit except, in civil proceedings, "by order of a judge made for special cause" and, in criminal proceedings, "by order of the court of trial". A defendant wishing to cross-examine a banker about bank records must therefore persuade the court to exercise its discretion. The court, in exercising its discretion, is relied on to act fairly and to protect the defendant's interests where the defense advances any real reason for wishing to question the accuracy of the bank records. We think that this approach provides a useful model for disputes over copyright ownership. We believe that it strikes a balance between providing adequate protection of the rights of the defendant under the Bill of Rights and the legitimate public interest in ensuring that the prosecution process is not obstructed unreasonably. **We accordingly recommend that an affidavit under section 9 should be admitted as *prima facie* evidence of the truth of its contents, subject to a discretion in the court to require**

the attendance of the witness where the defendant successfully persuades the court that the ownership or subsistence of the copyright is genuinely in issue.

19.70 While section 9 is clearly of most value when the relevant witness resides overseas, we do not think its use should automatically be precluded when the witness is resident in Hong Kong. We prefer instead to leave it to the court to take account, if it so wishes, of the witness's country of residence as a factor in exercising its discretion.

Views on consultation

19.71 We received numerous detailed replies as to how section 9 might be improved. The majority of these emanated from interests representing copyright owners. Only a small number of submissions concentrated on possible shortcomings in Hong Kong's laws from the consumer's point of view, or examined wider issues of civil liberty.

19.72 Among comments which were made were the following:

- (i) Section 9 of Cap 39 was thought objectionable because it allowed the complainant or his witnesses to assert a mixed matter of fact and law. The claim to both subsistence and ownership of copyright involved applying complex law to highly detailed sets of facts;
- (ii) one respondent suggested that section 9 should be redrafted to provide that (1) the copyright owners should in the first instance provide an affidavit dealing with the facts alone, such as the making of the copyright work, the pre-existence of other material from which the copyright work may or may not have been derived, the existence of assignments (provided they are exhibited), etc; (2) those statements should be admissible subject, however, to a right of cross-examination; (3) the right of cross-examination should be exercised well in advance so that copyright owners are given notice if they have to bring draftsmen, authors and composers etc. from abroad; (4) the plaintiff or copyright owner should be entitled to seek an order for the security of costs for the costs involved in producing for cross-examination the maker of such an affidavit. The question of security should be left to the court depending on the circumstances of the case;
- (iii) there was great concern that the means of proof offered by this provision should not be modified in such a way as to rob it of its usefulness;
- (iv) a wider range of presumptions should be introduced, available to as many types of copyright work as possible where labels or

markings or the contents of the work contained details of the original author, copyright owner, and the date and place of first publication. The changes introduced in the 1988 Act were urged as a useful model;

- (v) the affidavit should explain that the work relied on is a work protected by law, that the work is an original work within the meaning of the law, that copyright subsists by reason of the status of the author or the country of first publication as provided for by the law, and how the copyright owner claims ownership in the copyright to have vested in him;
- (vi) where the affidavit is filed other than by the owner of the right in question, the affidavit should state and exhibit the authorisation of the owner to file the affidavit; and
- (vii) the affidavit should explain that, subject to any right of cross-examination, the prosecution will be able to prove subsistence and ownership of copyright without calling the copyright owners and other relevant witnesses from overseas.

Our recommendations

19.73 Section 9 is a section of some complexity and our consideration of the issues raised has been further complicated by the possibility that the section might not be compatible with the Bill of Rights.

19.74 There is no doubt that the presumption provided under section 9 of Cap 39 provides a useful and convenient means of enabling the prosecution to establish the basic facts of a case. The success of Hong Kong in combating copyright infringement has been, in our view, due in no small part to the ability of the prosecuting authorities to undertake effective enforcement and that has been substantially assisted by the existence of section 9. There is clearly a danger that if the section were abolished or significantly weakened it would adversely affect Hong Kong's image in terms of international copyright enforcement. We are conscious that any diminution of the section's application to criminal proceedings runs the risk of encouraging a resurgence of piracy and other forms of copyright infringement. On the other hand, we are mindful of the human rights implications of the continuing application of section 9 to criminal proceedings. The convenience of a provision to the prosecution process cannot justify its continuance if it is not compatible with the Bill of Rights.

19.75 **Our conclusion is that a provision such as section 9 serves a useful function and should be retained, provided it can be rendered into a form which is compatible with the Bill of Rights.**

19.76 A particular difficulty arises in relation to computer software. As matters stand, section 9 requires that a "true copy" of the work in question be

attached to the affidavit. In the case of computer software, that "work" is the original source code in which the program is written. This cannot be used by the computer to execute the program. The program must first be translated into machine code, or object code. It is this object code version of the program which the consumer purchases for use in his computer. Section 1(2) of the Copyright (Computer Software)(Amendment) Act 1985 (which was extended to Hong Kong by the Copyright (Computer Software) (Extension to Territories) Order 1987) provides that:

"... in relation to a computer program, a version of the program in which it is converted into or out of a computer language or code, or into a different computer language or code, is an adaptation of the program."

It is at least arguable that the computer diskette is not therefore a "true copy" of the original work, but rather an adaptation of that work. It has been held that no independent copyright exists in the object code version of the program and annexing a diskette in object code to the section 9 affidavit would not therefore satisfy the requirements of the provision.

19.77 The requirements of section 9 in its present version can only be satisfied exhibiting the source code version of the computer program. This the owners of the copyright in the computer program software are unwilling to do, in view of the software secrets this would open up to competitors. A solution to this difficulty would appear to be to include in the relevant part of section 9(1) words to the effect that the affidavit must state that:

"a copy of the work or other subject matter exhibited to the affidavit is a true copy of the work or other subject matter, or, in the case of a computer program, is a true copy of an authorised version of the program."

We recommend that a formulation to this effect be adopted in the new copyright legislation.

19.78 **We recommend that section 9 should be redrafted to provide that: -**

- (1) the copyright owner should in the first instance provide an affidavit dealing only with facts within the knowledge of the deponent and which are relevant to prove the existence of ownership of the relevant copyright, such as the making of the copyright work, the pre-existence of other material from which the copyright work may or may not have been derived, the existence of assignments (provided they are exhibited), etc;**
- (2) those statements should be admissible, and the presumption of veracity in section 9(2)(a) should apply, but only where notice is given that it is intended to rely on**

affidavit evidence and no demand has been made by the defendant to produce the witness in court;

- (3) the right to proceed under section 9 should be exercised well in advance so that it is possible, if necessary, to give adequate notice to attend to copyright owners resident abroad;**
- (4) in appropriate cases, the court should be asked to award costs against the defendant where the defendant has not agreed to affidavit evidence and is subsequently convicted; and**
- (5) in the case of computer software, a disk containing a true copy of the computer program will suffice as a copy of the work if it is exhibited to the affidavit.**

The end result of these changes would, we believe, render section 9 compatible with the Bill of Rights. The effect of the revised section would be similar to section 65B of the Criminal Procedure Ordinance (Cap 221), which allows evidence to be admitted by agreed statements. The difference would remain that section 9 statements must be made on oath, unlike those under section 65B of Cap 221. We think there remains a valid reason for retaining section 9 in that it enhances the transparency of Hong Kong's copyright law, especially to overseas copyright interests.

Chapter 20

Summary of recommendations

Chapter 1: International conventions and their significance for Hong Kong

20.1 We recommend that the existing international copyright and neighbouring right treaties should continue to apply to Hong Kong. We further recommend that the latest text of each of these treaties and conventions should be applied to Hong Kong (*para 1.36*). In order to ensure that Hong Kong does not fall below the prevailing international standards, we strongly recommend that Hong Kong should apply the standards in the Berne Convention (Paris Act 1971) and the Rome Convention 1961 in formulating its new legislation on copyright (*para 1.39*).

20.2 We note that the international community has paid great attention to the trade-related aspects of intellectual property rights. With a view to maintaining Hong Kong's good standing in copyright and neighboring rights protection and enforcement we strongly recommend that Hong Kong should be party to any GATT-Trips Agreement (*para 1.40*). As part of Hong Kong's long term copyright and neighbouring rights policy, we recommend that consideration should be given, and means should be explored, for Hong Kong to apply other multilateral copyright treaties not yet applicable to Hong Kong, such as the Hague Agreement and Revisions 1925-1967 and the Vienna Agreement 1973, in order to enhance Hong Kong's image in supporting intellectual property right protection and enforcement (*para 1.42*).

20.3 We take the view that, international legal obligations aside, it is desirable for Hong Kong to have informal regional or bilateral copyright and neighbouring rights agreements or arrangements with Hong Kong's neighbouring regions and territories. We recommend that when opportunities arise Hong Kong should negotiate and conclude formal or informal copyright and neighbouring rights arrangements with its neighbouring regions and territories so as to ensure that, on the usual principle of reciprocity, the interests of the rights owners in respective regions and territories are adequately protected either on a *de jure* or *de facto* basis (*para 1. 44*).

Chapter 2: Subsistence of copyright

20.4 We conclude and recommend that so far as the provisions of the 1988 Act are applicable to the circumstances in Hong Kong they should be adopted, subject to such modification as may be necessary (*para 2.32*). We conclude that the relevant provisions of the 1988 Act on subsistence of copyright (especially sections 1 to 8, 58 and 175) should provide a better alternative to the equivalent provisions under the 1956 Act and recommend that these provisions be adopted in Hong Kong (*para 2.34*). In particular, we do not think that there is a need to modify section 3(3) of the 1988 Act as we believe the section is clear enough (*para 2.16*). It was suggested to us that the concept of qualification for copyright protection would have to be tailored to suit whatever definitions as to "citizenship", "domicile" and "residence" in Hong Kong may develop up to and beyond 1997. We do not think that it falls within the scope of the present exercise to attempt such a definition and would only remark at this stage that it would seem sensible to ensure that whatever definition of "citizenship" may be used should be consistent with that adopted in relation to other aspects of domestic law (*para 2.26*).

Chapter 3: Ownership of copyright

20.5 We conclude that the authorship and ownership provisions should be as clear as possible and recommend the adoption of the relevant provisions of the 1988 Act subject to the following modifications (*para 3.17*). In relation to commissioned works, we recommend that the Whitford majority recommendation should be adopted that, subject to any agreement to the contrary, the copyright in all commissioned works should belong to the author (or his employer) subject to two important qualifications:

- (i) the person commissioning the work should have an exclusive licence for all purposes which could reasonably be said to have been within the contemplation of the parties at the time of commissioning, and
- (ii) the person commissioning the work should have the power to restrain any exploitation for other purposes against which he could reasonably take objection (*para 3.18*).

20.6 In the case of works produced by an employee in the course of his employment, we conclude that the Whitford solution provides a fair balance between employer and employee and we recommend that copyright should vest in the employer, but, if the work is exploited (by the employer or someone else with his permission) in a way that was not within the contemplation of the employer and employee at the time of making the work, the employee should have a statutory right to an award from his employer which, if not agreed, should be settled by a Tribunal. This provision, which would be subject to any agreement to the contrary, would replace the journalist exception in section 4(2) of the 1956 Act, as well as the general employee exception in section 4(4) (*para 3.19*).

20.7 In recommending the Whitford solutions to commissioned and employee works, we are aware that difficulties may arise in determining what is within the contemplation of the parties at the moment of commissioning or at the time when the employee work is made. On reflection, we do not think that this will cause significant problems. The new Copyright Tribunal (which we discuss in chapter 8) should, we believe, be able to deal with any disagreements that may arise (*para 3.20*).

20.8 In the case of first ownership of a design right which is created in pursuance of a commission or in the course of employment, we conclude that different considerations apply for two reasons. Firstly, design right is a new property right outside the scope of international copyright conventions, and, secondly, it seems desirable that, in order to achieve consistency as far as possible, we recommend the 1988 Act's provisions on design right be adopted in their entirety. We therefore recommend the adoption of section 215 of the 1988 Act which vests first ownership of a design right in the commissioner if the work is a commissioned work, and in the employer if the work is created by the employee in the course of his employment (*para 3.21*).

20.9 Section 85 of the 1988 Act gives a right to privacy in respect of photographs or films commissioned for private and domestic purposes. We have concluded that the right of privacy under section 85 of the 1988 Act should be modified and extended to apply to all works. In making this recommendation, we would add a note of caution that the full implications of such an extension are not readily apparent at this stage (*para 3.22*).

Chapter 4: Duration of copyright

20.10 We recommend that the duration of copyright protection in Hong Kong should be compatible with the international minimum legal standards and we believe this can be achieved by following generally the provisions of the 1988 Act (*para 4.21*). We have concluded that there are no great differences in the nature of literary, dramatic, musical or artistic works (formerly Part I works) which require different duration of protection. We have also concluded that there should not be any extension in the periods of protection for sound recordings, films, broadcasts, satellite broadcasts, cable programmes and published editions (formerly Part II works). We recommend that the duration of protection for each type of work as provided under the 1988 Act should be adopted (*para 4.22*).

20.11 In order to avoid difficulties caused by the technical meaning given to the word "publication" which rendered it uncertain as to whether a work was published or unpublished, we have concluded that save for published editions no reference to publication should be made in defining the duration of copyright. We recommend that the changes made in the 1988 Act be followed (*para 4.23*).

20.12 We recommend the adoption of the provisions of the 1988 Act

which remove indefinite protection from unpublished literary, dramatic, and musical works, and photographs and engravings (*para 4.24*).

20.13 We feel that a maximum length of protection of 125 years for unpublished works generated by employees in the service of the Crown does not seem excessive in the context of the normal rule of the author's life plus 50 years. Furthermore, to lessen the period of protection of Crown copyright works may contravene Berne, and may create problems regarding joint authorship between a Crown author and a non-Crown author. We recommend that the 1988 Act provisions on duration of Crown copyright should be adopted without modification (*para 4.25*).

Chapter 5: Performing rights

20.14 We note that section 26 of the 1988 Act imposes liability for infringement by public performance not only on the occupier of the premises where the infringement takes place but also on the supplier of the apparatus or the copy of the film or sound recording. The possibility that the adoption of provisions such as these in Hong Kong might lead to liability for infringement falling on innocent parties initially caused us some concern. However, we are satisfied on reflection that the necessity for real or constructive knowledge of the infringement is a sufficient safeguard. We accordingly recommend that the whole of section 26 should be adopted without modification. We would add that we believe that it desirable that widespread publicity should be given to these provisions if they are adopted, explaining to the public the dangers inherent in supplying apparatus (*para 5.17*).

Chapter 6: Copyright exceptions

Fair dealing

20.15 We agree that the 1988 Act represents a considerable improvement on the existing law in Hong Kong and favour the adoption of many of the changes introduced by that Act. We agree with the approach adopted by the 1988 Act in not specifically defining or limiting fair dealing by definition and conclude that no formula could be sufficiently comprehensive to deal with all circumstances for which it would be needed. Furthermore, by leaving matters as they are, existing precedent will be preserved. Accordingly, we recommend that there should not be a statutory definition of fair dealing (*para 6.30*).

20.16 We do not favour the adoption of complex distinctions and do not therefore recommend that a distinction be drawn between commercial and non-commercial research for purposes of the fair dealing exception (*para 6.31*).

20.17 We believe that the present legal position on fair dealing in the

published edition is unrealistic. We believe that the law should allow copying of a reasonable proportion of a printed work. Such an amendment will reduce the danger of an unenforceable law bringing the legal process into disrepute and will recognise an everyday reality. We therefore recommend that the fair dealing exception should be extended to the published edition (*para 6.32*).

20.18 We further recommend that the fair dealing exception for the purpose of research or private study should be extended to all copyright works. We do not see why the old Part II derivative works should be excluded, since fair dealing does not permit multiple copying (*para 6.33*).

20.19 Similarly, we also recommend the removal of the limits on fair dealing for the purposes of criticism, review or news reporting, so that the exception applies to all copyright works (*para 6.34*).

20.20 Section 58 of the 1988 Act creates an exception to the effect that there is no infringement where a direct record of spoken words is used for the purposes of reporting current events or broadcasting. This exception is subject to conditions, the most important of which is that neither the making of the recording nor its subsequent use are forbidden by the speaker in advance. We think that great care must be taken to ensure in any reforming legislation that freedom of speech and freedom of the press are fully maintained by clear exceptions. We take the view that section 58 strikes a fair balance and recommend that the section be adopted in Hong Kong (*para 6.36*).

Educational exceptions

20.21 We think that the 1988 Act's provisions relating to educational exceptions are an improvement on those under the 1956 Act and we agree in general with the balance achieved between the interests of the copyright owners and those of the users. We therefore recommend the adoption of the educational exceptions in sections 32 to 36 of the 1988 Act, subject to the following modifications and remarks (*para 6.48*).

20.22 We recommend that "educational establishments" should be defined and only those educational establishments run as non-profit-making bodies should be included in the statutory definition (*para 6.49*).

20.23 We recommend that section 34(3) should be extended to include parents or guardians of a pupil as persons directly connected with the activities of the educational establishment (*para 6.50*).

20.24 We recommend that there should be a requirement that any acknowledgements of authorship or other creative input contained in the work recorded is incorporated in the recording made by the educational establishment (*para 6.51*).

20.25 We are sympathetic to the worries of the industry that

professional copy agents may develop as a result of the introduction of the section. We therefore recommend that a proviso should be added to section 35(1) to the effect that recording should not be done on behalf of the educational establishment by any person for gain. This would be intended to prevent any possibility of abuse (*para 6.52*).

20.26 We have discussed at great length whether the quantitative limit on reprography of 1% under section 36 should be increased. We think that it is preferable not to depart from the United Kingdom model but appreciate that the figure may have to be reviewed in future to suit the local circumstances (*para 6.53*).

Library copying

20.27 We therefore recommend the adoption in Hong Kong of provisions similar to those in sections 37 to 43 of the 1988 Act. We believe that these provisions best serve the public interest (*para 6.64*).

Copying of articles of cultural importance

20.28 We recommend the adoption of section 44 of the 1988 Act, with modification to take account of the fact that Hong Kong has no restrictions on exports similar to those in the United Kingdom (*para 6.66*).

Public performance

20.29 We recommend that the existing exception in section 12(7)(a) which allows the public performance of sound recordings (but not the underlying works in the sound recordings) should be removed (*para 6.75*).

20.30 We can see no logical distinction between the use of sound recordings in hotel and other public places. We do not favour any extension of the exception. We feel that the suggested extension of the exceptions would seriously affect the interest of the copyright owner and we recommend that no new exceptions be created (*para 6.76*).

20.31 We take the view that the showing or playing in public of a broadcast or cable programme to an audience who have not paid for admission to the place where the broadcast or programme is to be seen or heard should be a copyright exception. This exception would allow the provision of incidental amenities to residents of a place or members of a club and would also enhance the freedom of information. We therefore recommend that a provision to the same effect as section 72 of the 1988 Act should be adopted (*para 6.77*).

Public administration

20.32 We take the view that there is a need to have statutory provisions such as sections 47 and 48 of the 1988 Act in order to facilitate public administration. We think that these provisions adequately balance the interests of copyright owners and users. We accordingly recommend that sections 47 and 48 of the 1988 Act be adopted (*para 6.82*).

Chapter 7: Moral rights

20.33 We believe that the provisions of the 1988 Act on moral rights have struck a fair balance among the various competing interests and we recommend that these provisions be adopted in Hong Kong (*para 7.23*).

Chapter 8: Collective administration of rights and dispute settlement

Collective administration of rights

20.34 We recommend that any proposed statutory controls should apply to all collecting societies, both existing and future (*para 8.33*). While the evidence we have does not suggest widespread abuse or overcharging, we nevertheless feel that there is a need for a regulatory framework to be established for the collecting societies. We do not think it part of our brief to draft the precise contents of such a scheme of control but we have nevertheless identified a number of elements which we feel could be included and have listed these at paras 8.35 and 8.36 of this report (*para 8.34*).

20.35 We think that a combination of statutory implied indemnity (option (1) in para. 8.37) and statutory limited damages (option (5) in the same paragraph) would be the most effective approach in Hong Kong to collective licensing, especially in relation to the licensing of reprographic copying (*para 8.39*).

20.36 We agree with the approach of the 1988 Act and therefore recommend that where the licence does not specify the works to which it applies with such particularity as to enable licensees to determine whether a work falls within the licence by inspection of the licence and the work, the licensor's indemnity should be statutorily implied. However, the amount of damages which may be awarded to an author who refuses to join a collecting society should be limited by law to the amount the author would receive if he had joined the collecting society. Such an amount may be agreed between the parties and, in default of agreement, may be referred to and determined by a Tribunal. We therefore recommend the adoption of section 136 of the 1988 Act subject to this modification as to the maximum damages which may be recovered by a non-member of a collecting society (*para 8.40*).

20.37 We recommend provisions similar to those in sections 137 to 141 of the 1988 Act to extend the coverage of reprographic licensing, particularly for the purposes of education (*para 8.41*).

20.38 We reject the idea of special licences for coin-operated self-serve photocopiers as there appears to be no means to determine whether copyright works are being copied and no basis for distribution of the sums gathered (*para 8.42*). We also conclude that a levy should not be imposed on reprographic equipment at the point of sale or lease (*para 8.43*).

Dispute settlement

20.39 We are satisfied that there is a need to extend the jurisdiction of the existing Performing Right Tribunal along the lines of the provisions in the 1988 Act. We accordingly recommend the extension of the jurisdiction of the existing Performing Right Tribunal, which should be renamed the Copyright Tribunal (*para 8.72*). We recommend that the provisions of Chapters VII (Copyright Licensing) and VIII (The Copyright Tribunal) of the 1988 Act should be adopted in Hong Kong (*para 8.74*).

20.40 In our view, it is not clear under the existing law whether the Performing Right Tribunal could award interim payment. We feel that express provisions should be enacted empowering the Copyright Tribunal to award interim payment in favour of the licensing body and to restrict the licensing body's liberty to apply for an interlocutory injunction against the licensee, potential or actual, pending final determination of the reference by the tribunal. These measures should be provided in tandem in order to avoid abuse by either the licensing body or the licensee (*para 8.77*). We recommend that the Tribunal should have unlimited jurisdiction to award costs but that it should have the discretionary power not to award costs in special circumstances (*para 8.78*).

20.41 We feel that the Tribunal's procedural rules should be simple and efficient so that costs and time could be saved. We believe that this end is satisfactorily achieved by the United Kingdom rules and we therefore recommend that the Copyright Tribunal Rules 1989, with necessary modifications, should be adopted in Hong Kong (*para 8.79*).

20.42 We recommend that the composition of the Copyright Tribunal should consist of a legally qualified Chairman or President, assisted by a number of lay assessors from the copyright field as members. We also recommend that members of the Tribunal who do not hold public office should be properly remunerated (*para 8.81*).

Chapter 9: Mechanical rights and the statutory recording licence

20.43 We recommend that the SRL scheme should be retained in

Hong Kong (*para 9.16*). We recommend that the scope of the SRL scheme should be clarified so as to exclude its application from the manufacture of recordings of audio-visual works and karaoke disc (*para 9.18*). We recommend that the new legislation should make it plain that the SRL scheme only covers records in which the same music and lyrics are used in association (*para 9.19*).

20.44 We are of the view, and so recommend, that no formalities should be required of the music copyright owner before he becomes entitled to claim royalties. A significant advantage of the present regime of copyright protection is its lack of formalities. It is also a legal principle which has been internationally recognised (*para 9.21*).

20.45 We recommend that the Copyright Tribunal should be vested with the power to review the statutory royalty and to make recommendations to the Legislative Council on the appropriate level of royalty. It would be for the Legislative Council to set the statutory royalty by resolution, taking into account the public interest (*para 9.22*).

Chapter 10: Private copying of audio and visual works

20.46 We have unanimously decided against the introduction of a blank tape levy (*para 10.31*). We recommend that no levy should be imposed on recording equipment (*para 10.36*). The United Kingdom provision is silent as to whether a copy made for time shifting purposes becomes an infringing copy if it is retained after a single viewing, or if it is used by a person other than the person making the copy. We do not regard this as a significant problem and recommend that a provision in similar terms to section 70 of the 1988 Act be adopted in Hong Kong (*para 10.38*).

Chapter 11: Broadcasting, satellite broadcasting and cable diffusion

20.47 We take the general view that Hong Kong should apply international copyright standards as far as possible. We recommend that if the United Kingdom becomes a party to the Satellite Convention, the obligations under that Convention should be extended to apply to Hong Kong. In the meantime, we recommend that Hong Kong should nevertheless apply the international standards required under the Satellite Convention (in addition to those under the Rome Convention) so as to enable Hong Kong satellite broadcasting organisations to obtain copyright protection overseas on the basis of reciprocity (if not on the basis of accession to the Convention) (*para 11.14*).

20.48 We recommend that the 1988 Act be used as the basis for reform while recognising that certain provisions of the 1988 Act should be modified to suit Hong Kong's special circumstances (*para 11.26*). We

recommend that the definition of "broadcast" in section 6(1) of the 1988 Act should be adopted unamended (*para 11.30*). We recommend that an unencrypted programme signal should be presumed to be intended for general reception, unless the programme originator or its agent or its licensee have declared publicly and notified the Broadcasting Authority that (i) the programme is not intended for general reception and (ii) it will charge a fee for the right to view the programme in Hong Kong (*para 11.33*).

20.49 We think that any definition provisions we adopt should be able to accommodate developments in media technology such as MMDS. We recommend that the definition sections 6(1) and 7(1) of the 1988 Act should be modified by using the expression "unguided transmission" for wireless telegraphy and "guided transmission" for cable (*para 11.39*).

20.50 We believe that Hong Kong's copyright legislation should contain a provision similar to that of section 7(3) to allow the exceptions in section 7(2) to be amended as the need arises (*para 11.40*).

20.51 We recommend that, subject to the need for any legislative provision in Hong Kong to reflect the concerns we have expressed in paragraph 11.41, section 7(2)(d) of the 1988 Act should be adopted in its entirety on the grounds that the economic interests of the rights owners will not be affected since the diffusion is essentially one and the same communication to the public and thus no new audience has been generated. In making this recommendation we are also influenced by the fact that not all households could afford, nor is it practicable for them to install, an individual satellite antenna or conventional aerial (*para 11.41*).

20.52 Taking into consideration Hong Kong's international legal obligations, a broadcast should qualify for copyright protection in Hong Kong if it is made from a place in Hong Kong or another country to which the relevant provisions of the new law extend or apply. This is the position adopted under the 1988 Act. Such countries would include parties to the Rome Convention and the Satellites Convention if Hong Kong is to become a party and countries with which Hong Kong may enter into bilateral agreements (*para 11.44*).

20.53 We note that the transmitter's right to joint ownership only arises when he has some responsibility for the programme content and thus see no reason to depart from the rule of co-ownership by statutorily curtailing the transmitter's joint ownership right in restricting broadcast. We therefore consider that no modification to section 6(4) of the 1988 Act is required (*para 11.47*).

20.54 We think that it is contrary to general copyright principles to make the unauthorized reception of signals a copyright infringement. We do however agree that copyright owners should have a statutory remedy in cases where their subscription broadcasting programmes or cable programme services have been dishonestly received. We therefore recommend that a statutory remedy should be created against the dishonest reception of subscription broadcasting programme or cable programme services so as to

protect the copyright owners under such circumstances (*para 11.50*).

20.55 We think in general that we should follow the provisions of the 1988 Act unless there are compelling reasons not to do so. We consider that exception in section 68 of the 1988 Act which allows the incidental recording or copying of works for the purpose of a broadcast or cable programme provides a sensible approach which is in accord with international copyright principles and we accordingly recommend the adoption of section. 68 and 69 (*para 11.53*).

20.56 We recommend in chapter 10 that the practice of time shifting should be permitted by the law. We have recommended that the time-shifting provision contained in section 70 of the 1988 Act be adopted in Hong Kong (*para 11.56*).

20.57 We favour the "must carry" requirement for both unguided transmissions and guided transmissions (cable diffusion, etc) on the grounds that the simultaneous, unaltered and complete re-transmission within the service area is but a part of the original broadcast. We recommend that the section 4 exception should be repealed and replaced by provisions similar to the better drafted section 73(1), (2)(a) and (3)(a) of the 1988 Act (*para 11.59*).

20.58 Given Hong Kong's small size and dense population, we do not recommend the adoption of the "in area" exception with the proviso that adequate provision should be made for re-transmission to cover road tunnels and certain specific remote parts of the territory (*para 11.63*).

20.59 We believe that the exceptions given in the 1988 Act for subtitled copies (section 74) and recording of broadcast material for archival purposes are justified and recommend that they be adopted without modification (*para 11.66*).

20.60 We are of the view that the criteria for sanctions for copyright infringement for all kinds of protected works should be consistent. We feel that the fraudulent reception of a transmission should be a criminal offence. In relation to the supply of apparatus or the publication of information for unauthorised reception of a transmission, we take the view that civil rights and remedies against the person should be sufficient. We recommend that section 297 (Offence of fraudulently receiving programs) and section 298 (Rights and remedies in respect of apparatus, etc, for unauthorised reception of transmissions) should be adopted in their totality (*para 11.69*).

20.61 We note the possible limitations of the wording of section 297A and the possible different interpretations that may be given to section 298 of the 1988 Act. We recommend that section 299(1) should be modified to permit an amendment by Order in Council to be made to section 297A to cover signals uplinked from a foreign country in order to provide subsidiary legislative power to protect foreign broadcasts to correct a drafting error; and that the repealed section 299(2) should be retained so that foreign broadcast and cable services may only be protected on the basis of reciprocity (*para*

11.75).

20.62 We agree that foreign broadcasting organisations (i.e. organisations other than those which have some link with Hong Kong) should be protected under the copyright law in Hong Kong and recommend that copyright protection should be granted on a reciprocity or treaty basis. We also recommend that the rights and duties under the Rome Convention should be extended to apply to Hong Kong so that the scope of mutual copyright protection of broadcasting organisations between Hong Kong and other parties to the Convention can be extended to the international level (*para 11.76*).

20.63 We recommend that an appropriate authority to monitor broadcasting copyright infringement should be identified. We think that identifying the particular body is a matter for Government. We would add that we believe it to be essential that the authority should be given adequate resources to fulfil its functions satisfactorily (*para 11.78*).

Chapter 12: Performers' protection

20.64 We recommend the creation of a regime for the protection of rights in performances as part of a comprehensive new Copyright Ordinance (*para 12.13*). We therefore recommend that Part II (Rights in Performances) of the 1988 Act be adopted, subject to such technical modifications as may be necessary (*para 12.15*).

Chapter 13: Computer programs and databases

20.65 The problem of arriving at a satisfactory definition for "computer program" is a worldwide one. We are not aware, however, that the absence of a statutory definition in the United Kingdom has resulted in any copyright abuse. We believe that there is no compelling reason why we should depart from the United Kingdom in this respect and we therefore recommend that "computer program" should not be defined (*para 13.23*).

20.66 Turning to the question of originality, we think it unwise to put a gloss on the word "original" for computer programs and we recommend that there should be no express modification or explanation of originality as it relates to computer programs (*para 13.24*).

20.67 We recommend that the extent of the protection for original computer programs be left to be determined by the courts employing established copyright principles. We recommend that no specific protection be given for "look and feel" (*para 13.30*).

20.68 We recommend that no express provision be made for compulsory licensing to permit the copying of part of the operating system of a computer to facilitate the development of applications software (*para 13.32*).

In relation to adaptation, we agree with the approach used in the 1988 Act and recommend that the relevant provisions be adopted in Hong Kong. As to decompilation, we take the view that a limited right to decompilation is tantamount to creating another exception to infringement and we do not recommend any such limited right (*para 13.33*).

20.69 As to the suggestion that express provisions should be introduced to sanction improvement or repair, we take the view that such terms are already implied in the contract of sale and we recommend that no such express provisions should be provided (*para 13.34*).

20.70 Having examined the relevant legislation in Australia, the United States and Singapore, we conclude that the Singapore approach provides the most satisfactory model for Hong Kong. We conclude that Hong Kong should not follow the 1988 Act in respect of loading or using a computer program or making back-up copies. Instead, we recommend a provision similar to section 39 of the Singapore Copyright Act 1987 which permits copying or adaptation as an essential step in the utilization of the computer program with a machine. We also agree with the Singapore Act's approach on back-up copies and recommend that the making of back-up copies should be permitted. That right should only be capable of exclusion by express terms in the contract of sale. The right should be modified to exclude back-up copies where the program is not fixed into a medium which is easily destroyed. In that case, the necessity of allowing back-up copies no longer arises (*para 13.50*).

20.71 We consider it desirable that the wording of section 39(3) of the 1988 Act should be adapted to strike a more even balance between the interests of software producers on the one hand and software purchasers on the other. We believe this could be done by:

- (a) making it an infringement, unless licensed by the producer, for a program to be copied in order to enable it to be used simultaneously on more than one computer or workstation (where several workstations are linked by network); and
- (b) making it an exception to the above mentioned prohibition for the program to be copied by an individual purchaser who installs it onto more than one computer ordinarily used by that purchaser personally and where, in the ordinary course of events, only one of the machines is expected to be in use at any one time (*para 13.53*).

20.72 As to whether we should follow section 17(6) of the 1988 Act, we take the view that copying necessary to operate the program would not be prohibited by the terms of section 17(6) as the effect of such a prohibition would be to render the software unusable for the purpose for which it was sold. An alternative to put the matter beyond doubt might be to adopt a provision similar to clause 17(7) of the original Bill in the United Kingdom to which we referred at paragraph 13.35 above, specifying that copying necessary for the

purpose of operating a computer program on one machine at one time did not amount to an infringement of section 17(6) (*para 13.54*).

20.73 We think it right that the period of protection for computer programs should be in line with that for other literary works and we recommend no change in the existing duration of protection of the author's life plus 50 years. Where computer-generated works are concerned, we recommend a similar period of protection (*para 13.57*). While we appreciate that difficulties may arise with the approach followed by the 1988 Act, we believe it provides a satisfactory model for Hong Kong's legislation and we recommend the adoption of sections 9(3) and 178 of that Act. We think it sensible that the rights in computer generated work should fall to the program user rather than the program maker. It is the application of the former's abilities to the program which results in the computer generated result (*para 13.61*).

20.74 We recommend that the United Kingdom's approach should be followed and that there should not be any special category of copyright work for electronic databases. These should continue to be protected as original literary works. We further recommend that the 1988 Act should be followed in its protection of databases to the extent that they receive protection upon creation in any medium and protection against being copied by electronic means in any medium. Broadcast or networked databases should be protected as broadcasts or cable program services (*para 13.72*).

Chapter 14: Hong Kong Government and Legislative Council copyright

20.75 We recommend that the relevant provisions of the 1988 Act on Crown and Parliamentary copyright should be adopted in Hong Kong but with technical modifications to suit the local circumstances. The terms "Crown" and "parliamentary" copyright used in the United Kingdom should be replaced in Hong Kong by "Hong Kong Government" and "Legislative Council" copyright (*para 14.28*).

Chapter 15: Typefaces

20.76 We take the view that the definition of typefaces under section 178 of the 1988 Act is sufficiently broad to include Chinese characters and we recommend that the section be adopted without modification (*para 15.12*). At the international level, we favour the application to Hong Kong of the Vienna Agreement (upon the United Kingdom's ratification of the Agreement) so that locally designed typefaces can be protected in other member countries and territories of the Agreement on the basis of reciprocity (*para 15.13*).

Chapter 16: Folklore

20.77 Since the Berne Convention requires the protection of folklore, we think it right that Hong Kong should introduce appropriate legislative provisions and we recommend the adoption of a regime similar to that in the United Kingdom. As to which institution should be designated as having the authority to enforce rights in folklore, we feel that this is a matter that we should leave for the Government to decide (*para 16.5*).

Chapter 17: Copyright in designs, registered designs and design rights

20.78 After careful consideration of the submissions we received, we have reached the view that there is a need to provide protection for designs through a number of different measures (*para 17.73*). While our aim is to carry out a comprehensive review of the possible regimes for the protection of designs, we do not think it would be proper for us to recommend any changes in patent protection but we prefer to leave that as a matter for consideration by the Patent Steering Committee (*para 17.74*).

20.79 We feel that the central feature of Hong Kong's design protection regime should be a registry that grants certificates to proprietors of innovative designs and is accessible to public search (*para 17.75*).

20.80 We recommend a design registry for Hong Kong based closely on the model in the 1949 Act (*para 17.77*). Of the two types of registry, we do not recommend a deposit system (*para 17.78*). We conclude that establishing a Hong Kong Industrial Design Registry without examination capability (ie a deposit or re-registration registry) in order to save cost would not be desirable. We recommend that the ideal legal institution for registering industrial designs in Hong Kong should be an Industrial Design Registry with examination capability. There should be some saving in costs by establishing such a registry alongside other related registries. In addition, once established any such registry should be self-financing through user fees (*para 17.80*).

20.81 In order to maintain continuity of the present regime post 1997, we conclude and recommend that the United Kingdom Design Registry database should be transplanted to Hong Kong (*para 17.81*). We recommend that the novelty requirement should be restricted to local novelty, an approach which mirrors that in the 1949 Act in the United Kingdom (*para 17.82*).

20.82 The United Kingdom's introduction of a statutory unregistered design right represents something of a compromise. We recommend that, subject to an expansion of the jurisdiction of the Copyright Tribunal in relation to disputes regarding licences of right under the design right regime, Hong Kong should adopt the relevant provisions of the 1988 Act. By doing so,

Hong Kong could continue to benefit from development of the common law in the United Kingdom (*para 17.85*).

20.83 While retaining section 237 of the 1988 Act may create administrative problems in Hong Kong, we think that the proposed Copyright Tribunal should have extended jurisdiction to settle design right disputes even at first instance. We therefore conclude and recommend that section 237 should be retained, subject to the minor modification that the Copyright Tribunal would be the appropriate institution in Hong Kong to monitor the operation of the section (*para 17.92*).

Chapter 18: Importation and rental rights

Importation

20.84 We recommend that parallel importation of copyright articles should be subject to continued regulation. At the same time, we express our concern that the present regime frequently results in the consumer paying prices higher than would otherwise be the case. We note in this regard in particular the cost of books in Hong Kong as compared with, for instance, the United States. We believe that, in a free trade environment such as Hong Kong's, this is an issue that deserves attention (*para 18.27*). We are unanimous in our view that criminal sanctions should not apply to parallel imports (*para 18.37*).

20.85 We have considered the suggestion which was made to us that certain types of works such as computer software and books should be deregulated but have rejected this option. In our view, any such special treatment for certain categories of work would only serve to cause confusion and uncertainty (*para 18.30*).

20.86 In view of the recent decision in *Mattel Inc v Tonka Corporation* (HCA No. 1918/91) that the meaning of "import" includes goods in transit, we recommend that any new copyright legislation should make it clear that "import" does not include goods in transit. As to how the definition of "import" is framed, we are content to leave that as a matter for decision by the Government. We would add that our recommendation applies only to parallel imports: where pirated goods are concerned, we believe that even goods in transit should be subject to seizure (*para 18.31*).

Rental rights

20.87 We recommend that rental rights should be introduced in relation to sound recordings, films and computer software (*para 18.39*).

20.88 Section 66 of the 1988 Act in the United Kingdom provides that the Secretary of State may provide by order that "the rental to the public of copies of sound recordings, films or computer programs shall be treated as

licensed by the copyright owner subject only to the payment of such reasonable royalty or other payment as may be agreed". We think that this is a useful device to ensure that the creation of a new rental right does not lead to that right being exercised to impose a total ban on all rentals and we recommend that a provision in similar terms to section 66 be incorporated in our legislation (*para 18.40*).

20.89 In relation to computer software, we recommend that the hiring of a computer program should be a restricted act, but only where the program passes from the possession of the hirer (*para 18.41*).

20.90 We recommend that, in order to simplify the administration of the new rental right, the exercise of the right should rest with the producers while authors of the underlying works should be able to share in any rental royalties (*para 18.43*). We recommend an unrestricted right to rent copies which were bought before the introduction of a rental right in Hong Kong (*para 18.44*).

Chapter 19: Remedies

Civil remedies

20.91 In our view, conversion damages are an unsatisfactory means of enforcing the copyright owner's rights in his work. They do not relate to the measure of loss caused by the infringer and seem to us a harsh and undesirable remedy. We would prefer to see the question of damages left to the court to assess in each case in the light of the particular circumstances. We are reinforced in this view by the fact that the court already has the power to award additional damages having regard to the flagrancy of the infringement. We believe that this should ensure that adequate compensation is given for copyright infringement, and that prospective infringers are adequately deterred. In the circumstances, we have no hesitation in recommending that conversion damages should be abolished (*para 19.17*).

20.92 We recommend that delivery up should be a discretionary remedy, exercisable in a similar fashion to that provided by section 99 of the 1988 Act in the United Kingdom to which we referred earlier (*Para 19.18*).

20.93 We recommend that section 100 of the 1988 Act (which permits the seizure of infringing copies without a court order) should not be adopted (*para 19.19*).

20.94 We have concluded that the introduction of a remedy for groundless threats of proceedings should serve to balance the interests of copyright owners and users, and we so recommend. We further recommend that this new civil remedy should be extended not only to copyright cases, but also to the new unregistered design right and the future registered design right in Hong Kong. We favour the inclusion of a limitation such as that contained in section 253(3) of the 1988 Act in the United Kingdom. We

believe that this course strikes a better balance and is consistent with our concern to provide a remedy where the customer is harassed (*para 19.23*).

20.95 We conclude that there is nothing wrong in principle with Customs and Excise divulging information about the wrongdoer to the copyright owner in order that civil action can be taken in a timely manner. On the other hand, we would not wish such disclosure to be to the detriment of any enforcement action. We therefore recommend that the Commissioner of Customs and Excise should have a discretion as to whether to assist or not, subject to *Norwich Pharmacal* jurisdiction (*para 19.25*).

20.96 We recommend the retention of the present rules that require the exclusive licensee to seek joinder of the copyright owner as a plaintiff or a defendant (*para 19.26*).

Criminal remedies

20.97 We think that as a matter of legal policy, the remedies provisions should generally apply to all works and that computer software should not be subject to a different regime. For reasons of consistency, we conclude that it would be desirable to adopt all the relevant provisions of the 1988 Act and to repeal the existing offence provisions under the Copyright Ordinance, instead of adopting some United Kingdom provisions while retaining parts of the existing Hong Kong provisions (*para 19.40*).

20.98 We recommend that the offence provisions (sections 107-110) of the 1988 Act should be adopted in Hong Kong. We accept the points made by the Customs and Excise Department in relation to section 107(2)(a) and recommend that in adopting this section, the words "specifically designed or adapted for making copies of a particular copyright work" are to be deleted (*para 19.41*). We recommend an increase in the level of maximum fines to take account of inflation. We are concerned at the failure to establish realistic tariffs. To this end, we recommend a second tier of higher penalties for second or subsequent offences. Such a second tier could operate where two or more offences are committed within a specified time of each other (*para 19.42*).

20.99 We think that the suggestion by the Customs and Excise Department for conditional release of seized goods makes sound sense and we recommend that a legislative provision in the terms suggested should be adopted. In order to render the provision enforceable, we further recommend that a penalty section should be added for breach of a condition imposed by the Commissioner (*para 19.45*). We sympathize with the difficulties experienced by the Customs and Excise Department and think it right that an indemnity should be given by the copyright owner where he or his agents have advised the Department that the goods seized are infringing (*para 19.47*).

Statutory presumptions

20.100 We think that the presumption provisions in the 1988 Act will facilitate the administration of justice and we recommend the adoption of the relevant provisions without modifications (*para 19.51*).

20.101 We accept that the section 9 presumption in the Copyright Ordinance is an important tool for those prosecuting criminal breaches of copyright. We are satisfied that the presumption should continue to operate in criminal proceedings, subject to such modifications as may be necessary to ensure compliance with the Bill of Rights Ordinance. Turning to civil proceedings, the sub-committee were unable to reach a conclusion as to whether or not the section 9 presumption should continue to apply. We find no such difficulty and are firmly of the view that the section 9 presumption should not apply to civil proceedings (*para 19.60*). We recommend that an affidavit under section 9 should be admitted as *prima facie* evidence of the truth of its contents, subject to a discretion in the court to require the attendance of the witness where the defendant successfully persuades the court that the ownership or subsistence of the copyright is genuinely in issue (*para 19.69*). Our conclusion is that a provision such as section 9 serves a useful function and should be retained, provided it can be rendered into a form which is compatible with the Bill of Rights (*para 19.75*).

20.102 We recommend that where computer programs are concerned, a true copy of an authorised version of the program should be accepted as a true copy of the work if it is exhibited to the affidavit (*para 19.77*).

20.103 We recommend that section 9 should be redrafted to provide that: -

- (1) the copyright owner should in the first instance provide an affidavit dealing only with facts within the knowledge of the deponent and which are relevant to prove the existence of ownership of the relevant copyright, such as the making of the copyright work, the pre-existence of other material from which the copyright work may or may not have been derived, the existence of assignments (provided they are exhibited), etc;
- (2) those statements should be admissible, and the presumption of veracity in section 9(2)(a) should apply, but only where notice is given that it is intended to rely on affidavit evidence and no demand has been made by the defendant to produce the witness in court;
- (3) the right to proceed under section 9 should be exercised well in advance so that it is possible, if necessary, to give adequate notice to attend to copyright owners resident abroad;

- (4) in appropriate cases, the court should be asked to award costs against the defendant where the defendant has not agreed to affidavit evidence and is subsequently convicted; and
- (5) in the case of computer software, a disk containing a true copy of the computer program will suffice as a copy of the work if it is exhibited to the affidavit (*para 19.78*).

**List of organisations and individuals
from whom submissions were received
by copyright working groups between 1988-1989**

ADAPSO
Administrative Services & Information Branch
American Chamber of Commerce
American Intellectual Property Law Association
Anglo-Chinese Textbook Publishers Organisation
Asian Patent Attorneys Association
Association for the Promotion of Public Justice
Association of Hong Kong Chinese Middle Schools
Association of Principals of Govt. Secondary Schools
Australasian Performing Right Association Ltd.
British Chamber of Commerce in Hong Kong
British Copyright Council
British Council
Bundesministerium fur Justiz (Germany)
Business Software Association (US)
C P Group
California Entertainments Ltd
Chartered Association of Certified Accountants (HK Branch)
China Products Co (HK) Ltd.
Chinese General Chamber of Commerce
Chinese Manufacturers' Association of Hong Kong
Chinese University of Hong Kong
Chung Mei Metal & Plastic Factory Ltd.
City Polytechnic of Hong Kong
Cityplaza Management Office
Club Ninety-Seven
Composers & Authors Society of Hong Kong (CASH)
Computer Associates International, Inc
Consulate General of Federal Republic of Germany
Consulate General of U.S.A.
Consumer Council
Council of Central & Western District Schools Heads
Customs & Excise Department
Design and Packaging Centre, Federation of Hong Kong Industries
Education & Manpower Branch
Education Department
Educational Film Services Ltd.
English Schools Foundation
Excelsior Hotel
Fairform Mfg. Co. Ltd
Far Eastern Economic Review
Federation of Hong Kong Industries
Federation of Hong Kong Watch Trades & Industries
Finance Branch

German Music Authors Society (GEMA)
Government Printing Department
Grant Schools Council
HK-TVB international Limited
Hong Kong & Kowloon Educational Association Ltd.
Hong Kong Academy for Performing Arts
Hong Kong Aided School Teachers' Association
Hong Kong Arts Centre
Hong Kong Association of Banks
Hong Kong Association of Certification Laboratories Ltd.
Hong Kong Association of Heads of Secondary Schools
Hong Kong Baptist College
Hong Kong Bar Association
Hong Kong Christian Service
Hong Kong Commercial Broadcasting Co Ltd.
Hong Kong Cotton Spinners Association
Hong Kong Exporters' Association
Hong Kong General Chamber of Commerce
Hong Kong Information Technology Federation
Hong Kong Institution of Engineers
Hong Kong Jewellers' & Goldsmiths' Association Ltd.
Hong Kong Library Association
Hong Kong News Executives Association
Hong Kong Productivity Council
Hong Kong Professional Teachers' Union
Hong Kong Publishing Professionals Society Ltd.
Hong Kong Society of Accountants
Hong Kong Subsidized Secondary Schools Council
Hong Kong Theatres Association Ltd.
Hong Kong Tourist Association
Hong Kong University of Science & Technology
Hutchison Cable Vision Ltd.
1 B M World Trade Asia Corp
IFPI
Imagineering Micro Distributors Ltd
Information Services Department
International Computers Limited
Kin Hip Metal & Plastic Factory Ltd
Kingsway Handbags Mfg Ltd
Leaderwave Electronic (HK) Ltd
MPAA/MPEAA (USA)
McKenna & Co
Motion Picture Industry Association Ltd (MPIA)
Music Publishers Association of Hong Kong
New Zealand Ministry of Foreign Affairs
Oce-Hagemeyer (HK) Ltd
Performing Right Society Ltd (UK)
Polygram Records Ltd
Precision Electronics Mfg Co
Public Records Office of Hong Kong

Radio Association of Hong Kong
Radio Television Hong Kong
Regional Services Department
Registrar General's Department
Sammitex & Co
Schilling F L, F B Rice & Co
Simmons & Simmons
Subsidised Primary Schools Council
Sung Hing Audio Equipment Mfg Ltd
Technical Education & Industrial Training Department
Television & Entertainment Licensing Authority
Tongson K Y, Star Industrial Co Ltd
Turner Programmes Far East Ltd
UEA Press Limited
University of Hong Kong
Vocational Training Council
Wigo Photo & Audio Co Ltd
Wong Tai Sin District School Liaison Committee
Wrangham P J, Hong Kong Bank
YMCA
Yue Hwa Chinese Products Emporium Ltd

**List of organizations and individuals from whom
Submissions on the Consultative Document 1991 were received**

ACAD Solutions Ltd
American Chamber of Commerce
Anti-Counterfeiting Group (UK)
Armour, Theo
Artijus (Hungary)
Association of Principals of Government Secondary Schools
Australasian Performing Right Association Ltd (Australia)
Bailey Records Co Ltd
Bernacchi B, QC
British Chamber of Commerce in Hong Kong
British Copyright Council (UK)
Buildings Ordinance Office, Buildings & Lands Department
Bureau International des Societes Gerant les Droits d'Enregistrement et
de Reproduction
Mecanique (BIEM) (France)
Business Software Alliance & Software Publisher's Association (USA)
Chartered Institute of Patent Agents (UK)
Chartered Society of Designers (UK)
Chinese General Chamber of Commerce
Chinese Manufacturers' Association of Hong Kong
Commercial Press (Hong Kong) Ltd
Composers & Authors Society of Hong Kong (CASH)
Consumer Council
Copyright Licensing Agency Ltd (UK)
Council for the Home Taping Problem (Japan)
Customs & Excise Department
Dietz A, Max-Planck Institut (Germany)
Downey, His Hon Judge
Education Department
Education and Manpower Branch
Educational Film Services Ltd
Educational Publishing House, Ltd
Far East Media Ltd
Federation Against Software Theft ("FAST") (UK)
Federation of Hong Kong Garment Manufacturers
Federation of Music Producers Japan (FMP) (Japan)
Fillans Limited
Government Information Services
Health & Welfare Branch
Hodder & Stoughton Publishers (England)
Hong Wing Book Co Ltd
Hong Kong & Kwoloon Electrical Appliances Merchants Assn Ltd
Hong Kong Association of Banks
Hong Kong Association of the Blind
Hong Kong Association of the Pharmaceutical Industry

Hong Kong Baptist College
 Hong Kong Bar Association
 Hong Kong Coalition of Service Industries
 Hong Kong Educational Publishing Co
 Hong Kong General Chamber of Commerce
 Hong Kong Hotels Association
 Hong Kong Journalists Association
 Hong Kong Kowloon & New Territories Motion Picture Industry
 Association Ltd (MPIA)
 Hong Kong Post Office
 Hong Kong Society of Accountants
 Hong Kong Subsidised Secondary Schools Council
 Hong Kong Tourist Association
 Hong Kong University Press
 Hung Fung Book Co Ltd
 IBM (Japan)
 International Confederation of Societies of Authors and Composers
 (CISAC)
 CISAC (Regional Office Asia-Pacific)
 International Federation of the Phonographic Industry (IFPI)
 Japan Association of Music Enterprises (JAME) (Japan)
 Japan Council of Performers Organisation (Japan)
 Japan Federation of Authors & Composers Association (Japan)
 Japan Phonograph Record Association (JPRA) (Japan)
 Japan Video Association (JVA) (Japan)
 Japanese Society for Rights of Authors, Composers and Publishers
 (JASRAC)
 Knight F
 Law Society of Hong Kong
 Longman
 Manhattan Press (HK) Ltd
 Motion Picture Export Association of America, Inc (MPEAA)
 Music Copyright Reform Group (UK)
 Music Publishers Association of Hong Kong Ltd
 Music Publishers Association of Japan (Japan)
 Novell (USA)
 Oikon Publishers
 Olham Li & Nie (on behalf of 17 manufacturers of tape)
 Performing Right Society (UK)
 Pilot Publishers Services Ltd
 Pilot Publishing Company
 Publishers Association (UK)
 Radio Association of Hong Kong
 Radio Television Hong Kong
 Recreation & Culture Branch
 Secretary for Recreation & Culture
 Sil-Metropole Organisation Ltd
 Sinotronic Ltd, Atoztec Electronics Ltd
 Sociedade Portuguesa de Autores (Portugal)
 Sun Hing Audio Equipment Mfg Ltd

Sun Ya Publications (HK) Ltd
Svenska Tonsattaress Internationella Musikbyrå (STIM) (Sweden)
Syndicat National de l'Édition Phonographique (SNEP) (France)
T H Lee & Co Ltd
Television Broadcasts Limited
University of Hong Kong
University of Hong Kong Libraries
Walt Disney Television (USA)
Witman Publishing Co (HK) Ltd
Writers Guild of Japan (Japan)
YMCA