THE LAW SOCIETY OF HONG KONG
香港律師會

LAW SOCIETY'S RESPONSE TO THE PRELIMINARY PROPOSALS FOR STRENGTHENING COPYRIGHT PROTECTION IN THE DIGITAL ENVIRONMENT ("PROPOSALS")

THE PROPOSALS

1. IP practitioners are broadly keen that Hong Kong should have an effective, cutting edge and well respected copyright law that takes into account the latest technological developments. We believe it is the Government's duty to educate and support the public's awareness and respect for copyright. As regards exemptions, we understand the public's concern that what they do in a private capacity may give rise to criminal liability, but we equally note the industry's concern that exemptions may be used (especially in the digital environment) as an excuse (i.e. defence) to facilitate copying on a commercial scale and so interfere with copyright owners' legitimate commercial interests.

2. With the above in mind, we note that "the Government is committed to upholding a robust copyright protection regime". However, the Proposals are disappointing in that they do very little to extend rights or remedies so as to assist copyright owners tackling infringement in the digital environment.

3. Thus, although we support the introduction of a technologically neutral right of communication, the proposed exclusion of criminal sanctions for uploading or P2P activity, unless done in the course of a business of communication, or by "streaming" to such an extent as to affect prejudicially the copyright owner will be hard to define, difficult to prove and not likely to catch the majority of on-line pirates. We do not support such an exclusion, but if introduced, its scope should be very carefully considered.

4. The Proposals include a new exemption for "caching" activities to "facilitate the development of Hong Kong as a regional internet service hub". This is hardly a proposal for "strengthening copyright protection" and fails to give due weight to the fact that caching activities may well be commercial in nature (e.g. by search engines) and not transient or incidental in nature or simply technically required to enable the transmission process to function. If OSPs are facilitating copyright infringement, innocently or otherwise, the answer is not to dilute the copyright law but to provide means for eradicating the infringement (voluntarily or otherwise). Criminal sanctions and clear safe harbours for compliant OSPs are in our view most likely to be effective in achieving the right balance.

5. The Proposals <u>not</u> to introduce criminal sanctions for downloading and P2P activity, to <u>exempt</u> OSPs for temporary reproduction, to rely on a <u>voluntary</u> code of practice, <u>not</u>

to introduce statutory damages and not to facilitate disclosure of infringers are hardly indicative of a commitment to uphold a "robust copyright protection regime".

(a) ***Introduce a right of communication covering all modes of electronic transmission for copyright works, with related criminal sanctions against the breach of this right***

1. We agree with the proposal to introduce an all-embracing right of communication. Basically these should apply (as proposed) to all unauthorised communications for the purpose or in the course of trade or business or which prejudicially affect the copyright owner.

2. However, we see no need for the qualifications on criminal sanctions. The Proposals qualify business as a "business conducted for profit, which includes the provision to the public of a service consisting of unauthorised communication of copyright works"; and prejudicial communications are limited to "streaming". If the definition of business is so qualified it will be very difficult to prove beyond reasonable doubt. Likewise, the concept of streaming will be difficult to define and is likely to be very limiting. It also defeats the purpose of having a technology-neutral provision.

(b) ***Introduce a copyright exemption for temporary reproduction of copyright works by online service providers ("OSPs"), which is technically required for (or enables) the transmission process to function efficiently***

1. We accept the need for a provision to cover legitimate caching activities but not a blanket exemption.

2. Apart from clearly defining the circumstances where caching is allowed (i.e. by an automated technical process without modification), it should be subject to removal or blocking if a "take down notice" is received.

3. Further, given the objective of having technology-neutral provisions, we suggest providing for a limitation of liability regime for the OSPs in dealing with caching activities once certain conditions have been fulfilled, rather than offering a general exemption to copyright infringement.

(c) ***Facilitate the drawing up of a voluntary code of practice for OSPs in combating internet infringements, the compliance with which or otherwise will be prescribed in law as a factor that the court shall take into account when determining whether an OSP has authorised infringing activities committed on its service platform***

1. In our previous response we indicated that OSPs should be encouraged to develop codes of practice for combating online piracy. We also urged the implementation of a notice and take down system along the lines of the DCMA. We believe that it will be practically difficult for stakeholders to agree on the terms of a code of practice unless there is a legal framework that they can work on.

2. We note the proposal to facilitate the process of drawing up a code of practice by establishing a tripartite forum comprising representatives from OSPs, copyright owners and users to explore the merits of different systems and amending the law such that compliance with the code of practice would be a factor that the court shall take

into account in determining whether or not an OSP has authorised an infringement committed on its service platform.

3. We consider it to be in the interests of all parties to have a legislative framework not only to facilitate implementation of the agreed systems (as proposed) but also to provide a "safe harbour" for OSPs complying with a take down notice, which is missing under the current proposal.

(d) Continue to rely on "Norwich Pharmacal" principles, as opposed to introducing an alternative infringer identity disclosure mechanism that is not subject to scrutiny by the court

1. We believe it is important to introduce an alternative cost and time effective infringer identity disclosure mechanism that is subject to court's scrutiny to assist copyright owners to identify infringers who are hiding behind IP addresses. To alleviate copyright owners' concerns that the cost of obtaining and executing a Norwich Pharmacal Order is disproportionately high, we previously suggested a simplified paper based ex parte application to the court (i.e. judicially scrutinised).

2. Our proposal meets the required baseline that any "streamlined" disclosure mechanism should be subject to the court's scrutiny. Personal data privacy concerns are also addressed. Our proposal is that a disclosure order would still only be made if a Judge is satisfied on the copyright owner's evidence that the persons to be identified have committed infringing acts. As under the current system, it will still be open to any person affected by the order to challenge it.

3. As regards privacy issues, S58(1) and (2) of the Personal Data (Privacy) Ordinance (Cap. 486) allows the use of personal data for the purpose of the prevention or preclusion of significant financial loss arising from the unlawful or seriously improper conduct, or dishonesty or malpractice. In *Cinepoly Records Company Ltd & Ors* v *Hong Kong Broadband Network Ltd* HCMP2487/2005 (a decision of Deputy High Court Judge Poon dated 26 January 2006), the Court held that this exception allowed the disclosure of personal data under a Norwich Pharmacal Order where tortious conduct such as copyright infringement was allegedly being committed.

4. In our previous submissions, we referred to a number of examples where paper applications are made on an ex parte basis under existing procedural laws. Our proposal does not involve any new principle of procedure.

5. In the context of disclosure orders made on an ex parte basis, we note S21(2) of the Evidence Ordinance (Cap. 8) which allows applications for disclosure of banker's records in both civil and criminal proceedings to be made on an ex parte basis.

6. Under the new Civil Procedure Rules, pre-action discovery will be expressly permitted as of right or all tortious claims and not only personal injury cases as under the present rules.

7. We propose the following procedure to be incorporated into the Copyright Ordinance which will be restricted to online piracy cases. We do not suggest changing the existing principles or procedures regarding Norwich Pharmacal Order applications:

(a) The legislation should specify the information to be provided by the copyright owner to prove (i) copyright ownership – such as the section 121 affidavit; (ii) the nature of the infringing activity; and (iii) sufficient information to identify infringing work.

(b) The application will be made ex parte to the court on affidavit, accompanied by a skeleton argument and draft order.

(c) The judge will be empowered to make an order without a hearing, but will have the discretion to call for a hearing if deemed necessary.

(d) Any person affected by the Order (including an OSP) may apply to vary or discharge the order within a specified period of time (e.g., within 7 days of the service of the order). If no such application is made, the OSP must comply with the order within a certain period of time (e.g., likewise within 7 days of the service).

(e) Copyright owners shall continue to bear the administrative (but not, subject to any order of the court, the legal) costs of the OSPs in providing the information required. On any application to vary or discharge the order, the court may make an order for costs in the usual way.

(e) Prescribe in law additional factors to assist the court in considering the award of additional damages, in lieu of introducing statutory damages for copyright infringement actions

1. We note that the proposal to prescribe additional factors to assist the court's determination of additional damages but not to introduce statutory damages. However the proposal provides no incentive for copyright owners to bring civil proceedings to enforce their rights. What is not addressed is the fact that it is not economically worthwhile for copyright owners to initiate civil action in view of the uncertainty as to the likely quantum of damages that the court may award and the low level of damages historically awarded in copyright cases in any event In the digital environment, it is extremely difficult, if not impossible, for the copyright owner to prove its loss of profit or the infringer to realistically disclose the extent of its infringement.

2. Whilst we note that there is no other example of statutory damages for tortious wrongs in Hong Kong, there is provision for statutory damages under other common law systems such as Singapore, Canada and the US (presumably as a result of bilateral obligations).

3. The justification for statutory damages in copyright cases is that there is no one way of establishing the quantum of damages (e.g. by reference to the copyright owner's lost profits (actual or notional), the infringers profits (actual or notional), loss of (notional) licence fees, knock on losses in relation to lost wholesale/retail sales and international sales, intangible market share losses etc.

4. The process for ascertaining damages (by an enquiry as to damages or an account of profits) is very slow and costly (for both parties) and usually involves separate proceedings. Unlike most cases involving a tort there are usually multiple parties involved. Statutory damages provide guidance for the judge (who would still have to

assess liability and the actual amount of damages payable) and add a greater degree of certainty for both parties. It is not intended to and does not replace the right of copyright owners to claim the traditional forms of damages or an account of profit.

5. We agree that it is difficult to specify the level of damages for a wide spectrum of infringements. In this regard, we consider that a range of damages can be introduced. Statutory damages are available in other jurisdictions and it is not impossible to determine a suitable range of values.

6. It is no argument to say that there are no other examples of statutory damages for tortious wrongs in Hong Kong. Moreover it is not clear how introducing statutory damages could have "far-reaching implications" on other civil proceedings.

7. There is a clear positive reason for introducing statutory damages to assist copyright owners in the face of rampant piracy. It is unclear what "far-reaching implications" arise if statutory damages for copyright cases are introduced and seek clarification in this regard.

8. As mentioned in our previous submissions, in an environment where it is not economically worthwhile for copyright owners to pursue infringers in civil actions, heavy reliance will be placed on Customs for enforcement of on-line copyright infringement which is not satisfactory.

(f) Refrain from introducing new criminal liability pertaining to unauthorised downloading and peer to peer (P2P) file sharing activities

In principle we do not see why the unauthorised taking (by downloading) without payment of a copyright protected work should not be treated like an unauthorised taking of a CD or DVD from a shop and regarded as criminally culpable. This is not to "criminalise the act of mere purchasers and users of infringing copies or products" but relates to the actual extraction of the copyright work, which is akin to manufacture.

The problem of unauthorised downloading is so rampant that there seems no good reason that it should not be equally as culpable as theft (as it is in Singapore, France, Germany, Japan and US).

New Issue - Media Shifting

1. We understand that it is common practice for consumers who have purchased a legitimate copy of a copyright work (whether digital or otherwise) to copy the work so that it is accessible in another format for private and domestic use.

2. Despite the limited exemption for time-shifting under section 79 of the Copyright Ordinance (which relates only to broadcasts and cable programmes), there is no evidence that such activities are curtailed by copyright owners under the present law. Where such activities are not done in private, they are done pursuant to a licence, either for free or with a fee. We do not believe that a specific exemption is required in the digital environment or that it is appropriate to introduce such an exemption in the context of proposals to strengthen copyright protection.

3. We therefore advocate preserving the *status quo*, in any event, care should be taken in the drafting of any exception to ensure that it is not abused. Furthermore, such an exception will not be suitable for all categories of copyright works. Thus, where industries have already developed business models allowing consumers to pay according to the format and/or the number of times the copyright work is to be copied, the proposed exception would not be appropriate.

The Law Society of Hong Kong
Intellectual Property Committee
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