

THE LAW SOCIETY OF HONG KONG

SUBMISSIONS ON THE CONSULTATION DOCUMENT

“COPYRIGHT PROTECTION IN THE DIGITAL ENVIRONMENT”

1. **LEGAL LIABILITY FOR UNAUTHORISED UPLOADIING AND DOWNLOADING OF COPYRIGHT WORKS**
 - 1.1 The prevalence of unauthorized copying of works by and through the medium of the Internet is serious and increasing. The acts concerned include downloading, uploading, broadcasting/ transmitting, “sharing”/ “swapping”, storing and distributing copies or making them available to the public. The problem stems directly from the ease and speed with which such infringement can take place; the insatiable public demand for copyright “content”; the relatively low risk of detection; and the potential rewards. Clearly, civil remedies alone are not sufficient and the deterrent effect of a criminal penalty is required.
 - 1.2 We believe that the general public’s need to use, disseminate and exploit copyright works by means of the Internet is not incompatible with the legitimate proprietary rights of copyright owners. It is important to acknowledge that there is no meaningful distinction between tangible and intangible property, and both must be protected to the fullest possible extent. The liberal and largely unregulated nature of the Internet must not be used as an excuse to whittle down legitimate property rights and we are firmly of the view that both civil and criminal sanctions are necessary to combat online infringement of all types in the same way as for tackling the infringement of physical products and other tangible works.
 - 1.3 The recent case of HKSAR v. Chan Nai Ming (the Bit Torrent decision) shows that the criminal law can be used effectively against Internet infringement although, of course, the prosecution would have been on much stronger ground if, under Hong Kong law, it had been an offence to make unauthorized copies available to the public. The defendant, who had been charged with “distributing”, was clearly doing nothing of the sort as that term is usually understood. The case illustrates that the criminal law in this area is in urgent need of clarification and, we would submit, expansion so as to cover a wider range of Internet activities that are damaging to copyright owners (e.g. digital stream ripping and facilitating illegal file-sharing).
 - 1.4 The Berne Convention (Article 9(2)) and the WIPO Copyright Treaty (Article 10) set out the so-called 3-step test for assessing the acceptability of legislative limitations and exceptions to copyright protection. We understand that the WIPO Copyright Treaty

will be adopted in the PRC on 9 June 2007 and that although itself not a party it is Hong Kong's policy to abide by the provisions of the Treaty. In short, any limitations or exemptions must be restricted to special cases, not conflict with normal exploitation of the work, and not be unreasonably prejudicial to the legitimate interests of the author or right holder. Although existing limitations and exceptions may be extended into the digital environment, we would be concerned if the law were to be liberalised to the detriment of copyright owners by the introduction of new limitations and exceptions under some notion that copyright in the digital environment requires this, when in fact in our view it needs to be strengthened.

1.5 We believe that there is a strong case for having criminal penalties for unauthorised copying or other infringements of digital works over the Internet or otherwise that are commensurate with those for theft of physical property. The method and medium through which the owner's property is misappropriated should not make any difference to the existence of an offence or the sanction to be applied. The court in a criminal case should be asked to take account of the nature and extent of the infringement; the loss suffered by the copyright owner; the flagrancy of the offence; the benefit to the defendant; and the harm caused to the purchasing public. The deterrent effect of the criminal law is required to combat the theft of copyright materials over the Internet. In our view, the method of delivery of infringing copies is irrelevant and should have no bearing on the question of whether or not the act concerned is to be made illegal by the applicable legislation.

2. **PROTECTION OF COPYRIGHT WORKS TRANSMITTED TO THE PUBLIC VIA ALL FORMS OF COMMUNICATION TECHNOLOGY**

2.1 We support the introduction of a broad technologically neutral right of authorising any communication to the public. Hong Kong was legislatively advanced in 1997 when it introduced by Section 26 of the Copyright Ordinance a new right of authorising the making available of copyright works to the public for public access from a place and at a time individually chosen by them (specifically referring to the Internet). This followed and expanded (by extending to all copyright works) Article 8 of the 1996 WIPO Copyright Treaty, which specifically provided a right of "communication to the public of [literary and artistic] works by wire or wireless means, including the making available to the public of their works"

2.2 Making available does not, however, cover all forms of communication to the public. Communication to the public should be sufficiently widely defined to cover a variety of activities, ranging through broadcasting, cable transmissions, uploading and downloading through the internet and other telecommunications facilitated transmissions, including file sharing and public performances. This broadens existing concepts and remedies. It also opens up questions as to where liability for communication is to be assessed – at the place of delivery or where the communication is received - and who is to be liable, including common carriers, ISPs and website owners. Where not directly liable for communication, the possibility of contributory infringement by "authorising" communication, including by someone outside Hong Kong, also exists.

- 2.3 The mere provision of physical facilities for enabling or making a communication does not amount to an act of communication or authorising the same, nor does the act of storage or caching of works unless done with notice of an infringing activity.
- 2.4 There may be an urgent need to legislate for criminal remedies associated with a communication right. Currently uploading activities are criminal only in so far as they constitute “distribution” of a work for the purposes or in the course of trade or business, or prejudicially affect the copyright owner. The question not so far clearly answered is whether such distribution right properly covers the distribution of intangible copies. Current versions of the WIPO Treaties (see Article 6 of the WCT) state that the distribution right is restricted to tangible objects. A communication right including criminal provisions would close this potential loophole.
- 2.5 The consultation document queries how far criminal sanctions should be imposed. It cites (paragraph 2.7) as an example that “a person using peer-to-peer streaming software to relay a live television broadcast programme for the public’s viewing might be caught.” We fail to understand the concern since it is acknowledged that “distribution” of copyright works by uploading should be criminal as is exhibiting in public. Streaming to the public is broadcasting by another name and clearly falls within a broadcaster’s primary monopoly for which criminal sanctions should apply save in so far as they may be exempted by other provisions (eg educational use).
- 2.6 We consider that the UK model should be followed so as to apply criminal sanctions to infringements knowingly carried out for the purpose or in the course of trade or business or where the copyright owner is prejudicially affected.
3. **ROLE OF ONLINE SERVICE PROVIDERS (“OSPs”) IN RELATION TO COMBATING INTERNET PIRACY**
- 3.1 We support the introduction of measures requiring OSPs to participate actively in the fight against online piracy occurring on their service platforms.
- 3.2 Copyright infringement on the Internet is rampant and out of control. We advocate a robust system to protect intellectual property and so promoting the development of a healthy environment for creative industries in Hong Kong. OSPs undoubtedly play an important role in the facilitation and therefore potential combat of Internet piracy.
- 3.3 Under the existing Copyright Ordinance, it is an infringement of copyright to make available copies of a copyright work to the public on the Internet, but the mere provision of physical facilities for enabling the making available of such copies does not of itself constitute an act of infringement.
- 3.4 On the other hand, Section 22 of the Ordinance imposes liability on any person who authorizes another to do an infringing act. However, it is not clear to what extent an OSP would be liable if it has notice of the infringing activities occurring on its platform and does not take any act to stop them and there have not been any decided

cases on this issue in Hong Kong. It is uncertain whether the Hong Kong courts will interpret "authorization" as widely as in the KaZaa case¹ in Australia.

- 3.5 Currently, copyright owners can only rely on the OSPs' voluntary cooperation to address the Internet piracy problem. OSPs also do not have any guidance as to what they should do when being asked to take action against alleged copyright infringement on their service platforms. We would therefore support the introduction of legislation to impose certain obligations on the OSPs, provided the burden placed on them is reasonable and acceptable and the law clearly defines what is expected of them.
- 3.6 We do not advocate adopting an exhaustive list of factors to determine whether a person has authorised an infringing act. Rather, certain factors may be set out to be taken into consideration by the court (as is done when determining "fair dealing" under section 38(3) of the Copyright Ordinance).
- 3.7 On balancing the various options proposed by the Consultation Paper, we support the adoption of the U.S. model of a notice and takedown system under the Digital Millennium Copyright Act (DMCA) which allows the efficient take down of problematic websites and at the same time limits the liability of OSPs.
- 3.8 The DMCA sets out different conditions for limitation of OSPs' liability depending on the scope of services provided by them, namely transitory communications, system caching, storage of information on systems and information location tools. Upon satisfying these conditions, OSPs will have a "safe harbour" and be exempted from monetary liability. The burden placed on the OSPs in this respect is reasonable. We consider that a "notice and take down" mechanism of this type provides a convenient and cost-effective way for copyright owners to enforce their rights in Hong Kong. It also exempts the liability of OSPs who in good faith disable access to or remove alleged infringing material.
- 3.9 Further consideration can be given to practical issues such as how the notice should be served on OSPs and the time frame within which OSPs have to comply with the request. The industry and the owners should be further consulted on these aspects.
- 3.10 We also recommend adopting certain other provisions of the DMCA, especially in relation to imposing obligations on OSPs to adopt and implement a policy of terminating in appropriate circumstances accounts of subscribers who are repeat infringers and to accommodate and not interfere with "standard technical measures"²
- 3.11 OSPs should also be encouraged to develop and adopt codes of practice giving guidance on best practices for combating online piracy by both by technological and other means.

¹ Universal Music Pty Ltd & Others v Sharman License Holdings Ltd & Others [2005] FCA 1242. The Australian court held that inactivity, indifference to or omission of action to stop the infringing acts could, in light of all the surrounding circumstances, constitute authorisation of the infringing acts.

² Section 512(i) of DMCA. "Standard technical measures" refer to measures that copyright owners use to identify or protect copyrighted works, that have been developed pursuant to a broad consensus of copyright owners and IASPs in an open, fair and voluntary multi-industry process, are available to anyone on reasonable non-discriminatory terms, and do not impose substantial costs or burdens on IASPs.

4. FACILITATING COPYRIGHT OWNERS TO TAKE CIVIL ACTIONS AGAINST ONLINE INFRINGEMENTS

Disclosure of the identity of infringers

- 4.1 Although it is an effective procedure, the cost of obtaining and executing a *Norwich Pharmacal Order* is disproportionately high. Nevertheless we do not favour the introduction of the subpoena process provided under the DMCA which although claiming to be quick and inexpensive appears to be essentially similar to the *Norwich Pharmacal* process but otherwise alien to Hong Kong's system.
- 4.2 We would prefer to see a simplified ex parte process under which applications would normally be decided on paper as is currently provided for some applications such as for leave to serve a writ or order on a party out of the jurisdiction; for examination of judgment debtor; garnishee and charging orders nisi; and substituted service of writs and other originating proceedings.
- 4.3 It is noted that there are proposals under the Chief Justice's Working Party Civil Justice Reforms (see paragraph 17.4) to dispense with hearings and to have certain interlocutory applications dealt with on paper. This could well be extended to the *Norwich Pharmacal* procedure.
- 4.4 The present procedure encourages "innocent" disclosing parties to require a *Norwich Pharmacal Order* to be obtained, rather than voluntarily complying, and to have their costs met on an indemnity basis. This discourages any taxation or assessment of these costs, which are also difficult to recover from the ultimate infringers.
- 4.5 An amendment to Section 121 of the Copyright Ordinance could be made specifying information to be supported by affidavit in connection with a "standard" ex parte order for disclosure as regards:
- (a) The identity of the copyright work and copyright owner (already provided under Section 121);
 - (b) The alleged infringement of copyright; and
 - (c) The information required to identify the alleged infringer.
- 4.6 If the judge is satisfied to grant the order it may be done so without a hearing. The disclosing party would have the right to vary or discharge the order but would otherwise have to comply within a specified period.
- 4.7 Furthermore, if guidelines were to be set and the form of Order agreed, without requiring any attendance of the disclosing party, this would limit the costs to the administrative expense of locating the requested information. A scale of costs for such activities could also be established through industry guidelines

Record-keeping

- 4.8 We note that there may be an existing obligation on Internet Access Service Providers ("IASPs") to retain customer records. We believe it would be advantageous to require

such records to be kept for a period of time (say 6-12 months) for copyright purposes. We are, however, aware that IASPs may consider it too onerous to extend their obligations merely for the purpose of copyright enforcement and note the sentiments of paragraph 4.12 of the consultation document.

Guidelines

- 4.9 It would be advantageous for guidelines to be developed facilitating disclosure and to address the nature of any “basic” information (such as the name and address of the customer) to be provided and the cost of so doing.
- 4.10 It is further noted that Clause 8 of the General Conditions of Carrier Licences states that the Telecommunications Authority may require certain information from the operator, including traffic flow information. This is in addition to any disclosure requirement authorized by law or required for the prevention or detection of crime or the apprehension or prosecution of offenders under Clause 7 of the General Conditions for Carrier Licences.
- 4.11 In the UK there is a Voluntary Code of Practice for the Retention of Communications Data under Part 11 of the Anti-Terrorism, Crime & Security Act 2001 (**attached**). Appendix A notes that subscriber information and telephony data needs to be retained for 12 months while SMS, EMS and MMS, E-mail, and ISP data is retained for 6 months. By contrast Web activity logs are only kept for 4 days.
- 4.12 In March 2007, a consultation paper was issued in the UK regarding the retention of data generated or processed in connection with the provision of Internet/e-commerce services (**also attached for reference**).

5. STATUTORY DAMAGES FOR COPYRIGHT INFRINGEMENT

- 5.1 The idea of statutory damages is to allow copyright owners to receive compensation when it is difficult to establish the exact extent of infringement. It is accepted that statutory damages can be significantly more than the actual damages suffered by the rights owner or the profits of the infringer and are often calculated as a multiple of the price of the licensed use of the infringed right.
- 5.2 Unauthorised uploading and downloading by a computer user may involve a few to hundreds and even thousands of works. Many infringers think that it is not so easy for them to be traced and caught and some believe there are only limited resources available to trace and catch them.
- 5.3 Many copyright owners have been questioned why they are not taking civil action to protect their own interests but rely solely on the Customs Department (hence public funds) to take action. While a successful criminal prosecution can usually generate a stronger deterrent effect than a civil action as the possibility of imprisonment poses a much stronger psychological deterrence, Customs only has limited resources. Besides, copyright owners should be entitled to claim for their financial loss against infringers.
- 5.4 For many copyright owners, damages will probably be assessed in terms of their lost licence fees and this varies depending upon the nature of the work, the number of

copies made, the age of the work etc. For the music industry, where there is rampant Internet infringement, the lost licence fees per work is very low and does not justify civil litigation as well as the legal costs being out of proportion to the financial compensation claimed (even though an infringer should be liable for costs these are not easily recoverable).

- 5.5 If by the introduction of statutory damages it becomes commercially worthwhile for copyright owners to pursue civil claims, this may free up some of the resources of Customs. Further, infringers will realise more clearly the financial implications of infringement and would be more likely to seek and obtain a licence in the first place.
- 5.6 It is not easy to determine a suitable range for statutory damages. It is submitted that the range should be suitably large so that copyright owners will not be left out of pocket, and for there to be a deterrent impact on infringers and potential infringers not to infringe. In the US, statutory damages are to be no less than US\$750 and may be as high as US\$30,000 for each work infringed. If the infringement is wilful, damages may be as high as US\$150,000 for each work infringed. 'Innocent' infringement will be a mitigating factor. Those who were not aware or had no reason to believe they were dealing with infringements may have the damages reduced to US\$200 per work.
- 5.7 In Singapore, the court has the discretion to award statutory damages for copyright infringement, violation of anti-circumvention and rights management provisions and the amount awarded may not exceed S\$10,000 for each work and S\$200,000 in respect of each infringement action.
- 5.8 We recommend that there should be a range of statutory damages to achieve the following objectives:-
- (a) taking into account the taxed legal costs recoverable from the infringer, the copyright owner will not be out-of-pocket even if the number of infringing copies involved is not substantial;
 - (b) the damages should be higher than the copyright owner's lost licence fees in order to encourage potential infringers to obtain a proper licence in the first place;
 - (c) the amount should not be so high as to give an incentive for large volume/small scale infringements;
 - (d) factors such as innocence, nature of use (self use or business use), number of copies made per work, number of works infringed etc. should be taken into consideration by the court to determine the suitable level of statutory damages to be awarded.

6. COPYRIGHT EXEMPTION FOR TEMPORARY REPRODUCTION OF COPYRIGHT WORKS

Caching Activities

- 6.1 Section 65 of the Copyright Ordinance only exempts the making of a transient and incidental copy by IASPs to enable users of their services to view or listen to a work made available on the internet. This exemption does not extend to allowing IASPs to make cache copies of web pages required by users on their proxy servers to facilitate speedy retrieval of such web pages.
- 6.2 Under the current law IASPs can only rely on the implied consent of copyright owners, on the basis that the placing of materials on a website implies such materials are to be located for viewing or listening to by Internet users. Reliance on implied consent is undesirable given that the service of IASPs in locating information on the Internet and transmitting it to users is an indispensable service in this knowledge-base age. The absence of an exemption from liability has also discouraged online service providers from setting up their proxy servers in Hong Kong.
- 6.3 The Law Society supports amendment of the Copyright Ordinance to provide an exemption to copyright infringement for caching activities of online service providers. This not only allows information retrieval to be more efficiently conducted, but would also encourage online service providers to set up their proxy servers in Hong Kong – this in turn contributes to the development of technology in this area in Hong Kong, and will reduce network jam should another major damage to cables connecting Hong Kong to other parts of the world occur, such as it did in February 2007.
- 6.4 The Law Society favors the setting out of the conditions for the exemption to apply, similar to the DMCA, rather than the UK model of implying that caching activities of online service providers constitute a lawful use of the work. This is so particularly since the Hong Kong Copyright Ordinance does not fully follow UK copyright law as amended by the European Council Directive.
- 6.5 It is submitted that for the exemption to apply, the caching activities should be restricted to those done through an automated technical process without modification of the work during the caching process, and respecting the conditions of access (e.g. password protection) imposed by the person who posted the material on the web. The exemption should be wide enough to allow “active caching”, i.e. the caching of web pages by online service providers, which facilitates searches of frequently visited sites and does not affect the copyright owner’s normal exploitation of the work or cause any significant financial harm to the copyright owner.
- 6.6 Further, it should be a condition for the exemption that the online service provider should remove the cache copy and block access to it promptly when a “take down” notice is received from a party claiming ownership of the copyright in the webpage.
- 6.7 The stipulation of an upper time limit for the keeping of the cache copies is not considered necessary. First, such a condition would be difficult to enforce. Secondly, cache copies serve the function of allowing access to information when the original web server containing the material is temporarily unavailable, and allows access to previous versions of web content which may no longer be available. This function cannot be performed if there is an upper time limit for the retention of cache copies by online service providers. Further, the proposed condition of removal of the cache copy when the copyright owner so requests should be sufficient to address the concerns of copyright owners.

Temporary reproduction of copyright works by digital devices

6.8 The Law Society considers that it is not necessary to amend Section 65 of the Copyright Ordinance to make a general exemption for all digital devices. Section 65 is not confined to the medium of computers, and is wide enough to cater for the making of a transient and incidental copy of a work which is technically required for the viewing or listening of the work by a user through other digital devices, such as mobile phones.

7. OUR VIEWS

7.1 The above sets out our preliminary views based on the topics raised in the Consultation Paper. We have noted a tendency (including amongst some of our legislators) to regard copyright as a bar to freedom of speech and free dissemination of knowledge. It is not and never has been. Copyright cannot prevent people acquiring knowledge and expressing it in their own words. Any copying required for legitimate purposes, such as the making of temporary copies, copies for research or private study, time shifting, education (to an extent), legal proceedings, etc, is well recognised under the law. Many activities are tolerated by copyright owners without there being a specific exemption.

7.2 The danger of consultation is that it opens up questions and problems which are simply not evident in practice. We fear that copyright has become such a public relations “hot potato” that the Copyright Ordinance risks becoming an unmanageable forest of exemptions, serving neither copyright owners nor users, but merely opening up opportunities for unscrupulous persons (including organised criminals to hide behind).

7.3 We therefore urge the Administration to take a rigorous approach towards the protection of creativity (as required by the Basic Law) and not be tempted to provide exemptions under the mistaken impression that the easily accessible digital world in which we now live allows us to neglect (or indeed infringe) the rights of those very industries that made it possible to happen.

7.4 The Law Society’s representatives would be happy to meet with CITB to express our view in more detail, or to clarify any points prior to any legislation being introduced, and to comment on such legislation during the drafting process.

**The Law Society of Hong Kong
Intellectual Property Committee
30 April 2007**
105585