

POSITION PAPER ON COPYRIGHT (AMENDMENT) BILL 2014

Background

1. Copyright legislation requires a careful balance between the interests of copyright users and those of creators/owners. It needs to be updated at suitable intervals to meet international trends, changing environment and expectations of stakeholders.
2. The consultations and discussions to update our Copyright Ordinance to enhance copyright protection in the digital environment and help combat large scale online piracy began in 2006. As a result, the Copyright (Amendment) Bill 2011 was introduced to include a technology-neutral right in relation to communicating a copyright protected work to the public, 'safe harbour' provisions for online service providers, and new exceptions such as media shifting of sound recordings.
3. It should be noted at the outset that there is nothing fundamentally new in the concept of communicating a work to the public as it is (by definition) based upon existing rights in relation to such communications by broadcasting, cablecasting and "making available of the work to the public" (by wire or wireless means), the latter being introduced into our law as long ago as 1997 in response to infringements over the internet.
4. In June 2012, due to the controversies over whether to include a parody exception and concerns over the threshold of criminal liability associated with unauthorized communication of copyright works, the Copyright (Amendment) Bill 2011 was not proceeded with.
5. By including the previous amendment proposals with some refinement, the Copyright (Amendment) Bill 2014 not only addresses the previous controversies, but also includes new exceptions.
6. Yet, further controversies arise and they fall into three topics:-
 - (a) Adoption of an open-ended fair use exception instead of our current

specific fair dealing exceptions

(b) Addition of a user-generated content ("UGC") exception

(c) Express provision to disallow contract override.

7. All those three topics are controversial topics with ongoing discussions and debates. We take the view that it would not be right to hastily adopt or dismiss them without thorough research and consultation. We have expressed our views on those topics in the past but for the sake of completeness of this paper, we will summarize below our previous submissions with additional information.

Fair dealing vs Fair use

8. Hong Kong, following the UK, has always adopted a fair dealing approach where specific exceptions to infringement are allowed. Some groups advocate the adoption of the US fair use defence and claim that it is an international trend with many Asian countries adopting such an approach.
9. Those who argue for a fair use approach consider it broad, flexible and adaptive as compared to the prescriptive fair dealing approach. Those who argue against query if there is an international trend to move towards fair use and are concerned about the lack of certainty and the desirability of transplanting a US concept which has developed in a different legal environment.
10. Our research shows that although certain types of use have been given as examples which may qualify as fair use, there is no statutory definition of fair use in the US. The courts have to evaluate the specific facts of the case against the factors suggested by the law. These factors include the purpose and character of the use, the nature of the copyrighted work, amount and substantiality of the portion used, and the effect of the use on the potential market for or value of the copyrighted work. The courts can consider other factors as well. The US court decisions are sometimes inconsistent and demonstrate shifts in emphasis over time. Recent cases focus on whether there is a transformation of the original work. Since 2005, over 65 cases involving fair use disputes have been decided by the US courts. There are about the same number of cases in which the courts found fair use or not fair use and in some cases, the results were mixed. Each case is decided on its own facts and the judicial interpretation at the time.
11. In Asia, a number of countries have an exception for fair use or extended fair dealings, including - Korea, Philippines, Singapore, Sri Lanka and Taiwan. Notably, these Asian countries, like the US, have statutory damages as a remedy for infringement. Statutory damages are actually not common. According to a research paper published in November 2013, including the US, only 24 out the 179 WIPO member states surveyed allow recovery of statutory

damages for copyright infringement. Statutory damages allow successful plaintiffs to recover monetary damages without any proof that defendant profited from the infringement. In the US, such damages can be awarded in whatever amount the judge or jury deems "just" in a range between US\$750 and US\$30,000 (~HK\$ 5,850 – HK\$234,000) per infringed work, and up to US\$150,000 (~HK\$1,170,000) per work if infringement is willful. In Singapore, the courts can grant not more than S\$10,000 (~HK\$ 55,200) for each work or subject matter in respect of which the copyright has been infringed but not more than S\$200,000 (~HK\$ 1,104,000) in the aggregate, unless the owner proves that his actual loss from such infringement exceeds \$200,000 (~HK\$ 1,104,000).

12. It does not appear a mere coincidence that the above countries which adopt fair use or extended fair dealings have balanced this with an element of statutory damages for copyright infringement. This possibility should be looked into further in deciding whether or not to change to a fair use system.

User Generated Content

13. So far only Canada has introduced a User Generated Content exception in its Copyright Act in 2012. In Canada, there are now discussions whether the exception should be tied with non-commercial use. Distinguishing between amateur non-commercial use and professional commercial use is considered arbitrary since amateur UGC is becoming more and more sophisticated and may have many indirect commercial benefits. In Australia, where a more robust approach to revision of the copyright law is adopted, the Australian Law Reform Commission opines that UGC should not automatically qualify for protection and does not propose that "social use" of copyright material be an illustrative purpose in the fair use exception, or otherwise be given any special stature in copyright exceptions. The European Commission launched its Public Consultation on the Review of the EU Copyright Rules in December 2013. More than 9,500 responses were received (58% from end users, 25% from authors and 8% from publishers). One of the concerns highlighted is the lack of an agreed definition of UGC. The said three distinct groups of respondents are said to differ substantially in the way they define UGC and characterize "users". Clearly, international consideration of a UGC exception is at a very early stage and much has yet to be discussed.
14. It should be noted that Canada is also one of the few places where there are statutory damages for copyright infringement. In Canada, the court may award statutory damages in a sum of not less than C\$500 (~HK\$ 2,800) or more than C\$20,000 (~HK\$ 112,000) in respect of infringement of a copyright work for commercial purposes and not less than C\$100 (~HK\$560) and not more than C\$5,000 (~HK\$28,000) for non-commercial infringement.

15. Naturally the question is whether the availability of statutory damages balances a wider fair use or UGC exception? For information, China is also amongst the few countries which have statutory damages. Currently, China has a defined list of fair use exceptions (more like fair dealing) and the court may award compensation of not more than RMB 500,000 where the actual loss of the copyright owner or the unlawful gains of the infringer cannot be determined. In the proposed amendments to the PRC Copyright Law, it is proposed that the fair use exceptions will include a catch-all exception of other circumstances which would constitute fair use and that the ceiling of statutory damages be increased to RMB 1,000,000.

Contract Override

16. Unless there is strong justification, the freedom of parties to negotiate their contracts should not be interfered with lightly. Although the UK had since June 2014 disallowed 'contract override' for copyright exceptions, it was not without controversies. The UK government has undertaken to monitor the impact so as to respond effectively if it becomes clear that any negative potential is realized. The UK government will also evaluate the change and publish the results by 2019. So far, there is no empirical study or data about the effects of disallowing contract override or about the differences between countries having imperative exceptions and countries where freedom of contract prevails.
17. Overseas commentators and academics have expressed divergent views whether contract override is justified or not. Some try to distinguish between exceptions which have a public policy character, those which are based on the general interest or regulatory practices and those which are founded on market failure as a basis for deciding whether or not to interfere with the freedom to contract. Studies have to be made into the interplay between contract and copyright, local and international impact, economic theories, legal rationale and practical implications.
18. Hence, it remains to be reviewed and examined whether any contract override provisions should be made and to what extent, whether across the board or on case by case basis in respect of each exception, as well as the conditions and extent to which prohibition against contract override is necessary to achieve policy objectives.

Urgency

19. We take the view that the Bill has adequately addressed all the issues of controversy raised in 2012 and allows Hong Kong to meet its international treaty obligations on copyright protection while introducing new exceptions.

As explained above, the three topics are far from settled and require serious and thorough consultation and evaluation and we also expect to draw on the researches and experiences of other countries.

20. It is not in the interests of Hong Kong to delay the passing of the Bill. Our copyright law lags seriously behind international developments, especially in the protection in the digital environment. For that reason, it has even been suggested that Hong Kong should be placed on a list of "Deserving Special Mention" and "Watch List" in the US Special 301 Report which identifies countries which do not provide "adequate and effective" protection of intellectual property rights. If that happens, it will not only embarrass Hong Kong and create a negative impression but will also undermine the efforts both government and private institutions have made to develop Hong Kong as an intellectual property trading hub in intense competition with Singapore and Korea.
21. We urge the passing of the Bill without further delay and the setting of a timetable to continue the discussions of the topics of fair use, UGC and 'contract override' with all stakeholders for any possible new changes to the law. We also repeat our previous observation that the UK Hargreaves Review advocates that policy decisions should be based on economic evidence. The Government should ensure that development of the IP system is driven as far as possible by objective evidence and that policy should balance measurable economic objectives against social goals and potential benefits for right holders against impacts on consumers and other interests.

The Law Society of Hong Kong
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