



LAW SOCIETY'S SUBMISSIONS ON PROPOSALS FOR STRENGTHENING COPYRIGHT PROTECTION IN THE DIGITAL ENVIRONMENT ("PROPOSALS")

INTRODUCTION

1. The Law Society previously submitted its views on the Preliminary Proposals published in April 2008 (see attached response dated 3 September 2008) and made extensive submissions on the original Consultation Document (see attached submissions dated 30 April 2007). We have now considered the Government's refined Proposals to Strengthen Copyright Protection in the Digital Environment dated November 2009 ("the Proposals"). After so much deliberation and effort we are somewhat disappointed by the limited scope of the proposals, particularly as regards the rejection of statutory damages and the lack of effective provisions for terminating on-line infringements, such as by a graduated response approach.
2. The Proposals once again stress the "Government's commitment towards upholding a robust copyright protection regime in Hong Kong and its importance to the further sustainable development of our creative industries". Indeed the Government and Legislature have a clear obligation under Article 140 of the Basic Law to "protect by law the achievements and the lawful rights and interests of authors in their literary and artistic creation." However, the Proposals remain disappointing in their overly cautious approach to the problem which will do very little to further the Government's cause of tackling infringement in the digital environment.
3. Hong Kong should in our view maintain a cutting edge approach in dealing with internet piracy issues and should clearly set out in legislation (rather than relying on Codes of Practice) rights and remedies that can be directly and conveniently enforced by the courts. In this connection it is well noted that any so-called "human right" to internet access is in fact a right that must be exercised legally and if done so illegally can be limited by a ruling of a court or tribunal.
4. We note that under the Proposals it is intended to have a statutory framework underpinned by a parallel Code of Practice (or perhaps it should be the other way around?). In any event we note that the implementation of the safe harbour provisions in the legislation must go hand in hand with any Code of Practice agreed by the relevant stakeholders.

THE PROPOSALS

- (a) ***Recognising copyright owners' rights to communicate their works through any mode of electronic transmission, with criminal sanctions against infringement***
5. We are pleased to note the proposal that criminal sanctions should be available against those who initiate unauthorised communication of copyright works to the public, whether in the course of business conducted for profit or where it affects prejudicially copyright owners.
- (b) ***Introducing a statutory limitation of liability regime for OSPs in dealing with online piracy***

6. We note the proposal to introduce a statutory regime which gives OSP's the assurance that compliance with certain conditions would qualify them for limitation of liability for copyright infringement. This will be underpinned by a Code of Practice. However, the Government considers this is not an opportune time to introduce a 'graduated response' system.
 7. On the contrary, we consider that if the proposal is to have any real effect, effective enforcement through a graduated response, with appropriate safeguards should be further examined in the light of the systems currently being debated in the UK, Australia and New Zealand and already implemented for example in USA, France, South Korea and Taiwan.
 8. Without effective remedies, including the ultimate sanction of suspending internet access, any statutory notice regime will have little effect in tackling the serious problem of internet piracy.
 9. We are aware of the criticisms of administrative suspension measures such as apply in USA, China and South Korea and agree that Hong Kong should provide measures which are subject to scrutiny by the Court or other Tribunal (ie the Copyright Tribunal) and include appeal procedures.
 10. We note the UK's version of graduated response under the Digital Economy Bill (now at the committee stage) which proposes obligations on OSPs to notify subscribers linked with an alleged online copyright infringement; to record the number of these notifications against each subscriber, and to provide anonymous lists of some or all of those subscribers to copyright owners upon request. Copyright owners may then apply to the court to learn the subscriber's identity.
 11. If these obligations are "insufficient to reduce significantly the level of online infringement of copyright" the Secretary of State will have power to impose (through OFCOM) "technical obligations" on OSPs requiring them to limit internet access by certain serious repeat infringing subscribers, eg those linked to a number of infringements sufficient to place them on a serious infringers list. Although this is an administrative remedy, it includes a right of appeal to the First -tier Tribunal (a new tribunal set up to hear appeals against certain Government decisions) and provides for copyright owner to contribute towards the cost that OFCOM and the OSPs incur.
 12. In New Zealand, legislation is being drafted under which copyright owners will be able to request ISPs to give alleged infringers up to 3 notices (education, cease and desist, advisory) to stop infringing activities, prior to any enforcement action either via the Copyright Tribunal under a fast track system or the Court (including internet account suspension for up to 6 months). Account holders may respond by issuing counter notices to the copyright holders, either via the ISPs, or deal directly with the right holders.
 13. Three strikes legislation is also being considered in Australia.
 14. We are disappointed by the Government's failure to address this issue and consider that to do so will leave Hong Kong behind the curve in its mission to uphold a robust copyright protection regime in Hong Kong.
- (c) *Introducing a copyright exemption for temporary reproduction of copyright works by OSPs***
15. As noted in our previous submissions, whilst recognising the technical need for such an exemption it should form part of the statutory limitation of liability regime for OSPs rather than a general exemption from copyright infringement. In this respect, we note the Government's commitment to fine tune the scope and conditions attached to the exemption.

(d) Prescribing additional factors for considering the award of additional damages

16. We note the Government proposes to prescribe additional factors to assist the court's determination of additional damages. Whilst this is a welcome step, the continued rejection of statutory damages for copyright cases does not resolve the difficulty of proving actual loss for online infringement (which can of course be very extensive)
17. Whilst the Government's response is that it envisages difficulties in specifying a range of statutory damages, it fails to recognise the value of certainty in having at least a range of damages to guide the court, rather than as now through the lengthy and costly process of an enquiry as to damages.
18. We previously submitted that there is a clear positive reason for introducing statutory damages to assist copyright owners in the face of rampant piracy. The Government in response claimed that "far-reaching implications" arise if statutory damages for copyright cases are introduced. We sought clarification of this and have received none.

(e) Introducing a media shifting exception for sound recordings

19. We note the limitation of the proposed exception to sound recordings. Although styled as "media shifting", we consider that the scope should be clearly limited for personal and private use (as indicated) and for the purpose of enabling it to be listened to at a more convenient time or place (this being the rationale) along the lines of the existing exception for broadcasts and cable programmes in section 70 of the Copyright Ordinance.

PROPOSALS NOT SUPPORTED BY THE GOVERNMENT

(f) An alternative infringer identity disclosure mechanism that is not subject to scrutiny by the court

20. In our previous submission, we proposed an alternative cost and time effective infringer identity disclosure mechanism that is subject to court's scrutiny. No response has been received to this proposal, which involved a simplified paper based ex parte application to the court. For reference we repeat our proposals:
 - (i) 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 the infringing work.
 - (ii) The application is to be made ex parte to the court on affidavit, accompanied by a skeleton argument and draft order.
 - (iii) 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.
 - (iv) 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).
 - (v) 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.
21. It would be helpful to have the Government's proper response on this proposal rather than one implying that the proposal would not be subject to scrutiny by the court.

(g) Statutory damages

See 16-18 above

(h) Introducing new criminal liability pertaining to unauthorised downloading and peer to peer file sharing activities

22. The Government claims not to have seen any added arguments to persuade it to change its mind on this issue.
23. In its Preliminary Proposals, the Government used the argument that the consensus of the community was "not to criminalise the act of mere purchasers and users of infringing copies or products", noting that "the existing law does not criminalise those purchasers of pirated products."
24. In our previous submission we stated *"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."*
25. We note that the Government has not addressed this argument at all.

FURTHER CONSULTATION

26. We trust that consultation will continue when the precise legislative amendments are drafted, particularly as regards the interface with existing restricted acts and exemptions. We also note that the matters under consideration are also being addressed in other jurisdictions and urge the Government to keep Hong Kong's copyright law "robust" and at the forefront of these developments.
27. We have referred in this paper to the Copyright Tribunal and are aware that rules as to its constitution and practice are under review. We would strongly support a wider role for the Tribunal as a specialist, user friendly and effective forum for matters involving the enforcement of digital rights. Currently the jurisdiction of the Tribunal is limited to licensing and ownership issues and is not well used. We appreciate that legislative amendment would be required to expand its scope.

**The Law Society of Hong Kong
Intellectual Property Committee
13 January 2010
131892v1**



**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 not to introduce criminal sanctions for downloading and P2P activity, to exempt OSPs for temporary reproduction, to rely on a voluntary code of practice, not

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
3 September 2008
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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 unavailable. 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**

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