



立法會秘書處 法律事務部
LEGAL SERVICE DIVISION
LEGISLATIVE COUNCIL SECRETARIAT

來函檔號 YOUR REF :
本函檔號 OUR REF : LS/B/21/10-11
電話 TELEPHONE : 3919 3508

傳真 FACSIMILE : 2877 5029
電郵 E-MAIL : kcheng@legco.gov.hk

By Fax (2147 3065)

6 January 2012

Mr Wong Kwok Bun, Christopher, JP
Deputy Secretary for Commerce and Economic Development
(Commerce and Industry) 2
Commerce and Economic Development Bureau
Commerce, Industry and Tourism Branch
23/F, West Wing
Central Government Offices
2 Tim Mei Avenue
Tamar, Hong Kong

Dear Mr Wong,

Copyright (Amendment) Bill 2011
Proposed amendment to section 221(2) of the Copyright Ordinance
(Provisions as to damages in infringement action)

I refer to the proposed amendment to section 221(2) of the Copyright Ordinance (Cap. 528) as contained in clause 65 of the Copyright (Amendment) Bill 2011 (new subsections 221(2)(c) and 221(2)(d)) and wonder if you could consider the following issues.

The proposal amendment

Section 221(2) of the Copyright Ordinance is sought to be amended in that the court may award additional damages in a civil action for infringement of copyright having regard to, inter alia, "the conduct of the defendant *after* the act constituting the infringement occurred, including but not limited to the conduct of the defendant after having been informed of the infringement" (new section 221(2)(d)).

According to the Administration, the amendments are proposed "[i]n recognition of the difficulties encountered by copyright owners in proving

actual loss, particularly in online piracy cases" in civil cases (para. 14 of LegCo Brief).

The legal position

Under the existing section 221(2) of the Copyright Ordinance, the court may in an action for infringement of a performer's economic rights or of any right conferred by Part 3 of the Ordinance on a person having fixation rights having regard to all the circumstances, and in particular to those provided in subsections (a) to (c), award such additional damages as the justice of the case may require.

In terms of legal remedies, "damages" are the pecuniary recompense given by process of law to a person for the actionable wrong that another has done him (*Halsbury's Laws of Hong Kong* (2nd ed.), vol. 44, at 340.156).

It appears that the additional damages provided for under section 221(2) are compensatory in nature.

On the other hand, in special and limited situations, "exemplary damages" may be awarded by the court to punish the defendant and vindicate the strength of the law (*Halsbury's Laws of Hong Kong* (2nd ed.), vol. 44, at 340.343). The learned authors of the *Halsbury's* are of the opinion that the existing section 221(2) does not give a right to award exemplary damages (*Ibid*, at note 12, p. 908).

It is also rightly pointed out in the LegCo Brief that "[a]s a general rule, damages are compensatory in nature" and "the right owner has to prove the loss suffered by him and that the infringement in question is the effective cause of such loss" (para. 14 of LegCo Brief).

Issues to be clarified

- (a) Does new section 221(2)(d) seek to introduce exemplary damages for copyright infringement?
- (b) How does "the conduct of the defendant after the act of constituting the infringement occurred" (e.g. vigorously defending his position and not admitting liability on the first available occasion) facilitate a copyright owner in proving the loss suffered by him and that the infringement in question is the effective cause of such loss?

- (c) New section 221(2)(d) seeks to invite the court to look at the defendant's conduct "after having been informed of *the infringement*". Does "the infringement" include "an allegation of infringement"?
- (d) Is a person who has received a letter of demand/complaint containing an allegation of copyright infringement entitled to investigate the validity of the allegation of copyright infringement? If the answer is yes, what steps can he take to safeguard his position so that he will not be subject to the adverse finding of the court under new section 221(2)(d)?
- (e) Under section 221(2) of the Copyright Ordinance, the actionable wrong or cause of action is copyright infringement. New section 221(2)(d) seems to invite the court to look at not only the actionable wrong itself but also the defendant's conduct which may or may not be relevant to the actionable wrong. Please advise if there are any other precedents in the Laws of Hong Kong where in civil actions, damages additional to the actionable wrong is awarded to the plaintiff for the defendant's conduct after the act constituting the actionable wrong occurred.

I would be grateful for your reply in bilingual form before 11 January 2012.

Yours sincerely,



Kitty Cheng
Assistant Legal Adviser

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CCS(1)(3)