Bills Committee on the Copyright (Amendment) Bill 2011

Lessons learnt from the suspension of the Intellectual Property (Miscellaneous Amendments) Ordinance 2000

Purpose

At the meeting held on 1 November 2011, the Bills Committee requested a summary of the lessons learnt from the consensus building process regarding the enactment of the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 ("the Amending Ordinance"). The operation of certain provisions in the Amending Ordinance was suspended, as a result of objections from stakeholders which came to light after enactment of the bill.

2. This paper gives the information requested.

Background

3. In 1999, the Administration consulted the public as well as the Legislative Council (LegCo) Panel on Trade and Industry on several possible measures to strengthen the copyright law for the purpose of combating copyright piracy involving computer software, films and music. One of the proposed measures that gained wide public support at that time was the introduction of criminal sanction against possession of a pirated copy of a copyright work by business end-users.

4. After enactment, the Amending Ordinance came into effect on 1 April 2001. Under the relevant new provisions, a person would commit an offence if he possessed knowingly an infringing copy of a copyright work for "the purpose of, in the course of, or in connection with, any trade or business".

5. This provision sought to target acts of copyright piracy conducted by business end-users, and address the perceived "gap" in the Copyright Ordinance prevailing before amendment whereby a person possessing an infringing copy of a copyright work would be prosecuted only if he was found to be "dealing in" (e.g. buying and selling) an infringing copy. Under the provisions in the Amending Ordinance, a firm using pirated computer software in its business might be liable to criminal prosecution, even though its business might not involve any trading of infringing copy of the software.

6. Apart from pirated computer programmes or music/video compact discs, an infringing copy may include, among others, an unauthorised photocopy of a newspaper article, an unauthorised recording of a television news programme, or an electronic copy of an Internet webpage made without permission. Furthermore, the term "business" then defined in the Ordinance might cover non-commercial activities such as education.

7. To address a public concern articulated after enactment of the Amending Ordinance, the Administration explained to the LegCo and the public that in relation to books, all subsidised or government schools were at that time authorised under licensing agreements to make photocopies of any books within the terms of the agreements. However, the educational sector remained worried about the possibility of committing the offence of possession of an infringing copy "in the course of or in connection with any business" when conducting normal school activities.

8. Apart from classroom teaching, there were also concerns that this end-user criminal liability might be too onerous and, as such, hampered dissemination of information within enterprises. In response, the Administration introduced the Copyright (Suspension of Amendments) Ordinance 2001 ("the Suspension Ordinance") to suspend the operation of the relevant provisions save those provisions applicable to computer programs, movies, television dramas and musical recordings ("the Four Categories of Works").

9. In doing this, the Administration took into account factors including the following –

(a) the Four Categories of Works generally had substantial commercial value;

(b) these works were not normally the "information" disseminated within enterprises or the subject of school teaching; and

(c) piracy of these works was then rampant in Hong Kong and elsewhere.

Developments after the suspension

10. After further deliberations with non-governmental organisations, the copyright industry, and various sectors of the community with a view to formulating a long-term solution, the Administration rolled out two rounds of public consultations since 2001. The Administration eventually issued a set of refined proposals in November 2005 which formed the basis of the Copyright (Amendment) Bill 2006 ("the 2006 Amendment Bill").

11. The 2006 Amendment Bill proposed, amongst others, the following to address the outstanding issues related to the criminal liability on the part of business end-users –

(a) repealing the Suspension Ordinance;

(b) making permanent the scope of the business end-user possession offence (which covers the Four Categories of Works) and excluding certain entities such as legal professionals and the Hong Kong Film Archive from the scope of this offence; and

(c) introducing a business end-user criminal offence of making for distribution or distributing infringing copies of a book, a magazine, a periodical or a newspaper on a regular or frequent basis ("the business end-user copying and distribution offence") and setting numeric limits for determining the criminal threshold.

12. To determine the numeric limits mentioned in 11(c) above, the Administration consulted the relevant stakeholders between 2007 and 2009, and the limits were included in the Copyright (Amendment) Bill 2009 ("the 2009 Amendment Bill"). After passage of the 2009 Amendment Bill in November 2009, the Administration rolled out a comprehensive publicity and public education programme and brought the offence into effect on 16 July 2010.

Lessons learnt

13. The experience re-counted above demonstrated the importance of engaging the public through public consultations and publicising the effect of, and conducting public education on the legislative changes to enhance public awareness before the relevant provisions are brought into operation.

14. For the 2006 Amendment Bill and 2009 Amendment Bill, we conducted public consultation on the proposed changes. After enacting the two Bills, we rolled out comprehensive publicity programmes (information booklets and leaflets, seminars and briefings to the general public and interest groups, as well as advertisements in different mass media). That paved the way for smooth implementation of the new legislation.

15. We were mindful of the importance of applying a similar approach when we embarked on a review on how best to combat Internet piracy. Before finalising the legislative proposals in the Copyright (Amendment) Bill 2011 ("the 2011 Amendment Bill"), the Administration conducted two rounds of public consultation in 2006 and 2008 to seek public views on whether and, if so, how our copyright protection regime should be strengthened in the digital era.

16. We issued a public consultation document in December 2006 on how best to strengthen copyright protection in the digital environment. Main issues raised for public debate include –

(a) whether unauthorised file sharing of copyright works and/or unauthorised downloading should be criminalised;

(b) whether protection of copyright works transmitted to the public should be made technology-neutral, rather than being tied to certain modes of transmission;

(c) what role online service providers ("OSPs") should play in combating Internet piracy;

(d) whether simplified procedures, which may not be subject to scrutiny by the Court, should be introduced to help copyright owners ascertain the identity of online infringers for the purpose of initiating civil actions;

(e) whether statutory damages should be introduced into the copyright law in view of the difficulties in proving the extent of actual loss in infringing cases which happened in the digital environment; and

(f) whether the existing scope of copyright exception for temporary reproduction of copyright works should be expanded to facilitate smooth transmission of data over the Internet.

17. Having regard to the views received, we released in April 2008 a package of preliminary proposals for further public engagement. Under the package, we indicated our intention to introduce –

(a) a communication right with ancillary criminal liability against (i) unauthorised communication made in the course of business, irrespective of the technology used; and (ii) unauthorised communication using the "streaming" technology made to such an extent as to affect prejudicially the copyright owner;

(b) a copyright exception for temporary reproduction of copyright works, which is technically required for efficient transmission of data;

(c) a new factor, namely compliance or otherwise with a voluntary code of practice in combating Internet infringement, for the Court to take into account when determining whether an OSP has "authorised" infringing activities committed on its service platform; and

(d) additional factors for the Court to take into account when considering the award of additional damages (rather than introducing statutory damages).

18. At the same time, we made it clear that we did not favour an alternative infringer identity discovery mechanism that is not subject to the Court's scrutiny, for fear of compromising personal data privacy; nor any new criminal liability pertaining to unauthorised downloading and peer-to-peer file sharing activities. We also sought public views on whether we should introduce a new media shifting exception to provide greater legal certainty.

19. Taking into account comments received in the subsequent round of public consultation, we put a set of refined proposals to the LegCo Panel on Commerce and Industry ("the C&I Panel") in November 2009. This package of proposals largely adopted the preliminary proposals discussed in paragraph 17 above, with the following refinements –

(a) instead of tying the criminal sanction against unauthorised not-for-profit communication to "streaming", we proposed to introduce a technology-neutral offence against unauthorised communication made to such an extent as to affect prejudicially the copyright owner; and

(b) going beyond a voluntary code of practice for OSPs, we proposed to introduce a statutory regime to prescribe the circumstances under which OSPs' liability for copyright infringement would be limited.

20. Apart from the above refinements, we also indicated our intention to introduce a media shifting exception for sound recordings. Besides, we explained at some length why it is that we did not consider it opportune to bring in a "graduated response system" ("GRS"), a new measure which then started to emerge in a few overseas jurisdictions. The concept of GRS was at that time clouded by concerns over its possible implications on civil rights and liberties. Many considered it disproportionate to deprive users from Internet connection based on claims of copyright infringement. Nonetheless, we undertook to revisit the subject after the implications of GRS are more fully tested overseas.

21. On the basis of the refined proposals we put before the C&I Panel in November 2009, the Administration started to draft the necessary legislative amendments and in the process took into account views expressed by relevant stakeholders.

22. This culminated in the introduction of the 2011 Amendment Bill into the Legislative Council in June 2011. The key proposals include introducing a technology-neutral exclusive right for copyright owners to communicate their works through any mode of electronic transmission, providing appropriate copyright exceptions to schools, libraries, archives and museums to facilitate preservation of cultural treasures and dissemination of knowledge, providing exceptions for media shifting and caching with a view to facilitating reasonable use of copyright works, and providing a safe harbour to OSPs to encourage their co-operation in combating online piracy.

Concluding remarks

23. We wish to take this opportunity to re-iterate that the Administration is committed to conducting comprehensive publicity and education programmes to enhance public awareness and understanding of the key legislative changes in the 2011 Amendment Bill before the relevant provisions are brought into operation.

Commerce and Economic Development Bureau
Intellectual Property Department
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