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**COMMERCE AND ECONOMIC
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15 March 2012

Ms Kitty Cheng
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Legislative Council Secretariat
Legal Service Division
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

By Fax (2877 5029)

Dear Ms Cheng,

Copyright (Amendment) Bill 2011

I refer to your letter dated 11 January 2012. The Administration's replies to your questions about clauses 41 to 80 of the Copyright (Amendment) Bill 2011 are set out at Annex.

Yours sincerely,

(Patricia So)

for Secretary for Commerce and Economic Development

c.c. LA
CCS(1)3

Copyright (Amendment) Bill 2011 (“the Bill”)

New Section 65A

Point 2(a) of your letter

- (a) Section 65A seeks to provide a copyright exception for a common technological process undertaken by providers of online services known as caching for facilitating more efficient transmission of web-contents through an electronic network.
- (b) As a general example, to save bandwidth on frequently-accessed web contents, many service providers through automatic and technological process store temporarily at their own proxy servers web contents retrieved at the request of Internet users so that the contents can be quickly retrieved by the same or different users the next time the same contents are requested. This process usually involves the making and storage of a temporary copy by an “automatic technological process”.

Point 2(b) of your letter

Section 65A(1)(b) expressly requires that the technological process itself should not modify the copyright work in question and also should not interfere with the lawful use of technology to obtain data on the use of the work. In other words, the application of the technological process should not have any effect on the copyright work and on the lawful use of technology to obtain data on use of the work.

Point 3 of your letter

- (a) Generally speaking, the proposed permitted act under the new section 65A only extends to the making and storage of a temporary copy of a copyright work.
- (b) Whether the copy is made or stored temporarily needs to be determined on a case by case basis. The industry practice is relevant for determining the issue. In the interest of preserving flexibility against a backdrop of rapid advances in technology, the Bill does not propose to define the word “temporary” by reference to any rigid time-frame.

- (c) The word “temporary” necessarily implies that the copy made or stored will disappear or otherwise be deleted or destroyed within a limited time. A permanent copy will definitely be outside the scope of the copyright exception under the new section 65A.
- (d) The respective copyright laws in several overseas common law jurisdictions, notably Australia, Singapore and the UK, also expressly provide for conditional copyright exceptions for the making of temporary copy of a copyright work.¹ While the scope of these overseas copyright exceptions is not identical to that of the new section 65A, we are not aware of any provision in the overseas legislation that seeks to define the word “temporary” by reference to any definite timeframe. In this connection, our proposal of not further specifying the word “temporary” in the Bill is in line with the overseas approach.

Point 4 of your letter

- (a) The term “reasonable industry practice” in the new section 65A(1)(d) is to be construed by reference to its own general and ordinary meaning. It refers to any reasonable practice that is usually adopted by members of the industry. In determining whether a practice falls within an “accepted industry practice”, the court may consider whether the practice in question is widely recognised, accepted and adopted by general members within the same industry which has become a norm or a standard practice.
- (b) Where a service provider invokes the new section 65A in proceedings for copyright infringement, the service provider would bear the burden to prove due compliance with all the prescribed conditions which include the updating of the database on its part in accordance with reasonable industry practice pursuant to sub-section (1)(d).

¹ For example, sections 43A and 43B of the Copyright Act 1968 (Australia); sections 38A and 107E of the Copyright Act (Singapore); and section 28A of the Copyright, Designs and Patents Act 1988 (the UK).

New Section 76A

Point 6 of your letter

- (a) Under the existing copyright law, copying a copyright work without authorisation is an act restricted by copyright. The new section 76A(1) seeks to provide a copyright exception for the making of a copy of sound recording for private and domestic use subject to compliance with the prescribed conditions set out in the provision.
- (b) The inclusion of subsection (2) under section 76A is for the sake of clarity. In essence, it provides for avoidance of doubt that a private copy originally made legitimately pursuant to subsection (1) would subsequently be treated as infringing if certain prescribed conditions under that subsection are not met.

Point 7 of your letter

- (a) As explained in point 2 in our letter to you dated 17th February 2012, several existing provisions under the Copyright Ordinance governing copyright exceptions, such as sections 30, 79, 80, 118(1) and 120(1), prescribe “private and domestic use” as a common condition for the exceptions. The Administration proposes to attach the same qualifying condition to the proposed copyright exception under the new section 76A.
- (b) The expression “private and domestic use” is not defined in the Ordinance. Therefore, it has to be construed by reference to its general and ordinary meaning.
- (c) The term “private use” connotes that the use is purely personal for an individual. Thus, playing a copy of sound recording in public is obviously outside the scope of the proposed copyright exception.
- (d) In respect of “domestic use”, we refer to point 2(c) of our letter dated 17th February 2012, namely that the term signifies that the use is purely in connection with the context of home or family life. In other words, the use is solely for non-commercial purpose as opposed to the scenario where the use is for the purpose of or in the course of any trade or business.

Point 8 of your letter

- (a) In the new section 76A(1)(b), “a member of the household in which the owner [of the original copy] lives” generally refers to a person living together with the owner under the same roof.
- (b) Whether a person qualifies as a household member has to be determined on a case-by-case basis. In this regard, while family member(s) living together under the same roof are typical members of the same household, a household member of a person does not necessarily have to be an immediate family member of the person. On the other hand, an occupant of the property does not always qualify as a household member.
- (c) In our oral response to Hon Emily Lau’s question raised during the Bills Committee meeting on 12 January 2012, we explained the meaning of household member in the context of “sub-divided units”, hostels and “mini-halls”. We reiterate our earlier explanation below so as to elucidate the meaning of “a member of household”:
 - (i) In the case of “sub-divided units” where unrelated persons living under the same roof in different and independent sub-divided units, they generally would not be regarded as members of the same household.
 - (ii) Similarly, students living in different and independent rooms of the same hostel would not be regarded as members of the same household.
 - (iii) In a “mini-hall” where several college students share the same living room, kitchen and other common facilities of a flat akin to living as a family unit, they may be regarded as members of the same household.
- (d) By extension of point (c)(iii) above, a person’s relative and friend from overseas living temporarily in the person’s flat and sharing the common facilities inside the flat with him may be regarded as a member of the household in which the person lives.

Point 9 of your letter

In the light of the aforesaid explanations, we consider that the Chinese expression “住戶中的成員” is accurate in reflecting the meaning of “a member of the household”.

New Section 88A

Point 10 of your letter

- (a) “Standard technical measures” in the new section 88A are defined on the premise that right holders and online service providers will work together and agree on one or more technical measure(s) for identifying or protecting copyright works.
- (b) A technical measure is widely accepted by the industry if there is explicit consensus on its application and adoption amongst copyright owners and service providers. In a typical scenario, where a technical measure is recognised by the major copyright owners and service providers, and is being commonly utilised in practice, such universal recognition and utilisation may likely amount to a wide acceptance by or alternatively a broad consensus amongst the industry.
- (c) To cite an example, “fingerprinting technology” which contains unique identifying information about copyrighted works has been widely used by major copyright owners and service providers in relation to user-generated contents. The widespread use of such technology, and its free availability² may render the technology as a “standard technical measure” for identifying and protecting copyright works.

² According to the *Press Release: Audible Magic Broadens Reach with Free Service for UGC Websites*, (April 8, 2008), Audible Magic offers free identification technology to small user-generated content sites. (<http://www.audiblemagic.com/new/press-releases/pr-2008-04-08.asp>. 240)

Point 11 of your letter

- (a) In the context of the safe harbour provisions, service providers are not obliged to implement or apply any standard technical measures. They only have a passive obligation under the new section 88(2)(c) to accommodate and not interfere with standard technical measures that are used by copyright owners to identify or protect copyright works. The right holders, not the service providers, are expected to implement and apply these measures in practice.
- (b) A service provider claiming entitlement to limitation of liability under Division IIIA of the amended Ordinance will have the burden of proving that the prescribed conditions are fulfilled. In this regard, he is assisted by the presumption under the new section 88H in discharging the burden of proof i.e. where a service provider in an action relating to its liability adduces prima facie evidence showing that it has acted in compliance with the prescribed conditions under the new section 88B(2), the Court must presume pursuant to the new section 88H that in the absence of evidence to the contrary, the service provider has complied with the condition under the new section 88B(2)(c). It is then for the plaintiff to adduce evidence to the contrary if he wishes to rebut the presumption.

Point 12 of your letter

- (a) The term “broad consensus” is to be construed by its plain and ordinary meaning. It connotes a widespread general agreement on a subject matter.
- (b) In the context of the definition of “standard technical measures” under the new section 88A, “broad consensus” takes place where there is explicit and wide consensus on recognition or application of a technology amongst copyright owners and service providers. It does not require unanimity, i.e. a wide acceptance within the industry would suffice.
- (c) Please also refer to part (b) of our response above to point 10 of your letter.

Point 13 of your letter

Please refer to part (b) of our response above to point 11 of your letter concerning the burden of proof on the part of a service provider in an action relating to its liability, and the rebuttable presumption that it has acted in compliance with the prescribed conditions under the new section 88B(2).

Point 14 of your letter

- (a) The determination of whether a technical measure is available to any person “on reasonable and non-discriminatory terms” essentially involves consideration of all the underlying circumstances of a particular case.
- (b) A technical measure that has received widespread acceptance and adoption by the industry is likely to be available on reasonable and non-discriminatory terms. On the contrary, where a technical measure imposes unrealistic cost implications or unreasonable restrictions on the operations of the service providers, it can hardly be regarded as being available on reasonable and non-discriminatory terms.
- (c) To promote better understanding of the safe harbour provisions, we are committed to conducting comprehensive publicity and education programmes before bringing the safe harbour provisions into force.

Point 17 of your letter

- (a) The word “substantial” in qualifying “costs” and “burdens” as mentioned in paragraph (d) under the definition of “standard technical measure” in the new section 88A means “large in size or amount”.
- (b) Reference to “standard technical measures” in the new section 88B(2)(c) seeks to encourage the use of appropriate technological solutions by copyright owners to protect their works in the online environment. However, use of such technological solutions should not impose substantial costs and burdens that unreasonably hinder the normal day-to-day operation of service providers.

- (c) In practice, we consider that the service providers' enthusiasm in embracing the use of a particular technology may shed light on whether a particular technology is generally regarded by service providers as burdensome. A technology that is accepted and widely adopted in the industry of the service providers would unlikely be considered as imposing "substantial costs" and "substantial burdens" on service providers.

Point 18 of your letter

Further to our response to point 17 of your letter, we consider that the Chinese text of paragraph (d) under the definition of "standard technical measures" in the new section 88A reflects the reality that the service providers may need to incur additional costs to accommodate and not to interfere with a standard technical measure used by copyright owners to identify or protect their works so as to comply with the new section 88B(2)(c), being one of the prescribed conditions of the safe harbour provisions. Both the Chinese and English texts bring out the meaning that such costs must not be substantial.

New Section 88B

Point 19 of your letter

- (a) Under section 107(2) of the Copyright Ordinance, damages is a relief that is available to the plaintiff in an action for infringement of copyright. Section 108(2) of the Ordinance further provides that the court may award "additional damages" to the plaintiff as the justice of the case may require. Alternatively, the plaintiff in an action for infringement may elect to claim for an account of profits instead of damages including additional damages.
- (b) Based on the above, "other pecuniary remedy" in the context of the new section 88B(1) refers to an award of additional damages pursuant to section 108(2) or an account of profits by the defendant(s).

Point 20 of your letter

- (a) The new section 88B(2)(a)(iii) provides that a service provider who becomes “aware of facts or circumstances that would lead inevitably to the conclusion that an infringement [on its service platform] has occurred” may take reasonable steps to limit or stop the infringement as soon as practicable so as to be eligible for limiting its infringement liability under section 88B(1). Similar provisions are also found in the corresponding copyright legislation in Australia, Singapore and the USA.
- (b) Section 88B(2)(a)(iii) is intended to contain a “red flag” test that encompasses both a subjective and an objective element. The test involves the following twofold steps: -
 - (i) a determination of the facts or circumstances that fall under the service provider’s subjective awareness (i.e. subjective actual knowledge); and
 - (ii) an objective assessment of whether an ordinary and reasonable person with such awareness or actual knowledge would inevitably come to the conclusion that an infringement has occurred on the service provider’s service platform.
- (c) Please refer to part (b) of our response above to point 11 of your letter concerning the burden of proof on the part of a service provider in an action relating to its liability, and the rebuttable presumption that it has acted in compliance with the prescribed conditions under the new section 88B(2).

Point 21 of your letter

- (a) It is intended that the terms “industry practice” and “accepted industry practices” in the new section 88B(4)(a)(i) and (4)(a)(iii) respectively are to be construed by reference to their general and ordinary meanings.

- (b) The term “industry practice” connotes a practice that is usually adopted by members of the same industry. In determining whether a practice is an “accepted industry practice”, the court may consider whether the practice in question is widely recognised, accepted and adopted by general members within the same industry which has become a norm or a standard practice.

Point 22 of your letter

Please refer to part (b) of our response above to point 11 of your letter concerning the burden of proof on the part of a service provider in an action relating to its liability, and the rebuttable presumption that it has acted in compliance with the prescribed conditions under the new section 88B(2).

New Section 88C

Point 23 of your letter

- (a) We are not aware of any example in the Laws of Hong Kong that specifically requires a notice to be in writing, signed and provided by electronic means.
- (b) Section 88C(2) seeks to ensure that a complaint of alleged infringement is submitted in written form, and that the content of the written complaint is duly acknowledged and endorsed by the complainant.

Point 24 of your letter

In order to ensure the provision of specific information that supports a complaint of alleged copyright infringement, we shall be proposing CSAs to amend section 88C(3)(b) by deleting the expression of “a representative number of such work”. Instead, a complainant would be required to give particulars which substantially identify each copyright work that is alleged to have been infringed.

Point 27 of your letter

- (a) Pursuant to the new section 88C(4), a notice of alleged infringement that does not comply with section 88C(2) and (3) (i.e. a defective notice) is of no effect for the purpose of section 88B(2)(a). In other words, a service provider will not, by virtue of receipt of the defective notice, be regarded as having received a notice of alleged infringement, or becoming aware that the infringement has occurred, or becoming aware of facts or circumstances that would lead inevitably to the conclusion that the infringement has occurred. In other words, the service provider is not obliged to process a defective notice. In any event, compliance with the safe harbour provisions on the part of the service providers is voluntary.
- (b) That said, where a service provider, having received a notice of alleged infringement containing deficiencies which it considers as minor or technical without adversely affecting the veracity and the substance of the complaint, it may still elect to act in good faith by processing the notice and taking any other necessary step in order to acquire the statutory protection and exemption under the new sections 88B(1) as well as 88G(1) or (3), as the case may be.
- (c) We will propose CSAs to streamline the procedure for the service providers in handling notices of alleged infringement, by allowing them to specify the form of such notices.

New section 88D

Point 28 of your letter

Please refer to our response above to point 20 of your letter.

New section 88F

Point 30 of your letter

- (a) The relief of damages to the right owner in civil proceedings is generally compensatory. In seeking damages in tort, the plaintiff must establish that (i) he suffered some actual damage; (ii) the damage was in fact caused by the defendant's tortious conduct; and (iii) the damage is foreseeable and not too remote.

- (b) The new section 88F(1) when being construed together with the new section 88F(2) is in line with the general principle under part (a) above. To hold the defendant liable for damages, the plaintiff must establish that the false statement made by the defendant has caused actual and foreseeable damage to the plaintiff. Damage to the plaintiff that is (i) foreseeable but not actual, or (ii) actual but not foreseeable is not recoverable.

New section 88H

Point 31 of your letter

Please refer to our response above to point 20 of your letter.

Points 32 of your letter

Please refer to part (b) of our response above to point 11 of your letter concerning the burden of proof on the part of a service provider in an action relating to its liability, and the rebuttable presumption that it has acted in compliance with the prescribed condition under the safe harbour provisions.

New section 88I

Point 33 of your letter

- (a) In empowering the Secretary for Commerce and Economic Development (SCED) to revise the whole or any part of the code of practice published under s.88I(1) in a manner consistent with his power to publish the code, the law implicitly empowers SCED to revise the code with transitional provisions. Such transitional provisions, which also provide practical guidance to service providers in respect of the safe harbor provisions during the transitional period, form part of the code.
- (b) To clarify the legal position, we shall be proposing CSAs to the new section 88I(3) to make it clear that any reference to the code of practice in the Ordinance is to be construed as including a reference to the code so revised.

Point 34 of your letter

- (a) As the code of practice is not subsidiary legislation (new section 88I(4)), the code as revised by SCED that contains transitional arrangements is not an statutory instrument subject to the scrutiny of the Legislative Council under the Interpretation and General Clauses Ordinance (Cap. 1).
- (b) As explained in the Bills Committee meeting on 17 February 2012, we will engage the Panel on Commerce and Industry of the Legislative Council and other stakeholders before bringing any revised Code of Practice into force.

Point 35 of your letter

When revising the code of practice pursuant to the new section 88I(3), SCED in consultation with the stakeholders will consider the necessity of providing for transitional arrangements in the revised code. If yes, the code so revised would contain transitional provisions. As compliance with the code is entirely voluntary, the service providers may decide whether or not they would implement the practice and procedures as stipulated in the code so revised.

New sections 118(2AA) and (8C)

Points 37 and 38 of your letter

- (a) We are proposing CSAs to the new sections 118(2AA) and 118(8C) to clarify the scope of the prejudicial distribution and communication offences under the existing section 118(1)(g) and the new section 118(8B) respectively. As per the LC Paper No. CB(1)1180/11-12(01), while the proposed CSAs would not alter the existing position that the court may take into account all the relevant circumstances in adjudication, it would stress the need for the court to consider whether more than trivial economic prejudice has been caused to the copyright owner when determining whether a prejudicial distribution/communication offence has been committed.

- (b) To further assist the court in determining whether more than trivial economic prejudice has been caused to copyright owner, we also propose to introduce certain factors for the court to take into account, namely (i) the nature of the work, including its commercial value (if any); (ii) the mode and scale of communication; and (iii) whether the infringement amounts to a substitute for the copyright work. These proposed factors are non-exhaustive in nature, and they do not intend to fetter the court's discretion to take into account and attach appropriate weight to any other factor that is relevant to the case.

New section 229(3A)

Point 39 of your letter

Please refer to our response above to point 7 of your letter.

New sections 245(1A) and 245A

Points 41 to 42 of your letter

Your questions about the new sections 245(1A) and 245A(2) are essentially the same as those raised in your letter dated 12 December 2012 in respect of the new sections 45(1A) & (4). As mentioned in our letter dated 17 February 2012, we likewise consider that the expression "without infringing the rights conferred by this Part" in the new sections 245(1A) and 245A(2), when placed in the context, is sufficiently clear for spelling out the legal consequence of the permitted act in question, and the expression could not be interpreted as imposing a condition for such act.

New section 252A

Point 43 of your letter

To ensure that the respective Chinese version of the new section 252A(1)(f) as well as the new section 65A(1)(f) is consistent with the corresponding English version, we shall be proposing CSAs to amend the provisions in their English version by replacing the word "*when*" with "*in the event that*".