

Bills Committee on the Copyright (Amendment) Bill 2014

Safe Harbour Provisions

Purpose

On 12 May 2015, Hon WONG Yuk-man wrote to the Chairman of the Bills Committee and raised a number of questions in relation to the safe harbour provisions in the Bill. This paper provides the relevant information for Members' reference.

The Government's response

The proposed section 88A (Definitions)

Questions 1-4 regarding "complainant"

2. The introduction of the safe harbour provisions seeks to balance the interests among copyright owners, users and intermediaries, and to provide a mechanism to deal with infringement claims in an efficient and effective manner other than court proceedings. The safe harbour provisions in the Bill are the result of extensive public consultations since 2006. The Government further consulted the public on the Code of Practice in August 2011 and January 2012. Under the copyright regime, a copyright owner has the right to commence civil proceedings against an infringer for copyright infringement. Meanwhile, persons other than the copyright owner may not know whether the former has authorised others to use the work in question, or whether the copyright involved has expired. In view of this, we propose that only the copyright owner or a person authorised to act on his behalf may send a notice of alleged infringement to the online service provider (OSP) and consider taking further actions. The aforementioned arrangement can help to prevent or minimise malicious abuse of the mechanism (which may affect Internet freedom) and enhance the overall efficiency of the safe harbour mechanism. If persons other than the copyright owner become aware of an instance of copyright infringement, they may notify the latter to help him safeguard his interests. Safe harbour mechanisms in other jurisdictions, such as the United States (the US) (under the Digital Millennium Copyright Act), also adopt a similar approach.

3. The proposed sections 88B(2)(a)(ii) and (iii) provide that if an OSP becomes “aware that the infringement has occurred” or “aware of facts or circumstances that would lead inevitably to the conclusion that the infringement has occurred” and takes reasonable steps to limit or stop the infringement as soon as practicable and meets certain prescribed conditions, it shall not be liable for pecuniary remedies in respect of the infringement. This does not contradict the requirement that the complainant must be a copyright owner or a person authorised to act on his behalf. Based on section 88C(4), an OSP shall not be regarded as having fallen under the circumstances outlined in sections 88B(2)(a)(ii) and (iii) merely because it receives a notice of alleged infringement from someone other than the copyright owner or a person authorised to act on his behalf (section 88C(2)(c)).

Question 1 regarding “service platform”

4. Since 2006, the Government has engaged in discussions with copyright owners, Internet users and OSPs on effective ways to combat online infringement. In the process of formulating the safe harbour provisions and the Code of Practice, the Government has maintained a close dialogue with stakeholders, including local and overseas OSPs of different scales. The latest version of the Code of Practice¹ has taken into account comments received from the two rounds of consultation in August 2011 and January 2012. Throughout the past consultations, including the Bills Committee’s meeting with deputations held in October 2014, OSPs generally welcomed the safe harbour provisions. Indeed, some of them have even requested expedited implementation of the provisions. We wish to point out that the safe harbour provisions aim at protecting OSPs by limiting their potential legal liability after they have taken reasonable measures to stop copyright infringement on their service platforms. We believe that OSPs will follow closely the safe harbour provisions for their own protection.

5. In respect of the technical issues that may be involved in the practical operation of the safe harbour (for example, the language for communications for some service platforms may not be Chinese), as mentioned above, we have thoroughly considered the views of various stakeholders in formulating the safe harbour provisions and Code of Practice. For instance, in response to the views of stakeholders, a requirement was added in the Code of Practice released in March 2012,

¹ I.e., Legislative Council Paper No. CB(4)829/14-15(02) issued in April 2015.

providing that OSPs that choose to follow the Code should specify at least one electronic means that the complainant and subscriber may use. Based on our previous communications with stakeholders, especially users, we are not aware of any concerns regarding the language for communications. According to our understanding, some international OSPs such as Facebook, already have a Chinese page in place for dealing with complaints or counter notices filed in Chinese. Other OSPs, such as YouTube, provide copyright infringement complaint and counter notice forms in English, but also accept forms that are submitted in Chinese. We will review the operation of the safe harbour after its implementation so as to ensure smooth-running of the mechanism.

Questions 2-3 regarding “service platform”

6. Section 88A provides the definition of “service platform”. The word “為” in this provision means “為了” (“for”), instead of “被” (“by”). The word “而” has been adopted to highlight that the system or network is controlled or operated by someone else for the OSP. Regarding the word “接達” (“accessible”), we are considering Members’ views and will revert in due course.

Questions 1-2 regarding “service provider”

7. The introduction of the safe harbour seeks to provide additional protection for OSPs to ensure that they do not need to assume legal liability in respect of pecuniary remedies for copyright infringement occurring on their service platforms, provided that they meet certain prescribed conditions. OSPs may consider whether to comply with such provisions. Therefore, we believe that the existing definition of “service provider” can benefit more OSPs who are seeking to rely on the safe harbour provisions. Pursuant to proposed section 88B(5)(b), the failure of an OSP to qualify for limitations on liability under the safe harbour provisions has no adverse bearing on the consideration of any defence that may be available to the OSP in proceedings for infringement of copyright.

Proposed section 88B

Questions 1-2 regarding the proposed section 88B(1)

8. We are considering Members’ views and will revert in due course.

Question 3 regarding the proposed section 88B(1)

9. Pursuant to section 107 of the Copyright Ordinance, an infringement of copyright is actionable by the copyright owner and the owner may be awarded damages, injunctions, accounts of profits or other forms of relief. Section 108(2) further stipulates that the court may award such “additional damages” to the plaintiff as the justice of the case may require. The plaintiff in an action for infringement may elect to claim an account of profits instead of damages including additional damages.

10. In the context of proposed section 88B(1), “other pecuniary remedy” refers to an award of additional damages pursuant to section 108(2) or an account of profits by the defendant(s). The limitation of liability in terms of monetary relief seeks to ensure that, as long as they meet certain prescribed conditions, OSPs do not need to bear the relevant risks arising from copyright infringement occurring on their service platforms, so as to enlist their cooperation in combating online piracy. Having said that, we do not consider that we should thereby deprive copyright owners of their right to seek redress from the court totally. In respect of non-pecuniary remedies, the court will take into account the specific circumstances of each case before granting orders, such as an injunction or a costs order, as appropriate.

Question 1 regarding the proposed section 88B(2)

11. We understand that some stakeholders consider that setting a standard timeframe for handling infringement may not be workable, as this may not allow the different circumstances of each case and the operational needs of individual OSPs to be catered for. In the circumstances, section 88B requires OSPs to take reasonable steps to limit or stop the infringement as soon as practicable.

12. Section 88H requires OSPs to “promptly” send a copy of the counter notice to the complainant upon receipt of the same and take reasonable steps to reinstate the material “within a reasonable time” after receiving a copy of the counter notice. We do not see any contradiction between these provisions and the requirement of “as soon as practicable”. On the one hand, given that the procedures involved should be relatively straightforward, OSPs are encouraged to “promptly” send a copy of the counter notice to the complainant. On the other hand, since the procedures involved in reinstating materials may be relatively more complicated and time-consuming, OSPs are required to reinstate the materials “within a

reasonable time”. The objective of establishing the safe harbour is to provide a mechanism to deal with infringement claims in an efficient and effective manner other than court proceedings. We believe that, the safe harbour provisions, which do not prescribe a standard timeframe, provide an appropriate degree of flexibility and support the objective of the safe harbour.

Questions 2 and 2(1)-(5) regarding the proposed section 88B(2)

13. To tie in with the introduction of the safe harbour, we proposed to formulate a complementary Code of Practice to provide guidance to OSPs. The Code sets out the practices and procedures that an OSP may adopt to limit or stop an infringement on its service platform after receiving a notice of alleged infringement (i.e., the “reasonable steps” set out in section 88B(2)(a)). OSPs that follow the provisions of the Code of Practice will be regarded as having met one of the prescribed conditions to be eligible for the protection under the safe harbour provisions. An OSP who does not follow the Code of Practice may still be qualified for protection under the safe harbour, provided that it can prove to the court that it has taken reasonable steps to limit or stop the infringement as soon as practicable and has complied with other conditions of the proposed section 88B(2). In other words, in the context of the proposed section 88B(2)(a), “reasonable steps” are not confined to the measures specified in the Code of Practice. OSPs may take other “reasonable steps”.

14. The proposed section 88J(5) provides that neither the Code of Practice, nor any amendment made to it, is subsidiary legislation. The Government’s proposal to formulate a non-statutory Code of Practice seeks to provide flexibility for the implementation of the provisions. In light of the rapid changes and developments in the business and technology environments, the Government may discuss with stakeholders from time to time, in order to amend and update the guidelines and procedures in the Code of Practice as the circumstances may require. Compared with prescribing the guidelines by way of subsidiary legislation, a non-statutory Code allows revisions in a more expeditious manner. To enhance the efficiency and transparency, section 88J provides that the Secretary for Commerce and Economic Development may publish in the Gazette a Code of Practice and any amendments to the Code should also be made in a manner consistent with the Secretary’s power to publish the Code.

15. The latest version of the Code of Practice represents the result of our discussions with stakeholders throughout the years, as well as those with the previous Bills Committee. We consider that the guidelines in the Code remain applicable to the circumstances nowadays. We are not aware of any suggestion from stakeholders that the content of the Code of Practice has become outdated. As mentioned earlier, we will review the Code of Practice at an appropriate juncture after the passage of the Bill and the implementation of the safe harbour mechanism. As is the current practice, we will continue to engage different stakeholders and keep track of the latest industry and overseas developments, so as to ensure that the Code of Practice accommodates the relevant needs. We understand Members' concerns about the Code of Practice. For future amendments to the Code, we will consult the Panel on Commerce and Industry of the Legislative Council.

Question 3 regarding the proposed section 88B(2)

16. In formulating the proposed section 88B(2)(a)(iii), we chose not to adopt expressions such as “ought to have been aware of that fact” / “ought to be aware of that fact” as the required level and standard of “awareness” in this provision are different. The existing Copyright Ordinance contains provisions which include the condition “ought to have been aware of that fact”/ “to be aware of that fact” (see, for instance, sections 44(2) and 45(2)²). In considering the level of awareness of the facts for a person who “ought to have been aware of that fact”/ “ought to be aware of that fact”, the court must adopt the “reasonable man” test to make an objective assessment, taking into account all the circumstances of the case. This requires an objective consideration and assessment of the underlying circumstances, and is different from the test laid down in the proposed section 88B(2)(a)(iii) (commonly known as the “red flag test”).

17. The proposed section 88B(2)(a)(iii) provides that an OSP who becomes “aware of facts or circumstances that would lead inevitably to the conclusion that the infringement has occurred” and takes reasonable steps to limit or stop the infringement as soon as practicable will be regarded as having met one of the prescribed conditions to be eligible for the protection under the safe harbour provisions. Similar provisions can also be found in the copyright legislation in Australia, Singapore and the US. Section 88B(2)(a)(iii) is intended to provide for a “red flag test” that

² Please refer to LC Paper No. CB(4)292/14-15(01) issued in December 2014.

encompasses both subjective and objective elements. The test involves the following twofold steps -

- (i) a determination of the facts or circumstances that fall under the OSP'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 the infringement has occurred on the OSP's service platform.

In respect of subjective actual knowledge, pursuant to the proposed sections 88B(5) and 88C(4) -

- (i) an OSP is not required to monitor its service or actively seek facts that indicate infringing activity;
- (ii) in determining whether an OSP has acquired awareness of certain acts of infringement under the proposed sections 88B(2)(a)(ii) or (iii), no account is to be taken of an invalid notice.

18. In brief, according to the "red flag test", unless an OSP has acquired subjective actual knowledge which would, upon an objective assessment, lead inevitably to the conclusion that the infringement has occurred, it is not required to take any steps under section 88B(2)(a)(iii). Such standard is consistent with our policy intent of limiting the OSPs' liability under the safe harbour provisions.

Questions 4-7 regarding the proposed section 88B(2)

19. To protect Internet freedom, section 88B(5)(a)(i) of the Bill stipulates that an OSP is not required to monitor its service or actively seek facts that indicate infringing activity. So long as the OSP meets the relevant conditions, it qualifies for the protection under the safe harbour provisions. Similar provisions can also be found in the corresponding copyright legislation in Australia, Singapore and the US. The requirement under section 88B(2)(a)(iii), as well as the limitation imposed by sections 88B(5) and 88C(4) on section 88B(2)(a)(iii) have already been discussed in the foregoing paragraphs. We understand that some users have concerns about possible abuse of the mechanism. In this regard, the Bill

proposes safe harbour provisions with various safeguards to address abuse of the mechanism.³ We consider that, without a safe harbour mechanism, subscribers may have relatively less protection in that there is no prescribed mechanism for them to file counter notices after the removal of their works. With the introduction of the safe harbour provisions and the Code of Practice, subscribers who have legitimate grounds (e.g. if the work in question is a parody to which the fair dealing exception applies) may request OSPs to reinstate their materials after removal.

Questions 8-9 regarding the proposed section 88B(2)

20. The proposed section 88B(2)(b) seeks to prevent an OSP whose financial benefit is directly attributable to infringement from relying on the safe harbour provisions to evade legal responsibility. We understand that some users may be concerned about the definition of “direct financial benefit”. Therefore, the proposed section 88B(4)(a) stipulates that in determining whether an OSP receives a financial benefit directly attributable to the infringement in question, the court may take into account all the circumstances of the case. Furthermore, we suggest introducing a non-exhaustive list of factors for consideration in order to enhance the clarity of the provisions. Similar provisions or explanations can also be found in the corresponding copyright legislation or relevant documents in Australia, Singapore and the US.

21. Indeed, according to the proposed section 88B(4)(a), the court may consider facts relating to the OSPs’ receipt of fees. However, the court may also consider other factors as appropriate in determining that the OSPs have received financial benefits directly attributable to acts of infringement through other means. The US court has previously opined that an OSP’s receipt of advertising revenue in certain circumstances may be regarded as “direct financial benefit”. According to the decision, if an OSP derives its revenue from advertising, the inquiry should focus on whether the connection between the infringing activity and the OSP’s income stream derived from advertising is sufficiently direct. If the facts show that the OSP’s revenue stream is tied directly to the infringing

³ Both the complainants and subscribers are required to provide their names together with adequate and specific information to substantiate their allegations of copyright infringement and counter notices respectively. For instance, a complainant is required to identify the copyright work that is alleged to have been infringed and the material and activity alleged to be infringing, confirm that he is either the copyright owner of the relevant copyright work or authorised to act on the owner’s behalf, and confirm the truthfulness and accuracy of all the statements he makes. A complainant who makes a false statement in a notice of alleged infringement may incur civil and criminal liabilities. Please see LC Paper No. CB(4)829/14-15(01) issued in April 2015.

activity on its website (regarding both its ability to attract advertisers and the amount of revenue it received), its advertising revenue may be regarded as “direct financial benefit”.

22. In respect of “financial benefit” in sub-section (2)(b), as mentioned above, our proposal seeks to prevent an OSP whose financial benefit is directly attributable to the infringement from relying on the safe harbour provisions to evade legal responsibility. Based on our proposal, the OSP will eventually need to prove in the court proceedings that it has never received any financial benefit that is directly attributable to the infringement. The proposed formulation takes into account the business models that are generally adopted in the relevant industry. We believe that it is improbable that the OSPs would defer the receipt of their revenue till a few years later solely for the purposes of enabling them to rely on the safe harbour provisions. The safe harbour mechanisms in other jurisdictions also adopt a broadly similar approach.

23. After the implementation of the safe harbour provisions in Hong Kong, the court will take into account the overall circumstances and the facts of each case in determining if an OSP has received financial benefits directly attributable to infringement.

Questions 10(1)-(8) regarding the proposed section 88B(2)

24. “Standard technical measures” in the proposed section 88A is defined on the premise that copyright holders and OSPs will work together and agree on one or more technical measure(s) for identifying or protecting copyright works. With advances in technology, copyright owners and OSPs may also change with time and the relevant standard should be determined by the industry with reference to the network technology at the time so as to ensure that the measures would be sufficiently flexible, up to date and meet the needs of the latest developments of the industry. Similar provisions can also be found in the corresponding copyright legislation in Australia, Singapore and the US. In view of the global nature of the Internet, the court may also make reference to the relevant experience in overseas jurisdictions as appropriate.

25. Where a technical measure is generally recognised by copyright owners and OSPs, and is being widely utilised in practice, such universal recognition and utilisation may very likely amount to “a wide acceptance by or alternatively a broad consensus within the industry”. To cite an

example, “fingerprint technology”, which contains unique identifying information of copyright works, has been widely used by copyright owners and OSPs. The widespread use of such technology and its free availability may render the technology as a “standard technical measure” for identifying and protecting copyright works.

26. The term “broad consensus” is to be construed by its plain and ordinary meaning. It connotes a widespread general agreement on a subject matter. In the context of the definition of “standard technical measures” under the proposed section 88A, “broad consensus” takes place where there is explicit and wide consensus on recognition or application of a technology amongst copyright owners and OSPs. Wide acceptance within the industry would suffice. Unanimity among copyright owners and OSPs (which in any event may not be possible) is not required.

27. The reference to “standard technical measures” in the proposed section 88B(2)(c) aims at encouraging copyright owners to adopt appropriate technical solutions to protect their copyright works in the Internet environment. Having said that, adopting those technical solutions should not unreasonably disrupt the daily operations of the OSPs by imposing substantial costs on them or substantial burdens on their systems or networks. The requirement of (d) helps demonstrate the costs and operational burdens of executing technical measures as factors to be considered. It ensures that OSPs can benefit from the safe harbour provisions in a reasonable manner.

28. Regarding the English formulation of “standard technical measures” and “widely accepted”, we are considering Members’ views and will revert in due course.

Question 11 regarding the proposed section 88B(2)

29. An OSP may appoint an appropriate person to act as its designated agent, taking into account its individual circumstances and operational issues. If the OSP is a natural person, he may designate himself as the agent.

Questions 1-2 regarding the proposed section 88B(4)

30. Section 88B(4) does not restrict the factors that the court may take into account. The court can consider the overall circumstances of each case, depending on the relevant facts.

Question 3 regarding the proposed section 88B(4)

31. As to the formulation of this provision, we are considering Members' views and will revert in due course.

Question 4 regarding the proposed section 88B(4)

32. The proposed section 88B(4)(b) seeks to clarify that OSPs who engage in legitimate commercial activities will not lose their protection under the safe harbour merely because they receive one-off set up fees or flat periodic payments charged on a non-discriminatory basis (on the assumption that they do not otherwise receive other financial benefits directly attributable to infringement). If an online service platform attracts customers by offering a large quantity of infringing materials and derives financial benefits from the same, it would not satisfy the conditions as set out in the proposed sections 88B(4)(a)(i) or (4)(a)(ii) and thus should not be qualified for the protection under the safe harbour. In view of Members' views, we are considering if it is necessary to clarify the relationship between this provision and section 88B(4)(a).

Question 1 regarding the proposed section 88B(5)

33. As to the formulation of this provision, we are considering Members' views and will revert in due course.

Question 2 regarding the proposed section 88B(5)

34. Please refer to our response in paragraphs 17-20 above.

Question 3 regarding the proposed section 88B(5)

35. Pursuant to the proposed section 88B(5)(b), in any event, the failure of an OSP to qualify for limitations on liability under the safe harbour provisions has no adverse bearing on the consideration of any defence that may be available to the OSP in copyright infringement proceedings (for instance, it may submit to the court that a particular copyright exception under the Copyright Ordinance is applicable to its circumstances). This is a clarifying provision that provides additional protection under the safe harbour provisions. Other exceptions in defence of infringement allegations should be separately considered.

Conclusion

36. Members are invited to note the information provided in this paper.

Commerce and Economic Development Bureau
Intellectual Property Department
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