Members Hong Kong Publishing Federation
The Hong Kong Association of Professional Education Publishing Limited
Association of American Publishers, USA
Publishers Association, UK
International Association of Scientific, Technical and Medical Publishers, Netherlands

香 港 及 國 際 出 版 聯 盟
Hong Kong and International Publishers' Alliance

Secretariat Hong Kong Reprographic Rights Licensing Society
Unit Nos. 909-910, 9/F Prosperity Millennia Plaza
663 King's Road, North Point, Hong Kong
Tel: (852) 2516-6268 Fax: (852) 3105-1468
E-mail: info@hkrrls.org Website: www.hkrrls.org

Via electronic mail (bc_106_13@legco.gov.hk)

17 October 2014

Clerk to Bills Committee on Copyright (Amendment) Bill 2014
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Sirs

The Hong Kong and International Publishers' Alliance (HKIPA) appreciates this opportunity to comment on the Copyright (Amendment) Bill 2014 (2014 Bill).

The HKIPA was formed in September 2002. Its members include the Hong Kong Publishing Federation, The Hong Kong Association of Professional Education Publishing Limited (formerly the Anglo-Chinese Textbook Publishers Organisation and the Hong Kong Educational Publishers Association), the Association of American Publishers, the UK Publishers Association, and the International Association of Scientific, Technical and Medical Publishers (STM).

HKIPA supports reform and modernization of Hong Kong's copyright regime in order to encourage continued investment in the creation and dissemination of published works for the benefit of the people of Hong Kong. A strong and updated Copyright Ordinance that effectively safeguards the economic rights of authors and publishers is the cornerstone of such a regime. To this end, we commented extensively on the Copyright (Amendment) Bill 2011 (the 2011 Bill), on which the 2014 Bill is based.

Modernization of Hong Kong's law to meet the realities of today's networked digital environment and the e-commerce marketplace is long overdue. It has been almost eight years since the Administration launched the first public consultation on this topic. The 2014 Bill embodies a number of essential reforms that have been pending for far too long. With the specific adjustments suggested in this paper, HKIPA urges that the 2014 Bill be enacted without further delay.

1. Fair Dealing

The 2014 Bill would make significant changes to provisions of the Copyright Ordinance regarding fair dealing. Several new uses would be recognized as eligible for consideration as fair dealing: quotation (Clause 18, proposed Section 39(2)); commenting on (as well as reporting, as provided by current law) current events (Clause 18, proposed Section 39(3); and parody, satire, caricature and pastiche (Clause 19, proposed Section 39A). For all of these newly eligible uses, as well as for uses in the nature of criticism or review (Clause 18, proposed Section 39(1)), courts would be directed to consider four non-exclusive factors, brought forward from current Section 38 (fair dealing for research or private study), which follow almost verbatim a provision of U.S. copyright law codifying the fair use doctrine. Compare Clause 18, proposed Section 39(4), and Clause 19, proposed Section 39A(2), with 17 U.S.C. section 107.

HKIPA does not object in principle to these expansions of the fair dealing doctrine, especially since the proposed language appears intended to provide assurance that their application in practice will be consistent with Hong Kong's international obligations, and in particular with the 3-step test for permissible limitations and exceptions under the WTO TRIPS Agreement, Art. 13. However, the significance of directing courts to consider the four U.S. fair use factors in applying the newly-eligible uses seems uncertain to us in the absence of any experience with such consideration by the Hong Kong judiciary comparable to that which has been established in U.S. jurisprudence through the accretion of decades of case law precedent in the United States which would not apply in Hong Kong. HKIPA suggests that, in order to provide the apparently intended textual assurance that these new and potentially expansive fair dealing exceptions will be applied in accordance with Hong Kong's international obligations, Section 37 of the Copyright Ordinance should be revised to fully and accurately embody the international 3-step test from which it has already imported two of the three relevant standards. Section 37 currently provides a general rule of construction for applying all exceptions and limitations by

stating that "in determining whether an act specified in this division [Part II, Division III, i.e. covering all exceptions and limitations] may be done in relation to a copyright work notwithstanding the subsistence of copyright, the primary consideration is that the act does not conflict with a normal exploitation of the work by the copyright owner and does not unreasonably prejudice the legitimate interests of the copyright owner". But this formulation omits the "step" requiring that such exceptions and limitations must be confined to "certain special cases", as provided in WTO TRIPS Art. 13. Revising Section 37 to add this first requirement of the TRIPS 3-step test would make clear Hong Kong's intent to adopt legislation expanding its fair dealing doctrine in compliance with its international obligations.

2. Exceptions for education and libraries/museums/archives

HKIPA has no objection to the proposal to expand exceptions to copyright protection for the benefit of educational establishments (Clause 27, proposed Section 45 as amended) and of libraries, museums or archives (Clauses 32 and 33, proposed Sections 51 and 51A), to cover the new communication right. We note that these provisions include important safeguards against abuse, and our position is conditional on these being maintained in the legislation, and scrupulously observed after enactment. These safeguards include: 1) limiting the number of copies to three, of which only one may be accessible to the public at one time; 2) allowing access to the copies only through a computer installed within the premises of the specified library, archive or museum; 3) limiting access to a particular copy to one user at a time; 4) requiring appropriate measures to prevent users from making further copies or further transmitting such copies; and 5) making the exception inapplicable if a license is known to be available under a licensing scheme.

3. Format Shifting

Publishers remain concerned that the proposed media shifting exception for sound recordings (proposed Section 76A, Clause 48 of the 2014 Bill) continues to apply to audiobooks and digitally delivered books that include read-aloud capability. These products represent a growing and critical part of the market, and would be captured by the current definition of "sound recording" in the Copyright Ordinance. We question whether a need for any new exception has been demonstrated with respect to such products (even if it has been shown with respect to sound recordings of musical works). We urge that any media shifting exception be made inapplicable

to sound recordings of literary works, by deleting the word "literary" from proposed Section 76A(1).

4. Online Service Provider Liability Limitations

HKIPA is pleased to note that certain critical features of the 2011 Bill have been brought forward into the 2014 Bill. These include:

- codification of factors for consideration by the courts in adjudicating claims of authorization liability (proposed section 22(2A), Clause 9); and
- limiting the impact of OSP safe harbor provisions to the availability of damages and other pecuniary remedies, leaving intact the discretion of the courts to enter appropriate injunctions to restrain or prevent infringements (proposed section 88B(1), Clause 50).

We also appreciate some valuable clarifications that have been made in the revised draft of proposed Division III-A (Clause 50 of the 2014 Bill). These include the exclusion of intranet services from the definition of "online services" that can benefit from safe harbor provisions (proposed Section 88A); and the requirement in proposed Section 88E that, in order to be effective, a counter-notice from a subscriber must be sent "within a reasonable time" after the subscriber receives notice of the claim of alleged infringement (proposed Section 88E(1)). It is also beneficial to require that the subscriber not only assert his belief that the removal or disabling of access to the material in question was the result of a mistake or misidentification, but that the subscriber spell out the grounds for that belief (proposed Section 88E(3)(d)). This requirement, if rigorously adhered to, could reduce the likelihood of frivolous or dilatory counter-notices.

However, HKIPA is disappointed to note several changes made in the transition from the 2011 to the 2014 legislation that could undermine the effectiveness of the safe harbor framework in spurring cooperative efforts among service providers and right holders to combat the widespread problem of online infringement. In particular, we urge the LegCo to review with extra care the following provisions, and to propose amendments to cure the flaws that have been introduced in the latest version of the legislation:

- Notice for mass infringement situations. While the notice and takedown framework provided by the 2014 Bill may work well in the case of isolated or very low volume online infringements, these are no longer the norm, if they ever were. Publishers and other right holders are increasingly confronted with mass infringement sites and services, in which hundreds or thousands of individual works are simultaneously made available to the public in unauthorized copies. The 2011 Bill, in parallel with comparable laws in other jurisdictions, recognized this reality, by providing that a notice of infringement could be effective even if it failed to identify every work that was infringed so long as it identified "a representative number of such works", if the claim of infringement alleged "that multiple copyright works have been infringed at a single online site" 2011 Bill proposed Section 88C(3)(b). This critical provision has been omitted from Section 88C(3)(b) in the 2014 Bill. HKIPA urges that it be restored, so that the legislation will be able to respond more effectively to the reality of online mass infringement.

- Format and means of submitting notice of infringement. Proposed sections 88C(5) and (6) of the 2014 Bill (which did not appear in the 2011 legislation) empower the service provider to dictate the acceptable form of a notice of alleged infringement (so long as consistent with the statute) and the acceptable means of submitting it. HKIPA does not object to this in principle; *however*, we believe that the most effective notice and takedown systems (as well as other mechanisms to combat online infringement) will be those negotiated cooperatively among service providers and rightholders to accommodate their specific needs and capacities, rather than those dictated in detail by *ex ante* legislation. However, as currently phrased, these provisions may be subject to abuse.

  For instance, under proposed Section 88C(6), although the provider-mandated means of submission "may include electronic means," nothing in the provision rules out excluding such means. Under this provision, a provider could require that all notices be delivered by postal mail or courier, and could refuse to act on those sent electronically (since, under proposed Section 88C(4), a notice that does not comply with Sections 88C(2) and (3) – including with the means of notice mandated by the provider, see proposed Section 88C(2)(d) – "is of no effect"). Given

the velocity of today's online infringement environment, and the critical need for equally speedy responses to it, the statutory framework must guarantee the ability to send valid notices of infringement electronically. This may be accomplished by changing the second parenthetical in proposed Section 88C(6) to read "(which must include electronic means)".

- Accountability for counter-notices. The 2011 Bill, in common with the comparable provisions of many national laws around the world, required as part of a valid counter-notice that the subscriber provide to the right holder claiming infringement the subscriber's contact details for the purpose of enabling service of process in Hong Kong. The 2014 Bill carries forward this requirement (see proposed Section 88E(3)(a)), but then undermines it by suppressing from the counter-notice that will be delivered to the complaining right holder all "personal data" about the subscriber (presumably including the subscriber's name and address), unless the subscriber affirmatively asks for this information to be included (see proposed Section 88E(3)(e)). Since the "personal data" that will be suppressed includes information that would be necessary to initiate a judicial action against the infringing subscriber, the net result is that infringing material identified in a valid notice will be restored to public access, while the right holder is left without the vital information needed to seek a judicial remedy directly against the subscriber. Inadvertently, but inevitably, this anonymity creates an incentive for abuse of the counter-notice process, including the risk of repetitive abuse by repeat online infringers of copyright.

  As HKIPA has pointed out in prior submissions, a major shortcoming of the Administration's policy proposals with regard to OSP safe harbor, both in the form of legislation and in the form of the proposed Code of Conduct for OSPs, is the failure to deal effectively with repeat infringers. This most recent change to the proposed legislation compounds that failure. If an infringing subscriber who files a counter-notice is allowed to withhold his or her identity from the party submitting a valid notice of infringement, the affected rights holder will be unable to determine whether repeat infringement is involved.

HKIPA urges that Section 88E(3)(e) be restricted to the suppression of personal data that is not required in order to enable the complaining right holder to serve judicial process on the subscriber; that it be made wholly inapplicable to the personal data of individual subscribers who are not domiciled in Hong Kong; and that any suppression of personal data be carried out only on an "opt in" basis, so that a subscriber may only exercise this privilege to evade accountability if he explicitly chooses to do so.

5. Additional damages

HKIPA welcomes the provisions of clause 55 that identify two additional factors for the courts to consider in civil cases in deciding whether to assess additional damages for a particular infringement. In particular, we applaud proposed section 108(2)(e), which recognizes that even a single act of infringement may, in today's digital networked environment, enable widespread online infringement of massive quantities of infringing copies, a factor that ought to be taken into account in setting damages. We are concerned, however, about the wording of proposed section 108(2)(d), which addresses efforts to "destroy, conceal, or disguise evidence of the infringement", but only when such efforts take place "after having been informed of the infringement by the plaintiff". We fail to understand why an infringer's effort to hide his wrongdoing through destruction of evidence and other fraudulent means should only count against him for purposes of setting damages after he has been found out, and even more narrowly, only after the plaintiff (and not even a third party, such as the plaintiff's agent) has told the infringer that he has been found out. We urge that the phrase "after having been informed…." be omitted from proposed section 108(2)(d).

6. Criminal liability for infringement of the communication right

HKIPA generally supports the creation of a criminal offense for certain serious infringements of the exclusive communication right, as set out in proposed new Section 118(8B) (Clause 57 of the 2014 Bill). Exposure to criminal liability is necessary to deter and punish unauthorized streaming and other online infringements when they take place on a commercial scale. We do suggest two minor changes that will facilitate achievement of this goal by making the criminal provisions clearer and more readily enforceable.

First, we suggest that the references to a trade or business "that consists of communicating works to the public for profit or reward" be omitted from proposed Sections 118(8B)(a) and (b). As revised, infringing acts of communication that are carried out in the course of any trade or business would presumptively attract criminal liability. It is fair to presume that any intentional act of infringement performed in a business context serves a commercial end and seeks to gain some commercial advantage for the business's proprietor, even if that business consists of something wholly different from the communication of works to the public. (If necessary, an affirmative defense could be provided to allow the proprietor to overcome this presumption.) For example, a website that streamed copyright material without authorization in order to attract users to the site should face criminal liability, even if the site's main business were to provide some good or service other than streaming.

Alternatively, and at a minimum, if any commercial website streamed copyright material without authorization under circumstances giving rise to a reasonable suspicion that part of the site's trade or business was to offer streaming services, a presumption of criminal liability should apply, unless there is evidence to the contrary. Such a presumption would put the exclusive communication right on the same footing as the distribution right or the criminal offense of possession of infringing copies with a view to distribution or public exhibition (see the presumptions established in existing Section 118(1A) or (1B)).

Second, proposed Section 118(8C)(b), directing the court to consider "economic prejudice" in deciding whether an infringing communication was of such extent "as to effect prejudicially the copyright owner" and thus attract criminal liability, may be phrased too narrowly. It is not only in cases in which the infringing communication "amounts to a substitution for the work" that this threshold may be surmounted. HKIPA urges LegCo to consider restoring the corresponding language in the 2011 Bill, under which the court would be directed to consider "the effect of the communication on the potential market for or value of the work". In our view, this formulation much more accurately describes the "prejudicial effect" category of infringements that deserve criminal prosecution. This includes infringements carried out by entities not engaged in a "trade or business" as traditionally defined. For example, if a large academic or scientific institution were intentionally engaged in communicating a large volume of copyrighted material to the public without authorization, causing significant harm to the potential market for the material, it

should not be immune from criminal liability simply because it lacks profit-making status.

Conclusion

HKIPA appreciates this opportunity to offer its perspectives on the Copyright (Amendment) Bill 2014. If there are any questions concerning this submission, please contact the undersigned.

Respectfully submitted

Elvin Lee
Convenor (Hong Kong)
(no signature via electronic transmission)