



April 27, 2007

VIA E-MAIL: co_review@citb.gov.hk

Commerce and Industry Branch
Commerce, Industry and Technology Bureau
Level 29, One Pacific Place
88 Queensway
HONG KONG

Dear Madam or Sir:

The International Intellectual Property Alliance (IIPA) appreciates this opportunity to comment on the Consultation Paper, "Copyright Protection in the Digital Environment."

IIPA and its member associations have been working for stronger and more up-to-date copyright laws and enforcement around the world for more than two decades. IIPA has participated actively in debates concerning the development of copyright law in Hong Kong throughout this period. IIPA members include:

Association of American Publishers (AAP)
Business Software Alliance (BSA)
Entertainment Software Association (ESA)
Independent Film and Television Alliance (IFTA)
Motion Picture Association of America (MPAA)
National Music Publishers' Association (NMPA)
Recording Industry Association of America (RIAA)

IIPA commends the HKSAR government for conducting this consultation, and urges it to move forward expeditiously on amendments to the Copyright Ordinance that will update Hong Kong's copyright law for the digital networked environment. The following comments follow the order of topics on which comments are solicited in the Consultation Paper.

Chapter 1: Legal Liability for Unauthorized Uploading and Downloading of Copyright Works

The main locus of copyright piracy is clearly moving away from the making and distribution of physical copies, and toward the online environment. For some types of copyright

works, this migration is well advanced. Ensuring that Hong Kong's law provides adequate deterrence against piracy in the online environment is thus a matter of considerable urgency.

Although Hong Kong's enforcement authorities have vigorously utilized the legal tools that are currently available to them, such as in the recent Bit Torrent prosecutions, additional tools are needed. Of course, as the Consultation Paper points out, criminal sanctions are not the only means of enforcement against online infringements, but they are a critical means of doing so in situations in which civil relief alone would not provide the needed deterrent impact.

The Consultation Paper uses the terms "uploading" and "downloading," and asks in effect whether the dividing line between criminal and civil liability should be drawn between unauthorized uploading (subject to criminal penalties) and unauthorized downloading (immune from criminal prosecution). These terms may not be as helpful in the current and evolving technological environment as they have been in the past. As the Consultation Paper points out, "a person who uses a p2p software to download a song or movie from the Internet . . . is also offering to other p2p users access to the portions of the work that he has just downloaded as well as the works stored in his own specified folder." Para. 1.11(b). IIPA believes that the key factor in this scenario is that the person described is, through his actions, making a copyright work available to other p2p users, which could mean to everyone in the world with an Internet connection. Whether or not his actions are labeled "uploading," this action is a sufficiently serious threat to the right holder that it ought not to be immune from criminal liability. Among other factors that would make it appropriate to bring a criminal prosecution in such a case would be the nature of the work in question (e.g., was it a title that had not yet been commercially released?); the number of works involved; the length of time that the work was made available through the defendant's actions; the nature of the network to whose users it was made available; and of course the defendant's knowledge and intent.

Nor would it be prudent to take the position that any amount or kind of unauthorized downloading falls outside the reach of the criminal law so long as the act of downloading did not also involve making the work available to others online. Certainly, criminal sanctions ought to be available where persons infringe copyright works on a commercial scale¹ and irrespective of whether there is any motivation of financial gain, such as where there is a high volume of repeated or persistent unauthorized downloading in a non-commercial context. Another situation where criminal sanctions ought to be available is where the relevant infringements are committed with the intention of obtaining a commercial advantage or financial gain, as well as where illicitly downloaded works are used in connection with the operation of a trade or business. At the same time, IIPA recognizes that an isolated instance of unauthorized downloading of works by an individual, unaccompanied by any making available of the illicit copy or any other further use of the work other than consuming it in that individual's household setting, while certainly actionable as an infringement, is not appropriately addressed through criminal sanctions.

¹ For examples of how other jurisdictions have defined "commercial scale" infringement subject to criminal sanctions, please see section 506(2) of title 17, United States Code; section 132AC of Australia's *Copyright Act 1968* (Cth); and sections 136(3A) and 136(6A) of Singapore's Copyright Act (Cap. 63).

IIPA also urges that the HKSAR authorities review current law to ensure that criminal sanctions would be available against persons who induce others to infringe, including by carrying out unauthorized downloading (or uploading). For example, those who, in the course of providing an illicit p2p network, encourage users to infringe, should face criminal liability, even if those persons cannot themselves be shown to have engaged in any specific acts of unauthorized copying or making available. If current law does not clearly allow for criminal prosecution in Hong Kong against the mastermind of such a machine for infringement (assuming that jurisdiction could be obtained over that individual), that gap should be filled as soon as possible.

Chapter 2: Protection of Copyright Works Transmitted to the Public via all Forms of Communication Technology

IIPA strongly supports the introduction of “an all-embracing right for copyright owners to communicate their works to the public in all forms of communication technology,” as discussed in paragraph 2.7. The goal should be to ensure that copyright owners are able to control delivery of their works, regardless of the specific technological means employed. Alongside the familiar distribution channels such as broadcasting or cable transmission, copyright owners must be assured of control over the terms and conditions of dissemination of their creations through downloading from websites, on-demand services, peer-to-peer networks, file-swapping venues, or other new interactive media. Other delivery means such as subscription services, digital broadcasting, and “webcasting” and Internet retransmissions of broadcasts, must also be covered. This right should of course also cover sound recordings and be extended to the performers and producers thereof. The right should be fully enforceable civilly, as with any other exclusive right under copyright, and criminal sanctions should also be available where persons infringe this right on a commercial scale, or in connection with a trade or business, or with the intention of obtaining a commercial advantage or financial gain. This would be an appropriate response to the considerable risk of devastating harm to right holders that would be posed by unauthorized communication to the public of their works, especially over the Internet.

Chapter 3: Role of Online Service Providers in Relation to Combating Internet Piracy

IIPA strongly believes that the optimal relationship between right holders and Online Service Provider (OSPs) with regard to online copyright infringement is one of cooperation. While marketplace solutions – licensing, contracts, indemnification, insurance, and other private risk management methods – must be sought, copyright law has a critical role to play. Rules for copyright liability, responsibility and remedies should maximize incentives for such cooperation.

As the Consultation Paper points out, the Hong Kong courts have yet to rule on the application of the concept of “authorisation liability” to the acts or omissions of online service providers (OSPs) with regard to copyright infringement carried out over their networks. If the Consultation Paper (paragraph 3.6) is correct that OSPs do not risk liability for such infringements unless they have “authorised the infringing acts of their clients or deliberately collaborated with the infringers to undertake the piracy activities,” then the law may not be fulfilling its role to provide strong incentives for cooperation between right holders and OSPs to detect and deal with online piracy.

Whether through elaboration by the courts of the contours of authorisation liability in this context, or through legislative action, Hong Kong must ensure that its legal regime for indirect liability is sufficiently robust and that it provides strong incentives for cooperation. In this effort Hong Kong may be guided by principles recognized in similar legal systems. For example, in Australia, the following factors have been codified for consideration by the courts in adjudicating claims of authorisation liability: (a) the extent (if any) of the person's power to prevent the doing of the act concerned; (b) the nature of any relationship existing between the person and the person who did the act concerned; and (c) whether the person took any reasonable steps to prevent or avoid the doing of the act.²

A firm and comprehensive foundation for such indirect liability is an essential pre-requisite to consideration of how that liability ought to be limited for those OSPs who concretely cooperate in the fight against piracy. In particular, it would be illogical and counterproductive to enact any statutory notice and takedown procedures before sound doctrines of indirect liability for infringement are in place. Furthermore, to make liability of an OSP depend upon some formal notification process creates exactly the wrong incentive: it encourages the OSP to remain passive, to look the other way and to make no meaningful efforts to avoid facilitating infringements in the electronic marketplace.

HKSAR should consider bringing the new indirect liability rules into force as quickly as possible and then set deadlines for the conclusion of inter-industry agreements under which the exposure of OSPs to liability could be ameliorated if they conform to best practices. It may be necessary to enshrine these practices in statute or regulation, at least unless and until they are superseded (or supplemented) by some form of inter-industry code of conduct. We also note that it is important to maintain flexibility in the OSP liability regime, since technology and markets are evolving rapidly, and the requirements for effective cooperation against online piracy can be expected to change constantly.

Certain features are indispensable if the parameters for cooperation are to be effective:

1. Any OSP seeking to benefit from any limitations on its liability for online infringements should meet certain preconditions. These include:

- Implementation of a meaningful and practical system for identifying and warning those subscribers or customers whom it learns are involved in infringing activity, and for terminating their accounts or cutting off service to them in the case of serious or repeat infringements;
- Maintaining and retaining sufficient data on its subscribers or customers to implement a sound repeat infringers policy, and to respond to legitimate requests from rightholders, as discussed more fully in the next section of this submission;
- Reasonable cooperation with rightholders on the development and deployment of technological means aimed at protecting copyright.

² See Section 36(1A), Copyright Act 1968.

2. Any “notice and takedown” system that is adopted should, among other criteria:
 - Be triggered by written submission (including by electronic means) by any authorized representative of the right holder, to a publicly designated representative of the service provider, of information sufficient to allow the service provider to locate the site, material, and link or other online locus in question;
 - Be designed to accommodate a high volume of notices and a high degree of automation in sending and responding to notices;
 - Omit any requirement for intervention by, or referral of the notification to, a third party prior to the provider’s responsive action upon it³;
 - Require OSPs to act expeditiously to remove or disable access to infringing activity in response to a notification from right holders, as well as in situations in which it learns of infringing activity through other channels;
 - Include reasonable provisions for restoration of material erroneously taken down through mistake or misidentification;
 - To the extent that service providers cannot protect themselves through contractual safeguards, insurance or otherwise, include protection of service providers from liability to their customers for material taken down in good faith in response to a notification;
 - Be a supplement to, not a replacement for or prerequisite to, judicial enforcement against infringement (including specifically the availability of appropriate injunctive relief);
 - Be accompanied by a judicial or administrative procedure enabling right holders or their representatives to speedily obtain disclosure from an OSP of identifying information in its possession about alleged infringers (see discussion in next section).

3. The result of compliance with notice and takedown and other elements of the framework for cooperation should not be a blanket immunity from liability, but rather a limitation on available remedies. In particular, right holders must retain the ability to obtain injunctions to prevent ongoing infringements and/or preserve evidence. Rapid, effective and enforceable injunctive orders may be all that stands between a single pirate site in Hong Kong and the nearly instantaneous dissemination of its illicit wares around the globe.

³ Nor should the OSP’s expeditious response to a notice from the right holder be delayed for prior notification to the subscriber before a takedown. Infringing postings, especially of material not yet released to the public, can inflict enormous damage in a very short time frame, so in responding to them, time is ordinarily of the essence. While such notification to the subscriber may be a useful adjunct, it is no substitute for the needed prompt action to prevent further damage. The goal must be a true “notice and takedown” system, rather than “notice and notification.”

Adoption of a framework for cooperation along these lines, whether as the result of legislation, of inter-industry negotiation, or a combination of these means, would provide a way for the vast majority of cases of online infringement to be handled quickly, efficiently, and without burdening the courts. Perhaps more significantly, it would provide a pathway toward the goal of a significant reduction in the incidence of online piracy activities within Hong Kong.

Chapter 4: Facilitating Copyright Owners to Take Civil Actions against Online Infringement

IIPA strongly supports the establishment of a specific mechanism under the Copyright Ordinance through which “copyright owners [could] request Internet Access Service Providers (IASPs) to disclose the identity of clients engaged in online infringing activities” (see Para. 4.15(a)). The alternative of applying to courts for Norwich Pharmacal orders is impractical due to the enormous expense entailed by such proceedings. Additionally, the courts ought not to be burdened with the operation of what ought to be a relatively automatic mechanism for achieving greater transparency and accountability by enabling the right holder to pursue the primary infringer directly rather than indirectly through litigation against the IASP.

We do not consider that such a mechanism presents insoluble privacy problems. Responsible IASPs ought to obtain the consent of their subscribers in advance to the application of such a procedure in any case in which the right holder presents to the IASP reasonable evidence that its facilities or networks have been used for the purposes of infringement. Disclosure of information (such as the customer to whom an Internet Protocol address was assigned on a particular date and time) should be prompt upon presentation of such evidence, with sanctions for non-compliance if the IASP refuses to cooperate. One disclosure mechanism that the HKSAR government may draw guidance from is the expedited subpoena regime enacted in the United States, under which copyright owners, on the provision of certain information, may request the clerk of any United States District Court to issue a subpoena to a service provider to identify an alleged infringer.⁴ To ensure the effective operation of any such disclosure mechanism, and in furtherance of the important goal of transparency, IIPA submits that the preservation of subscriber data for a reasonable period of time, to the extent necessary to identify alleged infringers, is needed.

Chapter 5: Statutory Damages for Copyright Infringement

IIPA strongly supports the introduction of a regime under which right holders who bring civil infringement suits could elect to seek pre-set statutory damages rather than being restricted to actual damages, which may be very difficult to prove, especially in the online environment. It may be impossible to establish, for instance, exactly how many unauthorized copies were downloaded from a particular site or transferred on a particular peer-to-peer system. Without the option of statutory damages, it is very unlikely that the right holder in this situation would be able to prove his damages in order to be able to achieve full compensation. It is even more certain that the damages awarded in such a case under current law would not “constitute a deterrent to further infringements,” as required by TRIPS Art. 41.1. Furthermore, in any civil infringement case, whether online or offline, the availability of pre-set statutory damages would

⁴ See section 512(h) of Title 17, United States Code.

reduce uncertainty about a defendant's potential exposure, and thus would encourage early settlement of cases, to the benefit of all parties, including the Hong Kong court system. Statutory damages systems have achieved these benefits in the growing number of countries in which such systems have been introduced, including the United States. Hong Kong would do well to follow this trend.

Chapter 6: Copyright Exemption for Temporary Reproduction of Copyright Works

We urge the HKSAR to proceed with great caution before expanding the existing exceptions to the reproduction right in the case of transient or temporary reproductions. Any such exceptions must be narrowly focused, to reflect the growing importance of transient copying as a central means of exploitation of copyrighted materials. As more and more of that exploitation occurs in a digital environment and in an online setting, increasingly the full value of a copyrighted work may be extracted simply by gaining access to a copy of it that exists for only a relatively short duration, without any need to acquire a "permanent" copy that remains accessible indefinitely. It is thus especially critical, in order to comply with the globally applicable three-step test for acceptable exceptions and limitations to protection (see paragraph 6.10(c) of the Consultation Paper), to make sure that the scope of any exception for temporary copying does not spill over into the zone of conflicting with a normal exploitation of the work, now that access to a temporary copy is becoming a normal form of exploitation.

In this regard, IIPA takes exception to the statement in paragraph 6.10(a) that "it is unlikely that the making of a temporary copy of a copyright work as part of the technical process of using or transmitting a digital version of the work would affect the right owner's normal exploitation of the work or cause any significant financial harm to the right owner." This statement ignores the reality summarized in the preceding paragraph regarding the economic significance of temporary copies. For example, in the application service provider (ASP) model for business software applications, a customer may never acquire a permanent copy of a computer program, but simply the right to access the program remotely from the ASP, who handles all updates, maintenance and support. Under this model the customer creates and uses a transient copy when and as needed, and the right to make that copy is the core of the service for which he pays the ASP. Erosion of the exclusive reproduction right for temporary copies would undermine the viability of this business model in Hong Kong. Similar examples could be provided from other industry sectors as well.

In order to minimize the risk that an expanded exception in this area will violate the 3-step test, any expanded exception should be confined to the situation in which an incidental transient copy is made as part of a transaction that has already been authorized by the relevant rights holder(s). This would be sufficient to prevent any overreaching or "double dipping" by right holders seeking to make such incidental reproduction, in addition to the principal transaction, a licensable event.

IIPA is not aware of any compelling need to expand the existing exception under Section 65 of the Copyright Ordinance. On the contrary, IIPA believes there is a strong argument that the existing exception in Section 65 of the Copyright Ordinance should be narrowed so that it only applies where the work from which the transient and incidental copy is made is a licensed copy of the work. The Consultation Paper (para. 6.2) states that, while Section 65 clearly covers copies made in RAM or hard disk cache of the computer of a person who is receiving a

streaming transmission via the Internet, it “may not cover all other temporary reproduction of copyright works by digital devices.” See also para. 6.11(b), seeking comments on an expanded temporary copy exception “e.g., in the course of using copyright works on digital devices.” We question whether an exception that covered “all temporary reproduction of copyright works by digital devices” could possibly comply with the 3-step test, especially in light of the increasing economic significance of temporary copies. In our view, nothing set forth in the consultation would justify this expansion, and we urge that consideration of it be deferred.

The Consultation Paper also asks about an exception for “caching activities undertaken by online service providers.” Paragraph 6.11(a). IIPA believes that any such new exception ought to be subject to a number of conditions, including but not limited to the requirement stated above that restricts its application to an authorized transaction. We note that, under US law, several other conditions for system caching by an online service provider are laid out in 17 USC 512(b), and that even satisfaction of all these conditions does not create a full exception to liability, but rather simply a limitation on remedies. In particular, for the reasons stated above, it is essential that the ability of a right holder to obtain an injunction against unauthorized reproduction, including reproductions made in the course of “caching activities,” be preserved.

IIPA appreciates your consideration of our views. If we may provide further information or answer any questions about this submission, please do not hesitate to contact the undersigned.

Respectfully submitted,



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