

HONG KONG

INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE (IIPA)

2012 SPECIAL 301 REPORT ON COPYRIGHT ENFORCEMENT AND PROTECTION

Special 301 Recommendation: IIPA recommends that USTR actively monitor developments in Hong Kong during 2012 with respect to the issues discussed in this Special Mention report.¹

LEGISLATIVE ISSUES

Hong Kong enforcement authorities are actively engaged in efforts to combat piracy in the Hong Kong Special Administrative Region (HKSAR), and in general have close and productive working relationships with right holder organizations. However, the HKSAR Government has long recognized that its Copyright Ordinance needs updating for the digital networked environment, and in 2011 took some important steps forward in the protracted process of making those updates.²

The Copyright (Amendment) Bill 2011 was presented to the Legislative Council in June. The Bill included several progressive features, such as recognizing an exclusive “making available” right for on-demand dissemination of copyright works, and providing criminal remedies for violations of this right in appropriate cases. At the same time, the Bill fell short in several areas of constituting an effective response to the challenges facing copyright owners in the Hong Kong market today and tomorrow. For instance, the Bill omitted any provision for pre-set statutory damages, which would provide greater certainty and deterrence in situations in which actual damages are difficult to prove, including but not limited to online infringements.

Of course, a major focus of the entire digital environment law reform effort in Hong Kong has been a more effective response to online piracy. The problem is serious there, with high levels of music piracy taking place via “forum sites,” such as uwants.com and discuss.com.hk; infringing distribution hubs like Filesonic; and peer-to-peer (P2P) file sharing services using protocols such as BitTorrent, eMule, and Xunlei. A critical goal for legislative reform must be to provide strong legal incentives for service providers to cooperate with right holders in order to deal with the problem. The government’s legislative approach focuses on establishing a “safe harbor,” within which service providers who take “reasonable steps to limit or stop infringement” may be immune from damages. While this is similar to how other jurisdictions have approached the problem, Hong Kong’s safe harbor proposal falls short of global best practices in some important ways.³

One of the most critical gaps is the lack of any effective policy to identify and deal with repeat infringers of copyright, who inflict a disproportionate share of the harm to copyright owners and to legitimate e-commerce that results from online infringement. While the government has pre-emptively dismissed one approach to such a policy – a statutory graduated response system – it has presented no alternative. Hong Kong’s Bill would allow a service provider to claim immunity from damages without having taken any steps to deal appropriately with those who persistently use their services to infringe. Hong Kong should be strongly encouraged to follow the lead of the many other jurisdictions that have made implementation of repeat infringer policies a vital pre-requisite to qualification for any online infringement safe harbor.

¹For more details on Hong Kong’s Special 301 history, see IIPA’s “History” appendix to this filing at <http://www.iipa.com/pdf/2012SPEC301HISTORICALCHART.pdf>, as well as the previous years’ reports, at <http://www.iipa.com/countryreports.html>. For a summary of IIPA’s 2012 global issues, see our cover letter at <http://www.iipa.com/pdf/2012SPEC301COVERLETTER.pdf>

²The process began with issuance of a consultation document in December 2006.

³The Bill should also be revised so that the statutory exceptions to the reproduction right with regard to temporary copies made by service providers are folded into the safe harbor structure rather than free-standing exceptions. In other words, service providers who make temporary copies under the conditions specified should be immune from monetary damages, but not necessarily from injunctive relief in an appropriate case.



The same fundamental flaw undermines the Hong Kong Government's proposal for a Code of Practice for Online Service Providers, compliance with which would support a service provider's claim to safe harbor status. Neither the original version of the Code that was published for public comment in August 2011, nor the revised second draft that was issued on January 31, 2012, addresses the repeat infringer issue. In its most recent draft, the Code of Practice sets forth procedures for both a "notice and takedown" system (for removing infringing hosted material or links to such materials), and a "notice and notice" system (for providing warnings to subscribers who employ network services to engage in infringement via peer-to-peer (p2p) services and similar means). But in neither case is the service provider required to take any steps to deal with repeat infringers, or even to identify who they are. Nothing in the Code requires service providers even to correlate a given notice of infringement with previous notices in order to determine whether this particular notice involves a repeat infringer. In effect, a service provider can remain in the safe harbor even if it receives (and forwards) 10, 100 or 1000 infringement notices about the same subscriber, and yet chooses not to do anything else about it. Under such circumstances, it is extremely unlikely that the notice-and-notice system set forth in the Code of Practice will accomplish anything of value; instead, it will squander resources that would be better expended in identifying repeat infringers and dealing with their persistent misconduct.

The Hong Kong Bill also lacks any provision to expedite the identification of online infringers, such as by requiring service providers to respond to right holder requests for such information. The most recent draft of the Code of Practice compounds the problem. It would allow a subscriber who posts infringing material that is taken down in response to a right holder notice to file a "counter-notice," thus triggering a reinstatement of the material in question, but also to prohibit the service provider from disclosing the subscriber's contact information to the right holder when it notifies the latter of the reinstatement. This "opt out" provision undercuts the entire purpose of the counter-notice concept, which is to allow the service provider to step out of the dispute, restore the *status quo ante*, and enable the right holder to proceed directly against the subscriber in an infringement action. It should be deleted.

The revised draft of the Code of Practice omits any reference to the situation in which a service provider learns about infringing activities through some mechanism other than a notice from a right holder. While this deletion makes sense (such situations do not fit well into the "notice and takedown" framework), it must be clarified that the service provider nonetheless must act when it gains actual knowledge of infringing activity, or of facts or circumstances leading inevitably to that conclusion, if it wishes to claim the safe harbor. In other words, while the Code of Practice applies to how a service provider may achieve safe harbor status in responding to notices of infringement from right holders, it does not apply when it learns of infringement through other means. Removing any impediments to enforcement of terms of service that ban use of facilities for infringement, or to other voluntary measures to ensure that finite bandwidth and other resources are not squandered on clearly illegal activities, is an essential element of the overall strategy to rid the Hong Kong e-commerce marketplace of online piracy.

IIPA appreciates that the revised Code of Practice replaces the arbitrary time limits for service provider action in response to a compliant notice with the requirement that the service provider act "as soon as practicable." We also commend the provision requiring records of notices received and processed to be preserved for 18 months, but note that the Code should include reasonable requirements that the service provider consult these records in order to identify repeat infringers, especially in situations in which the identity of the infringing subscriber ordinarily cannot be known to the right holder (e.g., in the P2P scenario). We also urge the drafters to re-examine the decision to require the right holder to include in each infringement notice information such as the date of creation or first publication of the work. This data is of no relevance, and requiring its inclusion significantly increases the risk that a notice will be rejected as defective, or even that the right holder might be liable for an inadvertent error in this data element, especially since the infringement notice must take the form of a statutory declaration. Such a result would discourage use of the notice process, and thus limit the right holder's ability to protect its copyrighted works online, which is the opposite of the stated legislative intent.

Finally, although the question of new criminal penalties for online piracy activities was discussed in the consultation process leading up to the drafting of the Bill, Hong Kong authorities ultimately decided to omit them, on the ground that existing criminal provisions were sufficient. However, recent experience in the Hong Kong courts

casts doubt on this conclusion. Because it is difficult to prove an element of commercial gain in some online infringement cases, even when the activity inflicts substantial damage on the right holder, some Hong Kong magistrates have imposed extremely lenient sentences (small fines, a short period of community service, or even an unconditional discharge) in several recent cases, including on defendants who posted cyberlocker links to infringing pre-release material. This has occurred despite clear guidelines from the Court of Appeal, in the case of *Secretary for Justice v Choi Sai Lok*⁴ and from the Court of Final Appeal in *HKSAR v Chan Nai Ming*.⁵ Those guidelines provide that custodial sentences should be imposed in copyright piracy cases, even those in which a commercial motivation cannot be proven, unless “truly exceptional circumstances” are present. Hong Kong courts should consider issuing additional guidelines to assist trial courts in imposing consistent, proportional and deterrent penalties for online copyright offenses in Hong Kong.

⁴ [1999] 4 HKC 334

⁵ [2005] 4 HKLRD 142; [2007] 1 HKLRD 95; [2007] 2 HKLRD 489