

# **Preliminary Proposals for Strengthening Copyright Protection in the Digital Environment**

## **Introduction**

This document sets out the results of a public consultation exercise on “Copyright Protection in the Digital Environment” conducted in 2007, and presents the Administration’s preliminary proposals.

## **Public consultation exercise in 2007**

2. The Government is committed to upholding a robust copyright protection regime. This helps provide an environment conducive to the sustainable development of our creative industries. We believe that our copyright protection regime should also facilitate advancement in technology and innovation in disseminating digital content, thereby helping Hong Kong develop into an internet service hub.

3. To meet the challenges posed by advances in technology, we issued a consultation document in December 2006 to seek public views on whether and if so how our copyright protection regime should be strengthened in this digital era. The main issues raised in the document include (a) whether unauthorised file sharing of copyright works and/or unauthorised downloading should be criminalised; (b) whether protection of copyright works transmitted to the public should be made technology neutral, rather than being tied to certain modes of transmission; (c) what role online service providers (OSPs) should play in combating internet piracy; (d) whether legislation should be introduced to facilitate copyright owners in taking civil actions against online infringement; (e) whether statutory damages should be introduced into the copyright law; and (f) whether the existing scope of copyright exemption for temporary reproduction of copyright works should be expanded.

4. The public consultation exercise ended in April 2007. We received over 600 submissions, mostly from individuals. Annex A gives the gist of the views expressed.

5. Copyright owners considered that internet piracy was so rampant and blatant that further protection by way of legislation was called for. The users, most trade associations as well as some professional groups were concerned about the possible adverse impact that such legislation might have on

the free flow of information on the internet, personal data privacy, and the development of Hong Kong as an internet service hub. The majority view was against casting the criminal net to catch unauthorised downloading activities.

6. The practitioners in the intellectual property field including members of the legal profession were divided on whether the legislative changes demanded by copyright owners to facilitate the pursuit of civil actions, in particular the prescription of statutory damages, should be introduced. Those not in favor questioned whether the mechanism currently available to copyright owners in asserting their civil rights against online infringements were causing insurmountable problems to the extent that warranted such draconian relief measures as fettering the court's discretion in determining the appropriate damages.

7. There existed strong voices for trying out voluntary measures such as industry guidelines or a code of practice for OSPs before consideration was given to going down the legislative route.

### **The Administration's Preliminary Proposals**

8. We have carefully analysed the views received. In formulating the Administration's position on the various issues, we have also taken into account the experience of as well as latest developments in different jurisdictions overseas, including the UK, US, Singapore, Australia, and Korea. Our proposals and the underlying considerations are set out in the ensuing paragraphs.

*(a) Introduce a right of communication covering all modes of electronic transmission for copyright works, with related criminal sanctions against the breach of this right*

9. Advances in technology in recent years not only inject impetus into the development of internet and digital content, they also give copyright owners a wider choice of avenues (e.g. webcasting, on-demand services etc.) to disseminate their copyright works. Given the pace at which technological developments are unfolding in recent years, we believe our copyright law should be made more forward-looking.

10. The existing Copyright Ordinance (Cap. 528) (“the Ordinance”) recognises copyright owners’ rights to disseminate their work through certain specific modes of transmission, including the rights to “broadcast” a copyright work, to include it in a “cable programme service” or to “make it available” to the public by wire or wireless means including on the Internet. When making a civil claim, a copyright owner has to demonstrate that the unauthorised act has infringed his right and done so vide a mode that falls under one or more of the prescribed categories. While the specified modes of transmission may still meet today’s needs, we see a case for introducing an all-embracing right of communication which could encompass future developments in electronic transmission. This will facilitate copyright owners in exploiting their works in the digital environment and is conducive to the development of digital content and advance technology in digital transmission.

11. Ancillary to the introduction of this all-embracing right of communication, we have to consider whether and if so what criminal sanction should be brought in. A blanket criminalisation of all unauthorised communication might cast the net too wide and entail far-reaching unwanted implications. In the interest of clarity and certainty on one hand while ensuring that legitimate/fair use of copyright works would not be affected on the other, we propose that criminal sanctions should be introduced against acts of making/initiating unauthorised communication to the public in defined circumstances, namely –

- (a) where communication is made for the purpose or in the course of business (being a business conducted for profit, which includes the provision to the public of a service consisting of unauthorised communication of copyright works); or

- (b) where, other than for the purpose or in the course of business, communication is made by “streaming”<sup>1</sup> the copyright work to the recipients and the communication is made to such an extent as to affect prejudicially the copyright owner.

12. The proposal to criminalise unauthorised communication in the “business context” mirrors the existing sanctions as regards distribution of infringing copies for profit. For the “non-business context”, we propose that the criminal sanction to be brought in should be confined at this stage to unauthorised communication of copyright works by “streaming”. This would tackle the proliferation of such unauthorised communication of copyright works, which is at present one of the most common forms of copyright infringement causing undue prejudice to owners; while ensuring that the criminal net would not be cast too wide as to create uncertainty or affect normal sharing of ideas/information through electronic means. We will regularly review the provisions in the light of advances in technology to ensure that they remain adequate for meeting the prevailing needs, especially having regard to the rampancy of any infringing activities and the potential harm caused.

- (b) *Introduce a copyright exemption for temporary reproduction of copyright works by online service providers (“OSPs”), which is technically required for (or enables) the transmission process to function efficiently*

13. To facilitate the development of Hong Kong as a regional internet service hub, we propose to provide a new exemption for temporary reproduction of copyright works by OSPs, which is transient or incidental in nature, and is technically required for (or enables) the transmission process to function efficiently. This exemption will cover the “caching” activities<sup>2</sup> undertaken by OSPs, which help save bandwidth and are indispensable for efficient transmission of information on the internet.

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<sup>1</sup> “Streaming” is a technology for transferring data (usually multimedia data) such that the data can be processed as a steady and continuous stream. Very often, the technology enables users to view or listen to a work online though, unlike downloading, users will generally not be able to retain a complete copy of the work after streaming.

<sup>2</sup> It refers to the storing or caching of web content by OSPs on their proxy servers so that the content can be quickly retrieved in future requests.

14. While the proposed exemption will be beneficial to society as a whole, we are mindful that it should not compromise the legitimate interests of the copyright owners. In line with the “three-step test<sup>3</sup>” laid down under the World Trade Organization’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), we propose to qualify the exemption by limitations such as the following –

- the exemption only applies to communication that is not infringing;
- the exemption should be subject to any express prohibitions imposed by copyright owners/licensees in the form of any commonly available or adopted measures (i.e. the copyright owners could opt out); and
- the content as contained in the original version should not be modified during the reproduction process.

15. The proposed exemption would have to be carefully crafted to guard against abuse. We would make reference to similar exemptions in other jurisdictions (e.g. the UK) and take into account the views of the relevant stakeholders as appropriate.

***(c) Facilitate the drawing up of a voluntary code of practice for OSPs in combating internet infringements, the compliance with which or otherwise will be prescribed in law as a factor that the court shall take into account when determining whether an OSP has authorised infringing activities committed on its service platform***

16. The healthy development of the internet sector is of fundamental importance to maintaining Hong Kong’s competitiveness in the global economy. While we should avoid over-regulation of the internet sector lest this may stifle the free flow of information and the development of the internet industry, we need to put in place vigorous measures to minimise the use of the internet as a platform for massive infringements. Many would agree that OSPs are well

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<sup>3</sup> The “three-step test” requires that the exceptions to copyright restriction should (1) be confined to “special cases”; (2) not conflict with a normal exploitation of the work concerned; and (3) not unreasonably prejudice the legitimate interests of the copyright owner.

placed to help combat internet piracy and hence should play an active role in this fight.

17. We propose to facilitate the process of drawing up a code of practice for OSPs in protecting copyright in the internet environment. We will establish a tripartite forum comprising representatives from OSPs, copyright owners and users to explore the merits of different systems (e.g. a “Notice and Notice” system<sup>4</sup>) and to draw up details and plans for implementing the agreed system(s), such as authentication of the notices, indemnity and cost implications etc. To provide incentives for OSPs to comply with the code of practice, we suggest amending the law such that compliance with the code of practice would be a factor that the court shall take into account in determining whether or not an OSP has authorised an infringement committed on its service platform.

18. The drawing up of a code of practice for OSPs will be a major step forward in enhancing the industry’s contributions towards the fight against internet piracy. The Administration will closely monitor the progress made in drawing up the code and its effectiveness in combating internet piracy. If necessary and in the light of experience both local and overseas, the Administration will consider providing an appropriate legislative framework to facilitate implementation of the agreed systems.

***(d) Continue to rely on the “Norwich Pharmacal” principles, as opposed to introducing an alternative infringer identity disclosure mechanism that is not subject to scrutiny by the court***

19. For copyright infringements committed on the internet, the identity of the online infringer is often unknown to the copyright owner, and difficult to track down unless with the cooperation of the relevant OSP. At present, copyright owners may rely on the “Norwich Pharmacal” discovery procedure to obtain a court order demanding disclosure from the relevant OSP (notwithstanding that it may be an innocent third party to the action) when it is the only practicable source of information. Nevertheless, some copyright owners claimed that the Norwich Pharmacal proceedings were slow and costly. They demanded the provision of a simpler and more expedient mechanism,

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<sup>4</sup> In short, if a copyright owner finds that a copyright infringement occurs on an OSP’s service platform, he/she may issue a notice in a prescribed form to the OSP concerned, who would then relay the notice or issue a warning notice to the alleged infringer.

such as the subpoena system in the US, whereby a copyright owner may request the clerk of any US District Court to issue a subpoena to an OSP for the identification of an alleged infringer by furnishing certain prescribed information, without scrutiny by the court.

20. While noting copyright owners' concerns, the Privacy Commissioner for Personal Data considered that the mere need for a "quick and inexpensive" alternative mechanism to facilitate effective enforcement of civil rights was not a sufficient justification for invasion of personal data privacy. Users were also concerned that the alternative mechanism might be subject to abuse and worried that their personal data would be used for other ulterior motives. Whilst the existing "Norwich Pharmacal" mechanism for obtaining disclosure may not be perfect for pursuing civil claims against infringements on the internet, we are yet to be convinced that the difficulties experienced are such as to warrant putting in place an alternative infringer identity disclosure mechanism that bypasses judicial scrutiny and which may compromise the protection of personal data privacy.

21. That said, we stand ready to explore other ways to facilitate the copyright owners in taking civil actions against online infringements. We will further discuss with stakeholders to explore opportunities for streamlining the disclosure mechanism, with our baseline being that any such mechanism should be subject to the court's scrutiny. Furthermore, in the tripartite forum referred to in paragraph 17 above, we would, for instance, put forth the idea of requiring the relevant OSPs to retain records of the relevant infringing activities by the alleged infringer if and when "Norwich Pharmacal" proceedings have been triggered, as a line of conduct for inclusion in the code of practice for OSPs.

***(e) Prescribe in law additional factors to assist the court in considering the award of additional damages, in lieu of introducing statutory damages for copyright infringement actions***

22. Under the Ordinance, a copyright owner in an infringement action may seek damages to compensate for the loss he suffered. The nature of damages is compensatory<sup>5</sup> and, as a general rule, the plaintiff has to prove to the court the loss he suffered and that the infringement in question is the

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<sup>5</sup> Copyright infringement is a statutory tort. Damages in tort are generally awarded to place the claimant in the position he/she would have been had the tort not taken place.

effective cause of the loss. Copyright owners have called for the introduction of statutory damages, whereby a range of damages would be prescribed by the legislature, in the interest of relieving their burden to prove actual loss, reducing legal cost and helping deter future infringements. We are not aware of any example of statutory damages for tort actions in Hong Kong. In other words, the introduction of statutory damages into our intellectual property rights protection regime could have far-reaching implications on other civil proceedings. Moreover, we envisage substantive difficulties in specifying a range (or ranges) of damages that could do justice over a wide spectrum of infringements, ranging from massive blatant cases to innocent ones.

23. Having said the above, we recognise that the process of proving the extent of actual loss, in particular, in the digital environment is often fraught with difficulties. We hence propose to prescribe in law additional factors to assist the court's determination of additional damages. The factors may include –

- the conduct of the defendant after the act constituting infringement. For example, attempts to hide or disguise infringements or to take other action prejudicial to the copyright owner;
- the possible widespread circulation of the infringing copy via digital transmission in the case of internet piracy; and
- the need to deter similar infringements of copyright.

***(f) Refrain from introducing new criminal liability pertaining to unauthorised downloading and peer-to-peer (P2P) file-sharing activities***

24. Under the Ordinance, it is an offence for a person to, amongst others, distribute an infringing copy of a copyright work in a “business context”<sup>6</sup> or otherwise to such an extent as to affect prejudicially the copyright owner. In our view, this offence provision is wide enough to cover both the distribution of infringing copies in the physical and the digital environment,

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<sup>6</sup> It refers to the distribution of infringing copies for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works.



such as distribution of infringing copies by uploading them on an online service platform or via a P2P file-sharing network. We consider the current coverage coupled with the introduction of the new criminal sanctions associated with introduction of the communication right discussed in paragraph 11 above sufficient. Hence, we propose to maintain the existing criminal liability pertaining to distribution of infringing copies.

25. Under the existing law, the act of unauthorised downloading of copyright works entails civil liability. The issue of criminalising unauthorised downloading activities is highly controversial. There were ample discussions in the community since 2000 as regards how wide the criminal net should be cast to combat copyright infringements. The existing formulation of the criminal sanctions reflects the consensus in the community not to criminalise the act of mere purchasers and users of infringing copies or products, with the exception of business end-users in a limited context<sup>7</sup>. Since the existing law does not criminalise those purchasers or users of pirated products, it would require very strong justifications to introduce an asymmetric legal regime solely for the sake of internet piracy. In the absence of such justifications and consensus, we propose to maintain the existing legal position pertaining to unauthorised downloading activities.

26. As regards file-sharing activities using P2P technology, we note that it is a feature of P2P technology that all participating P2P users (“participants”) will contribute their computing power and bandwidth to facilitate file-sharing and if online connection is maintained, the downloaded material will be shared amongst participants. While the Court of Final Appeal’s decision in Chan Nai-ming’s case<sup>8</sup> affirmed that the initiator of file-sharing activities using P2P technology may be liable to an offence of prejudicial distribution, there is as yet no court case or authoritative ruling on the legal liability that a participant may attract. We consider that our existing regime is already wide enough to catch those participants with guilty intent. Depending on his/her role in the file sharing activities and other relevant circumstances, a participant, by his/her conduct and with the necessary mental element, may have already committed the offence of distributing infringing copies to an extent prejudicial to the interest of the copyright owner. We

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<sup>7</sup> The criminal sanctions (section 118(2A)) are now limited to business end-users in possession of infringing copies of the following four categories of works for use in the course of business, namely computer programs, movies, television dramas and musical recordings (sound or visual).

<sup>8</sup> HKSAR v. Chan Nai-ming FACC 3/2007.

therefore do not see a need to introduce additional and specific criminal sanctions against unauthorised P2P file-sharing activities. Instead, we would continue to place our focus on combating upstream infringements (i.e. those who distribute infringing copies) and infringements in the business context.

### **New Issue - Media shifting**

27. Though the subject is not covered in the consultation document, some respondents suggested that the Government should provide an exception as regards media or format shifting<sup>9</sup>. There have also been some important developments in other jurisdictions since December 2006. Australia introduced two new copyright exceptions which allow owners of legitimate copies of sound recordings and certain types of other copyright materials to make a copy of the recordings or materials for private and domestic use under certain specified circumstances. This would, for example, allow the owner of a genuine CD to make a copy of the recording to play on a portable device for his own personal enjoyment. The UK Government also released a consultation paper early this year, which proposed legislative changes including a format shifting exception. The New Zealand Parliament is currently scrutinising a legislative proposal which provides for a format shifting exception.

28. In the light of these developments, we are inclined to provide a similar exception which would provide greater flexibility for the legitimate use of copyright work. A note on the subject including the key issues is at Annex B.

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<sup>9</sup> Format shifting is the practice of copying material from one format to another (e.g. copying musical recordings from audio CD to the embedded memory of a portable music player).

**Summary of views sought**

29. Yours views are sought on -
- (a) the Administration's preliminary proposals as set out in paragraphs 9 to 26 above; and
  - (b) the proposal to introduce a media shifting exception in the legislative package and the scope of the exception (paragraphs 27 to 28 and Annex B).

Commerce, Industry and Tourism Branch  
Commerce and Economic Development Bureau  
April 2008

**Copyright Protection in the Digital Environment  
Summary of Views Received**

<u>Chapter 1</u>	
<b>Issue :</b>	<b>Whether and if so how the scope of criminal liability should be expanded to combat unauthorised uploading and downloading activities in Hong Kong</b>
<b>Views Received :</b>	<p><i>Users (including most of the major trade associations, the education sector and general users):</i></p> <ul style="list-style-type: none"><li>• <i>The existing regime already provided sufficient copyright protection. Introduction of any new criminal sanction would affect normal business operation and deter the use of internet for information dissemination.</i></li><li>• <i>Infringing materials on the internet were hard to distinguish and innocent people might inadvertently fall into the criminal net.</i></li><li>• <i>Criminalisation might dampen Hong Kong's momentum in developing into an internet service hub and increase the operating costs of local companies.</i></li><li>• <i>Currently, it was not an offence for purchasing or acquiring infringing products.</i></li></ul> <p><i>Copyright Owners:</i></p> <ul style="list-style-type: none"><li>• <i>Civil remedy alone was not effective or sufficient. Criminalisation could help deter massive and blatant infringements which occurred on the internet.</i></li><li>• <i>The most effective way of combating internet piracy was to control the demand for infringing products.</i></li><li>• <i>Criminalisation would not affect the free flow of information as users could continue to use the internet for legitimate purpose.</i></li><li>• <i>Should criminalise those unauthorised downloading and P2P file-sharing activities that were for the purpose of commercial advantage or financial gain and/or on a commercial scale.</i></li></ul>

<u>Chapter 2</u>	
<b>Issue :</b>  <i>Views Received :</i>	<b>Whether an all-embracing right to communicate copyright works to the public should be introduced into the copyright law of Hong Kong, and if so, whether infringement of this right should attract criminal sanctions</b>  <i>Users:</i> <ul style="list-style-type: none"><li>• <i>The majority supported introducing the right of communication, although some were concerned about the scope of the right and the implications involved.</i></li><li>• <i>Some users were concerned that the introduction of the right could possibly hamper the free flow of information and freedom of speech.</i></li><li>• <i>The criminal net should not be expanded to cover unauthorised communication of copyright works because of the far-reaching implications to society at large.</i></li></ul> <i>Copyright Owners</i> <ul style="list-style-type: none"><li>• <i>The right of communication could accommodate technological development and obviate the need for legislative amendments each time new technology arises.</i></li><li>• <i>Such a right was also consistent with the World Intellectual Property Organization Copyright Treaty.</i></li><li>• <i>The right should be underpinned by criminal sanctions in defined circumstances, such as where the infringements of the right were “willful” and “committed for the purpose of commercial advantage or private financial gain, and/or where they occur on a commercial scale”.</i></li></ul>

Chapter 3

**Issue :**

**Whether the Copyright Ordinance should be amended to impose liability on online service providers (OSPs) for the online piracy activities undertaken by their clients on their service platforms, and if so, under what circumstances the liability would arise and what remedies or sanctions should be imposed**

*Views  
Received :*

*Users:*

- *Generally opposed to imposing civil liability on OSPs because they had no responsibility (and no right) to screen, filter or otherwise censor the content or flow of information occurring on their platforms.*

*OSPs:*

- *OSPs should not be made the scapegoats for the wrongdoings of third parties.*
- *Given the enormous traffic which occurred on the internet everyday, it would be very difficult and costly for OSPs to actively monitor the web content.*
- *OSPs were willing to cooperate with copyright owners on a voluntary basis.*

*Copyright Owners:*

- *Supported imposing liability on the OSPs, because that would provide incentives for OSPs to cooperate in preventing massive infringement.*
- *OSPs were well-placed to help prevent or combat internet infringements by adopting appropriate measures or policies.*
- *Many overseas jurisdictions required OSPs to comply with certain conditions in order to enjoy limitation of liability.*

Chapter 4

**Issues :**

- (i) Whether a specific infringer identity disclosure mechanism similar to the subpoena system in the US should be provided under the Copyright Ordinance;**
- (ii) Whether a legislative route should be pursued to require OSPs to keep records of their clients' online communication**

*Views  
Received :*

*Users:*

- *The disclosure mechanism might be abused and personal data might be misused for ulterior purposes.*
- *The disclosure mechanism might have chilling effect on freedom of expression.*
- *The burden of record-keeping will lead to additional costs to the IASPs which would be passed on to the consumers.*

*OSP:*

- *The Norwich Pharmacal principles already provided a functional procedure for copyright owners to obtain disclosure.*
- *Concerned about the cost implications for a mandatory record-keeping requirement (some OSPs also stated that they would not vow for the accuracy of the personal data captured in their records).*

*Copyright Owners:*

- *Norwich Pharmacal proceedings were complicated, timely and costly. The difficulties experienced in identifying online infringers severely inhibited right holders' incentive in taking legal actions.*
- *While some preferred the introduction of a disclosure mechanism similar to the subpoena system in the US, others suggested streamlining the Norwich Pharmacal procedures.*

*Some supported imposing a mandatory record-keeping requirement as the information was essential for the pursuit of civil actions by copyright owners.*

<u>Chapter 5</u>	
<b>Issue :</b>  <i>Views Received :</i>	<b>Whether statutory damages for copyright infringement should be introduced into Hong Kong, and if so, what range(s) of damages should be provided and how the system should operate</b>  <i>Users:</i> <ul style="list-style-type: none"><li>• <i>The introduction of statutory damages departed from the established principle that a party seeking damages should substantiate his loss.</i></li><li>• <i>It might also fetter the courts' discretion in assessing the appropriate level of damages.</i></li><li>• <i>Read-across effect on other civil liabilities in Hong Kong.</i></li><li>• <i>Should wait for more civil cases to build up before considering the need to introduce statutory damages.</i></li></ul> <i>Copyright Owners:</i> <ul style="list-style-type: none"><li>• <i>In the case of internet piracy, there existed genuine difficulties in proving and quantifying loss, which dampened copyright owners' motivation in instituting civil actions in the first place.</i></li><li>• <i>Statutory Damages provided certainty and encouraged settlement of cases, thus enhancing efficiency of the legal process.</i></li><li>• <i>Statutory Damages were available in the laws of the US and Singapore.</i></li><li>• <i>Some suggested that statutory damages could be introduced only to fight rampant piracy cases, such as those for commercial purposes or financial gain, in order to deter massive infringements.</i></li></ul>



Chapter 6

**Issue :**

**Whether and if so how the existing scope of copyright exemption for temporary reproduction of copyright works should be expanded**

*Views*

*Received :*

*Users:*

- *Expanding exemption to cover caching activities of OSPs would be conducive to the development of information technology.*
- *Such reproduction was unlikely to have any prejudicial effect on the copyright owners.*
- *Some advocated the introduction of more exemptions/fair use principles to encourage creativity and innovation.*

*OSPs*

- *Some supported the exemption as the setting up of proxy servers could help save bandwidth and facilitate information retrieval.*
- *Some considered the exemption unnecessary.*

*Copyright Owners:*

- *Exempting all kinds of temporary reproduction might prejudice the normal exploitation of copyright works by copyright owners.*
- *The exemption was unnecessary and might be abused.*
- *Some were amenable to expanding the temporary reproduction exemption to cover various temporary reproductions including caching activities so long as, amongst others, the reproduction was transient and automated, the copy itself had no independent economic value, and the reproduction was made from lawful copies of the work (i.e. not from an infringing copy).*

## **A Limited Copyright Exception for Digital Media Shifting**

“Media shifting”<sup>1</sup> refers to the practice of copying genuine copyright material from one medium to another, such as copying legitimate musical recordings from an audio CD to a portable music player. This often involves a change in the format e.g. in the case of sound recordings, from CD digital audio format to MP3<sup>2</sup> format.

2. With advances in technology, the way consumers use copyright works in digital form has changed. In recent years, a great variety of personal compact digital media products have come onto the market (one such example is the ‘iPod’). These products started out with music devices based on the MP3 digital music compression format and have now developed to cover high quality video players. Some devices (including mobile phones) are able to support the playing of digital sound and video as well as interactive digital games.

### **Possible Format Shifting Exception in Hong Kong**

3. Under the existing law, except as allowed by permitted acts, any copying of copyright works without the authorisation of the copyright owners may attract civil liability<sup>3</sup>. However, users generally consider such restriction unreasonable in the context of media shifting for private and personal use. They argue that so long as they own a legitimate copy of the work, they should be entitled to convert the work to other format for personal use on their own digital portable device such that they could enjoy the work at a time or a place convenient to them.

4. On the other hand, copyright owners, particularly those in the music and movie industries, are concerned that a media shifting exception may open the floodgate for uncontrolled unauthorised sharing of copyright works. Whilst there is growing recognition by the industry worldwide that media shifting by consumers is a fact of life, some copyright owners

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<sup>1</sup> The terms "media shifting" and "format shifting" are often used interchangeably.

<sup>2</sup> MP3, or MPEG-1 Audio Layer 3, is a digital audio encoding format.

<sup>3</sup> Unauthorised copying of copyright works for sale or hire may attract criminal liability, apart from civil liability, under the Copyright Ordinance.

remain adamant that the current civil remedies, though difficult to enforce, should be kept if only as a deterrent.

### **Situations in other jurisdictions**

5. The issue of whether a “media shifting” exception should be introduced was not included in the public consultation document we released in December 2006. Since then, some overseas jurisdictions have either introduced or proposed specific media shifting exceptions under their copyright legislation. For example, copyright legislation in Australia now allows owners of legitimate copies of sound recordings and certain types of other copyright materials to make a copy of the recordings or materials for private and domestic use under certain specified circumstances. In New Zealand, a legislative proposal which provides for a media shifting exception for sound recordings is being scrutinised by the Parliament. In the UK, a consultation paper on “proposed changes to copyright exceptions” was released in January 2008, which includes a proposal on a media shifting exception. The consultation has just ended on 8 April.

6. The Appendix sets out the existing/proposed exceptions in these countries.

### **Considerations and recommendation**

7. Advances in technology have altered the way in which musical and visual works are recorded and the way consumers enjoy such works. We consider a very limited media shifting exception could afford greater certainty to users, without prejudicing the interests of copyright owners. In this connection, we propose to introduce an exception that allows limited copying<sup>4</sup> of copyright works that consumers legally own for personal and private use subject to specified conditions<sup>5</sup>.

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<sup>4</sup> This may include limits in respect of the types of copyright works to which the exception applies, and the number and format of copies which may be allowed.

<sup>5</sup> For example, similar to other existing exceptions under the Copyright Ordinance, where a copy of copyright work that is legitimately made by virtue of the exception is subsequently dealt with (such as sold, let for hire or exposed for sale or hire), it would become an infringing copy. For other possible conditions, please refer to the major conditions / restrictions as set out in the Appendix.

8. In considering the possible exception, we need to take into account the following –

- (a) any exceptions must be fully compliant with the “three-step test” requirement under the TRIPS Agreement of the WTO. Hence, the relevant provisions would need to be carefully formulated having regard to similar provisions in other jurisdictions so as to ensure that Hong Kong remains fully TRIPS-compliant; and
- (b) at present, copyright owners have the option of using “technological measures”<sup>6</sup> to prevent copyright infringement. The Copyright (Amendment) Ordinance 2007 introduces additional protection for such technological measures, including prohibition against activities that circumvent the technological measures applied by copyright owners. We consider that the proposed new exception should not confer any right to circumvent such technological measures so as to enable copyright owners to develop appropriate business model in face of the proposed new exception.

### **Views sought**

9. Public views are sought on whether an exception for media shifting for personal and private use should be introduced into the copyright law of Hong Kong to facilitate reasonable use of copyright works, and if so, (a) the scope (i.e. the types and formats) of copyright works to be covered; and (b) the limitations/restrictions that should be imposed in relation to such an exception (e.g. the pre-condition for users to own a legitimate copy, the requirement for users to retain the legitimate

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<sup>6</sup> “Technological measures” include measures that prevent or restrict unauthorised copying of copyright works (“copy protection measures”) and measures that protect copyright works from unauthorised access (“access control measures”).

copy, the number of permitted copy in other format(s), the restrictions against any file sharing, etc<sup>7</sup>).

Commerce, Industry and Tourism Branch  
Commerce and Economic Development Bureau  
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<sup>7</sup> For further reference, please see the limitations/restrictions for media shifting exceptions in other jurisdictions, as set out in the Appendix.

## Media shifting exception in Australia, New Zealand and United Kingdom

	Australia (existing exception)	New Zealand (proposed exception)	United Kingdom (proposed exception)
Scope of exception	<p>(1) The owner of a non-infringing copy of a <i>book, newspaper or periodical publication</i> may make <i>a copy</i> of a work contained in the book, newspaper or periodical publication into <i>a different format</i>, for his private and domestic use (including the private and domestic use of his family and household member).</p> <p>(2) The owner of a non-infringing copy of a <i>photograph</i> may make <i>a copy</i> of the photograph, in <i>hard copy form if the original photograph is in electronic form</i> or in <i>electronic form if the original photograph is in hardcopy form</i>, for his private and domestic use (including the private and domestic use of his family and household member).</p> <p>(3) The owner of a non-infringing copy of a <i>videotape embodying a cinematograph film in analog form</i> may make <i>a copy</i> of the film in <i>electronic form</i>, for his private and domestic use (including the private and domestic use of his family and household member).</p> <p>(4) The owner of a non-infringing copy of a <i>sound recording</i> may make <i>a copy</i> of that recording <i>multiple times</i> into <i>any format</i> for his private and domestic use (including the private and domestic use of his family and household member) on <i>devices he owns</i>.</p>	<p>The owner of a non-infringing copy of a <i>sound recording</i> may make <i>one copy</i> of that recording in <i>each device he owns</i> for his personal use (and the personal use of a member of his household).</p>	<p>Allow consumers to make <i>a copy of a copyright work</i> they legally own for personal and private use, so that they can make the work accessible in <i>another format</i> for playback on <i>a device in their lawful possession</i>.</p> <p>Questions such as the classes of work (e.g. sound recordings, films and/or other types of works) to be covered and number of format shifts to be allowed are subjects of the consultation.</p>

	<p style="text-align: center;"><b>Australia (existing exception)</b></p>	<p style="text-align: center;"><b>New Zealand (proposed exception)</b></p>	<p style="text-align: center;"><b>United Kingdom (proposed exception)</b></p>
<p><b>Major conditions/restrictions</b></p>	<p><u>For works in (1) to (3)</u></p> <ul style="list-style-type: none"> <li>• There should be <i>no more than one copy in each format</i>.</li> <li>• Dealing with (such as sale, hire or distribution of) the private use copy or subsequent disposal of the original copy (such as to sell or give away the original copy) is not allowed.</li> </ul> <p><u>For work in (4)</u></p> <ul style="list-style-type: none"> <li>• The original copy of sound recording must not be made by downloading over the Internet a digital recording of a radio broadcast or similar program.</li> <li>• Dealing with, playing in the public or broadcasting the original copy or private use copy is not allowed.</li> </ul>	<ul style="list-style-type: none"> <li>• There should be <i>no more than one copy for each device</i>.</li> <li>• The sound recording is not borrowed or hired.</li> <li>• The owner must acquire the sound recording legitimately.</li> <li>• The owner of the sound recording must retain the ownership of both the original copy and any copy made under the exception.</li> <li>• The proposed exception does not apply if there are express contractual provisions to the contrary.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Only one copy</i> of a work is allowed <i>on each device</i>.</li> <li>• The owner would not be permitted to sell, loan, or give away the copy or share it more widely (for example in a file sharing system or on the Internet).</li> <li>• The owner would not be permitted to retain the copy if he was no longer in possession of the original.</li> <li>• Third parties would not be able to copy works on behalf of consumers.</li> <li>• Copying for friends and family would not be covered.</li> </ul>