



Public Consultation Paper on Updating Hong Kong's Copyright Regime

The Law Society's Submissions

A. The Copyright Challenge

1. Copyright is an important property right which impacts our daily lives. We create and use copyright works every day - from blogs we write, movies we watch, music we listen to, digital games we play, to selfies we take. According to the October 2021 issue of the *Hong Kong Monthly Digest of Statistics*, the cultural and creative industries (CCI) are among the most dynamic economic sectors in Hong Kong, contributing to both economic growth and job creation. CCI refer to a set of knowledge-based activities that deploy creativity and intellectual capital as primary inputs and deliver goods and services with cultural, artistic and creative contents. In 2019, CCI's contribution to Gross Domestic Product and total employment of Hong Kong was respectively 4.7% and 6.2%. In that year, total exports and imports of selected cultural and creative goods and services amounted to 17.6% and 17.5% of Hong Kong's total export and imports respectively representing hundreds of billions of dollars.

2. Copyright is dynamic and poses a constant challenge to lawmakers to balance the interests of creators, owners and users. If the right to make free or non-infringing use is too broad, that may disincentivise authors to create and owners to invest. If it is too narrow, that may stifle creativity, innovation and the sharing of knowledge. The challenge to strike a careful balance is exemplified by modern technology which extends exponentially the reach of a copyright work while making it very easy, cheap and fast to copy.

3. Besides catching up with the ever-accelerating pace of technology advancement, copyright law needs to be updated regularly to meet international trends, changing operation environment and expectations of stakeholders. Disappointingly, there has been little impactful amendments to our copyright law since 2006.

B. 2006 – When This All Began

4. The current copyright consultation exercise can be traced back to December 2006 when the government sought public views on how best to strengthen copyright protection in the digital environment. At that time, Hong Kong was a forerunner in copyright protection as we successfully brought the world's first ever enforcement action to convict 'Big Crook' who distributed infringing copies of movies using the Bit-Torrent technology.

C. Copyright (Amendment) Bill 2011

5. Following the consultation in 2006, preliminary proposals were announced in April 2008. After further public engagement to refine the proposals, the Copyright (Amendment) Bill 2011 was introduced to include a technology-neutral right to communicate, 'safe harbour' provisions for online service providers, and new exceptions to infringement such as media shifting of sound recordings.

6. Shortly after that bill was published, some members of the public became very vocal about their concerns that the right to communicate might restrict freedom of expression, particularly for parody. Political satirists feared that after the bill was passed, they might face criminal sanctions if they adapted other people's posters, photos or lyrics over social media and the internet.

7. Those who opposed the bill dubbed it "Cyberspace Article 23". That title instigated fear for criminal liability and led to an outcry for an exception for all so-called "secondary works" claiming that those works were also creations. Yet, no definition was offered as to what secondary works were. It was unclear whether secondary works were adaptations or derivative works which might infringe copyright or whether they were works which were inspired by earlier works and did not infringe.

8. Besides secondary works, some academics and activists advocated the replacement of our fair dealing exceptions by the US open-ended fair use exceptions. In Hong Kong, we followed the UK fair dealing approach which exhaustively listed out the exceptions to infringement. In the US, fair use of other's copyright work is allowed but there is no statutory definition of fair use. The US courts have to evaluate the specific facts of the case against the factors suggested by the law. These factors include the purpose and character of the use, the nature of the copyrighted work, amount and substantiality of the portion used, and the effect of the value or use on the potential market for the copyright work. The courts can consider other factors as well.

9. Heated discussions ensued over the amendment proposals. More than 1700 artists signed a petition to urge the government to withdraw the bill and some Legislative Councillors devised a filibuster campaign proposing over 1,400 amendments to the bill to delay its passage.

10. In June 2012, in light of the controversies and divide in views, the Copyright (Amendment) Bill 2011 was not proceeded with.

D. Copyright (Amendment) Bill 2014

11. After two years of further discussions with different stakeholders and procuring understanding and compromises between them, the government refined the amendment proposals and introduced the Copyright (Amendment) Bill 2014 into the Legislative Council in June 2014. That Bill included the proposals in the 2011 Bill but put forward a higher threshold to prove criminal liability for unauthorized communication of copyright works to the public. In addition to the parody exceptions, a few other exceptions such as commenting on current events and quotations were included.

12. Still, the bill led to another round of heated and hostile political wrestling. Although it seemed that most legislators were initially happy with the draft bill, some started to shift after detecting strong public disfavour, especially from very vocal internet concern groups who

claimed that the bill had a political agenda to stifle freedom of speech and to prosecute those who mocked politicians by using third party copyright materials. A number of legislators began to propose amendments to the bill and advocate for new issues to be considered. The copyright amendment exercise became once again very politicised.

13. Despite many ensuing meetings and discussions, outspoken user and internet groups maintained their skepticism and distrust and pressed for further exceptions and amendments to be introduced or they would otherwise block the bill. Copyright owners refused to accept any further amendments as they felt they had already made more than enough concessions. Caught in the middle, the government was criticized for failing to mediate between the right owners and users.

14. We considered that the 2014 bill had already adequately addressed the issues of controversy in the 2011 Bill and the passing of the amendments could restore Hong Kong in meeting international expectations on copyright protection while introducing new exceptions. In January 2016, we published a Position Paper to support the passing of the 2014 Bill.

15. Regrettably, filibustering continued and this second attempt to amend the copyright law also ended miserably.

E. Law Society's Position

16. We were disappointed with the outcome of the 2014 Bill. Many of our specialist committee members had followed the development and discussions of the amendment proposals since 2006, and attended many meetings and forums. We were particularly upset about the misinformation, misinterpretation and poor understanding of the copyright law.

17. As explained in the current consultation paper, the government proposes to pick up from where they left off with the ill-fated 2014 Bill. We maintain our position to support a bill which is in line with the 2014 Bill and we urge for the expeditious passing of the amendments.

F. Answers to Specific Questions Raised

18. We respond below to the specific questions in the consultation paper.

19. Question 1 - Whether Hong Kong should continue to maintain the current exhaustive approach by setting out all copyright exceptions based on specific purposes or circumstances in the Copyright Ordinance?

(1) For the purpose of the present consultation and amendment exercise, particularly in hopes of achieving an expeditious passage, we favour the maintenance of the current exhaustive approach for its certainty.

(2) We however do not dismiss that there are merits in looking into a broader, more flexible and adaptive approach in deciding on exceptions, including the US open-ended fair use approach. Yet, this will require extensive discussions with all stakeholders and careful studies whether such approach may contravene the three-step test of the Berne Convention for the Protection of Literary and Artistic Works, how to resolve the controversies and inconsistencies of the US fair use case law, how it may impact upon our precedents and whether statutory damages should be introduced to balance the extended exceptions.

20. Question 2 - Whether Hong Kong should introduce provisions to restrict the use of contracts to exclude or limit the application of statutory copyright exceptions.

(1) There is no universal approach. Freedom of contract plays a vital role in Hong Kong's free-market economy. Unless there is strong justification, the parties' freedom to negotiate their contracts should not be interfered with lightly. According to the International Institute for Unification of Private Law, freedom of contract is a basic principle in the context of international trade.

(2) Commentators and academics have expressed divergent views whether contract override is justified or not. Some try to distinguish between exceptions which have a public policy character, those which are based on the general interest or regulatory practices and those which are founded on market failure to determine their overridability by contract law. While the UK has adopted a restriction of contract override since June 2014 in respect of certain specific exceptions, in other major jurisdictions including the US, contractual provisions can set aside copyright exceptions. In the US, Article 1(10) of its Constitution forbids the passing of legislation impairing the obligation of contract without the consent of Congress. Case law has also interpreted the 14th Amendment of the US Constitution as protecting freedom of contract.

(3) If contract override restriction is to apply to all or certain specific exceptions, one would question why not generally. In our current Copyright Ordinance, freedom to contract is respected. For example, the provisions in these statutory section are subject to an agreement (contract) to the contrary: (i) section 14 concerning the ownership of an employee's copyright work and further award to employee; (ii) section 60 a lawful user's right to make a back-up copy of a computer program, and (iii) section 57 the government rights in dealings with copyright materials or works communicated to it.

(4) As we do not see an urgent need nor practical justification for an amendment to exclude contract override, we favour the preservation of the parties' freedom to negotiate their contracts.

21. Question 3 - Whether Hong Kong should not introduce specific provisions to govern devices used for accessing unauthorized contents on the Internet, including set-top boxes and Apps ("ISDs").

(1) According to the consultation paper, some copyright owners suggested that the Government should impose liability on manufacturers and dealers of ISDs. In the history of copyright litigation, controversies pertaining to the provision of devices such as photocopying machines and dual-cassette recorders, have shown that unless the device can only be used for unlawful purposes, the manufacture, provision or dealing with such devices per se does not constitute infringement.

(2) Although it is said that Singapore is the only common law jurisdiction that has enacted ISD specific provisions, it should be noted that such provisions do not penalize dealing with such ISDs per se. The prosecution must prove that the manufacturer or dealer or provider of such device or service knows or ought to reasonably know that such device or service is capable of facilitating access to works communicated to the public without the authority of their copyright owners and has only a limited commercially significant purpose or use other than that capability. As Singapore only introduced her new Copyright Act with such provisions in November 2021, the effectiveness of those provisions are yet to be seen.

(3) We agree with the Government that the successful criminal prosecutions handled by the Customs and Excise Department, and the current provisions against circumvention of technological measures coupled with the communication right which can hopefully be introduced are sufficient to deal with ISDs.

(4) We also note that last August in a copyright infringement action in Canada, although sellers of pre-programmed set-top boxes and internet protocol television services for streaming pirated content were already found liable for infringement on a number of grounds specified in the copyright legislation, the Federal Court extended the common law for inducing patent infringement to copyright and found infringement. Both the UK and Hong Kong have the common law cause for inducing or procuring someone else to infringe a patent and may follow Canada's extension of such inducement to copyright and other intellectual property right infringement.

22. Question 4 - Whether Hong Kong should introduce a copyright-specific judicial site blocking mechanism.

(1) The law is clear that the courts have power to order an injunction unconditionally or on such terms and conditions as the courts think just.

(2) Norwich Pharmacal and Anton Piller orders are examples of reliefs that are developed from IP cases within the inherent jurisdiction of the court without the need for specific express provisions to empower the courts to grant them. We do not see any need to specify the court's powers.

G. Conclusion

23. Members of the Law Society represent the full spectrum of stakeholders which include authors, rights owners, users and intermediaries. We do not have a political or biased agenda to advance the interests of any particular group. We only hope to contribute our knowledge, experience and expertise to help strike a proper balance between creativity, freedom of expression, dissemination of knowledge, investment interests and commercial exploitation for the greater good of Hong Kong. In this relation, we wish to stress that copyright prohibits unauthorized copying and does not and cannot prevent people acquiring knowledge and expressing it in their own words.

24. We take a strong view that it was not and it remains not in the interests of Hong Kong to procrastinate amending her outdated copyright law which lags seriously behind in copyright protection in the digital environment. For such reason, it has been threatened that the US Trade Representatives may place Hong Kong on a list of "Deserving Special Mention" and "Watch List" in the US Special 301 Report which identifies regions which do not provide adequate and effective protection of intellectual property rights. If such threat materialises, it will not only embarrass Hong Kong and create a negative impression but will also undermine the goal to develop Hong Kong as an IP trading hub.

25. Since 2013, Hong Kong has aspired to become the premier IP trading hub in Asia. It is of great assurance that the Central Government supports and includes this in the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035. This necessitates not only the updating of our IP laws, particularly our copyright law, but also the implementation of other IP-related incentives to help Hong Kong fortify her position and excel.

26. There is fierce competition in the region to be the regional IP trading hub and Singapore is competing with Hong Kong neck-to-neck. Recently, Singapore has undergone a major overhaul of her copyright law and her new Copyright Act took effect in November 2021 last year. The recital of that Act says *“The Act will update and enhance our copyright regime to take into account technological developments which have immensely impacted how copyright works are created, distributed, accessed, and used. It also seeks to future-proof our regime to cater for future technological developments. The changes implemented by the Act ensure that our copyright regime continues to provide an environment that benefits both creators and users. The Act introduces new rights and remedies to provide more recognition for creators to further incentivise the creation of works. It also creates new exceptions for users, allowing copyright works to remain reasonably available for the benefit of society.”* Those were exactly the same goals we wanted to achieve with amendments to the Copyright Ordinance since 2006.

27. We therefore urge the expeditious passing of a bill modelled on the 2014 Bill. At the same time, to achieve the Government’s goal to maintain a robust and competitive copyright regime, bringing our copyright law closer in line with the international norms by passing amendments which were first initiated more than ten years ago is clearly not enough.

28. We further urge for a timetable to continue the discussions to update and perhaps even reform our copyright law. Besides those issues outlined in Chapter 7 of the consultation paper, we propose that the following issues should be considered:

- (1) Feasibility and merits of establishing a copyright registration system
- (2) Use of new technology, such a blockchain, to prove ownership and authenticity of copyright works and to provide proof or preserve evidence for commercial transactions and contentious disputes
- (3) Review of the jurisdiction and powers of the Copyright Tribunal
- (4) Whether to maintain the current dual protection of copyright and registered design or to introduce unregistered design rights.

29. We also wish to repeat our previous observation that the UK Hargreaves Review advocates that policy decisions should be based on economic evidence. The Government should ensure that development of the IP system is driven as far as possible by objective evidence and that policy should balance measurable economic objections against social goals and potential benefits for right holders against impacts on consumers and other interests.

**The Law Society of Hong Kong
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