



17 March 2010

To:

The Secretary for Commerce and Economic Development

Sent by email to: paul\_wong@cedb.gov.hk

**AIC's Response to the Proposal to  
"Strengthening Copyright Protection in the Digital Environment"**

Thank you for the opportunity to contribute our views on the detailed proposals to amend the Copyright Ordinance (Cap. 528) in relation to strengthening copyright protection in the digital environment, as set forth in the word document and covering email that we received from your Mr. Paul Wong on 2 March 2011 ("**Proposal**").

**ABOUT THE ASIA INTERNET COALITION**

The Asia Internet Coalition ("**AIC**") is an industry association founded by eBay, Google, Nokia, Skype and Yahoo! incorporated in Hong Kong. One of the objects of the AIC is to support and promote public policy and regulatory frameworks that facilitate the development of national digital industry markets in the Asia Pacific region.

**BACKGROUND - CURRENT LAW AND PROPOSED AMENDMENTS**

Under the current Copyright Ordinance:

1. Subject to exceptions in other parts of the Copyright Ordinance, copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorizes another to do, any of the acts restricted by the copyright (*Section 22 of the Copyright Ordinance*).
2. Copying of a copyright work in any material form without the authorisation of the copyright owner is an "act restricted by the copyright" (*Section 23 of the Copyright Ordinance*).
3. An infringement of copyright is actionable by the copyright owner and in such action all such relief by way of damages, injunctions, accounts or otherwise is available to the copyright owner as is available in respect of the infringement of any other property right (*Section 107(1) and (2) of the Copyright Ordinance*).

We understand that the Secretary for Commerce and Economic Development will propose, by way of an amendment bill to be tabled before the Legislative Council in the second quarter of 2011 ("**Bill**"), to make the following amendments to the Copyright Ordinance:

- A. Add a new provision to prescribe that a service provider does not infringe the copyright in a work by reason of the temporary making and storage of a copy under specific circumstances.
- B. Add a new provision to clarify what constitutes authorisation of another person's infringement by a service provider.
- C. Add a new provision to limit the liability of a service provider for damages and other pecuniary remedy if the service provider is held liable either as the "doer" or "authoriser" of the infringement. The provision will limit the liability if certain conditions are fulfilled, one of which is that the service provider has taken reasonable steps to combat or contain the infringement.
- D. The Secretary for Commerce and Economic Development will issue a Code of Practice for service providers. If a service provider has complied with the Code of Practice, then it is deemed



to have taken reasonable steps to combat or contain the infringement for the purposes of (C) above.

Amendments (A) and (B) are about determining if there is infringement by the service provider and (C) and (D) are about circumstances under which the financial liability of the service provider are limited in case of infringement.

We understand that many of the elements of the US Digital Millennium Copyright Act (1998) (“DMCA”) have influenced parts of the Proposal.

**GENERAL COMMENTS ON THE PROPOSAL**

We are generally in support of the above proposals. However, without having reviewed the actual wording of the entire amendment Bill and the draft Code of Practice, we are unable to do a comprehensive review of the law amendment proposals. Given the importance of the Code of Practice, we believe it essential to be able to review and comment on it before enactment of the legislation. We offer our comments below, but with the understanding that they are subject to our future review of the Bill, the draft Code of Practice and all other instruments that are relevant to the legislative proposal.

**SPECIFIC COMMENTS ON THE PROPOSAL**

**(a) Service Provider’s Liability**

We are generally in support of this proposal.

Copyright Ordinance

We have the following comments on the following proposals to amend the Copyright Ordinance:

PROPOSAL	COMMENTS
Limit the liability of a service provider for damages or other pecuniary remedy in respect of copyright infringement.	The DMCA limits the forms of injunction relief that may be granted to a service provider, namely, termination of user accounts and taking reasonable steps to block access to a specific, identified, online location outside the US. We would suggest that the Government provide same limitation in the Bill.
One of the conditions for the limitation is that the service provider “is not aware of an infringement occurring or having occurred on its service platform” but in any case where this does not apply, on “receiving a notification of alleged infringement from a complainant or having awareness of facts or circumstances from which the infringement is apparent, takes reasonable steps to [combat/contain the infringement];”.	Suggested wording for the Bill - “receiving a verified notification of alleged infringement from a complainant or <i>otherwise having knowledge of the specific infringement at issue</i> , takes reasonable steps to [combat/contain the infringement];” – this is to avoid argument that generalised awareness of infringement is adequate, which has been ruled against by various courts worldwide and argument as to what constitutes an “apparent” infringement.
Provide in the Bill that if a service provider complies with all the provisions in the Code of Practice to be issued by the Secretary for Commerce and Economic Development	See comments below regarding the Code of Practice.



<p>applicable to service providers and the notification of alleged infringement, it will be deemed to have taken reasonable steps to combat the infringement.</p>	
<p>Insert a new provision to specify the form and substance of a notification of alleged infringement to be issued by a complainant.</p>	<p>We would suggest that the provision should closely follow the wording of the relevant DMCA provisions.</p> <p>It should, at a minimum, require that a complaint needs to specify the exact location (e.g. by URL) of an allegedly infringing work and require right holders to comply with these minimum standards and in a manner and process set up by a service provider when giving notice that ensure intermediaries receive all the information they need to process removal requests, including other unique identifiers.</p>
<p>Insert a new provision to impose criminal and civil liability on any person who makes a false declaration or material misrepresentation in a notification of alleged infringement or in a counter notification.</p>	<p>We would ask the Government to consider <i>Online Policy Group v. Diebold</i>, 337 F. Supp. 2d 1195 (N.D. Cal. 2004) in defining what constitutes knowingly issuing meritless notices. A good definition here will gate many unwarranted notices.</p>
<p>Insert a new provision to exempt service providers from any liability for removal or disabling of access to an alleged infringement in good faith regardless of whether an alleged infringement is ultimately proven or not. This provision will apply if a service provider, on receiving a notification of alleged infringement, -</p> <ul style="list-style-type: none"> <li>(a) takes reasonable steps promptly to notify a subscriber that it has removed or disabled access to the allegedly infringing material;</li> <li>(b) on receiving a counter notification, promptly provides the complainant with a copy of the counter notification; and</li> <li>(c) replaces the removed material and ceases disabling access to it within a reasonable time following receipt of the counter notification, unless the complainant has notified the service provider that an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the service provider's system or network has been commenced.</li> </ul>	<p>The provision will require that the service provider "replaces the removed material and ceases disabling access to it within a reasonable time following receipt of the counter notification". In reality, this could pose a technical problem for many service providers because removed or deleted contents are often not retrievable or re-instatable. So we would suggest this wording for the Bill: "<i>takes reasonable steps to replace the removed material or ceases disabling access to it within a reasonable time following receipt of the counter notification</i>".</p>
<p>Provide that in an action relating to the liability of a service provider, if the provider adduces evidence that suggests that the service provider has complied with -</p>	<p>See comments below regarding the Code of Practice.</p> <p>We support the decision of the Government not</p>



<p>(a) the qualifying conditions for limitation of liability; or          (b) any condition prescribed in the code of practice,          the court shall presume, in the absence of evidence to the contrary, that the provider has complied with that condition.</p>	<p>to adopt a statutory injunctive provision similar to s97A of CDPA.</p>
<p>Provide that to qualify for the limitation of liability, a service provider is not required to monitor its service or affirmatively seek facts indicating infringing activity except to accommodate and not interfere with standard technical measures that are used by copyright owners to identify or protect their copyright work. Failure to comply with the qualifying conditions for limitation of liability has no adverse bearing on the consideration of any other defense that may be available to the service provider.</p>	<p>We welcome the Government's suggestion that so long as the interference is necessary or appropriate in accordance with honest practice of the industry, such inadvertent breach will not be held against the service provider. We would suggest that this exception be explicitly provided in the Bill.</p> <p>We also support the proposed definition of "standard technical measure" which closely follows the DMCA. As with the DMCA, this should also require that standard technical measures have been developed through an open, fair, and voluntary standards process, is available to anyone on reasonable and non-discriminatory terms, and do not impose substantial costs on service providers or substantial burdens on their networks.</p>
<p>No requirement for the implementation of a termination policy against repeat infringers.</p>	<p>We support this proposal.</p>

Code of Practice

The proposed statute closely follows existing examples of codified safe harbors and articulates the conditions that ought to be met. By following closely the DMCA provisions, we can also take advantage of the wealth of case law that has been established on the application and interpretation of the DMCA by US courts. As in other jurisdictions, the safe harbours could stand on their own and evolve as various specific cases and controversies come before the courts.

We suggest that, in crafting the Code of Practice, first the purpose and relationship to the safe harbours be clarified. Like the safe harbour itself, it should provide guidance for service providers, but failure to comply should not dictate liability. Put differently, complying with the Code of Practice is a sufficient condition to meet the safe harbour, but not a necessary one. Courts should, therefore, continue to be able to evaluate service providers in relation to the statute. The Code of Practice should not exclude a service provider from the safe harbour's protection.

Given that the safe harbour provisions are largely modeled on the DMCA, we would suggest and expect that the Code of Practice will also closely follow the wording of the relevant DMCA provisions. In any event, service providers must be closely consulted in both the drafting process of the Code of Practice and subsequently for any proposal to amend it. We look forward to receiving a draft of the Code of Practice as soon as possible from the Bureau for review and comment.



**(b) Clarification on “authorisation of infringement”**

The proposal is that the law will list out the factors that the court shall consider in determining if a service provider has authorised the infringement for purposes of Section 22(2) of the Copyright Ordinance. The court may consider other relevant factors as well.

We are generally in support of the proposal, which will clarify the meaning of authorisation. However, we are also mindful that the factors should be carefully worded so as to avoid imposing any inferences of remote or indirect liability on the service provider. Although there will be safe harbour provisions for the service providers in respect of authorising copyright infringement, the protection is conditional upon fulfillment of various conditions and is limited to damages or other pecuniary remedy only. It is also important to state clearly in the law that the factors are neither exhaustive nor of equal weight. Some factors, such as knowledge and financial motive of infringement and power to control infringement, should be merely subsidiary in determining whether there was authorization, this is because while they sometimes charge for services provided, due to the real time nature of the Internet environment and the vast amount of information being transmitted and published on the World Wide Web continuously, the service providers are not in the position to monitor nor have actual knowledge of all content, information or materials that appear on their sites. On the other hand, other factors such as whether the service provider has facilitated or induced the infringement should be given more weight.

We have the following comments on the following factors:

FACTORS	COMMENTS
“(a) whether that person knew or was aware of facts or circumstances from which the infringement is apparent”	Suggested wording for the Bill - “ <i>whether that person had actual knowledge of the infringement</i> ” – to avoid argument that generalised awareness of infringement is adequate, which has been ruled against by various courts worldwide and argument as to what constitutes an “apparent” infringement.
“(d) whether that person had a financial interest directly attributable to the infringement”	It seems unfair to infer action (ie, the act of authorisation) from motive (ie, direct financial gain). If this is to be a factor, we would expect that the new provision to clarify what constitutes “financial interest/benefits” for the purposes of the safe harbour provisions will also apply here. We believe it important that financial benefit be closely correlated to the alleged infringing activity. For example, the fact that a service provider receives advertising revenue for an unrelated service should not count as a direct or indirect financial benefit.
“(f) whether that person took any reasonable steps [to [combat/contain] [such that the infringement no longer persists or exists.]”	Please clarify as to whether this is satisfied by compliance with the Code of Practice and/or the qualifying conditions for limitation of liability.

**(c) New permitted act for temporary reproduction by service providers**

We are generally in support of this proposal.

The proposal is that there is no infringement of copyright if certain conditions are fulfilled. We have the following comments on the following conditions:

CONDITIONS	COMMENTS
“(b) the technological process neither modifies the work, nor interferes with	The DMCA has good exceptions worthwhile to consider for this condition:



<p>the lawful use of technology to obtain data on the use of the work”</p>	<ul style="list-style-type: none"> <li>i. does not significantly interfere with the performance of the provider’s system or network or with the intermediate storage of the material;</li> <li>ii. is consistent with generally accepted industry standard communications protocols; and</li> <li>iii. does not extract information from the provider’s system or network other than the information that would have been available to the person making the material online if the subsequent users had gained access to the material directly from that person.</li> </ul>
<p>“(d) the service provider complies with any conditions imposed by the copyright owner of the work on access to the work”</p>	<p>Suggested wording for the Bill - “the service provider complies with any conditions imposed by the copyright owner of the work on access to the work <i>provided that these conditions are reasonable and compliance is practicable without causing undue commercial hardship</i>”; or “the service provider complies with any conditions imposed by the copyright owner of the work on access to the work <i>provided that these conditions are commonly accepted practices of the industry</i>”.</p>
<p>“(e) the service provider acts expeditiously...”</p>	<p>Suggested wording for the Bill - “the service provider acts <i>within reasonable time...</i>”.</p>

**CONCLUSION**

We are glad to have worked together with the Commerce and Economic Development Bureau, the copyright holders and the general public to develop public policy for the future digital industry growth in Hong Kong. We are particularly thankful to the Bureau for the opportunity to participate in the final round of this consultation exercise. We hope that our above comments are useful to you in your preparation of the Bill.

Please do not hesitate to contact Ms Noelle Tai at +852 2837-6337 or [director@asiainternetcoalition.org](mailto:director@asiainternetcoalition.org) should you require further information on the contents of this submission.

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