Hong Kong Bar Association - Special Committee on Intellectual Property

Further Response on the Copyright (Amendment) Bill 2014

(English Version of the Paper in Chinese issued on 1 March 2016)

1. The Special Committee on Intellectual Property of the Hong Kong Bar Association ("the **IP Committee**") published a position paper ("the **Position Paper**") on 17 February 2016 on the Copyright (Amendment) Bill 2014 and the three amendments proposed by certain Legislative Council members. This further response aims to point out the misunderstanding manifested, and to correct the misstatements contained, in the public comments made by the Keyboard Frontline on the Position Paper, with a view to encourage more rational discussion based on accurate information. In the conclusion, the IP Committee expresses what it advocates to be the rational and approach to take on this issue.

Prohibition against Circumscribing Statutory Exemptions with Contract Terms

2. The Keyboard Frontline's statement that "Australia also has 'provisions prohibiting contracting out of statutory exceptions'" is incorrect. Further, the IP Committee has not, as wrongly suggested by the Keyboard Frontline, insisted throughout that only the United Kingdom's legislation has such provisions. In fact, it is a considered view of the IP Committee to focus and elaborate on the United Kingdom experience in the Position Paper due to its high comparative value. The United Kingdom's fair dealing regime is similar to that adopted in the Bill (albeit that the exceptions contained in the United Kingdom's legislation are narrower than those contained in the Bill). The Position Paper cannot refer to or discuss exhaustively all overseas examples, and therefore only cites the law and/or law reform proposals in several overseas jurisdictions which provide more valuable insight to Hong Kong's law, so as to provide a basis for analysis on the merits and demerits of the proposal of prohibiting contracting out. Further, it has been made clear in both the main text of, and Figure 1 annexed to, the Position Paper that the Australian example is what was **proposed**

by the Australian Law Reform Commission ("**ALRC**") in its final report on Copyright and the Digital Economy. It is not part of the current law in Australia. In the Final Report, the ALRC recommended that there should only be prohibition against contracting out of specific libraries and archives exceptions, which is a fairly narrow recommendation. It proposed that the fair use exception be adopted. Alternatively, it proposed to expand the current fair dealing exceptions if the fair use exception is not enacted. In particular, it was stated that no statutory limitations on contracting out should be provided if the fair use exception is enacted. Only in the event that fair use is not enacted and the back-up recommendation to expand the current fair dealing exceptions accepted should limitations on contracting out apply to the new fair dealing exceptions. These two alternative proposals on fair use and fair dealing are still in the legislative stage pending enactment.

3. The so-called provisions limiting contracting out in the Singaporean Copyright Act cited by the Keyboard Frontline differ substantively and substantially from that proposed by the legislative council members. To cite the Singaporean example to support the proposal would be akin to comparing apples with oranges. Therefore, the Singaporean example was rightly excluded from Figure 1 annexed to the Position Paper. The three sections providing for limitation on contracting out in the Singaporean Copyright Act: s.39 (Back-up copy of computer program, etc), s.39A (Decompilation) and s.39B (Observing, studying and testing of computer programs) aim merely at preventing the specific and narrow exceptions for these purely technical copying of computer programmes or software being overridden by standard terms agreement when users purchase software. On the other hand, the proposal by the legislative council members on limiting contracting out does not focus on such uncontroversial purpose-based exceptions and hence its scope and nature is materially different from, and incomparable with, those in Singapore. Further, the Singaporean example once again reinforces the argument put forward in the Position Paper on the incompatibility between a general fair use exception and a statutory limitation on contracting out. Therefore, Singapore, United States and the proposed legislation in Australia are all unanimous on this issue of

incompatibility. On the other hand, the Keyboard Frontline has not provided any counter examples.

4. If what the Keyboard Frontline is suggesting is to include provisions in the Bill to prevent contracting out from uncontroversial exemptions (such as purely technical exceptions for copying computer programmes), the IP Committee has no objections and believes that most copyright owners would not either.

5. Moreover, the Keyboard Frontline commented that both "fair use" and "fair dealing" are legislative mechanisms designed to balance copyright against fundamental rights such as freedom of speech and asked rhetorically how rights enshrined under the Basic Law can be overridden by contract. This line of reasoning reflects a poor understanding of Hong Kong's constitutional law. The comments were made on the erroneous assumption that the constitutional law doctrines and precedents in the United States, including those under the First Amendment for protection of freedom of expression, are directly applicable to the corresponding provision in the Hong Kong Basic Law protecting freedom of expression. According to principles established by Hong Kong case law, the Court would examine whether a restriction on freedom of expression is necessary for one of the legitimate aims, namely for respect of the rights or reputation of others, or for the protection of national security, public order, *ordre public*, public health or morals.[1] Indeed, in the case of *HKSAR v Ng Kung Siu & Another* (1999) 2 HKCFAR 442, the flag desecration cases in the United States and the First Amendment were cited in support of the proposition that prohibition of flag desecration was not a necessary restriction on the freedom of expression of HKSAR residents. However, the Court of Final Appeal in *Ng Kung Siu* did not adopt the reasoning of the United States Court at all.[2]

6. There were cases in the United Kingdom which touched upon

[1] *HKSAR v Ng Kung Siu & Another* (1999) 2 HKCFAR 442; Hong Kong Bill of Rights Ordinance (Cap. 383) s.8 Article 16

[2] *HKSAR v Ng Kung Siu & Another* (1999) 2 HKCFAR 442 pp. 465-466.

allegations of unconstitutionality of certain provisions in the United Kingdom Copyright, Designs and Patent Act 1988. The English Court of Appeal pointed out that there would be rare circumstances where the right of freedom of expression would come into conflict with the protection afforded by the 1988 Act because of the express exceptions provided by the Act (note: the exceptions found in the English Act are already narrower than those provided for by the Bill). In the rare event of conflict, the Court will balance the protection of the two rights (as has been made clear in paragraph 9 below and paragraph 2 of the Position Paper), look closely at the facts of individual cases and apply the Act in a manner that accommodates the right of freedom of expression insofar as it is able to.[3]

7. Further, the Doctrine of Misuse in the United States jurisprudence as mentioned by the Keyboard Frontline does not answer to the proposition advanced in the Position Paper that the United States takes the approach that respects freedom of contract and therefore has not legislated on any restrictions on contracting out. Neither does it assist any arguments purporting to suggest that fair use is compatible with provisions limiting contracting out.

8. According to the IP Committee's understanding, the Doctrine of Misuse originates from the maxim in equity that "he who comes to equity must come with clean hands", which provides a defence against copyright infringement if the copyright owner has unconscionably engaged in abusive or improper conduct in exploiting the copyright, such as antitrust behaviour. If the copyright owner has engaged in such improper and unconscionable behaviour, the Court may exercise its discretion to refuse to grant relief to him for copyright infringement according to the circumstances of each case. Nevertheless:

(a) There is existing protection under Hong Kong law to guard against unconscionable bargains. For example, under the Unconscionable Contracts Ordinance (Cap. 458), if, with respect to a contract for the sale of goods or supply of services in which

[3] *Ashdown v Telegraph Group Ltd Ashdown v Telegraph Group Ltd* [2002] Ch 149 at §45

one of the parties deals as consumer, the court finds the contract or any part of the contract to have been unconscionable, the court may refuse to enforce the contract; enforce the remainder of the contract without the unconscionable part; or limit the application of, or revise or alter, any unconscionable part so as to avoid any unconscionable result.[4] The Court would take into account a wide range of factors in determining whether the contract or any part of the contract is unconscionable, such as the relative strengths of the bargaining positions of the consumer and the other party;[5]

(b) Further, there is a common law doctrine on unconscionable bargain developed through precedents that where there is a special disadvantage affecting one of the contracting parties' (Party A) ability to make judgment as to his own best interests and the other party (Party B) knows (or ought to know) of this disadvantage and unconscionably takes advantage of it, the Court is entitled to hold the contract or certain terms of the contract voidable and set aside the contract or the terms therein; and

(c) The provisions to limit contracting out of statutory exceptions proposed by the legislative council members lack the flexibility which the Doctrine of Misuse possesses and cast the net too wide to catch unintended acts. The provisions would catch contractual terms which are freely and voluntarily negotiated between parties, even in the absence of any unilateral unconscionable conduct on the part of the copyright owner. On the contrary, the Doctrine of Misuse catches only improper and unconscionable acts carried out unilaterally by the copyright owner, such as antitrust conduct. It follows that the Doctrine of Misuse and prohibition against contracting out of statutory exceptions have very different nature, objectives and effects, and they aim at different mischiefs. Therefore, it is inappropriate

[4] Unconscionable Contracts Ordinance (Cap. 458) s.6

[5] Unconscionable Contracts Ordinance (Cap. 458) s.5(1)

to take an overly simplistic approach in the comparison.

Intellectual Property Rights and Property Rights

9. The Keyboard Frontline misunderstood and misstated the meaning of the Position Paper. First, the IP Committee has never made any statement whatsoever to the effect that copyright is an absolute right that is "unrestricted". On the contrary, it was clearly stated in the Position Paper that "[t]he scope of protection requires a balance to be struck between the rights of the copyright owner and the rights of those desiring to make use of copyright works in a way that is not damaging to or unfairly takes advantage of such property. The rights and freedom of the individual, including freedom of speech, is also to be balanced against the property rights and other rights of the owner." (paragraph 2) Copyright is a property right protected by the Basic Law and can be subject to restrictions which are in accordance with constitutional law principles in appropriate circumstances.

10. Secondly, the Position Paper has never attempted to suggest that the extent and mode of protection of copyright is or should be identical or comparable to that of other tangible property rights. The "Overview" section of the Position Paper simply points out that the nature of copyright is a form of property right, like other kinds of property right, the protection of which is guaranteed by the Basic Law and should be respected.

11. Thirdly, the Keyboard Frontline misunderstood and misinterpreted, the analogies made by the Chairman of the Bar Association in media interviews. The Chairman used the examples of small inns and bicycle rentals to explain the pros and cons, and the nature of the controversy arising from the Bill and the proposed the amendments, by pointing out that some common behaviour of copyright users may have been sufficient to constitute infringement under the existing law, but copyright owners have not hitherto enforced their copyright because no real or substantial harm was caused to them or the value of the copyright works. However, when the need arises for the introduction of

stronger protective measures against deliberate and malicious infringement, such measures are vigorously opposed by those who are not targets of the law reform and whose acts do not cause substantial or real prejudice to the rights of the copyright owner, and there was a lack of indication of any change of attitude on the partner of the rights owners. These analogies are therefore wholly unrelated to the duration of copyright protection, or the width of exceptions based on public interest concerns. They were not used and were never intended to be used to explain or argue the warranted scope of excepted acts.

Fair Dealing and Fair Use

12. The Keyboard Frontline selectively quoted parts of the Position Paper and took them out of context, thereby wrongly accusing the IP Committee of making contradictory statements. Paragraphs 27 and 28 are not inconsistent or contradictory. Paragraph 27 made clear that the existing Copyright Ordinance in Hong Kong and the Bill provide for a two-step test, which has struck a fair balance. On the one hand, the two-step test could maintain a considerable level of certainty so that users would know which dealings for which kinds of purposes would be exempted from infringement liability if the dealings pass the fairness test. On the other hand, the two-step test also incorporates the fairness assessment and fairness factors under the United States fair use regime to provide for more flexible examination of the specific facts of each case. However, as rightly and clearly pointed out in paragraph 25 of the Position Paper, the general and broad "fair use" regime adopted in the United States does not give as much certainty (*i.e.* it does not provide for the first step under the Hong Kong regime) as compared to that adopted in Hong Kong' existing copyright law and the Bill. Therefore, "fair use" is prone to increase the need for legal advice by users, contrary to the intentions of Hong Kong citizens.

13. Since the public is generally concerned with there being too many "grey areas" in the law, at this stage, it would be more desirable and more beneficial to Hong Kong to have a law which clearly delineates which dealings for which kinds of purposes would be exempted from infringement liability, in addition to a fairness assessment which

provides a fair level of flexibility, than to immediately adopt the wide open "fair use" regime. It is always open to the legislatures and members of the legal profession, having gained experience from the implementation of the Bill, to further polish and update the law in the future.

User-generated Content ("UGC")

14. The IP Committee has clearly acknowledged at footnote 19 of the Position Paper the Keyboard Frontline's other alternative proposals apart from the one which is even broader and more loosely-framed than the Canadian provisions.

15. Further, the Keyboard Frontline misunderstood the IP Committee's concern on the unclear boundary between non-commercial and commercial purposes. Hence, the Keyboard Frontline's response to the Position paper is invalid:-

(a) The nature of UGC is materially different from fair dealing. Under the UGC exception, one of the **qualifying conditions** in determining whether or not the new work is exempted from liability is whether the new work is **solely** for non-commercial purposes. It means that even if the new work has a main and dominant non-commercial purpose but with trivial or ancillary commercial purpose, it will be disqualified for exemption from infringement liability. On the contrary, if one looks at the fair dealing regime adopted in the existing copyright law in Hong Kong and the Bill, whether the dealing is of a commercial nature is only one of various fairness factors to be taken into account. It therefore allows for a wider scope for a flexible assessment of the "commercial" nature of the dealing and its weight in deciding if the exemption from liability applies. The IP Committee is duty-bound to point out the undesired risk of the UGC proposal where a determination on whether the new work is solely for non-commercial purposes has a **determinative and conclusive** impact on exemption; and

(b) The Keyboard Frontline also mistook that the fairness factor of "the purpose and nature of the dealing, including whether the dealing is for a non-profit-making purpose and whether the dealing is of a commercial nature" as having been introduced by the Government through the Bill, and wrongly accused the IP Committee of adopting double-standards in not challenging such wording in the Bill for vagueness and uncertainty. In fact, this fairness factor had always been part of the second step of the test in the existing Copyright Ordinance (see for example, s.38(3) of the Copyright Ordinance (Cap. 528) in relation to exceptions for "research and private study"). The new provisions in the Bill rightly adopt the identical wording for the fairness factor. Under the UGC regime, whether the new work is solely for non-commercial purposes is a qualifying condition before an exception can arise. Since the concept of "non-commercial purposes" is increasingly blurred in this era where the use of various sharing platforms on the Internet is prevalent, the UGC proposal may not provide as much certainty as would be expected by Internet users. The IP Committee is of the opinion that the general public is entitled to and should be informed of such a potential problem.

Sharing Platforms

16. The IP Committee values various sharing platforms like Creative Commons and expressed its encouragement towards wider propagation and utilisation of such platforms because of the essence of "voluntariness" underpinning the use of such platforms. These platforms respect the will of copyright owners and allow works to be open for public use on the premise of voluntary agreement by copyright owners. Unfortunately, the Keyboard Frontline shifted the focus of the debate to the identity of the copyright owner. According to Hong Kong copyright law, the copyright owner may be the author of the work, the employer of the author, the person who is entitled to the copyright under a commission agreement or the assignor of the copyright etc. There are specific provisions defining who the author is in various circumstances and these provisions are based on different policy, legal and public interest concerns. The IP Committee wishes to

encourage various copyright owners to more widely and voluntarily utilise sharing platforms to share their works to facilitate the creative efforts of others.

Criminal Liability

17. The burden of proof in criminal prosecutions rests on the prosecution and the standard of proof is a high one, namely that of beyond reasonable doubt. Also, neither the Customs and Excise Department nor the Department of Justice has any means to prosecute criminal proceedings without the active assistance of the copyright owners. These points have been emphasised in the Position Paper and the IP Committee does not intend to repeat its arguments here. As to Internet users' concerns in relation to the combined use of copyright law provisions and s.161(1)(a) of the Crimes Ordinance (Cap. 200) which creates an offence for any person who obtains access to a computer with intent to commit an offence, the Prosecution would still have to prove that the accused has the intent to commit an offence under the Copyright Ordinance. The same high standard of proof equally applies. The Prosecution only has to prove the intent to commit an offence under the Copyright Ordinance, but it has also to prove that the alleged act causes real harm to the copyright owner. Therefore, it does not follow that it is easier to convict a defendant through a combined use of s.161(1)(a) of the Crimes Ordinance and the Copyright Ordinance than using the provisions in the Copyright Ordinance alone. If the same act is charged under both provisions (under the Crimes Ordinance and the Copyright Ordinance), then they could only be alternative charges, preventing the possibility of double jeopardy. Alternative charges are common in criminal prosecution and are not signs of abusive or excessive prosecution. In view of only one case having been identified (2005) that was prosecuted on alternative charges under both the Copyright Ordinance and the Crimes Ordinance, and not a single one during the term of the current Government, the risk of abusive or excessive prosecution is not seen to be supported by any empirical evidence.

Conclusion

18. There is infinite potential for creativity and business opportunities. Every author can become a copyright owner through exercising their creativity, and derive commercial benefits from their creations. The same goes for authors of secondary creations and derivative works. This is precisely what drives creation and innovation. The identities of authors, users and authors of secondary creations are therefore interchangeable, with each interacting with another and benefiting one another in constantly evolving business models. A user of today may become a copyright owner wishing to enforce his rights tomorrow. In the digital world, even an author without backing of commercial capital would be able to succeed and make himself known to the world by his own efforts and obtain reasonable rewards for the fruits of his creativity, skill and effort through exercising control over his copyright.

19. Nevertheless, it may be that only one work in a hundred would become commercially successful. Copyright law aims to protect all copyright owners, especially owners of the copyright in commercially successful works, by ensuring that they receive reasonable compensation and rewards. The example given by the Keyboard Frontline on the use of pop-culture work to re-create and derive other works are just the sort of examples that manifest the necessity for authors of derivative works, however clever they may be, to reach consensus with copyright owners from whose works they have reaped an advantage. Consensus is needed on various controversial issues in relation to unauthorised use of the work for commercial or non-commercial purposes without compensation – should the owners' control over copyright be further restricted to facilitate secondary creations? Would the royalty-free unlicensed use of copyright works be fair to copyright owners across the board? Would further broadening of exceptions give rise to unintended loop-holes that would allow copyright pirates to wrongfully exploit copyright works under the guise of secondary creation? All these questions are equally applicable to and salient to copyright owners as they are to authors of derivative creations. We call upon the various stakeholders to put themselves into the shoes of the others and avoid a confrontational approach. The IP Committee calls for more a practical and considerate attitudes and co-operation and collaboration

among various stakeholders to collaborate in search of a fair, mutually beneficial and feasible solution, so that Hong Kong can finally take a belated step forward in the development of its copyright law.

3 March 2016

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