

## Council Meeting in Kaohsiung, Taiwan, November 2006

### Report of THE HONG KONG GROUP OF APAA

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#### A. CHANGES AND DEVELOPMENT IN LEGISLATION

1. The *Copyright (Amendment) Bill 2006* was gazetted on 17<sup>th</sup> March 2006.

Following the public consultation on copyright-related issues from December 2004 to February 2005, various preliminary proposals were put forward by the Commerce, Industry and Technology Bureau of the HKSAR Government in June 2005 for discussion with the Panel on Commerce and Industry of the Legislative Council and the relevant stakeholders (as reported at the last Council Meeting). The Bill was based on the refined proposals made thereafter and it seeks to enhance copyright protection and make Hong Kong's copyright exemption regime more flexible.

Major changes proposed in the Bill include:-

(a) Business end-user criminal liability

A new business end-user criminal offence against the infringing acts of making, with a view to distributing or distributing, infringing copies of copyright works published in four types of printed works, namely newspapers, magazines, periodicals or books. Such infringing acts will have to be done on a regular or frequent basis resulting in financial loss to the copyright owners concerned.

(b) Directors'/partners' criminal liability

A new criminal offence against director(s) or partner(s) who are responsible for the internal management of a body corporate or partnership if the body corporate or partnership has done an act attracting business end-user criminal liability, unless he proves that he did not authorize the act. If there is no such director or partner, any persons responsible for the internal management of the body corporate or partnership under the immediate authority of the directors or partners may be liable.

(c) Defence for employees and exemptions for certain professionals in respect of business end-user criminal liability

A statutory defence for an employee who *possesses* an infringing copy provided by his employer but the employee should not be in a position to make or influence a decision regarding the acquisition, removal or use of the infringing copy when the offence was committed.

A statutory defence for an employee who makes for *distribution* or *distributes* an infringing copy in accordance with the instruction of his employer. Again the employee should not be in a position to make or influence a decision regarding the making or distribution of the infringing copy when the offence was committed.

Exemptions for a solicitor, barrister or service provider who *possesses* an infringing copy for the purpose of giving legal advice or investigation services and for a person possessing on his client's premises an infringing copy which was provided by his client.

(d) Civil remedies for circumvention of technological measures

Extended civil liability against any person who *deals in* circumvention tools or provides circumvention services (irrespective of whether or not it is in commercial context).

New civil liability against any person *who circumvents* a technological measure (i.e., access control measures or copy-protection measures) used for copyright protection.

(e) Criminal liability relating to circumvention activities

A new criminal offence against any person who is *engaged in commercial dealing* of circumvention tools or provides circumvention services in a circumvention business.

(f) Fair dealing for education and public administration and improvements to the permitted acts for education

A new exemption for fair dealing with a work for the purposes of education and improvements to the permitted acts for education.

(g) Liberalization in the use of parallel imports

Shortened criminal sanction period for parallel imports from 18 months to 9 months from the first publication of the work anywhere in the world. No criminal liability will thus apply to importing for commercial dealing purposes or commercially dealing in parallel imports of copyright works that have been published anywhere in the world between 9 and 18 months, but civil liability will remain.

Removal of the civil and criminal liability associated with the importation and possession of parallel imported copies of copyright works by business end-users except movies, TV dramas, musical sound recordings, and musical visual recordings acquired for showing/playing in public.

2. Extension of the validity of the ***Copyright (Suspension of Amendments) Ordinance*** from 31 July 2006 to 31 July 2007

The *Copyright Ordinance* (Cap. 528) was amended in April 2001 to criminalize the use of infringing copies of copyright works in business. To address public concerns, the *Copyright (Suspension of Amendments) Ordinance* was passed in June 2001 to suspend the business end-user possession criminal provision and other related amendments except as they apply to computer programs, movies, television dramas and musical recordings. The effective period of the suspension was to expire on 31 July 2006 and it has now been extended to 31 July 2007 pending the enactment of the *Copyright (Amendment) Bill 2006*.

3. The *Trade Descriptions Ordinance* (Cap. 362) (the “Ordinance”) has been amended to make it clear that the Ordinance applies to trade descriptions of origin of goods expressed in terms of a “place” instead of a “country”.

Under the previous law, the origin of goods was expressed by reference to a country, thus in principle excluding their application to any place other than a national state. The issue has been a matter of some concern in view of the CEPA, since the origin of goods determines whether the goods in question are entitled to a zero tariff under the CEPA.

The amendment now replaces “country” with “place” and clarifies the position.

4. The *Trade Marks (Amendment) Rules 2006* were gazetted on 24 March 2006 and came into force on 26 May 2006.

The Amendment Rules principally aim to simplify the signing requirements of applications for 2 kinds of trade mark assignments and assents, in order to facilitate the introduction of enhanced electronic services by the Trade Marks Registry. The previous Trade Marks Rules require applications and notices to register particulars of assignments and assents to be signed by or on behalf of both parties to the transactions or accompanied by documentary evidence to establish the transaction. The Amendment Rules now provide that the form for an application or notice to register an assignment or an assent can be signed solely by the assignor or the personal representative making the assent respectively.

5. The *Patent Ordinance, Registered Designs Ordinance, Trade Marks Ordinance* and *Layout-design (Topography) of Integrated Circuits (Designation of Qualifying Countries, Territories or Areas) Regulation* were amended in February 2006 to reflect the current membership position of the Paris Convention for the Protection of Industrial Property and the World Trade Organization.

## **B. CHANGES AND DEVELOPMENT IN PRACTICE**

1. On 28 November 2005, the Intellectual Property Department (IPD) launched interactive electronic services for renewal of registered trademarks and patents. The new service enables users to complete transactions securely 24 hours per day, 7 days a week.
2. In January 2006, the IPD extended the interactive services to include changes of name, address, agent’s address and address for service.

3. In May 2006, registration of trademark assignments and extension of time limits in trademarks applications, oppositions and other proceedings were added to the array of interactive services.

### C. SOME NOTABLE CASES

1. Court strikes balance between administration of justice and protection of personal privacy in internet copyright infringement case

**Cinepoly Records Co Ltd & Others v Hong Kong Broadband Network Ltd & others** (Court of First Instance, HCMP 2487/2005, 26 January 2006) [2006] 1 HKC 433

The Plaintiffs were leading music producers in Hong Kong and the Defendants were internet service providers regulated by the Telecommunications Authority. The Plaintiffs identified 22 uploaders of music files using WinMX software by their respective Internet Protocol Address (IP Address) assigned by the Defendants at the material time. Each of targeted uploaders uploaded at least 100 song titles. The only way to reveal the identities of the uploaders is by the Defendants' disclosure of records of the IP Address, e.g. the names, identity card number and addresses of the alleged infringers. The Plaintiffs therefore sought a *Norwich Pharmacal* order against the Defendants for discovery of the data belonging to the alleged infringers.

The 3<sup>rd</sup> Defendant objected to the Plaintiffs' application on the grounds that the discovery, if granted, would breach (1) the ***Personal Data (Privacy) Ordinance*** (Cap. 486) and (2) the telecommunications service licence under the ***Telecommunications Ordinance*** (Cap.106).

Deputy Judge Jeremy Poon of the Court of First Instance granted the Plaintiffs' application for discovery on the following basis:-

(i) *Norwich Pharmacal* discovery

The unauthorized uploading of musical files on the internet by the 22 uploaders constituted serious infringement of the copyright subsisting in the relevant musical works owned by the plaintiffs. Although it might be said that the IP Address could only identify the subscriber to the internet service but not the actual user at the material time when the uploading was done, it was reasonable to infer that the subscriber identified from the IP address was the uploader, since a subscriber of internet services provided by the defendants could, unless otherwise specified, only have the service for his personal use. Even if it was not uncommon that there were multiple users to a single internet account, it was also reasonable to infer in such circumstances that the subscriber had consented to or authorized others to use his internet account for uploading the music files. All the defendants, by providing the internet services, had been innocently caught up or became involved in the uploading of the musical works in question. The Plaintiffs have accordingly satisfied the requirements for a *Norwich Pharmacal* discovery order.

(ii) ***Personal Data (Privacy) Ordinance*** (Cap. 486)

Data Protection Principle 3 in Schedule 1 of the Ordinance provides that personal data shall not, without the prescribed consent of the data subject, be used for any purpose other than (a) the purpose for which the data were to be used at the time of the collection of the data; or (b) a purpose directly related to the purpose referred to in paragraph (a). Exemptions are granted under the Ordinance for purposes including the prevention of detection of crime; the apprehension, prosecution or detention of offenders; the assessment or collection of any tax or duty; and the prevention, preclusion or remedying (including punishment) of unlawful or seriously improper conduct, or dishonesty or malpractice, by persons, whereby the application of data protection principle 3 would be likely to prejudice such purposes.

The judge recognized that the Ordinance struck the balance between the administration of justice and protection of privacy relating to personal data and ruled that “unlawful and seriously improper conduct’ on a proper construction covered tortious conduct, including copyright infringement. The Plaintiffs had also met the requirement that the application of Data Protection Principle 3 would be likely to prejudice the prevention, preclusion or remedying of the copyright infringements in question since without the data, the plaintiffs could not take the matter any further. In the circumstances, the 3<sup>rd</sup> Defendant’s objection under the Ordinance failed.

(ii) Telecommunications service licence under the ***Telecommunications Ordinance*** (Cap.106)

Special Condition 7 of the 3<sup>rd</sup> Defendant’s Public Non-Exclusive Telecommunications Service Licence provides that “the Licensee shall not disclose information of a customer except with the consent of the customer, ..., except for the prevention or detection of crime or the apprehension or prosecution of offenders or except as may be authorized by or under any law”.

The judge ruled that when the innocent party made discovery under the *Norwich Pharmacal* principles, whether voluntarily or compelled by the court exercising its equitable jurisdiction, the discovery was authorized (and indeed required) by law and accordingly there could be no breach of the telecommunications licence.

The judge made the following comments in his judgment:-

*“Users of the Internet, like any individuals, must abide by the law. And the law protects the users’ rights as much as others’ legitimate rights, including those of the copyright owners. Some online copyright infringers may well think that they will never be caught because of the cloak of anonymity created by the P2P programs. They are wrong. And from now on, they should think twice. They can no longer hide behind the cloak of anonymity. The court can and will, upon a successful application, pull back the cloak and expose their true identity. It is not an intrusion into their privacy. It does not even lie in their mouths to say so. For protection of privacy is never and cannot be used as a shield to enable them to commit civil wrongs with impunity.”*

2. Court rules BT common user criminally liable for copyright infringement

***HKSAR v Chan Nai-ming*** (Tuen Mun Magistrates' Court, TMCC 1268/2005, 24<sup>th</sup> October 2005 & 7<sup>th</sup> November 2005)

In ***HKSAR v Chan Nai-ming***, the defendant installed three films on his computer in ".torrent" files and he advertised the existence of the ".torrent" files through newsgroups on the Internet in the name of "Big Crook" enabling others to download them by using BitTorrent peer-to-peer (P2P) technology.

This caught the attention of the HK Customs & Excise Department who is the department responsible for criminal enforcement under the ***Copyright Ordinance*** (Cap. 528), Laws of Hong Kong. A Customs officer downloaded and activated the ".torrent" file and obtained the IP address of the seeder computer. A full infringing copy of each of the copyrighted film was downloaded subsequently.

As a result of the investigations on the IP address, the Customs officers came to know the name, HKID card number and subscription address of the Defendant, who was the account holder of the IP address, and obtained a search warrant for that address.

When the Customs officers attended the Defendant's address, the Defendant was found sitting at a computer in the living room and his brother was at another in a bedroom. A camera which had been used to make the images of inlay cards and the statuette with the ".torrent" files was seized and three discs containing the films which were referred to in the charges were also seized from the vicinity of the computer.

After being cautioned, the Defendant acknowledged that he was known as 'Big Crook' on the Internet and that he alone was responsible for uploading the bit torrent files to the Internet from genuine copies of the films.

The Defendant was primarily charged with 3 charges under section 118(1)(f) of the ***Copyright Ordinance*** of *attempting to distribute* an infringing copy of a copyright work other than for the purpose of or in the course of any trade or business to such an extent as to affect prejudicially the rights of the copyright owner.

The main arguments by the Defendant were that (1) the evidence did not establish that the alleged acts amounted to distribution within s.118(1)(f); and (2) even if there was distribution, there was no evidence of any prejudicial effect on the copyright owners.

### Distribution

The magistrate held that there was no ambiguity in the provision and that the acts of the Defendant amounted to distribution within the ordinary meaning of that word.

The Defendant activated the “.torrent” file enabling others to download. He kept his computer connected and the BitTorrent software active allowing the downloading to take place and the downloading involved the dissemination of the data of the infringing copies. These were positive acts by the Defendant leading to the distribution of the data and it did not matter whether the recipients of the packets of data might have received it by indirect routes. His acts were an essential part of the downloading process and an integral part of the enterprise of downloading the infringing copies to other computers and this amounted to distribution.

Given that the intention of the Defendant was to distribute the infringing copies and his acts were more than merely preparatory to such a distribution, he was, at the very least, attempting to distribute.

### Prejudice

The Defendant then argued that even if there was distribution, there was no evidence of any prejudicial effect on the copyright owners from such distribution.

According to the ruling of the magistrate, in addition to potential lost sales, the movie rental market also has to be considered. The magistrate considered the Defendant’s distribution to be a distribution in a public open forum from where anyone with the appropriate equipment could obtain an infringing copy, contrary to a distribution of an infringing copy amongst a few friends. This kind of public distribution causes manifest prejudice to the copyright owners.

As a result, the Defendant was convicted of the three charges under the *Copyright Ordinance* on 24 October 2005 and on 7 November 2005 he was sentenced to 3 months’ imprisonment.

This case is significant in that whilst there have been other P2P cases, the previous ones all concern gang or syndicate operations, and the present case is the first one to concern a common user and it clarifies the question whether mere sharing or making available infringing copies to those who want to download them amounts to distribution.

The Defendant has filed an appeal against both conviction and sentence.

## **D. MATTERS OF INTEREST**

### **1. *CEPA***

Supplement III to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) came into effect on 27 June 2006. On trade and investment facilitation, to promote cooperation in the area of protection of intellectual property between the two places, the Mainland and Hong Kong agree to add protection of intellectual property into the area of trade and investment facilitation under CEPA. A new article is added to Annex 6 of CEPA as Article 10:-

“The two sides recognise that strengthening intellectual property protection plays an important role in advancing economic development and promoting economic and trade exchanges and cooperation between the two places. Both sides also agree to strengthen cooperation in the area of intellectual property protection through the setting up in Hong Kong the Intellectual Property Protection Coordination Centre to exchange and communicate information relating to intellectual property protection of the two places.”

2. ***Waiver of 5-year Registration Fees Offered by Hong Kong Domain Name Registration Company Limited***

Hong Kong Domain Name Registration Company Limited launched a 'We Care, We Share' Campaign and is inviting local charitable organisations to take part in this Campaign. Waiver of 5-year registration fee of new '.hk' domain name will be offered to a limited number of charitable organisations but each organisation is eligible for only one offer. The main purpose of this campaign is to encourage the dissemination of useful information to the public so that the mission and services of charitable organisations can be publicized and recognized.

Applications for a waiver of 5-year registration fees will be considered by Hong Kong Domain Name Registration Company Limited taking into account the following factors:

1. The nature of the organization
2. The need of the domain name to the organization
3. The benefits to the local community

3. ***Mother-and-son copyright piracy syndicate sentenced under the Organized and Serious Crimes Ordinance***

A piracy syndicate of a woman aged 51, her son and another man operating a pirated disc replicating workshop, 3 storage centres and 8 retail outlets was cracked by the Hong Kong Customs in July 2004 and more than 50,000 pirated discs, 3 sets of replicating machines, 11 sets of computers and 2 sets of high-speed copiers, totalling \$1.5 million in value, were seized thereby. For the first time since the ***Copyright Ordinance*** was scheduled under the ***Organized and Serious Crimes Ordinance*** (“OSCO”) the Hong Kong Customs applied for a restraint order under the OSCO to freeze the syndicate’s assets in the amount of HK\$20 million as suspected proceeds of crime. The OSCO was invoked in the prosecution leading to an increase on the severity of sentence. On 28<sup>th</sup> August 2006, the three defendants were sentenced to 55 months’, 37 months’ and 33 months’ imprisonment respectively for contravening the ***Copyright Ordinance, Trade Descriptions Ordinance*** and OSCO. The frozen assets are to be forfeited upon an application for forfeiture by the Hong Kong Customs.

4. ***Registration Activities***

During the period from 1 October 2005 to 31 August 2006, there were the following applications received and registrations granted by the IPD:

	Applications received	Registrations granted
Trademarks:	20,773	15,969
Patents:		
Standard patents	12,758	11,770
Short-term patents	462	431
Designs:	5,157	4,753