

Asian Patents Attorney Association

Hong Kong - Anti-Counterfeiting Committee Report

54th Council Meeting in Adelaide, Australia

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Part I – Hong Kong Group Report

Report on Hong Kong Customs & Excise Department Activities 2006/2007

The Customs and Excise Department (HKC&ED) is responsible for the protection of the Hong Kong Special Administrative Region against intellectual property rights; the protection of consumer interests; the protection and facilitation of legitimate trade. Over 400 Customs officers have direct responsibilities over intellectual property investigations, raids and seizures.

The department investigates and prosecutes copyright offences relating to literary, dramatic, musical or artistic works, sound recordings, films, broadcasts, cable programmes, and the typographical arrangement of published editions. Apart from eliminating pirated optical discs at the manufacture, storage, retail and import/export levels, the HKC&ED strives to fight against corporate piracy, namely, the use of pirated software and copyright works for commercial purposes. Moreover, two Anti-Internet-Piracy Teams have been established to fight against infringing activities on the Internet. The Customs Computer Forensic Laboratory, being the holder of two international recognized standards, ISO 9001, on quality management and BS7799 on information security, offers professional assistance in collecting, preserving, analyzing, and presenting digital evidence to law court in piracy cases.

A. Anti-Piracy Activities during 2006

The HKC&ED continues to step up enforcement against piracy activities. In 2006, around 9,127 copyright cases were detected. 1,063 persons were arrested and seizure value was

HK\$ 127 million. Further, in the first half of 2007, about 5,104 copyright cases were detected. A total no. of 619 persons were arrested or summonsed. Seizures of pirated items were valued at around HK\$ 70.8 million.

The HKC&ED also took enforcement action against business end-user piracy cases. Since the introduction of such liability in 2001 up to end of 2006, around 92 cases of software piracy and 43 cases of pirated videos in karaoke were effected.

Besides rooting out piracy activities at the retail level, the HKC&ED takes proactive actions against productions sources and storage areas of pirated discs. At the manufacture level, the Prevention of Copyright Piracy Ordinance requires local optical disc and stamper manufacturers to obtain licences from the department and mark on all their products specific identification codes. Besides, the Import and Export Ordinance imposes licensing controls on the import and export of optical disc mastering and replication equipment. A 149-member Special Task Force of HKC&ED has been playing an important role in combating copyright piracy. The Force also serves as a mobile brigade to reinforce the suppression of other customs-related crimes.

In the first half of 2007 alone, the total no of discs seized under the Copyright Ordinance totaled 2,752,112. The seizure value is HK\$ 62.1 million.

HKC&ED also vigorously enforce against cross-boundary crimes and smuggling activities. On 1 March 2006, the HKC&ED and the Customs Department of Thailand signed a Customs Cooperative Arrangement to strengthen its cooperation in fighting transnational customs crimes including intellectual property rights. The HKC&ED also combats unmanifested goods (even where genuine VCDs are concerned) based on the Import and Export Ordinance of the laws of Hong Kong. Under the Import and Export Ordinance, any person found guilty of “attempting to export unmanifested cargo” is liable on conviction to a fine of \$2 million and imprisonment for seven years. The vessel involved will also be confiscated.

The Customs also enforced the provisions under the Copyright Ordinance of the laws of Hong Kong which prohibits illicit photocopying activities. Under the Copyright Ordinance, it is an offence for a person to possess, for the purpose of or in the course of a profit-making copying service business, an infringing copy of a copyright work as published in a book, magazine or periodical. The maximum penalty is a fine of \$50,000 per infringing copy and imprisonment for four years.

Since 2005, HKC&ED and the Hong Kong Reprographic Rights Licensing Society have run a reward scheme to encourage the public to provide information on activities involving illegal photocopying of books. All information provided is confidential.

B. Anti-Counterfeiting Activities during 2006

The HKC&ED takes enforcement action against commercial goods with forged trademark or false label under the Trade Descriptions Ordinance. In 2006, goods worth about \$126 million were seized and 709 persons were arrested under the Trade Descriptions Ordinance. A total of 987 cases were effected. Further, in the first half of 2007, there were already 532 cases effected with 367 persons arrested. Estimated value of seizures of counterfeit items under the Trade Descriptions Ordinance were HK\$ 72.3 million.

The HKC&ED also carried out repeated raids against known black spots for selling of counterfeit goods, which resulted in a significant reduction in such illegal activities. Some of these blackspots will now only display photographs or catalogues of counterfeit goods to potential customers who are then taken to hidden showrooms. In 2006, HKC&ED cracked down 61 such show rooms.

C. Fast Action Scheme

In 2006, HKCE&D launched a “Fast Action Scheme” to combat intellectual property rights infringement activities at large-scale exhibitions.

Companies intending to join exhibitions in Hong Kong can provide information on brands and copyrights of their products on display to relating industry organizations in advance for verification and record-keeping. Once suspected intellectual property rights occur, HKC&ED officers can follow up promptly based on information collected by industry in advance.

D. Major Anti-Counterfeiting and Anti-Piracy Activities during 2006/2007

(i) 11/10/07 – HKC&ED smashes counterfeit goods showrooms

HKC&ED officers smashed two up-stair showrooms in Tsim Sha Tsui, Hong Kong suspected of selling counterfeit handbags and watches to Japanese tourists on October 10 and 11. During the operation, HKC&ED officers seized 2,300 pieces of counterfeits, including leather goods and watches, worth \$1.2 million on October 10 and 600 counterfeit leather goods and 100 watches, valued at \$200,000 on October 11. Six men and one woman, aged between 34 and 50, were arrested. Among them were two local licensed tourist guides, a 44-year-old man and a 40-year-old woman, and a 43-year old male shop owner. Mr. Chiu Yuk-hung, Divisional Commander for the Trade Descriptions Investigation of HKC&ED, believes that this is an isolated case with tourist guides being involved.

(ii) 04/10/07 - HKC&ED confiscates crime proceeds from piracy ring

HKC&ED successfully made its first application to the District Court under the Organized and Serious Crime Ordinance to confiscate crime proceeds of \$1.2 million from the mastermind of a pirated optical disk (POD) syndicate whose 30,000 PODs retained at a replicating centre and an outlet were sized by HKC&ED on October 13, 2005. The Confiscation Order was subsequently granted by the court. Since 2004, HKC&ED has applied Organized and Serious Crime Ordinance to freeze the crime proceeds of seven syndicates – six in copyright piracy cases and one in a trade mark infringement case. The total crime proceeds restrained were about \$107 million.

(iii) *21/09/07 – HKC&ED clamps down on illicit photocopying*

HKC&ED officers swooped on four photocopying shops to deter infringing reprographic activities on September 20. They raided four photocopying shops in Shek Kip Mei, Sheung Shui, Causeway bay and Chai Wan respectively, leading to the seizure of 61 photocopies of books, four photocopying machines and three binding machines. The seizure value was \$270,000. Two men and two women, aged between 44 and 59, were arrested. Among them, a 44-year-old man and a 59-year-old woman were shop owners. The maximum penalty is a fine of \$50,000 per infringing copy and imprisonment for four years.

(iv) *31/08/07 – HKC&ED seizes \$3.1 million worth of counterfeit goods*

HKC&ED intercepted an arriving 45-foot container tractor with a consignment from Guangzhou at the Lok Ma Chau Control Point on August 29 and uncovered a batch of counterfeit goods, which include 10,000 watches, 4,000 pieces of clothing, 2,000 handbags, 1,000 pairs of shoes, 1,000 mobile phone accessories, 1,800 memory cards and 600 MP3 players. The seizure was worth about \$3.1 million. A male-driver, aged 46, was arrested.

(v) *28/08/07 - HKC&ED smashes counterfeit mobile phones and accessories syndicate*

HKC&ED officers neutralized a counterfeit mobile phone and accessories syndicate on August 27 after raiding a shop in Tsim Sha Tsui. They seized 5,500 counterfeit mobile phones and accessories, including 600 mobile phones, 600 chargers, 4,100 batteries, 100 phones shells and 100 pairs of earphones, worth about \$450,000. They also found a batch of used mobile phone accessories of old models, brand name product stickers, user manuals and packaging materials. With these materials, it was believed that the syndicate attempted to repackage the used mobile phones and accessories for sale as brand-new products in targeted regions such as Africa and Southern Asia with a small portion in Hong Kong locally.

(vi) *17/08/07 - HKC&ED seizes copyright infringing foldable bicycles*

HKC&ED officers raided eight shops located in Mong Kok, Cheung Sha Wan, Tai Po, Ma On Shan and Fanling which sold copyright infringed bicycles both in retail and on local auction website. They seized 29 copyright-infringing bicycles worth \$66,700 and arrested 9 men and a woman, aged between 41 and 60. Of the arrested persons, 9 were shop owners and 1 was a shop attendant. With the assistance of an Internet service provider, HKC&ED located the computers involved. They arrested two men, both aged 31, in Mong Kok. In the follow-up investigation, they seized a foldable bicycle and two sets of computer, worth 14,300, on the residential premises of the two men, located in Mong Kok and Tuen Mun respectively.

(vii) *05/07/07 – HKC&ED smashes counterfeit mobile phones and accessories syndicate*

HKC&ED officers raided a distribution company and a retail store on July 4, resulting in the seizure of 129 sets of counterfeit mobile phones, including accessories. The total seizure was worth about \$130,000. Two men and a woman, aged between 43 and

60, including a 60-year-old male proprietor of the distribution company, were arrested. HKC&ED claimed that this was the first time they seized counterfeit mobile phone sets with accessories including batteries and chargers.

(viii) 06/06/07 – HKC&ED smashes a company selling counterfeit goods on the Internet

HKC&ED officers of the Anti-Internet Piracy Team cracked a piracy case in which a local company sold counterfeit goods to overseas buyers through an overseas Internet auction site on June 5. They seized about 1,800 pieces of suspected counterfeit goods, including 300 batteries for cameras and video-cameras, 100 pieces of memory cards and accessories. The total worth was about \$170,000. These items were originally arranged for sale on an overseas Internet auction site to buyers in Europe and the US. Two men and a woman, aged between 18 and 42, were arrested, including a 42-year-old male company director. Subsequent to the crack, HKC&ED officers further arrested a 18 year-old man and a 28-year-old woman, at the Kwun Tong Post Office when they attempted to send a counterfeit goods parcel. Their parcel was seized and HKC&ED officers later searched their company in Kwun Tong where about 1,800 pieces of counterfeit goods were found.

(ix) 01/06/07 – HKC&ED seizes counterfeit Olympic Games products

With the help of the Beijing Organizing Committee for the Games of the XXIX Olympiad, HKC&ED officers conducted a two-day operation to crack down on trademark infringement activities relating to products of Beijing 2008 Olympic Games on May 30 and 31. The Intellectual Property Investigation Bureau raided at Wan Chai, Yau Ma Tei and Mong Kok and seized from seven hawker stalls about 350 pieces of goods, including key rings, watches, caps, badges and stickers, worth about \$7,000. Most of the goods bore forged trademark - the Official Mascots of the Beijing 2008 Olympic Games (Fuwa).

The officers arrested three men and three women, aged between 40 and 60.

(x) 13/04/07 – HKC&ED charges a man for supplying jewellery bearing false trade description

During a check on April 6, HKC&ED officers seized from the jewellery shop a total of 1,807 pieces of gold-plated rings, pendants, necklaces, bracelets, earrings and brooches, each bearing a geographical indication "ITALY" when they were in fact produced in China. The seized articles had a total selling price of about \$1.4 million.

HKC&ED charged a 31-year-old man, the responsible person of a shop in Hung Hom with one count of importing and one count of having in possession for sale purpose goods to each of which a false trade description was applied. HKC&ED would later summon the shop for committing the like offences, and one count of failing to display the required notice under the Trade Descriptions (Marking) (Gold and Gold Alloy) Order.

(xi) *09/03/07 – HKC&ED cracks piracy in jewellery show under Fast Action Scheme*

Under "Fast Action Scheme", HKC&ED officers cracked two piracy cases in Hong Kong International Jewellery Show on March 8, involving two local companies. Four infringing watch gift boxes were seized. Each cost about \$350, which was one third of the price of the genuine items. Two 51-year-old Hong Kong men, including a company director and a marketing staff of two separate companies, were arrested. This was the fourth time that the Scheme was implemented by Hong Kong Customs and Hong Kong Brands Protection Alliance (HKBPA) in large-scale exhibitions in Hong Kong.

(xii) *16/02/07 – HKC&ED raids pirated disk shops and karaokes before Lunar New Year*

Before Lunar New Year holidays, HKC&ED officers of the Intellectual Property Investigation Bureau conducted territory-wide operations against outlets and karaokes suspected of contravening the Copyright Ordinance. HKC&ED officers raided six karaokes in North Point, Tsim Sha Tsui, Kowloon City, Tsuen Wan and Tai Po respectively between January 19 and February 5. They seized 38 sets of computer installed with karaoke video files and a batch of audio visual equipment, totally worth about \$350,000. They arrested 10 male and four female karaoke operators, aged between 29 and 47. From February 12 to 16, HKC&ED officers made their swoop in Yau Ma Tei, Mong Kok, Sham Shui Po, Tsuen Wan and Tuen Mun, leading to the seizure of about 31,000 pirated optical disks, of which 22,000 were optical disks while the 9,000 disks were music CDs. The seized pirated disks were worth about \$720,000. In addition, they arrested nine men and four women, aged between 21 and 58. They were either shop owners or shop assistants.

(xiii) *15/02/07 - HKC&ED smashes Piracy syndicate*

With the joint efforts of the Special Task Force, Intelligence Bureau and Financial Investigation Group, HKC&ED smashed a syndicate actively involved in pirated optical disks (PODs) peddling activities in Kwun Tong in a large-scale operation code-named "Touchdown" conducted on February 14 and 15. Investigations showed that the syndicate had sourced PODs from the Mainland and smuggled them into Hong Kong by cross-boundary vehicles. The daily proceeds of the syndicate were estimated to be more than \$50,000, and money laundering activities were involved. HKC&ED officers raided 20 locations throughout the territories, including 14 premises, three storages and three retail outlets located in Kwun Tong, Cheung Sha Wan, Tsing Yi, Kwai Chung, Tseung Kwan O, Ngau Tau Kok, To Kwa Wan, Lam Tin, Mong Kok and Causeway Bay. Eleven men and three women, aged between 22 and 51 were arrested. The total seizures amounted to \$3.92 million, including 120,000 PODs (\$3 million), a private car (\$400,000), a cross-boundary container truck (\$400,000), about \$70,000 in cash and a Hong Kong Jockey Club cash voucher (\$49,300) believed to be illicit proceeds.

(xiv) *26/01/07 - HKC&ED smashes international ring of counterfeit medicine*

HKC&ED neutralised an international syndicate of counterfeit drugs, covering medicine for treating heart disease, male impotence, anti-viral drugs against influenza and slimming drugs on January 25. The syndicate was suspected of engaging in transnational sales activities of counterfeit drugs, with drugs targeting at markets in Europe, United States, Australia and India.

HKC&ED officers seized a total of about 470,000 tablets of counterfeit drugs. It was estimated that genuine drugs of the same quantity could fetch about US\$2.4 million (HK\$19 million) when retailed. A 37-year-old man, a Hong Kong resident and of South East Asian ethnicity, believed to be the mastermind of the syndicate, was arrested.

(xv) *12/01/07 – HKC&ED cracks 12 cases in Toys Fair under Fast Action Scheme*

Under the "Fast Action Scheme", Customs officers cracked a total of 12 cases, leading to the seizure of about \$9,400 worth of copyright infringing toys and the arrest of 13 persons at the "Hong Kong Toys and Games Fair 2007" held from January 8 to 11.

(xvi) *15/12/06 – HKC&ED seizes counterfeit medicine*

HKC&ED officers raided one dispensary in Mong Kok, seizing 3,000 tablets of suspected counterfeit medicine for curing arthritis. The value of the medicine was worth about \$4,080. A 23-year-old man was arrested.

(xvii) *21/10/06 – HKC&ED implements Fast Action Scheme in toys fair*

HKC&ED and Hong Kong Brands Protection Alliance (HKBPA) implemented for the second time the "Fast Action Scheme" at the "15th Hong Kong International Toys and Gifts Show and 14th Asian Gifts Premium and Household Products Show". HKC&ED cracked four cases and arrested four persons on October 20. Of the four arrestees, three were convicted, each sentenced to two months' imprisonment suspended for 24 months and fined ranging from \$2,500 to \$5,000.

(xviii) *27/09/06 – HKC&ED clamps down on illicit photocopying*

In a two-day operation against illicit photocopying activities of copyright works, HKC&ED officers raided three photocopying shops in Tseung Kwan O, one in Sai Wan Ho, one in Tin Shui Wai; and a storage centre at a residential premises in Sai Wan Ho on September 25 and 26. Apart from seven photocopiers and three book-binding machines, they seized about 225 photocopies of books. The books were university and A-Level reference books and primary school level exercise books. The total seizure was worth about \$90,000.

HKC&ED officers arrested four men, aged between 22 and 50; and three women, aged between 33 and 52.

E. Major reported criminal case on anti-piracy 2006

Chan Nai Ming V HKSAR (Final Appeal No. 3 of 2007 CFA)

This was the final appeal from the first ‘BitTorrent’ case brought against an Internet user in Hong Kong for his film uploading activities. The appeal was brought by the offender from the judgment of Beeson J dismissing his appeal against conviction of offences of attempting to distribute infringing copies of copyright works before the Magistrate court.

The appellant (offender) was convicted of attempting to distribute infringing copies of three feature films via the Internet using a file sharing system known as ‘BitTorrent’ technology contrary to s118(1)(f) Copyright Ordinance. He was sentenced to three months’ imprisonment on each charge, which were to run concurrently.

The appellant’s appeal was unanimously dismissed by all five Court of Final Appeal Judges and the sentencing was affirmed.

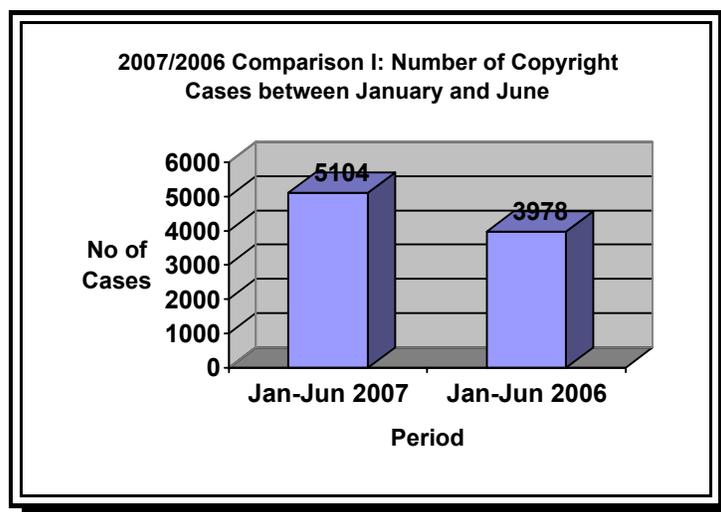
F. HKC&ED Statistics 2006/2007

(Source: the Hong Kong Customs & Excise Department, October 2007)

(i) Copyright Cases

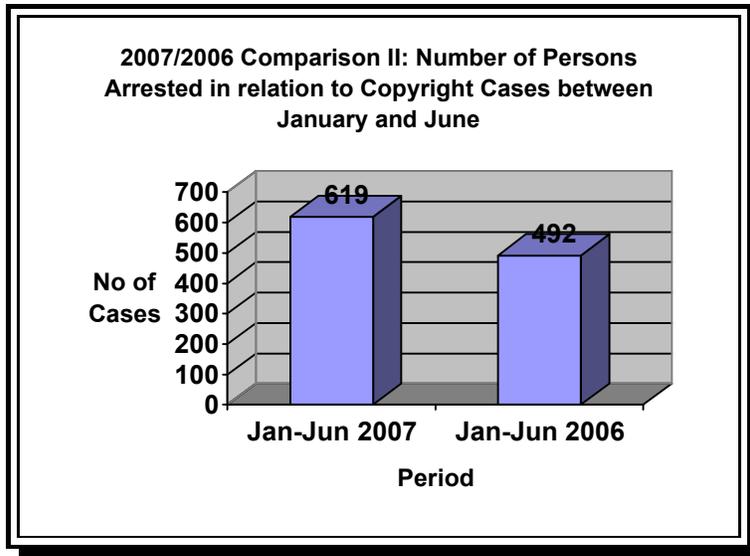
(a) Number of Cases:

Statistics from HKC&ED show that, between January and June 2007, there were 5,104 copyright cases in Hong Kong – a 28.3% increase from the same period last year (3,978 cases).



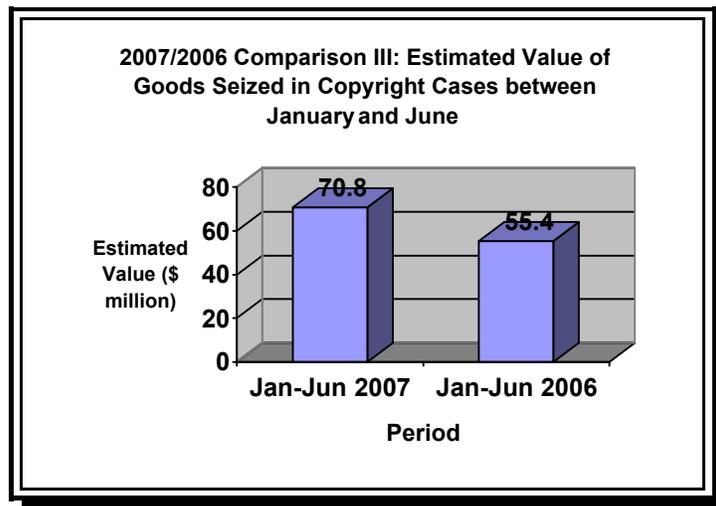
(b) Number of Persons Arrested or Summoned:

The number of persons arrested or summonsed in relation to copyright cases has also increased. 619 persons were arrested or summonsed between January and June this year, representing a 25.8% increase from the number last year (492 persons).



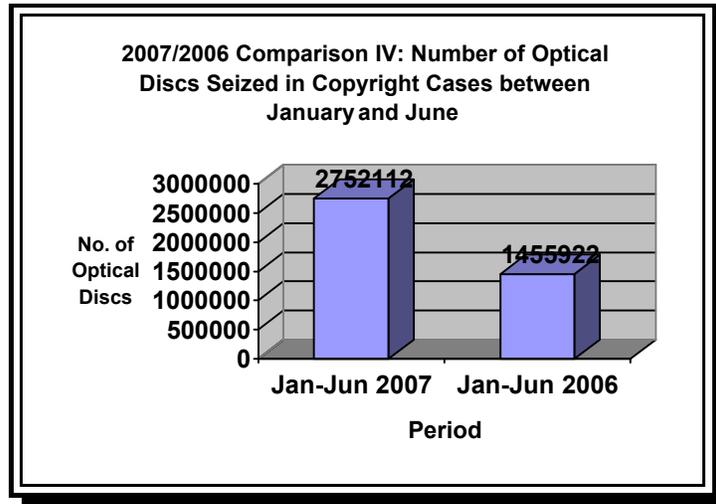
(c) Value of Goods Seized:

The value of the goods seized in copyright cases has also dropped. The estimated value of the seizures between January and June 2007 was HK\$70.8 million; whereas that of the same period last year was HK\$55.4 million. This marks a 27.9% increase.



(d) Number of Optical Discs Seized:

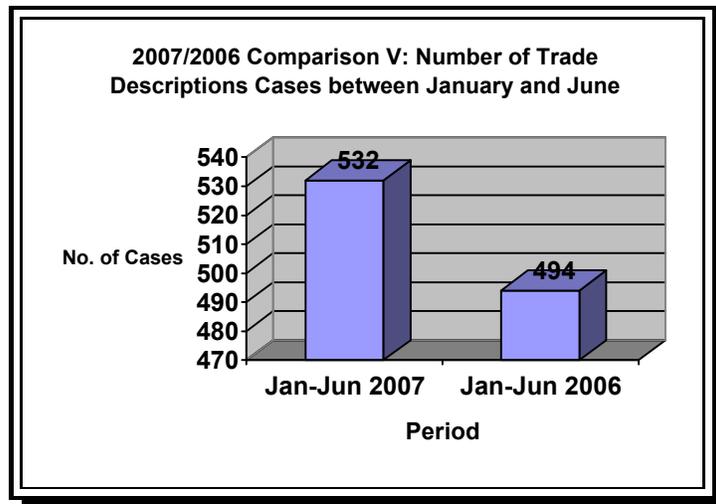
Between January and June 2007, a total of 2,752,112 optical discs, worth about HK\$62.1 million, have been seized by HKC&ED. This marks a 89% increase from the number seized in the first half of 2006. (1,455,922 of optical discs, which is worth about HK\$35 million).



(ii) *Trade Description Cases*

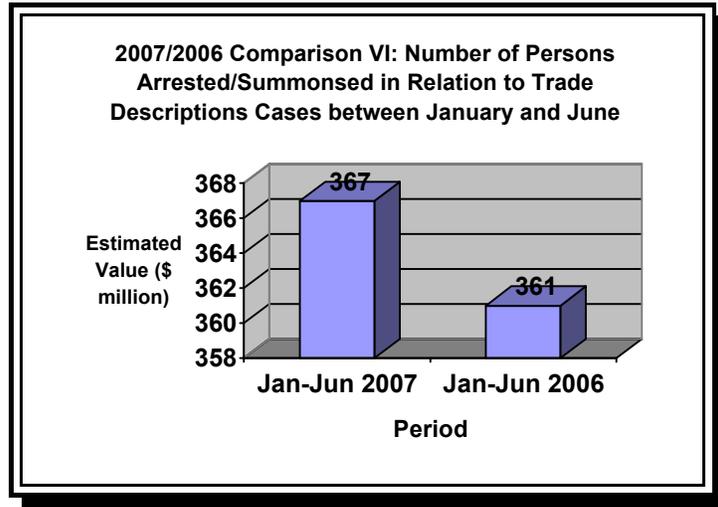
(a) Number of Cases:

Between January and June 2007, there were 532 trade descriptions cases in Hong Kong; whereas there were 494 in the same period last year. Hence, there was a 7.7% increase.



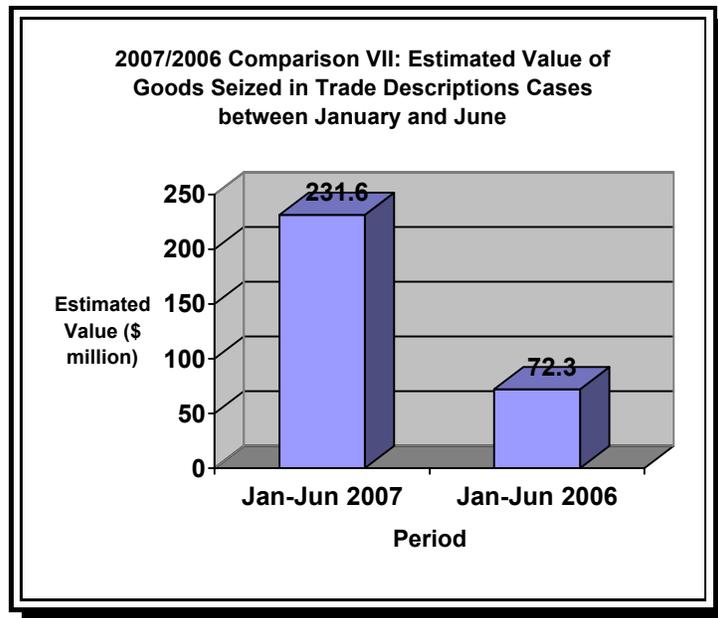
(b) Number of Persons Arrested or Summoned:

The number of persons arrested or summonsed in trade descriptions in the first half of 2007 (367 persons) is roughly equal to the number for the same period in 2006 (361 persons) – a 1.7% increase.



(c) Value of Goods Seized:

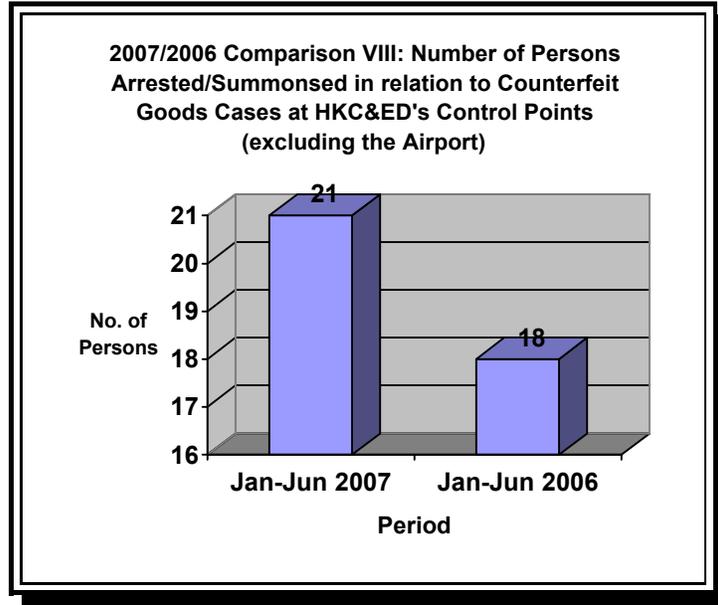
The value of goods seized has increased significantly since last year. From January to June 2007, the estimated value was HK\$231.6 million versus HK\$72.3 million for the same period last year. This represents a sharp increase of 220.4%.



(iii) Counterfeit Goods Cases

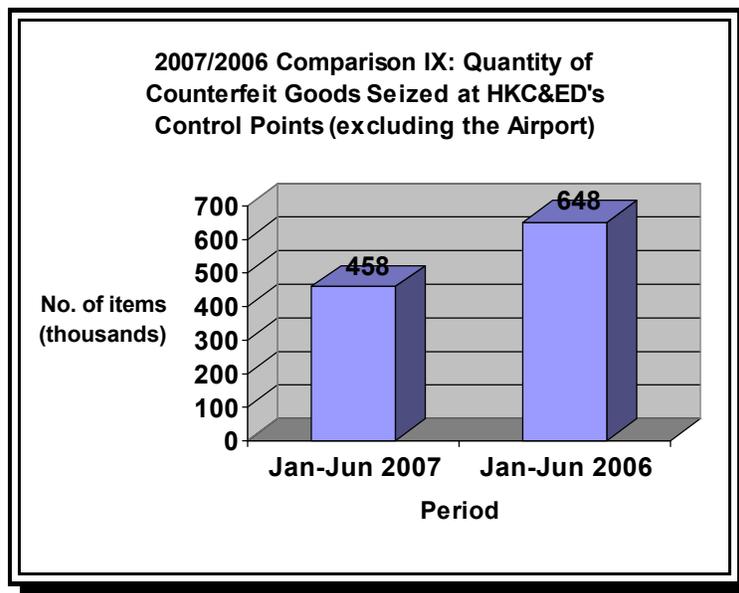
(a) Number of Persons Arrested or Summoned:

Between January and June of 2007, 21 people were arrested at HKC&ED's control points (excluding the Hong Kong airport) or summonsed in relation to counterfeit goods cases; whereas there were 18 people in the same period last year. There was therefore a slight 16.7% increase.



(b) Number of Counterfeit Goods Seized:

The number of counterfeit goods seized has also decreased, from 458,000 in the first half of 2007 to 648,000 in the first half of 2006 (29.3% decrease).



G. Conclusion

As the above information shows, the HKC&ED has continued to input increasing efforts to combat intellectual property-related crimes. Flexible and creative scheme like Fast Action Scheme was implemented to facilitate enforcement by rights owners at large-scale exhibitions and to maintain the integrity of the intellectual property regime of Hong Kong.

Further details about HKC&ED's activities in relation to protection and enforcement of intellectual property rights during 2006/2007 are available from its website <http://www.customs.gov.hk> from which some of the above information has been extracted. Our thanks to HKC&ED for the information contained in this report.

Part II - Special Topic

“Sales of Counterfeits on-line – Who is liable and what remedies both legal and administrative are available against them

Anti-Piracy

General

In Hong Kong, the Copyright Ordinance provides protection for literary, dramatic, musical and artistic works, typographical arrangements of published editions, sound recordings, films, broadcasts, cable programmes and performers' performances irrespective of the domicile of the copyright owners. In line with international standards, there is no requirement to register copyright.

In March, the Copyright (Amendment) Bill 2006 was introduced into the Legislative Council. Proposals. In the bill, there was included new business end-user criminal liability for copyright infringement, measures for improving the copyright exemption regime, enhanced deterrent against circumvention of technological measures that protect copyright, the introduction of rental rights for films and comic books, and further relaxation for the use of parallel imports of copyright works. Some of the provisions in the Bill are now enacted with the announcement of the government gazetted on 6 July 2007 under the Copyright (Amendment) Ordinance 2007 (the “Amendment Ordinance”).

In December 2006, the Government also issued a consultation document entitled “Copyright Protection in the Digital Environment” seeking public views on whether, and if so how, copyright protection in the digital environment should be enhanced. Issues covered in the consultation document included legal liability for unauthorised uploading and downloading of copyright works, protection of copyright works transmitted to the public via all forms of communication technology, the role of online service providers in relation to combating online piracy, how best to facilitate copyright owners in taking civil actions against online infringement, statutory damages, and copyright exemption for temporary reproduction of copyright works.

Criminal sanctions and remedies

In Hong Kong, criminal sanctions for certain acts of copyright infringement are set out in the Copyright Ordinance. Essentially, specified acts of copyright infringement if conducted for the purpose of or in connection with trade or business would give rise to criminal liability (s.118).

Persons who may be caught include the following persons who do the following acts in respect of infringing copy of a work):

- (a) Makes for sale or hire;
- (b) Imports or exports otherwise than for his private and domestic use;

- (c) Sells, lets for hire, or offers or exposes for sale or hire for the purpose of or in the course of any trade or business;
- (d) Exhibits in public or distributes for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works;
- (e) Possess with a view to selling or letting for hire for the purpose of or in the course of any trade or business; exhibiting in public or distributing for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works;
- (f) Distributes otherwise than for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works to such an extent as to affect prejudicially the copyright owner.

The courts of Hong Kong adopt the above offence-creating provisions to dealings which takes place on the Internet.

Although not directly relating to Internet dealings of pirated goods, it is worth pointing out that Hong Kong has a specific criminal offence which criminalises possession of an infringing copy of a work by business end-user for the purpose of or in the course of trade or business (s.118(2A)).

A person who contravenes the criminal provisions of copyright laws is liable to conviction on indictment to a fine of HK\$ 50,000 in respect of each infringing copy and to imprisonment for 4 years.

The Amendment Ordinance has also introduced a new offence against copying for distribution or distribution of infringing copies of copyright works in four types of printed works (i.e., newspapers, magazines, periodicals and books) (s. 119B).

This new offence will apply if –

- (a) the number of copies made/distributed exceeds the numeric limits (“safe harbour”) as shall be prescribed in subsidiary legislation to be made by the Secretary for Commerce and Economic Development;
- (b) the infringing acts are conducted on a frequent or regular basis; and
- (c) financial loss is caused to the copyright owner concerned.

This offence will apply equally to an individual and a business organization. The above offence also applies to distribution of digital copies (e.g. scanned copies transmitted by electronic mails). Accordingly, distribution via the internet any digital copies of the specified printed works may also constitute an offence. This provision however is not yet in effect.

A person who commits the above offence is liable to conviction on indictment to a fine of HK\$ 50,000 in respect of each infringing copy and to imprisonment for 4 years.

In Hong Kong, the first-ever successful enforcement action against illegal peer-to-peer activities on the Internet took place in 2005. An Internet user who used a file sharing system known as 'BitTorrent' technology to share films was convicted of attempting to distribute infringing copies of three feature films via the Internet contrary to s118(1)(f) Copyright Ordinance. He was sentenced to three months' imprisonment on each charge, which were to run concurrently. The defendant appealed to the Court of Final Appeal and his appeal was dismissed unanimously as reported in the reported case, *Chan Nai Ming v HKSAR* (Final Appeal No. 3 of 2007 CFA). (Also see section E above).

Since the first case was brought, two Anti-Internet-Piracy Teams have been established by HKC&ED to fight against infringing activities on the Internet. The teams have achieved significant results in fighting anti-piracy and have effected 47 online cases and have 78 persons arrest. Value of pirated goods seized were up to HK\$ 3.32 million.

Civil remedies

Copyright is infringed by doing (or authorising thereof) of acts controlled or restricted by a copyright owner. These acts include copying, issuing or making available copies to the public, public performance, broadcasting and transmitting by cable and making an adaptation of a work.

Use of copyright works on the Internet is regarded as a act of making available copies. Certain other provisions may be relied upon depending on whether reproduction has taken place or the manner of transmission. The commission of an act of making available of copies is a primary act of infringement and an infringer will have infringed copyright, whether or not s/her knows the work s/he is dealing with is an infringing copy.

Civil remedies of copyright infringement includes an injunction (interlocutory or permanent), delivery up, disclosure of details, costs, damages or account of profits and/or additional damages.

The issue of uploading of musical works and installing them in computers "P to P" software has been considered in the case *Cinopoly Records Co Ltd & others v Hong Kong Broadband Network Ltd & others [2006] HKCU 1500*. This case was decided on 28 August 2006. In that case, 10 plaintiffs brought an action against 4 defendants for a disclosure order requesting the defendants to provide the full names, postal addresses and identity card numbers of 49 internet account subscribers.

The Court in that case considered the basis upon which online copyright infringements may have been committed. The Court was of the view that such acts of uploading and storing of songs on a sharing software will have infringed the restricted act of issuing copies of a work and making available copies of a work under the Copyright Ordinance. The reliance on the provision against issuing copies should be for reason that some of the songs are not even officially released by the authorised owners to the public.

Since tortious liability is likely to be established and the application fulfils the principles of Noriwch Pharmacal relief under the common law of Hong Kong, the defendants, being Internet service providers were, subject to certain conditions, ordered to provide the full names, postal addresses and identity card numbers of the persons whose Internet accounts were assigned the Internet protocol addresses as identified by the Plaintiffs.

Anti-Counterfeiting

Criminal sanctions

In Hong Kong, offence relating to trademarks are governed by the Trade Descriptions Ordinance.

Under the Trade Descriptions Ordinance, any person who-

- (a) forges any trade mark;
- (b) falsely applies to any goods any trade mark or any mark so nearly resembling a trade mark as to be calculated to deceive;
- (c) makes any die, block, machine or other instrument for the purpose of forging, or of being used for forging, a trade mark;
- (d) disposes of or has in his possession any die, block, machine or other instrument for the purpose of forging a trade mark; or
- (e) causes to be done anything referred to in paragraph (a), (b), (c) or (d),

commits an offence unless he proves that he acted without intent to defraud.

Further, any person who sells or exposes or has in his possession for sale or for any purpose of trade or manufacture, any goods to which any forged trade mark is applied, or to which any trade mark or mark so nearly resembling a trade mark as to be calculated to deceive is falsely applied also commits an offence.

Any person who commits an offence shall be liable-

- (a) on conviction on indictment, to a fine of \$500000 and to imprisonment for 5 years; and
- (b) on summary conviction, to a fine of \$100000 and to imprisonment for 2 years.

That said, it is provided under Trade Descriptions Ordinance that a person shall NOT be deemed to forge a trade mark, or falsely to apply to goods a trade mark, if the person proves-

- (a) that he acted without infringing any right of the owner of the trade mark conferred by the Trade Marks Ordinance (Cap 559);

- (b) that the trade mark or mark was not used by him in the course of any trade or business as a trade mark in relation to goods;
- (c) that the use made by him of the trade mark or mark is not a use in relation to goods for which the trade mark is registered and is not a use in relation to goods similar to those for which it is registered; or
- (d) that the use made by him of the trade mark or mark is a use to which the rights of the owner of the trade mark do not extend by reason of a disclaimer, limitation or condition to which the trade mark is subject.

The HKC&ED is the government authority which enforces offence under the Trade Descriptions.

Civil remedies

Civil remedies for trademark infringements are governed by the Trade Marks Ordinance. The Trade Marks Ordinance provides that it is an infringement to use a sign identical to or similar to a registered trademark in respect of identical or similar goods or services.

Where use of the sign is in relation to similar but not identical goods or services or the sign is not identical, it must be shown that the use is likely to cause confusion on the part of the public.

Under the Trade Marks Ordinance, a person uses a sign if, in particular, he-

- (a) applies it to goods or their packaging;
- (b) offers or exposes goods for sale under the sign;
- (c) puts goods on the market under the sign;
- (d) stocks goods under the sign for the purpose of offering or exposing them for sale or of putting them on the market;
- (e) offers or supplies services under the sign;
- (f) imports or exports goods under the sign; or
- (g) uses the sign on business papers or in advertising.

The above provisions equally apply to dealings on the Internet.

Civil remedies available include damages or an account of profits, injunctions, delivery up and disposal order and disclosure are available to trademark owners.

There is as at today no reported case in Hong Kong in which a trademark owner has commenced civil proceedings against dealings of counterfeit goods online.

Who shall be liable

At present, Hong Kong still adopts the traditional forms of intellectual property laws to deal with infringements the Internet.

It can be concluded that the laws are best suit to catch direct dealers of goods like manufacturers, sellers, distributors, retailers, wholesalers on the online environment.

Where copyright infringement is concerned, people who may not be involved in commercial dealings may still be caught if the extent of dealing of the infringing copies of copyright work will prejudice the rights of the copyright owners.

The position about liabilities of Internet service providers or Internet access providers in infringements committed by its users is still unclear. In general, these intermediaries will argue that they are merely providing physical facilities or service platforms and they play a passive role in the activities of users. At present, it is believed that rights owners can attempt to argue and apply the existing laws to these intermediaries if knowledge or active collaboration on part of these Internet service providers or Internet access providers can be shown, especially when these intermediaries have taken no step to remedy the position upon notice being given.

Under the consultation document “Copyright Protection in the Digital Environment” issued in December 2006, the role of online service providers (OSPs) in relation to combating Internet piracy has been looked at. There had been suggestion that OSPs should be held liable for the online piracy activities occurring on their service platforms if they, having been made aware of piracy activities, fail to take action to remove the infringing materials or block access to them. It has also be proposed that an appropriate notice and takedown procedures should be introduced.

It remains to be seen to what extent the copyright laws will be changed to adapt to the digital environment.