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COPYRIGHT PROTECTION IN THE DIGITAL ENVIRONMENT: CREATING A BETTER DIGITAL FUTURE FOR HONG KONG

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Introduction

In December 2006, the HKSAR Government released the consultation document, 'Copyright Protection in the Digital Environment.' This consultation exercise stemmed from challenges to the copyright system created by the Internet and new communications technologies. Among the issues explored in the document were legal liability for the unauthorised distribution of copyright works, the public transmission of copyright works via different forms of communication technology, the role of online service providers (OSPs) in combating Internet piracy, measures to facilitate copyright infringement actions, and statutory damages and exemptions for temporary reproduction of copyright works. The consultation exercise concluded on 30 April 2007.

After close to a year of review and analysis, the administration released its follow-up consultation document. Entitled 'Preliminary Proposals for Strengthening Copyright Protection in the Digital Environment,' the new document, which was released on 15 April 2008, collected views from different stakeholders in the copyright community, including more than 600 public comments. As summarised by the administration:

> Copyright owners considered that internet piracy was so rampant and blatant that further protection by way of legislation was called for. The users, most trade associations as well as some professional groups were concerned about the possible adverse impact that such legislation might have on the free flow of information on the internet, personal data privacy, and the development of Hong Kong as an internet service hub. The majority view was against casting the criminal net to catch unauthorised downloading activities. (1–2)

To help facilitate the drafting of new copyright legislation, the consultation document includes for further consultation a set of preliminary proposals for strengthening copyright protection in the digital environment. These proposals are listed below in full:

> (a) Introduce a right of communication covering all modes of electronic transmission for copyright works, with related criminal sanctions against the breach of this right;
>
> (b) Introduce a copyright exemption for temporary reproduction of copyright works by online service providers, which is technically required for (or enables) the transmission process to function efficiently;
>
> (c) Facilitate the drawing up of a voluntary code of practice for OSPs in combating internet infringements, the compliance with which or otherwise will be prescribed in law as a factor that the court shall take into account when determining whether an OSP has authorised infringing activities committed on its service platform;

> (d) Continue to rely on the "Norwich Pharmacal" principles, as opposed to introducing an alternative infringer identity disclosure mechanism that is not subject to scrutiny by the court;
>
> (e) Prescribe in law additional factors to assist the court in considering the award of additional damages, in lieu of introducing statutory damages for copyright infringement actions; and
>
> (f) Refrain from introducing new criminal liability pertaining to unauthorised downloading and peer-to-peer file-sharing activities.

Commissioned by the Journalism and Media Studies Centre of the University of Hong Kong, this position paper builds on the Centre's earlier position paper. Titled 'Digital Copyright Reform in Hong Kong: Promoting Creativity Without Sacrificing Free Speech,' that paper was submitted to the HKSAR government during the first consultation exercise. (The paper is available at http://jmsc.hku.hk/cms/images/stories/jmscdigitalcopyright.pdf.)

Like the previous paper, this position paper addresses issues that lie at the intersection of digital copyright reform and the protection of free speech, free press, and personal privacy. The paper begins by highlighting the positive preliminary proposals advanced in the consultation document that would help promote the free flow of information, the freedoms of speech and press, and the protection of personal privacy. The paper then provides an in-depth review of three preliminary proposals: (1) criminalisation of infringement of the proposed right of communication, including that of unauthorised streaming; (2) the development of a voluntary code of practice for OSPs in combating infringing online conduct; and (3) the creation of an exception for media or format shifting purposes. The paper concludes by noting the limitation of digital copyright reform under the current proposals. It argues that these proposals omit important policy changes that would enable Hong Kong to realize the full potential of the digital revolution.

I. The Second Consultation Exercise

To begin with, it is important to commend the administration for its commitment and dedication to protecting intellectual property rights, its careful analysis of reform proposals that have been advanced or adopted in other parts of the world, and its courage in introducing at this stage a new proposal that would benefit consumers and end-users. This section highlights the positive findings in the consultation document and the strengths of the preliminary proposals.

The first consultation exercise led to a very important finding—that the administration should not cast the criminal net too wide in drafting new copyright legislation. As the administration declares:

> The existing formulation of the criminal sanctions reflects the consensus in the community not to criminalise the act of mere purchasers and users of infringing copies or products, with the exception of business end-users in a limited context. Since the existing law does not criminalise those purchasers or users of pirated products, it would require very strong justifications to introduce an asymmetric legal regime solely for the sake of internet piracy. In the absence of such justifications and consensus, we propose to maintain the existing legal position pertaining to unauthorised downloading activities. (9)

Based on this finding, the administration proposes to 'refrain from introducing new criminal liability pertaining to unauthorised downloading and peer-to-peer file-sharing activities' (8).

From the standpoint of consumer protection, this proposal is highly encouraging. Because it is unfair to put the burden on Internet users to determine whether their action would be subject to criminal penalties, the current proposal greatly alleviates the concerns of consumers and Internet users.

In addition, the consultation document correctly steps away from the push for legislation that requires Internet access service providers (IASPs) to introduce a mechanism to retain and disclose information about alleged infringing subscribers and their potential infringing activities. The document also wisely recommends the continued reliance on the *Norwich Pharmacal* principles in copyright infringement actions. Under those principles, IASPs are required to disclose the personal data of alleged online infringers only under very specific conditions.[1] As the administration maintains:

> Whilst the existing "Norwich Pharmacal" mechanism for obtaining disclosure may not be perfect for pursuing civil claims against infringements on the internet, we are yet to be convinced that the difficulties experienced are such as to warrant putting in place an alternative infringer identity disclosure mechanism that bypasses judicial scrutiny and which may compromise the protection of personal data privacy. (7)

The administration also makes clear its 'baseline . . . that any [proposed] mechanism should be *subject to the court's scrutiny*' (7, emphasis added)—a position that fully respects the rule of law and strong legal tradition in Hong Kong.

Both of these proposals are important. They would help protect the reputation of Hong Kong as a place for safeguarding the freedoms of free speech and free press and the protection of personal privacy. These protections are particularly important in light of the heightened scrutiny following the tenth anniversary of China's resumption of sovereignty over Hong Kong. As I pointed out elsewhere, the tension between copyright and civil liberties has put the HKSAR government in a catch-22 situation.[2] If the administration does not offer stronger copyright protection, it will be criticised for providing inadequate response to the massive online file-sharing activities conducted by Internet users. However, if it introduces some of the draconian measures outlined in the first consultation document, it will be *equally* criticised for its lack of protection of free speech, free press, personal privacy, and other individual liberties. Thus, regardless of what action it takes, it will become a target of criticism, which often comes from the foreign press and trade groups.

Finally, the administration makes the right decision to reject the introduction of statutory damages for copyright infringement—a proposal that does not sit well with the legal tradition in Hong Kong. As the administration explains, 'copyright infringement is a statutory tort' (7), and the administration is 'not aware of any example of statutory damages for tort actions in Hong Kong' (8). The administration also fears that 'the introduction of statutory damages into our intellectual property rights protection regime could have far-reaching implications on other civil proceedings' (8). Indeed, during the first consultation exercise, practitioners in the intellectual property field, including members of the legal profession, have 'questioned whether the mechanism currently available to copyright owners in asserting their civil rights against online infringements were causing insurmountable problems to the extent that warranted such draconian relief measures as fettering the court's discretion in determining the appropriate damages' (2).

In sum, many of the findings and preliminary proposals in the current consultation exercise demonstrate a careful consideration of the divergent interests of various stakeholders

in the copyright community and the adverse impact copyright reform may have on the free flow of information, the protection of personal privacy, and the development of Hong Kong as an Internet service hub. In doing so, the administration has taken a major step forward in creating a better digital future for copyright holders, future authors, user communities, and not-for-profit organizations in Hong Kong.

II. Criminalisation of Infringement of the Right of Communication

Notwithstanding these encouraging proposals, the consultation document contains some proposals that would raise serious concern amongst future authors, user communities, and not-for-profit organizations. One of these proposals calls for the introduction of criminal liability to combat infringement of the proposed right of communication. More problematically, the proposal singles out for criminal liability unauthorised non-commercial streaming by Internet users.

In the previous position paper, I examined the problems of criminalisation of non-commercial end-user activities. Such criminalisation would be unfair, unreasonable, and ineffective. It ignores the nonrivalrous nature of intellectual property rights, the elusive boundaries of copyright law, and the limited ability by Internet users to distinguish a legitimate website or service from its illegitimate counterparts. Criminalisation of end-user activities would also impose high social costs and is likely to scare law-abiding citizens and organizations away from making legitimate use of copyright works for creative, educational, or research purposes.

This section, however, does not seek to rehash these arguments. Rather, it focuses on the criminalisation of infringement of the right of communication in general and that of unauthorised streaming in particular.

A. *The Right of Communication*

In the consultation document, the administration justifies the creation of the right of communication on the need for 'introducing an all-embracing right of communication which could encompass future developments in electronic transmission' (3). As the administration explains, such a right would 'facilitate copyright owners in exploiting their works in the digital environment and is conducive to the development of digital content and advance technology in digital transmission' (3).

However, it remains unclear how this new right will be created. As the administration acknowledges, the Copyright Ordinance already 'recognises copyright owners' rights to disseminate their work through certain specific modes of transmission, including the rights to "broadcast" a copyright work, to include it in a "cable programme service" or to "make it available" to the public by wire or wireless means including on the Internet' (3). Thus, the proposed right is likely to overlap with some of the existing rights and may require further adjustment of the copyright system.

If the copyright system is to be adjusted, as this position paper recommends, one has to wonder whether the level of criminal liability would stay at the existing level as provided in the Copyright Ordinance (taking into consideration the all-embracing nature of the proposed right of communication) or whether new and stiffer criminal penalties would be introduced as a result of the creation of this new right. If it is the latter, further justification

for the expansion of criminal liability, which is lacking in the consultation document, will have to be provided.

It is one thing to say that the introduction of this all-embracing right will better serve the rapidly-changing digital environment, but another thing to say that the introduction of greater criminal liability is necessary to prepare for this new environment. Introducing criminal end-user liability is no small matter, and nobody can accurately predict how the new environment will be developed in the future. Indeed, at such an early stage of development, it is unclear whether anybody could convincingly demonstrate whether harm to copyright holders will occur (apart from those that have already been incorporated into the Copyright Ordinance). Thus, although it may be a good policy to introduce forward-looking legislation to 'encompass future developments in electronic transmission' (3), it is a blatantly bad policy to introduce criminal penalties based on speculative threats.

There is a tendency for rights holders to complain about the adverse impact of new technologies only to find these technologies opening up new markets for their products and services. For example, in lobbying against the manufacture and distribution of videocassette recorders, the late Jack Valenti, the long-time lobbyist for the U.S. movie industry, declared that the new device was 'to the American film producer and the American public as the Boston strangler was to the woman home alone.'[3] This "Boston strangler," however, never arrived to threaten the movie industry; rather, it became the industry's new best friend who brought with him new revenue and opportunities. Thus, until there is convincing empirical evidence to demonstrate that the existing civil remedies would be ineffective or insufficient to prevent the violation of this proposed right of communication, there is no good policy reason to support the introduction of new or greater criminal liability.

If the copyright system is, unfortunately, not adjusted at all, and the proposed right will be added as a supplement to the existing rights, the same concern over new criminal liability would arise. The creation of this new layer of rights would also create an additional problem—that of overlapping rights. A single act of transmission can potentially violate a number of rights provided in the Copyright Ordinance, which range from traditional reproduction and distribution rights to the newly-created right of making available to the proposed right of communication. As a result, there will be troubling situations when the proposed right of communication conflicts with other rights that contain different limitations, require different defences, demand different remedies, or result in different criminal penalties.[4]

Thus, this position paper recommends the following:

- *Refrain from introducing new or greater criminal liability for the infringement of the right of communication, except to consolidate the criminal penalties that are already in place in the Copyright Ordinance*.

B. *Unauthorised Streaming*

The proposal for introducing criminal liability for unauthorised streaming has raised even more questions. To begin with, the term "streaming" is ill defined in the consultation document. As the document states:

> "Streaming" is a technology for transferring data (usually multimedia data) such that the data can be processed as a steady and continuous stream. Very often, the technology

> enables users to view or listen to a work online though, unlike downloading, users will generally not be able to retain a complete copy of the work after streaming. (4)

Based on the definition, streaming is "unlike downloading." However, it remains unclear how different these two modes of transmission are. While the document notes that 'users will generally not be able to retain a complete copy of the work after streaming,' the use of the word "generally" suggests there are indeed exceptions. If the legislature is eager to introduce a new law to prohibit unauthorised streaming, especially one with criminal sanctions, the term needs to be more precisely defined.

It is also hard to understand why an administration that has (rightly) rejected new criminal liability for unauthorised downloading and peer-to-peer file-sharing would propose to introduce such liability for unauthorised streaming. The actual harm created by *direct* unauthorised streaming is likely to be less serious and less supported by empirical evidence than that of uploading and downloading, peer-to-peer file-sharing, and indirect streaming through third-party services, like YouTube (which requires uploading in the first place). As the consultation document acknowledged, "users will generally not be able to retain a complete copy of the work after streaming" (4). The limits on uploading speeds and upstream distribution in most Internet services have also made it difficult for individuals to offer streams on their own without using a third-party streaming service. Because existing copyright law already offers criminal penalties for uploading, as shown in the Chan Nai-Ming case, there is no need to introduce new criminal penalties.

If the administration is reluctant to introduce new criminal liability for activities that would pose serious harm, it is only logical that it refrains from proposing similar sanctions for activities that pose a less serious harm. To date, only a minority of end-users have had the needed technology, equipment, and know-how to offer illegal streams of copyright works, although direct streaming has become easier and there are now user-friendly tools to help Internet users convert download streams into permanent files. Moreover, no copyright holders, except for a few extreme ones, realistically believe they have the ability to stop all unauthorised reproduction or distribution of their copyright works. Such reproduction and distribution occurred in the past, and they will continue in the future. The question for most copyright holders is not about whether the law can make sure that no copy of the work will ever be leaked to the public without their authorisation, but rather whether the law has the ability to contain the leakage to ensure reasonable compensation for their creative endeavours.[5]

Even more problematically, by singling out streaming, the proposed penalties would send a wrong message to the public that unauthorised copying through streaming technology would be more harmful than similar copying through peer-to-peer file-sharing technology. In doing so, the penalties would create the perverse effect of persuading those rare few who have the ability to stream copyright works to distribute the works through peer-to-peer file-sharing technology instead. Such penalties would also impose serious social costs by dissuading law-abiding citizens and organizations from using streaming technology to distribute copyright works. By reducing the demand for streaming, the penalties might even have the unintended consequences of penalizing those information technology services that rely on the use of streaming technology.

From the legislative standpoint, the proposal for criminalisation of unauthorised streaming is equally problematic. By focusing on a particular mode of transmission, the proposal would directly conflict with the principle of media neutrality that inspires the

proposal for the right of communication. The *raison d'être* of this proposed right is the need to develop an all-embracing right regardless of the type of technology or mode of transmission. By singling out streaming for criminal liability, the current proposal therefore goes in the opposite direction. In fact, one cannot help but question what type of harm streaming has generated that would justify the heightened criminal liability that is not attached to other modes of transmission.

To complicate matters, streaming technology actually offers considerable benefits to copyright holders. Because streaming generally does not result in the creation of complete copies of the copyright works, it provides an opportunity for copyright holders to allow their works to be exposed while retaining the ability to exercise control at the right timing. Such a flexible arrangement is similar to the opportunity created by the notice and takedown procedure for OSPs explored in the first consultation exercise. As Tim Wu wrote:

> The notice-and-takedown system gives content owners the twin advantages of exposure and control. When stuff is on YouTube [which streams copyright content], the owners have an option. They can leave it posted there, if they want people to see it, and build buzz. But they can also snap their fingers and bring it all down. And for someone who is juggling her desire for publicity against her need for control, that's ultimately a nice arrangement.
>
> Stated otherwise, much of the copyrighted material on YouTube is in a legal category that is new to our age. It's not "fair use," the famous right to use works despite technical infringement, for reasons of public policy. Instead, it's in the growing category of "tolerated use"—use that is technically illegal, but tolerated by the owner because he wants the publicity.[6]

To some extent, the toleration of unauthorised posting or streaming is similar to the intentional "leaking" of copyright works to underground channels for unauthorised distribution. In doing so, the copyright holders successfully introduce new authors or works through free marketing and distribution efforts. Yet, by holding the copyright in the works, the rights holders retain the opportunity to capitalize on the market once it has been sufficiently developed. For those who choose this marketing technique, or at least take a wait-and-see attitude after discovering the leakage, the challenging question seems *not* to be whether the works should be "leaked" in the first place—as such leakage may benefit them—but whether and how they could stop further unauthorised distribution of their copyright works once the market is sufficiently developed.

In fact, the different nature and potential benefits of streaming have led jurisdictions from across the world to treat streaming somewhat differently from other modes of transmission. In the United States, for example, the Digital Performance Right in Sound Recordings Act of 1995 distinguishes between interactive and non-interactive broadcasts (such as those transmitted through streaming technology). As Lydia Loren summarizes:

> Broadly speaking the 1995 amendments divided digital transmissions based on whether they were subscription or nonsubscription and whether the nonsubscription broadcasts were interactive. Interactive services were within voluntary licensing . . . , meaning that authorization from the sound recording copyright owners were necessary. Non-interactive subscription services were within the copyright owners control, but subject to a compulsory license, referred to as a "statutory license" . . . . Non-subscription, non-interactive broadcasts were, for the most part, exempt from any control by the sound recording copyright owner . . . .[7]

Finally, it is important not to overlook the benefits of upstream distribution of copyright works by Internet users and small organizations. While it is easy to draw a line between downstream distribution (such as downloading) and upstream distribution (such as uploading and streaming), such distinction may be misleading and socially undesirable. Although Internet users and small organizations often consume copyright content, they are also producers of new copyright content.

As Jessica Litman reminds us, 'the idiosyncratic interests of large numbers of individuals who want to share is directly responsible for the wealth and incredible variety of information we can find when we go looking for it.'[8] With growing media concentration and limited diversity in copyright content, a heavy-handed approach that seeks to significantly reduce upstream distribution of copyright content is likely to backfire on content production and cultural development in Hong Kong. Such an approach would take away the creative potential of talented individuals and organizations, reducing them to mere consumers of content produced by major media conglomerates.

Thus, this position paper recommends the following:

- *Refrain from introducing new criminal liabilities for the unauthorised streaming of copyright works*.

If the administration remains concerned about the fact that the Copyright Ordinance may not cover unauthorised streaming, it can introduce a new law that would specifically target the problem. For example, section 118(1)(g) of the Copyright Ordinance can be amended to allow 'the data comprising the infringing copies' (a phrase used in the *HKSAR v Chan Nai-Ming* decision) to be considered an infringing copy for the purposes of that particular section. The administration can also propose a new law that targets the unauthorised "streaming" of a very narrow category of copyright works, such as sports telecasts and other pay-per-view events. Although these proposals still raise problems discussed in this section, they better respect the administration's intention not to 'cast the net too wide' lest there be 'far-reaching unwanted implications' (3).

III. Voluntary Code of Practice for Online Service Providers

The consultation document proposes for the development of 'a voluntary code of practice for OSPs in combating internet infringements, the compliance with which or otherwise will be prescribed in law as a factor that the court shall take into account when determining whether an OSP has authorised infringing activities committed on its service platform' (5). As the administration noted in the first consultation exercise, there is both a legislative route and a non-legislative one to enlarge the role of OSPs in combating Internet piracy.[9]

Under the current proposal, the non-legislative route has been chosen in lieu of the legislative route. Although this proposal seems to be preferable to some of the more draconian measures proposed in the first consultation document (which have been criticised in the earlier position paper), *the devils are in the details*. To help develop a successful code of practice, this position paper offers three guidelines that would help improve the proposed code.

Procedurally, the code of practice has to be developed in an inclusive, transparent stakeholder-based process. In the consultation document, the administration proposes to

'establish a tripartite forum comprising representatives from OSPs, copyright owners and users' (6). The administration also notes that it 'will closely monitor the progress made in drawing up the code and its effectiveness in combating internet piracy. If necessary and in the light of experience both local and overseas, the Administration will consider providing an appropriate legislative framework to facilitate implementation of the agreed systems.' (6)

If this tripartite forum is to be productive, policy makers need to include as many stakeholders as they can in the process. Facilitating participation is important, because consumers, user communities, and other public interest organizations are often underrepresented in legislative and policy-making processes. As the U.K. Commission on Intellectual Property Rights observed:

> Too often the interests of the "producer" dominate in the evolution of IP policy, and that of the ultimate consumer is neither heard nor heeded. So policy tends to be determined more by the interests of the commercial users of the system, than by an impartial conception of the greater public good.[10]

Such participation is also important because the outcome of this tripartite forum would affect the digital environment. As recognised in the Declaration of Principles issued at the Geneva phase of the World Summit on the Information Society, 'building an inclusive Information Society requires new forms of solidarity, partnership and cooperation among governments and other stakeholders, i.e. the private sector, civil society and international organizations.'[11] Indeed, the information revolution has transformed virtually everybody into a stakeholder in the global information society.

Substantively, this code of practice needs to appreciate and respect the interests of the different stakeholders in the copyright system. It should also take into account the different societal interests that may be implicated by copyright protection, such as the protection of free speech, free press, and personal privacy. While a transparent and inclusive process is conducive to discussion of these broader societal interests, such discussion will be greatly minimised if the process focuses heavily on the technical or legal details of the copyright system.

Legally, it is important to clarify what the administration means when it proposes to 'amend[]the law such that compliance with the code of practice would be a factor that the court shall take into account in determining whether or not an OSP has authorised an infringement committed on its service platform' (6). Codes of practice have been incorporated by reference into the statutes of a large number of jurisdictions. However, not all statutes effectively incorporate these codes. To be fair and effective, it is not enough for the code of practice to be merely prescribed in law as a factor. The law also needs to specify how the factor will be weighed and whether any of the factors will be determinative.

In sum, this code of practice and the non-legislative route may provide a more flexible solution than the one developed though the legislative route. This is particularly true when there is a wide range of policy options and when policy makers have only limited information about the future development of digital technology. At the very least, we can avoid some of the problems faced by other countries, when digital copyright legislation was drafted with very limited information about future developments.

Thus, this position paper recommends the following:

- *Develop a code of practice that is procedurally sound, substantively fair, and legally clear.* If the administration does not, the code is unlikely to be effective and sustainable, and the resources—private or public—that have been put into the development of this code of practice will be wasted.

IV. Exception for Media or Format Shifting Purposes

Included at the end of the consultation document is a new and interesting proposal that would be highly beneficial to the public—a limited copyright exception for media or format shifting purposes. As the document defines, "media shifting" or "format shifting," which is used in the document interchangeably, 'refers to the practice of copying genuine copyright material from one medium to another, such as copying legitimate musical recordings from an audio CD to a portable music player' (App. B, 1).

This media shifting exception draws on a proposal advanced by the U.K.-commissioned *Gowers Review of Intellectual Property*, which stated as follows:

> Format shifting music for personal use from CDs to another media is an entirely legitimate activity. It is essential to reflect this clearly in the law. Rapid technological change has altered the way that media is recorded, stored and played. As such, private copying should enable users to copy media on to different technologies for personal use.[12]

In light of its findings, the *Gowers Review* recommended the introduction of 'a limited private copying exception . . . for format shifting for works published after the date that the law comes into effect' without requiring 'accompanying levies for consumers.'[13] Similar proposals have also been adopted or advanced in Australia, New Zealand, and the United Kingdom (App. B, 2).

One could further argue that the proposal is consistent with case law in the United States. As the U.S. Court of Appeals for the Ninth Circuit noted in *Recording Industry Association of America v. Diamond Multimedia Systems, Inc.*, a case involving the manufacture and sale of the Rio media player, 'The Rio merely makes copies in order to render portable, or "space-shift," those files that already reside on a user's hard drive . . . . Such copying is *paradigmatic non-commercial personal use entirely consistent with the purposes of the Act*.'[14] Even earlier, in the *Sony Betamax* case,[15] U.S. Supreme Court Justice John Paul Stevens, who eventually authored the majority opinion, noted in an internal memorandum to his fellow justices, 'It would plainly be unconstitutional to prohibit a person from singing a copyrighted song in the shower or jotting down a copyrighted poem he hears on the radio.'[16]

International harmony aside, the proposed media shifting exception has many other benefits. For example, it more accurately reflects the social norms that exist in the digital environment. It also ensures the development of realistic consumer expectations that correspond to existing community values. In addition, the media shifting exception makes the scope of the Copyright Ordinance more realistic and ensures better enforcement of the law. As the consultation document acknowledges, copyright holders have had great difficulty in enforcing the law against individuals for their unauthorised private use of copyright content (App. B, 2).

If the law cannot be enforced in that area, and consumers have had the contrary expectation that it is legal to make a private copy for media shifting purposes as long as they

lawfully obtain the original copyright work, it makes good sense to codify the existing social norm and community values in a statutory exception. As Mark Lemley cautions:

> A law which nobody obeys is not a good thing as a philosophical matter. It may lead to disrespect for laws in general. More specifically, it may lead those who violate the unenforced parts of the copyright laws with impunity to assume that they can violate the copyright law in other ways as well. At a different level, if a law is so out of touch with the way the world works that it must regularly be ignored in order for the everyday activities of ordinary people to continue, perhaps we should begin to question whether having the law is a good idea in the first place.[17]

Furthermore, the media shifting exception is consistent with the growing push for a multilateral instrument on limitations and exceptions to copyright by less developed countries, academics, and nongovernmental organizations.[18] The negotiation of this multilateral instrument is likely to be conducted by the World Intellectual Property Organization, the World Trade Organization, or in similar fora. The early introduction of the media shifting exception would therefore prepare Hong Kong for a larger policy role in formulating the international standards. At the very least, policy makers from Hong Kong can share their experience, knowledge, and best practices with their counterparts from other jurisdictions. Instead of staying behind or playing catch-up, the new exception would move Hong Kong to the forefront of the international debate.

Notwithstanding these benefits, the exception, as proposed, has raised two major concerns. First, the consultation document states that 'the proposed new exception should not confer any right to circumvent such technological measures so as to enable copyright owners to develop appropriate business model in face of the proposed new exception' (App. B, 3). Because many new copyright works may be released in the future with some forms of technological protection measures, such a qualification is likely to greatly reduce the value and effectiveness of this media shifting exception.

The anti-circumvention qualification would also make it difficult for end-users to shift the format or media away from obsolete technologies or become early adopters of the latest information technologies. To some extent, technological measures not only give copyright holders the power to control the exploitation of copyright works, but also enable them to engage in anti-competitive behaviour that requires customers to use specified playback devices or formats. With the growing consolidation of the media industry, there is a strong likelihood that both the content and hardware providers belong to the same parent company. Such a qualification therefore would raise serious anticompetitive concern for consumers.

By reducing competition in devices, the qualification would also stifle the development of new information technology services in Hong Kong that have not received endorsement from the copyright industries. As the administration reminds us in the first consultation document, 'we need to be sensitive to the fact that Internet services are a very competitive global market. Any requirements for cumbersome procedures or expensive measures could drive customers offshore.'[19] If Hong Kong is to further develop its knowledge-based economy and become an information technology hub, it needs to enact laws that promote competition in the information technology sector.

To be certain, the anticircumvention qualification merely reflects existing statutory requirements under the Copyright Ordinance. Although one could argue whether any anticircumvention legislation should be introduced in the first place, such legislation has already been adopted. The anticircumvention provisions in the Copyright Ordinance also

include a number of exceptions that seek to provide users with reasonable access. Based on these developments, one therefore could build a strong case that copyright holders should have the ability to opt out from the proposed media shifting exception—by introducing technological measures, perhaps.

Although these arguments seem convincing, they ignore the fact that the anticircumvention provisions in the Copyright Ordinance were set up to protect copyright works against *infringement*. If the legislature has decided to amend the law so that media shifting is considered an *exception* (as compared to infringement), the application of the anticircumvention provisions does not necessarily follow. Rather, it is a legislative choice—a choice for the legislature to decide whether it wants to extend the anticircumvention protection to cover the new exception or whether it wants to make the exception immune to related anticircumvention laws. When the anticircumvention legislation was considered, private copying for media or format shifting purposes most certainly was not on the legislators' mind.

Finally, although the introduction of the media shifting exception is highly encouraging, it is quite disappointing that the proposal is very modest when viewed in light of the overall direction of the proposed digital copyright reform. Most of the preliminary proposals advocate the creation of new or stronger rights. For example, the consultation document calls for the introduction of the right of communication, which includes related criminal sanctions for unauthorised streaming. The document also outlines the development of a code of conduct that would require the IASPs to play a larger role in combating online infringement. The document further proposes to prescribe in law additional factors that would assist courts in awarding additional damages.

Out of all the remaining preliminary proposals, the media shifting exception seems to be the *only* proposal that would directly benefit consumers and end-users. In fact, as Charles Mok, the founding chairman of Internet Society Hong Kong, pointed out, and as the earlier position paper has shown, the expansion of the fair use privilege was the main proposal advanced for consumers and end-users during the first consultation exercise. However, the administration has decided *not* to adopt that proposal, but responded with only a very narrow media shifting exception that can be trumped by technological measures. This is indeed disappointing!

Even more problematically, the exception, regardless of whether it is enacted as a law or not, reflects the existing social norms of consumers and end-users. As the consultation document has noted, 'there is growing recognition by the industry worldwide that media shifting by consumers is *a fact of life*,' and some copyright holders recognize that the current civil remedies are difficult to enforce (App. B, 1, emphasis added). Nevertheless, they advocate the continuation of the status quo because of its symbolic deterrent effect, *not because of its effectiveness*.

Thus, it seems quite clear that, if all the preliminary proposals are adopted, the balance of the copyright system will be upset—to the point that the balance will be shifted away from consumers and Internet users to the side of copyright holders. The gains consumers and Internet users will make in this media shifting exception would be very unlikely to offset the substantial losses they will suffer. It is similar to being offered a tax rebate of 1% when the tax rate has been increased by 10%.

In the short run, this lack of balance will create discontent among consumers and end-users over the copyright system.[20] It will also breed cynicism toward not just intellectual property laws, but also the overall legal system. In the long run, however, this lack of balance would significantly reduce the incentives for future creation, especially by individual authors and small organizations that may not have the resources to acquire the needed raw materials to make their creations.

Thus, this position paper recommends the following:

- *Introduce the media shifting exception without the anti-circumvention qualification*.

- *Add the media shifting exception as one of the exceptions in the anticircumvention provisions*. This exception is added mainly to drive home the point about its importance.

- *Ensure proper labelling of goods that deploy digital rights management to restrict consumer rights, if the above two changes are rejected and the anticircumvention qualification is retained.* By reducing confusion between copy-protected products and traditional unprotected products, labelling laws will enable consumers and end-users to choose away from those copy-protected products that do not support media or format shifting.

V. Missed Opportunities for Digital Copyright Reform

Although the consultation document includes a mix of both positive and somewhat problematic preliminary proposals, it does not take full advantage of the new political, social, economic, cultural, educational, health, and career opportunities created by the digital revolution. The previous sections discuss the preliminary proposals. This section focuses instead on what is *not* mentioned in the consultation document. It calls for the administration to undertake holistic copyright law reform that would offer greater benefits to individual citizens and industries in Hong Kong.

First, as noted in the discussion of the media shifting exception, it is very important to expand the fair dealing privilege, or introduce a broad fair use provision like the one found in the United States. Section 107 of the U.S. Copyright Act provides the following:

> [T]he fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—
>
> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
>
> (2) the nature of the copyrighted work;
>
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

> (4) the effect of the use upon the potential market for or value of the copyrighted work.

Although these four non-exhaustive factors have been incorporated into section 38 of the Copyright Ordinance, the fair dealing privilege remains heavily constrained in Hong Kong. Sections 38 and 39 of the Copyright Ordinance, for example, limit fair dealing to the purposes of research or private study, criticism, review, or the reporting of current events. A broader fair dealing or fair use privilege would certainly allow Hong Kong to become more competitive in the information technology area, in attracting Internet-related foreign investment, and in developing its creative environment. It is therefore no surprise that the information technology industry has specifically asked for reform in this area in the first consultation exercise.

Second, the government has an opportunity to initiate a new proposal to abolish the so-called "crown copyright." Such protection is particularly problematic with respect to documents and copyright works that the government intends for wide public distribution, such as the two consultation documents discussed here and the government's public radio or television announcements. As Deborah Hurley, the former director of the Harvard Information Infrastructure Project, has noted, the abolition of copyright ownership in government works is 'the step that would make the biggest sea change tomorrow in intellectual property protection and access to information.'[21] As she explains:

> There would be two immediate benefits. First, large quantities of information would become freely available, increasing access to information. Governments, by and large, produce political, social services, economic, and research information, in other words, the types of information that people need for carrying out their lives, helping others, and bettering their own situations. Secondly, governments, by placing their large thumbs firmly on the side of the scale tipped toward more access to information, would reframe the debate and send a strong signal to other content providers.[22]

Section 105 of the U.S. Copyright Act, for example, stipulates that 'copyright protection under this title is not available for any work of the United States Government.' If the administration finds such abolition too radical, and believes that certain forms of government documents should remain protected by the crown copyright, at the very least it should consider pushing for the use of open format in some of its documents. It may also be beneficial for the administration to support open access journals, Creative Commons, and other forms of open or collaborative networks.

Finally, if the copyright reform is to be effective, policy makers need to be clear about what they want to achieve. As I noted in an opinion piece in the *South China Morning Post*, it is important for the government to ponder the question, 'What is the digital future of Hong Kong?'[23] This particular question becomes even more important when countries across the world are exploring strategies to modernize their intellectual property system.

In China, for example, the State Council promulgated the Compendium of China National Intellectual Property Strategy on 5 June 2008. A recurring theme in this national strategy is the development of "indigenous intellectual property" (自主知识产权). Although the socio-economic conditions in China and the vast disparities in economic and technological development across the country have made the development of an intellectual property policy in China more complex, pragmatic, and challenging than it would have for Hong Kong, the goal of developing "indigenous intellectual property" (or, in this case, local copyright content) serves both the country and its special administrative region well.

The goal of digital copyright reform in Hong Kong cannot be just to ensure that the law is consistent with the models of foreign countries, regardless of whether those models have succeeded or not. The goal has to reflect the interests of the local people, its industries, and its creators—both present and future. As the administration stated in its first consultation document, it is important to 'formulat[e] a solution unique to Hong Kong.'[24] Without significant customisation that takes account of these local interests, undertaking digital copyright reform that models after the laws of other countries is likely to look like "fitting a square peg into a round hole."

Conclusion

The digital revolution has created significant challenges for copyright holders, whose interests are of paramount importance to the future of Hong Kong. Without the ability to recoup the time, effort, and resources they expended in the creative process, many of the existing and future authors are likely to abandon the profession and choose more remunerative endeavours instead.

However, as important as copyright protection is, such protection cannot come at the expense of other important societal interests, such as the protection of free speech, free press, and personal privacy. The protection of copyright holders also cannot come at the expense of development in other economic sectors, such as those of the information technology industry, future creators, user communities, journalists, libraries, archives, educational and research institutions, and other not-for-profit organizations.

While it is important to adjust the copyright system to protect the rights holders, it is also important to undertake a holistic review of the existing system to ensure that consumers and end-users can fully participate in the digital revolution and benefit from the new political, social, economic, cultural, educational, health, and career opportunities created by the revolution. These two goals are *not* mutually exclusive. A good program of digital copyright reform should seek to promote both goals, if possible, and reconcile them by striking a good compromise, if it is not.

The consideration of proposals in the two consultation documents has provided Hong Kong with an opportunity to develop a stronger and more robust copyright system that takes account of the needs of different stakeholders in the copyright community. Such consideration also opens up the possibility for Hong Kong to earn the appreciation and respect of other countries—something that the administration seems to be trying to achieve on the enforcement front. Whether Hong Kong can set an example for other countries will depend on whether it has a vision of its digital future and whether it can take advantage of the opportunities to implement this important vision.

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Professor Yu has spoken at events organised by the World Intellectual Property Organization, the International Telecommunication Union, the U.N. Conference on Trade and Development (UNCTAD), the U.N. Educational, Scientific and Cultural Organization (UNESCO), the Chinese, Hong Kong and U.S. governments and at leading research institutions from around the world. His lectures and presentations have spanned more than fifteen countries on five continents, and he is a frequent commentator in the national and international media. His publications, which have been translated into Chinese, Croatian and Japanese, are available on his website at www.peteryu.com.

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About the Journalism and Media Studies Centre, University of Hong Kong

The Journalism and Media Studies Centre of the University of Hong Kong is dedicated to the professional training of journalists in the highest international standards of ethics, skills, knowledge and critical thinking. Established in 1999, the Centre offers graduate and undergraduate degrees, seminars, workshops and courses for news professionals at all levels of expertise. Leveraging its unique position at the crossroads of China, Asia and the West, the Centre's special programs and research have made it a focus for understanding exciting changes underway in journalism throughout the region. The Centre's emphasis is on professional education designed to produce graduates for the local, regional and international media who will practice in English or Chinese or both. The Centre's faculty have served at senior levels at ABC News, CNN, the *New York Times*, the *New York Daily News*, the *South China Morning Post* and Dow Jones, among other organizations. Adjunct professors drawn from the top levels of journalism in Hong Kong also teach at the Centre.

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[1] These conditions are: '(1) there must be cogent and compelling evidence to demonstrate that serious tortious or wrongful activities have taken place; (2) it must be clearly demonstrated that the order will or will very likely reap substantial and worthwhile benefits for the plaintiff; and (3) the discovery sought must not be unduly wide.' Commerce, Industry & Technology Bureau, HKSAR Government, *Copyright Protection in the Digital Environment* (2006): 20 n.17.

[2] PK Yu, 'International Enclosure, the Regime Complex, and Intellectual Property Schizophrenia,' 2007 Mich St L Rev 1, http://ssrn.com/abstract=1007054.

[3] *Home Recording of Copyrighted Works: Hearings on H.R. 4783, H.R. 4784, H.R. 4808, H.R. 5250, H.R. 5488, and H.R. 5705 Before the Subcommittee on Courts, Civil Liberties, and the Administration of Justice of the House Committee on the Judiciary*, 97th Cong (1982) (statement of Jack Valenti, former president of the Motion Picture Association of America).

[4] MA Lemley, 'Dealing with Overlapping Copyrights on the Internet,' (1997) 22 U Dayton L Rev 547.

[5] PK Yu, 'Anticircumvention and Anti-anticircumvention,' (2006) 84 Denv U L Rev 13: 19–22, http://ssrn.com/abstract=931899.

[6] T Wu, 'Does YouTube Really Have Legal Problems?' *Slate* (26 October 2006), http://www.slate.com/id/2152264/.

[7] LP Loren, 'Untangling the Web of Music Copyrights,' (2003) 53 Case W Res L Rev 673: 692–693.

[8] J Litman, 'Sharing and Stealing,' (2004) 27 Hastings Comm & Ent LJ 1: 50.

[9] First Consultation Document (n 1 above) 15.

[10] Commission on Intellectual Property Rights, *Integrating Intellectual Property Rights and Development Policy: Report of the Commission on Intellectual Property Rights* (2002): 7.
[11] World Summit on the Information Society, 10–12 December 2003, *Declaration of Principles*, U.N. Doc. WSIS-03/GENEVA/DOC/4-E, para. 17 (12 December 2003).
[12] Andrew Gowers, *Gowers Review of Intellectual Property* (2006): 63.
[13] Ibid.
[14] 180 F3d 1072, 1079 (9th Cir 1999) (emphasis added).
[15] Sony Corp of Am v Universal City Studios, Inc, 464 US 417 (1984).
[16] J Litman, 'Frontiers of Intellectual Property: Lawful Personal Use,' (2007) 85 Tex L Rev 1871: 1893 n.127.
[17] Lemley (n 4 above) 578.
[18] PB Hugenholtz & RL Okediji, *Conceiving an International Instrument on Limitations and Exceptions to Copyright: Final Report* (2008).
[19] First Consultation Document (n 1 above) 16–17.
[20] Geraldine Szott Moohr, 'Defining Overcriminalization Through Cost-Benefit Analysis: The Example of Criminal Copyright Laws,' (2005) 54 Am U L Rev 783: 805.
[21] D Hurley, *Pole Star: Human Rights in the Information Society* (2003): 36.
[22] Ibid 36–37.
[23] PK Yu, 'The Digital Divide,' S China Morning Post (10 May 2007) A15.
[24] First Consultation Document (n 1 above) v.