

Bills Committee on the Copyright (Amendment) Bill 2011

Amendments to Clause 51 of the Copyright (Amendment) Bill 2011

Purpose

At the meeting held on 22 November 2011, the Bills Committee requested the Administration to –

- (a) consider amending the existing section 31(1)(d) and other similar sections of the Copyright (Amendment) Bill 2011 (hereinafter referred to as “the Bill”) (including making consequential amendments to the sections on criminal liability) to the effect that unauthorised distribution of an infringing copy of a work would attract criminal liability only if such distribution affects prejudicially the owner of the copyright to a “considerable” (相當), “serious” (嚴重) or “important” (重要) extent, thereby making it clear that the policy intent of the Bill was to combat large-scale copyright piracy; and
 - (b) consider amending the new section 118(2AA) and other sections related to the offences of prejudicial distribution and communication to the effect that the relevant criminal liability might be imposed on infringements resulting in economic prejudice to the copyright owners, but not on those causing only non-economic prejudice, so as to clearly reflect the policy intent of combating large-scale copyright piracy rather than parody.
2. This paper sets out the Administration’s response.

Criminal Liability

3. Currently, the distribution of an infringing copy of a copyright work for the purpose of or in the course of any trade or business which consists of dealing in (e.g. selling) infringing copies of copyright works may constitute an offence under section 118(1)(e) of the Copyright Ordinance (Cap. 528). In other cases, distribution of an infringing copy may constitute an offence under section 118(1)(g) if the distribution is made to such an extent as to affect prejudicially the copyright owner (hereinafter referred to as “the prejudicial distribution offence”).

4. To tie in with the introduction of the communication right under the Bill, corresponding criminal sanctions against unauthorised communication of a copyright work to the public are proposed. The proposals under the new section 118(8B), mirroring the existing criminal sanctions against unauthorised distribution mentioned in paragraph 3 above, make it an offence for any person who is engaged in unauthorised communication that is (a) conducted for the purpose of or in the course of any trade or business that consists of communicating copyright works to the public for profit or reward; or (b) made to such an extent as to affect prejudicially the copyright owner (hereinafter referred to as “the prejudicial communication offence”). The proposal maintains the existing line demarcating the boundary between criminal and civil liability in copyright infringement cases. A similar prejudicial communication offence exists in the respective copyright statutes of Australia and the UK.

5. For elucidating the concept of “prejudice”, we have looked into relevant decided cases in Hong Kong, the UK and Australia, and identified some commonalities (see LC Paper No. CB(1)3061/10-11(02)). First, the copyright works infringed have a commercial value. Secondly, the infringement involves more or less a complete reproduction of the original work which can be used as a substitute for the original work. Thirdly, the mode of distribution, namely through the Internet, enables a potentially large number of members of the public to receive the infringing copies. Fourthly, the infringer’s overall conduct has the potential in displacing the demand for the original work thereby shrinking the legitimate market for the copyright work. By reference to

the above factors, the decided cases illustrate that economic prejudice can be caused to the copyright owners as a consequence of the infringement even though some infringers may not have an apparent profit motive.

6. To provide greater legal certainty and address netizens' concerns about possible inadvertent breaches of the law, the Bill has introduced a non-exhaustive list of factors that the court may take into account when examining what constitutes "to such an extent as to affect prejudicially the copyright owner" for the purpose of the prejudicial distribution or communication offences. These factors have been distilled from the relevant decided cases as discussed in paragraph 5 above. They include –

- (a) the purpose of the distribution/communication;
- (b) the nature of the copyright work, including its commercial value;
- (c) the amount and substantiality of the portion infringed in relation to the work as a whole;
- (d) the mode of distribution/communication; and
- (e) the economic prejudice caused to the copyright owner as a consequence of the distribution/communication including its effect on the potential market for or value of the work.

Suggestions from Members

7. We have carefully examined the suggestions from Members as outlined in paragraph 1 above. Our observations are set out below.

Suggestion (a): the "prejudice" caused should be of a "considerable", "serious" or "important" extent before criminal sanctions are imposed.

8. The proposal for qualifying "prejudice" in the manner described above would amount to raising the criminal threshold. Cases that would hitherto be caught may fall outside the criminal net. By the same token, it begs the following question: namely, whether the law as amended by the proposed additional qualification would meet our obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights of the World Trade Organization.

Suggestion (b): Criminal liability should be imposed only on infringement with economic prejudice to the copyright owners.

9. In *HKSAR v Chan Nai Ming* (also known as the “Big Crook Case”), the trial magistrate pointed out that “prejudice” need not necessarily be restricted to economic prejudice though economic prejudice would be the obvious area to which attention should be directed. In line with this authority, we do not consider it appropriate to fetter the court’s discretion by solely confining the factor which the court may take into account in adjudication to economic prejudice.

Revised Amendments

10. The purpose of introducing the non-exhaustive list of factors under the new sections 118(2AA) and 118(8C) in the first place is to provide greater legal certainty and address netizens’ concerns about possible inadvertent breaches of the law. While we are not aware of any local or overseas cases where criminal proceedings were lodged against parody for copyright infringement, we have considered different options after having duly taken into account the concerns of the public and the Bills Committee.

11. Without derogating from the original purpose of having the two new sections (namely, our intent to provide greater legal certainty and address netizens’ concerns about possible inadvertent breaches of the law) as discussed in paragraphs 5 and 6 above whilst at the same time acknowledging the merits of placing due prominence on the presence or otherwise of economic prejudice as a factor for determining whether an unauthorised act of distribution or communication has been conducted to “such an extent as to affect prejudicially the copyright owner”, we intend to propose Committee Stage Amendments along the lines set out in the Annex. While it remains the position that the court may take into account all the relevant circumstances in determining a case, these revised amendments highlight economic prejudice, which should be more than trivial, for the court to take into account when determining whether a prejudicial distribution offence or prejudicial communication offence has been committed.

12. Our revised amendments serve to give clearer guidance to the court when determining the issue on “prejudice”. While this does not preclude the court from taking other relevant factors into account, we cannot think of other factors which would bear the same critical weight carried by this factor for determining whether a copyright infringement has been conducted “to such an extent as to affect prejudicially the copyright owner”. Be that as it may, by highlighting economic prejudice, which is more than trivial, the revised provision will stress the need for the court to consider this issue when examining a case. Our conclusion is that it would be difficult for a case without “more than trivial economic prejudice” to be convicted or prosecuted. In this connection, the enforcement agency must also take into account this consideration before sending a case to the Department of Justice for advice on whether a charge should be laid.

13. To assist the court in determining what may constitute economic prejudice, we also propose to introduce certain non-exhaustive factors. One of these is whether the infringement amounts to a substitute for the copyright work. We note some netizens have submitted that, in general, a parody will not substitute the original work and therefore will in no way hamper the legitimate markets of the original work. We consider it reasonable for the court to examine, amongst others, the substitution effect in determining whether a particular case has crossed the criminal threshold.

Next step

14. Members are invited to note the revised amendments. Subject to the comments of the Bills Committee, the Administration will introduce Committee Stage Amendments to bring in the revised amendments.

**Proposed revisions to section 118(2AA) and 118(8C)
under Clause 51 of the Copyright (Amendment) Bill 2011**

Original new sections	Revised new sections
<p>(2AA) For the purposes of subsection (1)(g), in determining whether any distribution of an infringing copy of the work is made to such an extent as to affect prejudicially the copyright owner, the court may take into account all the circumstances of the case and, in particular</p> <ul style="list-style-type: none"> (a) the purpose of the distribution; (b) the nature of the work, including its commercial value; (c) the amount and substantiality of the portion copied (in relation to the work as a whole) that was distributed; (d) the mode of distribution; and (e) the economic prejudice caused to the copyright owner as a consequence of the distribution, including the effect of the distribution on the potential market for or value of the work. 	<p>(2AA) For the purposes of subsection (1)(g), in determining whether any distribution of an infringing copy of the work is made to such an extent as to affect prejudicially the copyright owner, the court may take into account all the circumstances of the case and, in particular, whether more than trivial economic prejudice is caused to the copyright owner as a consequence of the distribution having regard to, amongst others -</p> <ul style="list-style-type: none"> (a) the nature of the work, including its commercial value (if any); (b) the mode and scale of distribution; and (c) whether the infringing copy so distributed amounts to a substitute for the work.
<p>(8C) For the purposes of subsection (8B)(b), in determining whether any communication of the work to the public is made to such an extent as to affect prejudicially the copyright owner, the court may take into account all the circumstances of the case and, in particular</p> <ul style="list-style-type: none"> (a) the purpose of the communication; (b) the nature of the work, including its commercial value; (c) the amount and substantiality of the portion communicated in relation to the work as a whole; (d) the mode of communication; and (e) the economic prejudice caused to the copyright owner as a consequence of the communication, including the effect of the communication on the potential market for or value of the work. 	<p>(8C) For the purposes of subsection (8B)(b), in determining whether any communication of the work to the public is made to such an extent as to affect prejudicially the copyright owner, the court may take into account all the circumstances of the case and, in particular, whether more than trivial economic prejudice is caused to the copyright owner as a result of the communication having regard to, amongst others -</p> <ul style="list-style-type: none"> (a) the nature of the work, including its commercial value (if any); (b) the mode and scale of communication; and (c) whether the communication amounts to a substitute for the work.