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Hong Kong's Copyright Laws: Recent Developments and Dilemmas

Abstract. In January 2005 a Hong Kong resident was arrested and charged with distributing three Hollywood movies over the internet using BitTorrent software. At his trial, the prosecution argued that the defendant's actions amounted to the criminal offence of "distribution" under section 118 (1) (f) of the Copyright Ordinance. The defence countered that defendant's actions in uploading the files to his computer did not constitute distribution and amounted to no more than "making available" copyright materials–which was covered under civil provisions in section 26 of the same Ordinance. The defendant was found guilty and became the world's first BitTorrent user to be criminally convicted of piracy. The case has opened up strong debate in Hong Kong, with moves afoot to introduce a new raft of copyright legislation.

Keywords: copyright, technology, online, piracy, Hong Kong, Asia

In the last days of British rule, Governor Chris Patton signed into law a raft of new legislation, including the Copyright Ordinance which came into effect on 30 June 1997,[1] the day before Hong Kong returned to Chinese sovereignty. The ordinance proved a useful tool for the new administration and a number of prosecutions were pursued under its ambit–but it had limitations. For example, a company that manufactured vehicle components could buy a computer program licensed for use in one computer to organize its inventory. But what if the company then installed the same software on dozens of other computers used by its employees? Under the Copyright Ordinance it was unclear whether such action would incur criminal liability since the business of the company was not to sell computer software but to sell vehicle components. Using the same principle, if a restaurant or bar played an illegal music recording during the course of its business it would most likely not be criminally liable. Amendments were made to the Copyright Ordinance in an on-going effort to preserve

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[1] Copyright Ordinance (Cap 528), Hong Kong (2006).

its relevance and applicability but such has been the pace of technological advance in the last decade that copyright legislation in Hong Kong (and, it must be said, in many jurisdictions outside Hong Kong) has risked falling behind the realities of the digital present.

While the *Copyright Ordinance* dealt reasonably adequately with the copying and bootlegging of tangible copyright entities, such as books, newspapers, CDs, VCDs and DVDs, one area where its provisions seemed particularly vulnerable was on-line piracy. The *Ordinance* was drafted at a time when file sharing was a little known and little feared phenomenon. When file sharing first came into digital vogue in 2000, annual retail record sales in Hong Kong topped $913 million. By 2004 sales had declined to $219 million–a fall of almost 75% in five years. Multimedia recording industries raised a chorus of alarm but the government, smarting from massive public protests in 2003 and a humiliating climb down on its draconian anti-subversion laws, was anxious to avoid any kind of new legislative foray that might smack of heavy handedness. Instead, enforcement agencies insisted that existing legislation was sufficient but proposed closer collaboration with the film and music industries in pursuing on-line offenders. In 2004 the Intellectual Property Investigation Bureau of the Hong Kong Customs and Excise Department proposed a taskforce, comprising Bureau and industry representatives, to tackle the problem of on-line piracy. In December of the same year the taskforce met for the first time. Within a month, its work had resulted in the arrest of Chan Nai Ming, a thirty-eight year old unemployed resident of the Tuen Mun area.

The "Big Crook" Case (2005)[2]

It was alleged that Chan had attempted to distribute three Hollywood movies via the internet using BitTorrent peer-to-peer file sharing technology. He had uploaded the files on to his computer and posted their availability on a popular BitTorrent movie newsgroup website. Perhaps unwisely, Chan had used the internet alias "Big Crook" and his posting was spotted by a Customs officer.[3] In October 2005, Chan was convicted of attempting to distribute copyright material without the permission of the licensor and sentenced to three months

[2] "Big Crook" was the internet moniker of Chan Nai Ming whose case was heard in the Tuen Mun Court (HKSAR v Chan Nai Ming (陳乃明) TMCC 1268/2005) and his subsequent appeal in the Court of First Instance (HKSAR v Chan Nai Ming (陳乃明) HCMA 1221/2005).

[3] *Ibid.*

jail, though released on bail pending appeal. He had become the world's first BitTorrent user to be convicted of piracy. In December 2006 the defendant's appeal was dismissed by the Court of Appeal and he was sent to prison.

Chan Nai Ming's defense counsel argued that making copyright protected material available on a computer using BitTorrent software did not amount to "distribution." Chan had at most "made available" the movies in question, which, it was submitted, was different to distributing them. The act of "making available" copies of copyrighted material is covered under Section 26 of the *Copyright Ordinance* but it is subject to civil and not criminal liabilities.

> (1) The making available of copies of the work to the public is an act restricted by copyright in every description of copyright work.
>
> (2) Reference in this Part to the making available of copies of a work in the public are to the making available of copies of the work, by wire or wireless means, in such a way that members of the public in Hong Kong or elsewhere may access the work from a place and at a time individually chosen by them (such as the making available of copies of works through the service commonly known as the INTERNET).[4]

Section 26 interprets the act of "making available" copyright material a relatively passive action in which those copying from the source do so "from a place and at a time individually chosen by them." The Internet is explicitly identified as an example of a context where the act of "making available" copyrighted materials could take place. Had the copyright holders pursued Chan under these civil provisions they could have sought damages from him for loss of copyright earnings, obliged him to remove the files from his computer, and required him to undertake to desist from such activities in the future.

Clearly, though, there were greater issues at stake and the State, with the full backing of the industry, decided to pursue the case as a criminal prosecution. In order to do so, it had to be argued successfully that Chan's actions amounted to distribution which is covered under Section 118 of the *Ordinance* and which carries with it criminal penalties (a maximum four-year jail term):

1) A person commits an offence if he, without the license of the copyright owner –
   (a) makes for sale or hire;
   (b) imports into Hong Kong otherwise than for his private and domestic use;

[4] *Copyright Ordinance*, Section 26.

(c) exports from Hong Kong otherwise than for his private and domestic use;
(d) possesses for the purpose of, in the course of, or in connection with, any trade or business with a view to committing any act infringing the copyright; (Amended 64 of 2000 s. 7)
(e) for the purpose of, in the course of, or in connection with, any trade or business–(Amended 64 of 2000 s. 7)
    (i) sells or lets for hire;
    (ii) offers or exposes for sale or hire;
    (iii) exhibits in public; or
    (iv) distributes; or
(f) distributes (otherwise than for the purpose of, in the course of, or in connection with, any trade or business) to such an extent as to affect prejudicially the owner of the copyright, (Amended 64 of 2000 s.7) an infringing copy of a copyright work.[5]

Clearly Chan was not liable under sections 1(a)–(e), since his seed files were not uploaded with any trade or business intent, and were offered neither for sale nor for hire. His criminal culpability rested entirely on section 1(f) and on the definition of "distributes." Unfortunately, the *Copyright Ordinance* does not offer a definition of the term.

In order to adjudicate in some working sense the difference between making something available and distributing it, we need to understand some of the technical aspects of the technology that Chan was using. The nature of BitTorrent, or peer-to-peer (P2P) technology is complex and, as I shall argue, blurs the distinction between uploader and downloader. A typical scenario would involve a peer (the seeder) uploading a movie on to his computer with a "torrent" extension name (the seed file). Using hashing algorithms, the seeder will already have broken down the movie into smaller pieces. The seeder will then advertise the .torrent file on a website where another computer (the "tracker" server) will coordinate file distribution. Say, for example, five visitors to the site (a so-called "swarm" in BitTorrent-speak) decide to obtain a copy of the movie. Under the coordination of the tracker server, each visitor (or "peer") will be directed to the seeder computer and begin downloading the movie, bit by bit. However, the peers will also be directed to each other's computers. They may then gather the component bits of the movie not only from the seeder computer but also from other swarm computers which may be at varying stages

[5] *Copyright Ordinance,* Section 118.

in the same downloading process. Curiously, then, the more people downloading the same movie through BitTorrent technology, the faster the downloading process becomes, since the more computers that become involved the greater the number of downloading routes that become available to a given peer computer. This runs quite contrary to normative computing experience where, typically, the more people who wish to download a file, the longer it takes.

There are two crucial issues in the BitTorrent scenario. Firstly, the seeder computer needs to make itself available (that is, it needs to be on-line) but it has no control over which users (if any) access its information. In other words, whether its information is distributed or not is outside the control of the seeder. Secondly, such is the nature of BitTorrent software that each of the peer computers at any given moment may be either downloading or uploading information–they may be downloading component bits from the seeder or other peer computers but, since other peer computers may be downloading from them as well, they are also by definition uploading for the benefit of others (effectively acting as proxy "seeders" themselves).

The magistrate in the Tuen Mun Court where Chan was first convicted ruled that (a) by keeping his computer on-line, and therefore making it possible for peers to download the files, and (b) by creating inlay images of the film sleeves on his computer, the defendant had actively distributed copyright materials without permission.

> This was not merely "making available" the BitTorrent files. These were positive acts by the defendant, leading to the distribution of the data. He intended that result. In no way can the defendant's involvement in the downloading of this material be properly described as passive. The fact that the recipients of the packets of data, originating from the defendant's computer, might have received it by indirect routes does not alter the nature of the defendant's act of distribution.[6]

This interpretation of Chan's actions allows a lot of latitude for the definition of the term "distribution." To "distribute" something suggests an active agency and, arguably, the act of distribution in this case was initiated by BitTorrent peer users who had connected with the seeder and other computers in the swarm–or, indeed, the tracker computer itself. From a purely terminological point of view, Chan's actions seem to be accommodated more accurately by the description "making available" than by the term "distributing." True enough,

[6] Magistrate Colin Mackintosh, HKSAR v Chan Nai Ming (陳乃明) (2005): TMCC 1268/2005. Paragraph 34.

without Chan's initiating actions, the distribution could not have taken place–but could his actions be captured more accurately by the phrase "making available" (Section 26 of the *Ordinance*, which explicitly refers to internet usage) and should the remedy have been civil rather than criminal?

Chan's conviction reflected a growing and understandable frustration felt by enforcement agencies, the recording industry and perhaps the judiciary itself. There was some speculation that the ruling would be overturned on appeal. However, on 12 December 2006 the Court of Appeal dismissed Chan's appeal, with Justice Beeson noting in her judgment that Hong Kong's laws had to protect the city's international standing. The *Ordinance*, she affirmed, was designed "to help maintain Hong Kong's important and hard-won position as a responsible member of the worldwide trading community" (HKSAR v Chan Nai Ming (陳乃明), HCMA 1221/2005 (paragraph 79).[7] This suggested a decision based as much on territorial policy as on legal principles–which is an acceptable position for a higher court to take, of course, but how much more persuasive it would have appeared had it been constructed on firmer legal footings. At the time of writing, Chan's legal team was preparing a last ditch petition to Hong Kong's highest court, the Court of Final Appeal.

In the weeks following Chan's conviction in October 2005, the number of seed files uploaded in Hong Kong fell by 80% according to official figures. The government took this to signify that the criminal proceedings against "Big Crook" had paid good dividends and the digital industries that had suffered most from piracy were unanimous in their approval of the outcome. Further high profile prosecutions of low profile alleged offenders followed. In March 2006 seven major music companies launched an action against a fifty-four year old man from the working class neighborhood of Sheung Shui for allegedly uploading, downloading and storing copyright protected music. The companies are demanding undisclosed damages from the man–he argues that he does not even know how to turn on the home's computer and that, if there has been any wrong doing, most likely his teenage daughters were the culprits. Later in the same week, record companies filed a writ in the High Court accusing a housewife from the middle class neighborhood of Laguna City of uploading, downloading and storing copyrighted music on her computer. Both cases are ongoing.

In May 2006, following complaints from industry copyright owners, Customs officers arrested a 16 year old school boy in Sau Mau Ping, Kowloon, and accused him of configuring his computer as a server for the distribution of music and film files. It was the first time that anyone had been arrested in the

[7] HKSAR v Chan Nai Ming (陳乃明) (2005). *op. cit.*

territory for distributing copyright digital materials through a website server–and though this was not a BitTorrent case there could be a hint that authorities may now be willing to test in the courts the criminal liability of a "tracker" server. The teenager was sentenced to a one year probation order in January 2007. Again in May 2006, the Film Industry Response Group, an industry group formed specifically to tackle the problem of movie piracy, obtained a court order requiring four internet service providers to reveal the identities of 42 account holders whose computers had allegedly been used to pirate copyright movies using BitTorrent software. Letters sent to the 42 individuals demanded that they undertake not to download movies again and required each to pay HK$23,000 in compensation–a figure based on cases in the United States were compensation ran to US$3,000. If the individuals do not comply, the letters threaten to take them to court and prosecute them under the *Copyright Ordinance*. It seems very possible, therefore, that the civil liability of BitTorrent peer users will be tested in the courts in the near future.

New Legal Proposals

Following consultations with the public and the recording industry, in 2006 the government published a consultative document titled Copyright Protection in the Digital Environment (CPDE) which called for public discussion of wide-ranging changes to the copyright laws. Public consultation will end in April 2007 after which time the Government will set about drafting and enacting relevant legislation. The new proposals are loosely modeled on the US Digital Millennium Copyright Act 1998 (DMCA)[8] which criminalized the production and the dissemination of copyright material and, in particular, increased penalties for Internet infringements.

However, the proposed Hong Kong legislation differs conspicuously in two important respects from the DMCA. Firstly, under Chapter 1 of the CPDE proposals, the matter of criminalizing the downloading of copyright materials is raised. In mooting this possibility, the CPDE shows clearly its awareness of the frustration felt by big business:

> … copyright owners from different industries (including the music, movie, computer software, publishing industries, etc.) claim that rampant Internet infringement activities have seriously hampered their development and their loss could hardly be compensated by damages awarded as a result of

[8] Digital Millennium Copyright Act (1998). United States 112 Stat. 2860.

> individual civil actions. Some suggest that unauthorized downloading activities should constitute [a] criminal offence.[9]

If, indeed, downloading *per se* becomes a criminal activity under Hong Kong law this would constitute a significant departure from international practices. In Singapore downloading of copyright materials attracts criminal liability if it is conducted on a significant scale or if it is for commercial gain; in the United States downloading may be regarded as a criminal activity if it is conducted for commercial gain or if the retail value of the downloaded materials exceeds US$1,000. However in jurisdictions such as the United Kingdom, Australia and Canada–countries to which Hong Kong has traditionally looked for its legal models–the unauthorized downloading of copyright materials incurs only civil liability.

Critics of Hong Kong's post-1997 governance regularly accuse it of pandering to the whims of big business, and of doing so at the expense of the man in the street, the individual. It is true that the CPDE is a consultation document but while it articulates the various possibilities for criminalizing downloading, it fails to articulate as fulsomely the case for maintaining unauthorized downloading as a civil offence. The inference of the document is not whether downloading should be criminalized or kept as a civil liability but, rather, to what extent it should be criminalized.

Secondly, while the DMCA has been criticized in the US for jeopardizing the principle of "fair use" some academic commentators outside the US have regarded the provisions as comparatively flexible.[10] In contrast, the Hong Kong proposals for "fair use" are extremely narrow. The term is used only once in the body of the CPDE text [chapter 6(9)] and there in relation to the somewhat esoteric issue of the temporary reproduction of copyright works (as, for example, in the creation of a temporary buffer copy in the course of digital streaming). What is absent from the document is a sustained awareness of anyone's point of view apart from that of the copyright holder. Yet, in truth, there is another equally important stakeholder in this process and one whose

[9] Copyright Protection in the Digital Environment (1.4) (2006), Government Printer, Hong Kong.

[10] Those who have vigorously opposed the DMCA's provisions include digital lobby groups such as the Electronic Frontier Foundation (see http://www.eff.org/IP/DMCA/) and the Anti-DMCA Organization (see http://www.anti-dmca.org/index.html). Michael Pendleton, Associate Director of Chinese University of Hong Kong's School of Law has suggested that, in comparison to Hong Kong's provisions, the US has a "wide ranging 'fair use' defence" (*South China Morning Post*, Monday 22 January 2007).

views ought to be taken into account–the individual user himself or herself. From the consumer's perspective, it might well be argued that Hong Kong's film and music industries have been too slow in providing sufficient digital content for legal downloading purposes. The territory's traditional predilection for multimedia gadgetry has left end-users frustrated by the paucity of legal materials available for download. For its part, the industry feels that uploading its video and music catalogues on to the internet in neat digital packaging presents insuperable security obstacles. We therefore find ourselves in a situation where consumers want greater variety and choice in their download menus but digital industries are afraid to open the larder doors.

Conclusion

Hong Kong's *Basic Law*, which came into effect on 1 July 1997, contains specific provisions for the protection of intellectual property. Article 139 affirms that the "The Government of the Hong Kong Special Administrative Region shall, on its own, formulate policies on science and technology and protect by law achievements in scientific and technological research, patents, discoveries and inventions." And Article 140 undertakes to "protect by law the achievements and the lawful rights and interests of authors in their literary and artistic creation." Yet, translating intent into action has not been easy and in the ten years following the return to Chinese rule the question of intellectual property rights has loomed large–not least in the spheres of Hong Kong's film and recording industries which have suffered heavily from piracy. A point has been reached where Hong Kong's digital businesses and the Government itself now believe that only by enacting a fiercer set of copyright laws can the territory's creative industries be safeguarded and allowed to flourish.

No-one can argue it is just and fair that intellectual property should be protected but the supposition that a combination of criminal laws and court actions is the best way to change people's behavior and nurture creativity may be misplaced. Alice Lee,[11] a prominent Hong Kong Law professor, has warned the Government to think carefully about future legislation, suggesting that "overzealous attempts to protect copyright could actually stifle creativity by restricting the flow of information."[12] And Michael Geist,[13] a Canadian authority

[11] Lee, Alice (20 December 2006): Interview. The Standard. Hong Kong, China.

[12] Interviewed in *The Standard*, Wednesday 20 December 2006.

[13] Geist, Michael (22 January 2007): Interview. South China Morning Post. Hong Kong, China.

on intellectual property laws, has noted that even the US *Digital Millennium Copyright Act* is now being "viewed by many as an extreme example of implementing the WIPO [World Intellectual Property Organization] Internet Treaties. Many countries–including Canada and New Zealand–have begun to distance themselves from the DMCA-style approach."[14] Indeed, a softer line on the policing of intellectual property, one that gives consumers greater access to, and flexibility in the use of, digital materials, may well pay dividends if it can be combined with alternative mechanisms for collecting copyright revenues.

[14] Interviewed in the *South China Morning Post*, Monday 22 January 2007.