



Texas A&M University School of Law
Texas A&M Law Scholarship

Faculty Scholarship

3-2010

Digital Copyright Reform and Legal Transplants in Hong Kong

Peter K. Yu
peter_yu@msn.com

Follow this and additional works at: <https://scholarship.law.tamu.edu/facscholar>



Part of the [Comparative and Foreign Law Commons](#), and the [Intellectual Property Law Commons](#)

Recommended Citation

Peter K. Yu, *Digital Copyright Reform and Legal Transplants in Hong Kong*, 48 U. Louisville L. Rev. 693 (2010).

Available at: <https://scholarship.law.tamu.edu/facscholar/392>

This Article is brought to you for free and open access by Texas A&M Law Scholarship. It has been accepted for inclusion in Faculty Scholarship by an authorized administrator of Texas A&M Law Scholarship. For more information, please contact aretteen@law.tamu.edu.

DIGITAL COPYRIGHT REFORM AND LEGAL TRANSPLANTS IN HONG KONG

Peter K. Yu

TABLE OF CONTENTS

I.	INTRODUCTION	694
II.	THE FIRST CONSULTATION	699
	<i>A. Criminal Liability for Unauthorized Distribution</i>	701
	<i>B. Notice-and-Takedown Procedure</i>	709
	<i>C. Facilitation of Copyright Infringement Actions</i>	714
	<i>D. Statutory Damages for Copyright Infringement</i>	716
	<i>E. Summary</i>	719
III.	THE SECOND CONSULTATION	719
	<i>A. The Findings</i>	721
	<i>B. The Right of Communication to the Public</i>	724
	1. Unauthorized Communication to the Public	727
	2. Unauthorized Streaming	731
	<i>C. Voluntary Code of Practice for OSPs</i>	736
	<i>D. The Media-Shifting Exception</i>	740
IV.	PROPOSALS FOR THE LEGISLATIVE COUNCIL	746
V.	FOUR QUESTIONS A LEGISLATURE SHOULD ASK	754
	<i>A. What Digital Future Do We Want?</i>	755
	<i>B. What Other Opportunities Are Available?</i>	756
	<i>C. How Much Should the Transplanted Laws Be Adapted?</i>	760
	<i>D. What Complementary Measures Need To Be Introduced?</i>	766
VI.	CONCLUSION	768

DIGITAL COPYRIGHT REFORM AND LEGAL TRANSPLANTS IN HONG KONG

*Peter K. Yu**

I. INTRODUCTION

Since the mid-1990s, countries have struggled to respond to copyright challenges created by the Internet and new communications technologies. Although the law and policy debate in recent years has focused primarily on the entertainment industry's aggressive tactics toward individual end users, online service providers (OSPs),¹ and other third parties,² a recent wave of

* Copyright © 2010 Peter K. Yu. Kern Family Chair in Intellectual Property Law & Director, Intellectual Property Law Center, Drake University Law School; Wenlan Scholar Chair Professor, Zhongnan University of Economics and Law; Visiting Professor of Law, Faculty of Law, University of Hong Kong. An earlier version of this Article was presented at the Conference on Innovation and Communications Law at the University of Turku, the 8th Annual Intellectual Property Scholars Conference at Stanford Law School, the GikIII Conference at the Oxford Internet Institute, the 6th Annual Works in Progress Intellectual Property Colloquium at Tulane Law School, "The Creative Industries and Intellectual Property" Conference in Birkbeck College at the University of London, the "New Media, New Markets, New Rights" Conference at Georgia State University, the "Biolaw 2.0" Conference at the University of Kansas School of Law, the International Conference on Information Technology and Social Responsibility at the Chinese University of Hong Kong, the PTTP International Speakers Series at Osgoode Hall Law School at York University, the LawTechTalk seminar at the Faculty of Law of the University of New South Wales, panels organized by the Journalism & Media Studies Center and the Faculty of Law at the University of Hong Kong, and as lectures at Benjamin N. Cardozo School of Law at Yeshiva University, the University of Iowa College of Law, Tsinghua University Law School, Fudan University Law School, South China University of Technology, Zhejiang Gong Shang University School of Law, and Zhongnan University of Economics and Law. The Article draws on position papers commissioned by the Journalism and Media Studies Centre at the University of Hong Kong and submitted to the HKSAR government. The Author would like to thank Birgitte Andersen, Ian Brown, Cao Xinming, Joseph Chan, Giuseppina D'Agostino, Lilian Edwards, Paul Heald, Michael Landau, Alana Maurashat, Monroe Price, Jack Qiu, Andrew Torrance, Katja Weckström, Mary Wong, Xie Huijia, and Zheng Wanqing for their kind invitations and hospitality. He is grateful to Rebecca MacKinnon, Doreen Weisenhaus, Charles Mok, and the participants of these events for their insightful questions and valuable comments and suggestions, and Danny Chen, Lisa Hammond, Andrew Hebl, Cory McAnelly, Megan Snyder, and Jonathan Soike for excellent research and editorial assistance. He is also grateful to Johannes Chan, Fu Hualing, Anne Cheung, and Li Yahong for invitations to teach the summer course at the University of Hong Kong Faculty of Law and the students there for engaging in passionate and informative discussions of issues in the consultation documents.

¹ As the Hong Kong government's first consultation document defined,

Online service providers refer collectively to operators who provide Internet services. The services may be broadly categorized as (a) access services; and (b) application services (e.g. offering server space for websites or storage space for data, managing and operating websites, domain name resolution services, web mail, discussion forums or newsgroups, providing search engines or information location tools to facilitate online information retrieval). OSPs who provide access services are referred to as IASPs [Internet access service providers]. . . . Nowadays, many OSPs provide a combination of access and application services.

legislative actions and lobbying efforts has rejuvenated the debate on the proper legal response to the digital copyright challenges.

In France, for example, a new law was enacted to provide for what some have called a graduated response system—a mechanism that allows internet service providers (ISPs) to provide warnings to subscribers before suspending their service.³ Although the French Constitutional Council initially struck down the law as unconstitutional,⁴ a replacement was quickly adopted.⁵ Similar laws and approaches have now been adopted, considered, or rejected by Australia, Germany, Hong Kong, the Netherlands, New Zealand, South Korea, Sweden, Taiwan, and the United Kingdom.⁶

In the United States, the content industries have entered into negotiation with local ISPs to institute a graduated response system on a voluntary basis. Some have also suggested that the system may have been built into the Digital Millennium Copyright Act of 1998 (DMCA),⁷ notwithstanding the vehement disagreement between copyright holders and

COMMERCE, INDUS. & TECH. BUREAU (H.K.), COPYRIGHT PROTECTION IN THE DIGITAL ENVIRONMENT 10 n.8 (2006), available at http://www.cedb.gov.hk/citb/ehml/pdf/consultation/Consultation_document.pdf [hereinafter FIRST CONSULTATION DOCUMENT]. An IASP is further defined as:

a service provider which offers a conduit service for the transmission, routing or connections for access to Internet and other online communication between or among points specified by a user. It does not check or modify the content of the materials transmitted online as chosen and directed by the user.

Id. at 19 n.15.

² For discussions of the entertainment industry's aggressive tactics, see generally Peter K. Yu, *The Escalating Copyright Wars*, 32 HOFSTRA L. REV. 907 (2004) [hereinafter Yu, *The Escalating Copyright Wars*]; Peter K. Yu, *P2P and the Future of Private Copying*, 76 U. COLO. L. REV. 653 (2005) [hereinafter Yu, *P2P and the Future*].

³ Loi 2009-669 du 12 juin 2009 favorisant la diffusion et la protection de la création sur internet [Law 2009-669 of June 12, 2009 to Promote the Dissemination and Protection of Creation on the Internet], JOURNAL OFFICIEL DE LA REPUBLIQUE FRANÇAISE [J.O.] [Official Gazette of France], June 13, 2009, p. 9666, available at <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000020735432&categorieLien=id>. For discussions of the graduated response system, see generally Alain Strowel, *Internet Piracy as a Wake-up Call for Copyright Law Makers—Is the “Graduated Response” a Good Reply?*, 1 WIPO J. 75 (2009); Peter K. Yu, *The Graduated Response*, 62 FLA. L. REV. 1373 (2010) [hereinafter Yu, *The Graduated Response*].

⁴ Conseil Constitutionnel [CC] [Constitutional Court] decision No. 2009-580DC, J.O., July 10, 2009, p. 9675 (Fr.), available at <http://www.conseil-constitutionnel.fr/decision.42666.html>; see also Strowel, *supra* note 3, at 79–84.

⁵ Loi 2009-1311 du 28 octobre 2009 relative à la protection pénale de la propriété littéraire et artistique sur internet [Law 2009-1311 of 28 October 2009 on the Criminal Protection of Literary and Artistic Property on the Internet], J.O., Oct. 29, 2009, p. 18290, available at <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000021208046&dateTexte=&categorieLien=id>; see also Strowel, *supra* note 3, at 80.

⁶ See Yu, *The Graduated Response*, *supra* note 3, at 1376–77. For a discussion of the emerging global trend toward more active prevention of copyright infringement by intermediaries, see generally Jeremy de Beer & Christopher D. Clemmer, *Global Trends in Online Copyright Enforcement: A Non-Neutral Role for Network Intermediaries?*, 49 JURIMETRICS J. 375 (2009).

⁷ Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified as amended in scattered sections of 17 U.S.C.).

their supportive trade groups on the one hand and OSPs, consumer advocates, civil liberties groups, and academic commentators on the other.⁸

While copyright protection is being strengthened throughout the world, there has also been a greater push for access to copyrighted works and for the development of limitations and exceptions within the copyright system. Drawing on proposals advanced in the U.K.-commissioned *Gowers Review of Intellectual Property* (*Gowers Review*),⁹ Australia, New Zealand, and the United Kingdom have adopted or introduced proposals for creating a media-shifting exception to copyright law.¹⁰ At the multilateral level, the Standing Committee on Copyright and Related Rights of the World Intellectual Property Organization (WIPO) is engaging in full, in-depth discussion on limitations and exceptions within the copyright system,¹¹ including a proposal for a treaty on exceptions and limitations for the visually impaired.¹² More recently, Israel adopted a new, open-ended, standard-based fair-use privilege¹³—similar to what is available in the United States.¹⁴

⁸ Compare Eric Smith, International Intellectual Property Alliance, Remarks at the “Beyond TRIPS: The Current Push for Greater International Enforcement of Intellectual Property” Symposium at American University Washington College of Law (Nov. 5, 2009), with Gigi Sohn, Public Knowledge, Remarks at the “Beyond TRIPS: The Current Push for Greater International Enforcement of Intellectual Property” Symposium at American University Washington College of Law (Nov. 5, 2009), available at <http://wcl.american.edu/pijip/go/news/pijip-to-host-beyond-trips-the-current-push-for-greater-international-enforcement-of-intellectual-property> (follow “view Web cast” hyperlink under “PANEL 2—American Efforts to Strengthen International IP Enforcement”).

⁹ ANDREW GOWERS, *GOWERS REVIEW OF INTELLECTUAL PROPERTY* 63 (2006), available at http://www.hm-treasury.gov.uk/media/6/E/pbr06_gowers_report_755.pdf.

¹⁰ See COMMERCE & ECON. DEV. BUREAU (H.K.), PRELIMINARY PROPOSALS FOR STRENGTHENING COPYRIGHT PROTECTION IN THE DIGITAL ENVIRONMENT annex B, at 2 (2008), available at [http://www.cedb.gov.hk/citb/ehml/Consultation_Document_Prelim_Proposals_Eng%20\(full\).pdf](http://www.cedb.gov.hk/citb/ehml/Consultation_Document_Prelim_Proposals_Eng%20(full).pdf) [hereinafter SECOND CONSULTATION DOCUMENT].

¹¹ See William New, *WIPO Committee Advances Agenda on Copyright Exceptions, Broadcasting*, INTELLECTUAL PROPERTY WATCH, Nov. 9, 2008, <http://www.ip-watch.org/weblog/2008/11/09/wipo-committee-advances-agenda-on-exceptions-to-copyright-broadcasting/>.

¹² Originated from the World Blind Union, the treaty proposal was formally introduced by Brazil, Ecuador, and Paraguay at the May 2009 meeting of the WIPO Standing Committee on Copyright and Related Rights. See William New, *Proposed WIPO Treaty on Visually Impaired Access Gets Deeper Look*, INTELLECTUAL PROPERTY WATCH (May 29, 2009), <http://www.ip-watch.org/weblog/2009/05/29/proposed-wipo-treaty-on-visually-impaired-access-gets-deeper-look/>. The World Blind Union’s original proposal is available at http://www.keionline.org/misc-docs/tvi/tvi_en.html.

¹³ Section 19 of the 2007 Israel Copyright Law provides:

- (a) Fair use of a work is permitted for purposes such as: private study, research, criticism, review, journalistic reporting, quotation, or instruction and examination by an educational institution.
- (b) In determining whether a use made of a work is fair within the meaning of this section the factors to be considered shall include, inter alia, all of the following:
 - (1) The purpose and character of the use;
 - (2) The character of the work used;
 - (3) The scope of the use, quantitatively and qualitatively, in relation to the work as a whole;
 - (4) The impact of the use on the value of the work and its potential market.

Despite its civil-law tradition, Japan is also exploring a similarly broad and open-ended exception.¹⁵

Like these jurisdictions, Hong Kong, in the past few years, has been busy exploring copyright law reform to respond to challenges created by the Internet and new communications technologies. To help understand how countries reform their copyright system by transplanting laws from other jurisdictions,¹⁶ this Article studies the ongoing digital copyright reform in Hong Kong.

Hong Kong is selected because of its unique position.¹⁷ Although Hong Kong is now part of China, its roots as a former British colony have resulted in the development of a copyright system that is similar to those found in Commonwealth jurisdictions.¹⁸ Hong Kong has also been the subject of intense pressure from the U.S. government and its supportive industries,¹⁹

(c) The Minister may make regulations prescribing conditions under which a use shall be deemed a fair use.

Copyright Law, 2007, § 19 (Isr.), translated in Orit Fischman Afori, *An Open Standard "Fair Use" Doctrine: A Welcome Israeli Initiative*, 30 EUR. INTEL. PROP. REV. 85, 86 (2008). See Fischman Afori, *supra*, for a discussion of the new fair-use provision. For a comparative analysis of fair use, see generally Giuseppina D'Agostino, *Healing Fair Dealing? A Comparative Copyright Analysis of Canada's Fair Dealing to U.K. Fair Dealing and U.S. Fair Use*, 53 MCGILL L.J. 309 (2008).

¹⁴ 17 U.S.C. § 107 (2006).

¹⁵ See Yoshiyuki Tamura, *Rethinking the Copyright Institution for the Digital Age*, 1 WIPO J. 63, 70 (2009).

¹⁶ For a pioneering work articulating the legal transplant thesis, see generally ALAN WATSON, *LEGAL TRANSPLANTS: AN APPROACH TO COMPARATIVE LAW* (2d ed. 1993).

¹⁷ In full disclosure, the Author has submitted to the HKSAR government two position papers commissioned by the Journalism of the Media Studies Centre at the University of Hong Kong. PETER K. YU, *DIGITAL COPYRIGHT REFORM IN HONG KONG: PROMOTING CREATIVITY WITHOUT SACRIFICING FREE SPEECH* (2007), available at <http://jmsc.hku.hk/cms/images/stories/jmscdigitalcopyright.pdf> [hereinafter YU, *DIGITAL COPYRIGHT REFORM*]; PETER K. YU, *COPYRIGHT PROTECTION IN THE DIGITAL ENVIRONMENT: CREATING A BETTER DIGITAL FUTURE FOR HONG KONG* (2008), available at http://jmsc.hku.hk/cms/images/stories/JMSC_News/2008/jmsc_hku_digital_copyright_submissionaug2008.pdf.

¹⁸ From 1842 to 1997, Hong Kong was a British colony. See Peter K. Yu, *Succession by Estoppel: Hong Kong's Succession to the ICCPR*, 27 PEPP. L. REV. 53, 69–70 (1999) (noting China's resumption of sovereignty over Hong Kong). As a result, it has developed a common-law-based system that is similar to those found in the United Kingdom and other Commonwealth countries. Dep't of Justice (H.K.), *The Legal System in Hong Kong*, <http://www.doj.gov.hk/eng/legal/> (last visited Apr. 6, 2010). Although the present Copyright Ordinance came into effect just a few days before China resumed sovereignty over the region on July 1, 1997, MICHAEL D. PENDLETON & ALICE LEE, *INTELLECTUAL PROPERTY IN HONG KONG* 119 (2008), legal developments in the area remain heavily influenced by related developments in the United Kingdom and other Commonwealth jurisdictions, such as Australia, New Zealand, and Singapore. For works that are created before June 27, 1997, the United Kingdom Copyright Act of 1956 and the now-repealed Copyright Ordinance (Cap 39) still apply. *Id.* at 119–20.

¹⁹ See OFFICE OF THE USTR, 2009 NATIONAL TRADE ESTIMATE REPORT ON FOREIGN TRADE BARRIERS 230–31 (2009), available at http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset_upload_file405_15451.pdf [hereinafter 2009 NTE REPORT]; see also *R v. Ng Wai Ching*, [1997] H.K.L.Y. 340, 340 (H.C.), available at 1996 WL 33123421 ("There [is] international pressure upon Hong Kong to stamp out the traffic in pirated goods. Failure to attack the illegal activity which [is] carried out openly and in defiance of the law in certain notorious locations in Hong Kong would be perceived as a default on the part of the

due in part to widespread piracy and counterfeiting problems in China²⁰ and in part to Hong Kong's strategic location as a gateway to the mainland.

Moreover, the digital copyright reform in Hong Kong may provide an ideal case for studying legal transplants in the digital age. As the initial consultation document stated,

For each of the [consultation] issues, we have outlined the situations in other jurisdictions (such as the UK, the US, Singapore and Australia). We may draw reference from the experience of different jurisdictions when formulating a solution unique to Hong Kong. This could create a model that best suits Hong Kong's needs. On the other hand, we may formulate our solution based on an existing overseas model. The advantage of the latter approach is that our courts could make reference to the case law of that particular jurisdiction when deciding cases before them. This would result in more certainty and predictability in our law.²¹

Parts II to IV of this Article examine the proposals advanced in the consultation documents released by the government of the Hong Kong Special Administrative Region (HKSAR). Parts II and III focus on the first²² and second consultation documents,²³ which were released in December 2006 and April 2008, respectively. Part IV provides an update on the findings of the second consultation document and outlines the five proposals that have been presented to the Legislative Council, the HKSAR legislature.

These three parts are intentionally structured under a chronological order to highlight the fact that legal transplantation is not a simple adoption

government on its international obligations.”); RONALD V. BETTIG, COPYRIGHTING CULTURE: THE POLITICAL ECONOMY OF INTELLECTUAL PROPERTY 227 (1996) (“Looking to past experiences with piracy in Asia, U.S. copyright industries took the Hong Kong antipiracy campaign, initiated in 1973 by the International Federation of Phonographic Industries (IFPI) to combat record and tape piracy, as their model for addressing the problem in these other Southeast Asian and Pacific Basin countries.”). Although the Berne Convention prohibited the use of formalities, such as registration, as a condition of the enjoyment and exercise of copyright, see Berne Convention for the Protection of Literary and Artistic Works art. 5(2), Sept. 9, 1886, 25 U.S.T. 1341, 828 U.N.T.S. 221 (revised at Paris July 24, 1971), the United States Trade Representative complained that “[t]he lack of a copyright register in Hong Kong continues to make it difficult for law enforcement officials and prosecutors to identify original copyright owners in infringement cases, effectively increasing the burden of proof that rights holders need to present to prove infringement.” 2009 NTE REPORT, *supra*, at 231.

²⁰ For discussions of these problems, see generally Peter K. Yu, *Intellectual Property, Economic Development, and the China Puzzle*, in INTELLECTUAL PROPERTY, TRADE AND DEVELOPMENT: STRATEGIES TO OPTIMIZE ECONOMIC DEVELOPMENT IN A TRIPS PLUS ERA 173 (Daniel J. Gervais ed., 2007) [hereinafter Yu, *Intellectual Property, Economic Development*]; Peter K. Yu, *From Pirates to Partners: Protecting Intellectual Property in China in the Twenty-First Century*, 50 AM. U. L. REV. 131 (2000); Peter K. Yu, *From Pirates to Partners (Episode II): Protecting Intellectual Property in Post-WTO China*, 55 AM. U. L. REV. 901 (2006).

²¹ FIRST CONSULTATION DOCUMENT, *supra* note 1, at v.

²² *Id.*

²³ SECOND CONSULTATION DOCUMENT, *supra* note 10.

of foreign legal models. Rather, transplantation is a complicated and sometimes lengthy *process* that entails the introduction of foreign legal models, responses to local resistance, and repeated negotiations among the various stakeholders. It is through these efforts that the local constituents provide input to influence the process's outcome.

Parts II to IV also discuss a select group of proposals. In doing so, they explain why Hong Kong needs to be cautious about using legal transplants to reform its digital copyright laws. The costs incurred by these transplants may ultimately outweigh their benefits. Because the proposals have evolved significantly from those laid out in the initial consultation documents, these parts provide useful background information on the origins of some of these proposals. These parts also highlight the success of the transplantation process, as well as the places where this process may have crashed and burned. In addition, the discussion in these parts allows a reexamination from a different vantage point of the shortcomings of legal and policy responses to the digital copyright challenges in the United States. Because many other jurisdictions have yet to or are still undertaking digital copyright reforms, these parts retain some of the earlier proposals to provide a more comprehensive analysis.

Part V concludes by advancing four key questions policymakers need to answer before they begin transplanting copyright laws from other jurisdictions. Although these questions were specially designed with the digital copyright reform in Hong Kong in mind, the questions discussed here are equally relevant to other jurisdictions that are responding to similar copyright challenges created by the Internet and new communications technologies. This part, therefore, may provide useful guidance to countries that are experiencing similar challenges or evaluating whether they should reform their intellectual property laws through the import of foreign legal models.

II. THE FIRST CONSULTATION

In December 2006, the HKSAR government released a consultation document concerning the digital copyright reform in the region. Entitled *Copyright Protection in the Digital Environment*, this document sought to assess whether the existing copyright regime needed to be revised in light of the challenges created by online file-sharing activities.²⁴ The consultation document solicited comments in six distinct areas: (1) legal liability for

²⁴ FIRST CONSULTATION DOCUMENT, *supra* note 1, at i.

unauthorized uploading and downloading of copyrighted works; (2) protection of copyrighted works transmitted to the public via all forms of communication technology; (3) the role of OSPs in relation to combating Internet piracy; (4) facilitation of civil actions against online copyright infringement; (5) statutory damages for copyright infringement; and (6) copyright exemption for temporary reproduction of copyrighted works.

This consultation exercise stemmed from challenges created by the Internet and new communications technologies.²⁵ By cutting the speed and cost of reproduction and distribution, while substantially increasing the quality of the reproduced work, digital technologies have resulted in widespread, unauthorized uploading and downloading of copyrighted music, movies, software, games, and books over the Internet. Today, individuals are only a few clicks away from large-scale communications networks that allow them to distribute copyrighted works to tens of millions of their “friends” from around the world. While copies made at home by individual users did not matter much in the past—due to their noncommercial nature and limited financial impact—the distribution of copies online has now imposed significant costs on copyright holders.²⁶ The content industries therefore lobbied heavily for stronger copyright protection, claiming that considerable losses result from digital piracy.

For illustrative purposes, this part focuses on only four proposals from the first consultation document: (1) criminal liability for unauthorized distribution of copyrighted works; (2) the notice-and-take-down procedure used to provide OSPs with a safe harbor; (3) the subpoena mechanism used to facilitate civil action by copyright holders; and (4) statutory damages for copyright infringement. All four items provide excellent examples of attempts to transplant laws from foreign countries—most notably the United States.

Interestingly from an academic standpoint, and disturbingly from a policy standpoint, many of these potential transplants remain highly controversial within their source countries. Consider the DMCA, for example. In the United States, that statute remains one of the most heavily

²⁵ See Peter K. Yu, *The Copyright Divide*, 25 CARDOZO L. REV. 331, 375 (2003). For an extended discussion of the threat to the copyright regime created by digital technology, see generally COMM. ON INTELLECTUAL PROP. RIGHTS & THE EMERGING INFO. INFRASTRUCTURE, NAT'L RES. COUNCIL, *THE DIGITAL DILEMMA: INTELLECTUAL PROPERTY IN THE INFORMATION AGE* (2000) [hereinafter *DIGITAL DILEMMA*].

²⁶ See Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345, 1376–77 (2004) (“The wide dissemination of copies made by end users over the Internet means that content owners can no longer ignore end-user copies and focus on professional counterfeiters. In order to stop large-scale infringement online, copyright owners must stop the end-user copies as well.”).

criticized pieces of copyright legislation since the revision of the present copyright statute in 1976.²⁷ As Jessica Litman noted,

The DMCA is long, internally inconsistent, difficult even for copyright experts to parse and harder still to explain. Most importantly, it seeks for the first time to impose liability on ordinary citizens for violation of provisions that they have no reason to suspect are part of the law, and to make noncommercial and noninfringing behavior illegal on the theory that that will help to prevent piracy.²⁸

To illustrate the controversial nature of attempts to transplant the DMCA and other digital copyright laws to Hong Kong, this part examines the rationales behind each proposal, as well as the problems and unintended consequences that transplanted laws may bring about. This part seeks to underscore a primary danger of legal transplantation—the importation of controversies and problems from the source countries. It also explains why the transplanted laws may be unsuitable under the local conditions and how they could stifle internal developments of the recipient countries.

A. Criminal Liability for Unauthorized Distribution

The most controversial item of the proposed copyright reform concerns criminal liability for unauthorized uploading and downloading of copyrighted works. Such liability was enshrined in the No Electronic Theft Act,²⁹ which amended U.S. copyright law in 1997 to extend criminal liability for copyright infringement to individuals who have not made any monetary profit through their infringing activities.³⁰ Although the statute

²⁷ For criticisms of the DMCA, see, for example, TARLETON GILLESPIE, *WIRED SHUT: COPYRIGHT AND THE SHAPE OF DIGITAL CULTURE* (2007); JESSICA LITMAN, *DIGITAL COPYRIGHT* 122–45 (2001); Ian R. Kerr, Alana Maurushat & Christian S. Tacit, *Technical Protection Measures: Tilting at Copyright's Windmill*, 34 OTTAWA L. REV. 6 (2002–2003); Peter K. Yu, *Anticircumvention and Anti-anticircumvention*, 84 DENV. U.L. REV. 13 (2006) [hereinafter Yu, *Anticircumvention and Anti-anticircumvention*].

²⁸ LITMAN, *supra* note 27, at 145.

²⁹ No Electronic Theft (NET) Act, Pub. L. No. 105-147, 111 Stat. 2678 (1997).

³⁰ Section 506(a) now provides:

Any person who willfully infringes a copyright shall be punished as provided under Section 2319 of title 18, if the infringement was committed—

(A) for purposes of commercial advantage or private financial gain;

(B) by the reproduction or distribution, including by electronic means, during any 180-day period, of 1 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of more than \$1,000

17 U.S.C. § 506(a)(1)(A)–(B) (2006).

covers unauthorized uploading and downloading over the Internet, most of the U.S. disputes to date involve only civil liability.³¹

There are several rationales behind creating criminal liability for the unauthorized distribution of copyrighted works. First, criminal penalties serve as effective deterrents. The stiffer the penalties, the less likely an individual is to commit an offence. Very few people are likely to distribute music or movies without authorization of the copyright holders if they will be sent to jail for thirty years—or worse, if one or both of their hands are to be chopped off. Although the latter example seems excessive and is highly unlikely today, such practice, or even harsher ones, existed in the past. As Tim Phillips reminded us,

In the 14th century, the Elector Palatine in the Holy Roman Empire hanged a wine seller who was trying to sell counterfeit product. In 1544, Emperor Charles V decreed that anyone who put a false mark of authenticity on Flemish tapestry would have his right hand chopped off. Charles IX of France introduced the death penalty for counterfeiting in 1564, and 102 years later Carcassonne's counterfeit drapers would be sentenced to the pillory.³²

Even in recent times, counterfeiters in China have been sentenced to death or life imprisonment, partly as a result of the aggressive push for stronger enforcement of intellectual property rights.³³

Second, criminal penalties exact retribution for the infringers' wrongful conduct. Because unauthorized file sharers inflict financial harm on copyright holders, they should be punished. After all, an important feature of a democratic society is the respect for both individual rights and the rule of law.

Third, in the online copyright area, criminal enforcement is arguably necessary. Over the years, rights holders have explored other less severe options, which range from civil enforcement to education.³⁴ However,

³¹ The rare exceptions are those targeting warez traders. For discussions of efforts to combat piracy by these trading groups, see generally Eric Goldman, *A Road to No Warez: The No Electronic Theft Act and Criminal Copyright Infringement*, 82 OR. L. REV. 369 (2003); Eric Goldman, *Warez Trading and Criminal Copyright Infringement*, 51 J. COPYRIGHT SOC'Y U.S.A. 395 (2004).

³² TIM PHILLIPS, *KNOCKOFF: THE DEADLY TRADE IN COUNTERFEIT GOODS* 67 (2005).

³³ See WILLIAM P. ALFORD, *TO STEAL A BOOK IS AN ELEGANT OFFENSE: INTELLECTUAL PROPERTY LAW IN CHINESE CIVILIZATION* 91 (1995) (stating that China has imposed death penalty on at least four individuals for intellectual property violations and life sentences on no fewer than five others).

³⁴ See Yu, *The Escalating Copyright Wars*, *supra* note 2, at 920–21; Yu, *P2P and the Future*, *supra* note 2, at 756–63. Geraldine Moohr described the educative benefit of criminalizing copyright as follows:

On the one hand, the educative benefit of criminalizing copyright may be significant because the

these options have largely failed. It is therefore understandable why rights holders insist that they were left with a last resort. As they contend, even though the criminal option is unpopular, they are unfortunately left with a Morton's Fork: either they earn a bad rap through individual lawsuits and support for criminal prosecutions or they suffer considerable losses through the unauthorized copying and distribution of their creative works.

Finally, criminal liability is somewhat effective because many of those who make unauthorized copies of copyrighted works are likely to treat criminal penalties very seriously. Many file sharers, for example, are fairly well-educated or, in the case of students, in the process of becoming so. With decent jobs or potentially bright futures, these people are understandably concerned about the stigma of criminal penalties. As Mark Lemley and Anthony Reese explained,

The prospect of going to prison—and the attendant consequences, such as being kicked out of school—may worry a college student more than it would those inclined to commit other kinds of crime, such as burglary. The college student may feel she has more to lose and less to gain from this particular criminal activity than does the burglar. And since she has no strong stake in being an uploader, she may simply decide to quit.³⁵

Moreover, as researchers have shown empirically, only a small minority of users supplied the infringing materials for others to download.³⁶ A law that effectively targets this minority group of suppliers would greatly reduce the unauthorized copying problem on the Internet. Indeed, immediately after the high-profile trial against a BitTorrent user in Hong Kong in 2005,³⁷ local customs and excise officials noticed that “movie uploading had dropped to nearly zero.”³⁸ Such a drastic decline paralleled the outcome of lawsuits initiated by the Recording Industry Association of America (RIAA)

nuanced prohibitions of copyright law do not proclaim a clear standard of conduct and ultimately confuse consumers. On the other hand, if the underlying law is opaque, enforcing it through criminal law may not make it any clearer. Criminal laws are most effective in educating the public when the prohibition is “Thou Shalt Not,” and are less so when the prohibition is “Thou shalt not copy under certain circumstances and certain conditions.”

Geraldine Szott Moohr, *Defining Overcriminalization Through Cost-Benefit Analysis: The Example of Criminal Copyright Laws*, 54 AM. U. L. REV. 783, 797–98 (2005) (footnote omitted).

³⁵ Lemley & Reese, *supra* note 26, at 1400.

³⁶ See Eytan Adar & Bernardo A. Huberman, *Free Riding on Gnutella*, FIRST MONDAY (Oct. 2, 2000), <http://firstmonday.org/htbin/cgiwrap/bin/ojs/index.php/fm/article/view/792/701> (citing a study by researchers at Xerox's Palo Alto Research Center showing that the top 25% of Gnutella users were responsible for ninety-eight percent of all the files shared).

³⁷ Chan Nai Ming v. HKSAR, [2007] 3 H.K.C. 255 (C.F.A.), available at 2007 WL 964529.

³⁸ *Tightening the Digital Divide*, STANDARD (Hong Kong), Dec. 20, 2006, available at http://www.thestandard.com.hk/news_detail.asp?pp_cat=11&art_id=34475&sid=11405772&con_type=1.

against individual file-sharing teenagers, college students,³⁹ and, on very rare occasions, the file sharers' grandparents.⁴⁰

Although criminal penalties have certain benefits, their significant shortcomings have made these penalties especially unsuitable for individual, noncommercial file-sharing activities. First, imposing a criminal penalty on unauthorized file sharing is disproportionate to the offence. As former U.S. Senator Norm Coleman remarked, "If you're taking someone else's property, that's wrong, that's stealing But in [the United States,] we don't cut off people's hands when they steal. One question I have is whether the penalty here fits the crime."⁴¹ Likewise, the United States Supreme Court reminded us in *BMW of North America, Inc. v. Gore*, "The principle that punishment should fit the crime 'is deeply rooted and frequently repeated in common-law jurisprudence.'"⁴²

Second, the laws imposing criminal penalties are likely to be selectively enforced and therefore highly unfair. As demonstrated by the U.S. experience, out of the tens of millions of unauthorized file sharers, only a very small number of individuals are subjected to civil copyright-infringement actions. An even smaller number of them are subjected to criminal actions. As William Fisher pointed out, "Until the mid-1990s, copyright infringement was virtually never prosecuted. In 1995, the growing frequency of violations, particularly over the Internet, prompted the Justice Department to establish the Computer Crime and Intellectual Property Section. Since then, rates of prosecution have increased significantly."⁴³

To some extent, the frequency of criminal prosecution for copyright infringement is as rare as, if not rarer than, the prosecution for jaywalking, driving in excess of speed limits, and possession of marijuana.⁴⁴ In the case of Hong Kong, one individual has been singled out to remind tens of

³⁹ See Justin Hughes, *On the Logic of Suing One's Customers and the Dilemma of Infringement-Based Business Models*, 22 CARDOZO ARTS & ENT. L.J. 725, 731 (2005) [hereinafter Hughes, *On the Logic of Suing*].

⁴⁰ See Yu, *P2P and the Future*, *supra* note 2, at 665 (discussing lawsuits against a seventy-one-year-old grandfather and a sixty-six-year-old Boston woman); see also Cory Doctorow, *Online Censorship Hurts Us All*, THE GUARDIAN (London), Oct. 2, 2007, available at <http://www.guardian.co.uk/technology/2007/oct/02/censorship> ("As Motion Picture Association of America chief Dan Glickman says: 'When you go trawling with a net, you catch a few dolphins.'").

⁴¹ Amy Harmon, *Efforts to Stop Music Swapping Draw More Fire*, N.Y. TIMES, Aug. 1, 2003, at C1.

⁴² *BMW of N. Am. Inc. v. Gore*, 517 U.S. 559, 576 n.24 (1996) (quoting *Solem v. Helm*, 463 U.S. 277, 284 (1983)).

⁴³ WILLIAM W. FISHER III, *PROMISES TO KEEP: TECHNOLOGY, LAW, AND THE FUTURE OF ENTERTAINMENT* 147 (2004).

⁴⁴ *Cf. id.* at 3 (comparing online file sharing to other forms of "popular lawbreaking," such as speeding and use of certain drugs).

thousands of others that it is illegal to upload copyrighted content without the copyright holder's authorization. In *Chan Nai Ming v. HKSAR*, the world's first-ever criminal action against a BitTorrent user, an individual, with his ill-chosen user name "Big Crook," was sentenced to three months in jail for uploading three copyrighted movies using BitTorrent software.⁴⁵

Third, criminal penalties are likely to be very costly to society, and the societal costs imposed by such penalties may far outweigh its benefits. Because the number of file sharers is exceedingly high, a provision that imposes criminal liability has the potential of criminalizing the behavior of a large number of individuals, including youngsters who are the future pillars of society. In his recent book, *Remix*, Lawrence Lessig expressed the following concern:

I worry about the effect this [copyright] war is having upon our kids. What is this war doing to them? Whom is it making them? How is it changing how they think about normal, right-thinking behavior? What does it mean to a society when a whole generation is raised as criminals?⁴⁶

To begin with, it does not make sense to have a law that most people will break.⁴⁷ In that scenario, the costs of enforcement are likely to be quite high. More importantly, the societal impact of criminalization will be significant, and the costs of programs that are needed to rehabilitate these "copyright criminals" are likely to be considerable. Even worse, taxpayers will have to bear the high costs of enforcement and rehabilitation, while there is no guarantee that criminalization will induce the creation of more socially beneficial works or that citizens could be more law-abiding outside the copyright world.

Fourth, imposing criminal penalties on unauthorized downloading is inconsistent with existing law. In Hong Kong, as well as in many other jurisdictions, one is not subjected to criminal liability for purchasing or obtaining a pirated copyrighted work. One therefore wonders why unauthorized downloaders should be subjected to a higher penalty.⁴⁸ After

⁴⁵ *Chan Nai Ming v. HKSAR*, [2007] 3 H.K.C. 255 (C.F.A.), available at 2007 WL 964529. The three movies were *DAREDEVIL* (Twentieth Century-Fox Film Corp. 2003), *MISS CONGENIALITY* (Warner Bros. Pictures 2000), and *RED PLANET* (Warner Bros. Pictures 2000).

⁴⁶ LAWRENCE LESSIG, *REMX: MAKING ART AND COMMERCE THRIVE IN THE HYBRID ECONOMY*, at xvii (2008) [hereinafter LESSIG, *REMX*].

⁴⁷ See Mark A. Lemley, *Dealing with Overlapping Copyrights on the Internet*, 22 U. DAYTON L. REV. 547, 578 (1997) [hereinafter Lemley, *Dealing with Overlapping Copyrights*].

⁴⁸ As the administration acknowledged in the second consultation document, "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." SECOND CONSULTATION

all, the financial impact on the copyright holder is the same whether the infringing copy is obtained physically through an illegal purchase or electronically through an unauthorized digital download. A law that criminalizes unauthorized downloading, therefore, would create asymmetry between physical space and cyberspace, doling out drastically different penalties for similar acts.

Finally, new criminal penalties, to many, are still unnecessary. Although lawmakers tend to introduce new legislation to respond to new harms, copyright holders have failed to make a convincing case explaining why existing copyright law is inadequate. As shown earlier in *Chan Nai Ming v. HKSAR*, the existing Hong Kong Copyright Ordinance (Copyright Ordinance) already enabled the successful prosecution of an individual file sharer for uploading copyrighted movies. Section 118(1)(g) of the Ordinance creates criminal liability for anyone who, without the authorization of the copyright holder and outside the business context, "distributes an infringing copy of the work . . . to such an extent as to affect prejudicially the copyright owner."⁴⁹ Hong Kong, therefore, is capable of responding to the copyright challenges created by the Internet and new file-sharing technologies.

Moreover, as some commentators have observed, copyright holders may have enjoyed stronger protection in Hong Kong than in other parts of the world.⁵⁰ As the first consultation document acknowledged, "Hong Kong was amongst the first territories in the world to clarify in local legislation the rights of copyright owners in relation to their works made available online."⁵¹ The fair-dealing privilege in the Copyright Ordinance is also rather limited. Unlike the broad, open-ended, standard-based fair-use privilege in Section 107 of the U.S. Copyright Act, the Hong Kong Copyright Ordinance only allows for limited fair dealing for the purposes of research, private study, criticism, review, and the reporting of current events.⁵²

If these five reasons are not sufficient, the intangible nature of the copyrighted work has further complicated the issues. From the standpoint of criminal justice, copyright infringement creates additional problems that are not prevalent in other forms of offenses, such as larceny and burglary. First, copyright infringement is not the same as theft. As the United States

DOCUMENT, *supra* note 10, at 9.

⁴⁹ Hong Kong Copyright Ordinance, (1997) Cap. 528, § 118(1)(g) (H.K.) [hereinafter Copyright Ordinance].

⁵⁰ See *Tightening the Digital Divide*, *supra* note 38.

⁵¹ FIRST CONSULTATION DOCUMENT, *supra* note 1, at ii.

⁵² Copyright Ordinance, *supra* note 49, §§ 38-39.

Supreme Court observed in *Dowling v. United States*,⁵³ a case involving the manufacture and distribution of bootleg recordings by the singer Elvis Presley, “interference with copyright does not easily equate with theft, conversion, or fraud. . . . While one may colloquially link infringement with some general notion of wrongful appropriation, infringement plainly implicates a more complex set of property interests than does run-of-the-mill theft, conversion, or fraud.”⁵⁴ By their nature, copyrighted works are nonrivalrous goods.⁵⁵ The unauthorized reproduction and distribution of a song or a movie does not permanently deprive the copyright holder of the use or enjoyment of that creative work. In fact, multiple individuals can use and enjoy that work at the same time.

In addition, unauthorized reproduction and distribution do not always result in financial harm to the copyright holder. Many file sharers are simply not interested in buying the products or are unable to afford them. At times, the potential infringing activities may also benefit copyright holders. For example, after sampling a song or a portion of the movie online, some downloaders may decide to purchase the album or the DVD. Even if they do not purchase the product they have already listened to or viewed, they may purchase future works created by the same artist or producer. Without sampling, many downloaders are unlikely to be aware of the products or be interested in making a purchase in the first place.

Second, unlike, say, pornography, infringing copyrighted materials are difficult to identify. It is not uncommon for courts to spend a considerable amount of time, effort, and resources to determine whether infringement has taken place.⁵⁶ In copyright law, numerous limitations and exceptions exist that allow individuals to use copyrighted works without the authorization of the copyright holders. Examples of these limitations and exceptions include the originality requirement,⁵⁷ the idea-expression

⁵³ *Dowling v. United States*, 473 U.S. 207 (1985).

⁵⁴ *Id.* at 217–18.

⁵⁵ For discussions of the nonrivalrous and nonexcludable nature of intellectual property, see generally William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325, 344–61 (1989); Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1033–46 (2005).

⁵⁶ As an Australian judge recently noted in *Roadshow Films Pty. Ltd. v. iiNet Ltd.*, (2010) 263 A.L.R. 215 (Austl.), a case involving ISP liability:

[C]opyright infringement is not a straight “yes” or “no” question. The Court has had to examine a very significant quantity of technical and legal detail over dozens of pages in [a legal] judgment in order to determine whether iiNet users, and how often iiNet users, infringe copyright by use of the BitTorrent system.

Id. ¶ 430.

⁵⁷ See, e.g., 17 U.S.C. § 102(a) (2006) (requiring originality for copyright protection). See also *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 346 (1991) (“Originality is a constitutional requirement.”).

dichotomy,⁵⁸ durational limits of copyright protection,⁵⁹ the fair-dealing or fair-use privilege,⁶⁰ the exhaustion of rights or first-sale doctrine,⁶¹ the parody defense,⁶² and the *de minimis* use exception.⁶³

Finally, it is very difficult for an individual user to determine whether an online website or service is legal. The user may download copyrighted works from a site or service that he or she believes in good faith is legal, yet the user may find out later that the site or service is in fact unauthorized. In fact, without examining the relevant contracts, even the record or movie producer may not be able to determine with certainty whether a particular site or service is legal.⁶⁴ Although one tends to assume that the producer holds exclusive rights in the copyrighted work, this is not always the case. Some artists, especially famous ones, may have exercised their leverage to retain nonexclusive licenses to use the work on their websites or other businesses associated with them. Some seemingly unauthorized commercial websites may also have obtained permission or worked out a licensing arrangement with the copyright holder, especially at a time when the artist was beginning his or her career. In addition, due to administrative mix-ups, some record or movie producers may not have obtained the needed rights from the creators in the first place.

To complicate matters, some companies may have the rights to distribute the creative works only in the physical space but not over the Internet.⁶⁵ In other cases, the rights may have been reverted back to the creators. There are many other scenarios in which the rights are unclear. There are also additional scenarios in which a legitimate record or movie producer may be sued for copyright infringement.⁶⁶ In light of the high uncertainty created by all of these scenarios, and the possibility that innocent individuals may fall inadvertently into the criminal net, it is grossly

⁵⁸ See, e.g., 17 U.S.C. § 102(b); see also *Baker v. Selden*, 101 U.S. 99, 100–01 (1879) (introducing the idea-expression dichotomy).

⁵⁹ See, e.g., 17 U.S.C. §§ 203, 304.

⁶⁰ See, e.g., *id.* § 107.

⁶¹ See, e.g., *id.* § 109(a).

⁶² See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579–81 (1994) (explaining the importance of parodies as fair use).

⁶³ See, e.g., *Newton v. Diamond*, 388 F.3d 1189, 1192–96 (9th Cir. 2004) (discussing the *de minimis* use exception).

⁶⁴ See Yu, *P2P and the Future*, *supra* note 2, at 701.

⁶⁵ See John Borland, *Beatles Catalog Headed for Digital Distribution?*, CNET NEWS (June 8, 2004), http://news.com.com//2100-1027_3-5228914.html (reporting that The Beatles were exploring arrangement to sell its songs online); Ben Sisario, *Stealthily Talks Ended Beatles' iTunes Absence*, N.Y. TIMES, Nov. 17, 2010, at B3 (reporting that songs from The Beatles finally went on sale in the iTunes music store).

⁶⁶ See, e.g., *Three Boys Music Corp. v. Bolton*, 212 F.3d 477 (9th Cir. 2000) (finding that Michael Bolton's "Love Is a Wonderful Thing" infringed on the copyright in an Isley Brothers song).

unfair to put the burden on an individual user to determine the legality of a particular online website or service.⁶⁷

B. Notice-and-Takedown Procedure

The well-functioning of OSPs is important to successful Internet development. To ensure a healthy development of OSPs, copyright legislation from around the world has introduced safe-harbor provisions to shelter OSPs from secondary copyright-infringement actions. Under the DMCA, OSPs will benefit from the safe-harbor provision if it meets certain conditions.

This safe harbor is important for a number of reasons. First, because of their “deep pockets,” OSPs are easy targets for copyright-infringement litigation. As a result, the development of a safe harbor is needed to ensure that these providers can continue to develop and improve their service without worrying about the constant need to respond to lawsuits and the high costs of legal defense.⁶⁸

Second, OSPs often do not have control over the considerable amount of copyrighted materials stored on their websites. In fact, “[i]n some circumstances, OSPs may merely be innocent third parties playing a passive role when infringing activities occur on their service platform.”⁶⁹ Thus, it is unfair and unreasonable to impose liability on them for activities that are conducted beyond their control.

Third, as with the protection of physical property, copyright holders share the responsibility to protect their own intellectual assets. As the preamble of the Agreement on Trade-Related Aspects of Intellectual Property Rights⁷⁰ (TRIPS Agreement) explicitly recognizes, “[I]ntellectual property rights are private rights.”⁷¹ It is therefore unfair to shift the costs of protecting copyrighted works from copyright holders to OSPs or to make OSPs the scapegoats for the infringing activities of third parties.

⁶⁷ See SECOND CONSULTATION DOCUMENT, *supra* note 10, annex A.

⁶⁸ See Alfred C. Yen, *Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability, and the First Amendment*, 88 GEO. L.J. 1833, 1887–88 (2000) [hereinafter Yen, *Internet Service Provider Liability*] (“ISPs also will flourish because they need not fear liability for the acts of their subscribers. This in turn might make Internet access less expensive to future subscribers.”).

⁶⁹ FIRST CONSULTATION DOCUMENT, *supra* note 1, at iv.

⁷⁰ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Results of the Uruguay Round, 33 I.L.M. 1197 (1994).

⁷¹ *Id.* pmbl.

Finally, while it is important to create incentives for authors to create, society should not sacrifice Internet development for the protection of a small and often wealthy segment of society—namely, copyright holders. If Hong Kong is to further develop its knowledge-based economy and to become a regional Internet service and information technology hub, a goal stated in the consultation documents,⁷² healthy development of its OSPs is of paramount importance.

Although safe-harbor legislation is beneficial, the devil is in the details. Whether the legislation can provide these benefits will depend on what OSPs need to do to earn the protection of this safe harbor. For example, in exchange for protection, the law could require the providers to take down allegedly infringing materials; to introduce online surveillance, content control, and filtering technologies; or to remove Internet access from repeat offenders. While the latter two options present more problems as far as free speech, civil liberties, and human rights are concerned, this section focuses mainly on the notice-and-takedown procedure. (The treatment of repeat offenders will be discussed later in Part IV, along with the graduated response system.⁷³)

The predominant template for this notice-and-takedown procedure is in the DMCA. Under Section 512(c) of the U.S. Copyright Act, an OSP, upon notification of copyright infringement or upon obtaining knowledge or awareness of such activities, needs to “respond[] expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.”⁷⁴ To notify the OSP, the copyright holder needs to, among other things, identify the allegedly infringed copyrighted work, provide information about the location of the infringing material, and declare that the copyright holder has a good-faith belief that infringement has indeed occurred.⁷⁵

On its face, this notice-and-takedown procedure seems to be a good compromise between OSPs and copyright holders. In reality, the procedure is flawed. It not only has ignored the interests of future authors and user communities, but has also resulted in many unintended consequences. To be fair, the DMCA was enacted at a time when the U.S. Congress had a difficult time grasping the future development of the Internet. Due to the

⁷² See FIRST CONSULTATION DOCUMENT, *supra* note 1, at iii, 4; SECOND CONSULTATION DOCUMENT, *supra* note 10, at 1–2, 4.

⁷³ See discussion *infra* Part IV.

⁷⁴ 17 U.S.C. § 512(c) (2006).

⁷⁵ See *id.* § 512(c)(3).

drafters' short-sightedness and lack of information, the law quickly became outdated.

Even worse, since inception of the DMCA, some rights holders have abused the statute beyond the original intent of its drafters. Two types of problems have arisen out of these abuses. The first type concerns mistaken identity. Consider the infamous case of poor Peter Usher, a retired professor of astronomy and astrophysics at Pennsylvania State University, whom the RIAA confused with Usher Raymond IV, the best-selling rhythm-and-blues performer.⁷⁶ In May 2003, the RIAA sent Professor Usher a cease-and-desist letter after an automated web crawler located an MP3 sound file in a directory named "usher" on his university's departmental server.⁷⁷ As it turned out, the suspect file, which almost caused the departmental server to shut down during the final examination period, was a recording by an *a cappella* group of Penn State astronomers and astrophysicists.⁷⁸ That song alluded to the Swift gamma-ray satellite that the university had helped to design.⁷⁹ The RIAA later withdrew the takedown notice and apologized to Professor Usher, claiming that a temporary worker sent dozens of faulty copyright infringement notices without following the regular protocol to confirm the content of the suspect files.⁸⁰ The industry group also offered to send him a compact disc and a T-shirt "in appreciation of his understanding."⁸¹

Professor Usher is not the only case. There are many other cases of false positives, mistaken identities, and erroneous notices. For example, Speakeasy, a national broadband provider, was sent a notice alleging that one of its subscriber sites had illegally "offered approximately 0 sound files for download."⁸² Approximately zero infringing files? How precise! The RIAA also filed a lawsuit against a sixty-six-year-old Boston woman, accusing her of offering for download hardcore rap songs, such as Trick Daddy's "I'm a Thug."⁸³ Interestingly, she had never downloaded any

⁷⁶ See Scott Carlson, *Complaint from Recording Industry Almost Closes Down a Penn State Astronomy Server*, CHRON. HIGHER EDUC., May 23, 2003, at A27.

⁷⁷ See *id.*

⁷⁸ See Declan McCullagh, *RIAA Apologizes for Erroneous Letters*, CNET NEWS (May 13, 2003), <http://news.cnet.com/2100-1025-1001319.html> [hereinafter McCullagh, *Erroneous Letters*].

⁷⁹ See Declan McCullagh, *RIAA Apologizes for Threatening Letter*, CNET NEWS (May 12, 2003), http://news.cnet.com/2100-1025_3-1001095.html.

⁸⁰ See *id.*

⁸¹ *Id.*

⁸² McCullagh, *Erroneous Letters*, *supra* note 78.

⁸³ As the *Boston Globe* reported,

Ward, 66, is a "computer neophyte" who never installed file-sharing software, let alone downloaded hard-core rap about baggy jeans and gold teeth, according to letters sent to the recording industry's

songs online, and her Macintosh computer was not capable of running the Windows-based file-sharing software she allegedly had used.⁸⁴

If those examples are not enough, Warner Brothers misidentified a child's book report on *Harry Potter and the Sorcerer's Stone* as an infringing Harry Potter movie.⁸⁵ A sick teenager was sued for sharing ten songs via peer-to-peer networks when she was in hospital receiving weekly treatments for pancreatitis.⁸⁶ And the most troubling of all, the RIAA filed a lawsuit against an eighty-three-year-old deceased woman who hated computers during her lifetime, causing one newspaper reporter to write: "Death is no obstacle to feeling the long arm of the Recording Industry Ass. of America."⁸⁷

To be certain, it is understandable that infringement-identifying technology is imperfect, and many of these examples happened at a time when identification and fingerprinting technologies were still at a primitive stage. These technologies have slowly improved since then. Moreover, the RIAA already announced its plan to cease its aggressive and highly unpopular lawsuits against Internet users.⁸⁸ Meanwhile, there is no indication that the content industries in Hong Kong would not follow suit—or, at least, learn important lessons from the RIAA's painful experience.

Nevertheless, it is no laughing matter for a parent to deal with the psychological trauma of a youngster who was wrongfully accused of copyright infringement—or, worse, to be threatened with a copyright infringement lawsuit that could bankrupt the entire family. Laws should also not be designed in a way that would throw Internet users at the mercy

agents by her lawyer, Jeffrey Beeler.

Other defendants have blamed their children for using file-sharing software, but Ward has no children living with her, Beeler said.

Moreover, Ward uses a Macintosh computer at home. Kazaa runs only on Windows-based personal computers.

Chris Gaither, *Recording Industry Withdraws Suit*, BOSTON GLOBE, Sept. 24, 2003, at C1.

⁸⁴ See John Borland, *RIAA's Case of Mistaken Identity*, CNET NEWS (Sept. 24, 2003), http://news.cnet.com/2100-1027_3-5081469.html.

⁸⁵ See Symposium, *Copyright & Privacy—Through the Copyright Lens*, 4 J. MARSHALL REV. INTEL. PROP. L. 212, 219 (2005) (remarks of Sarah B. Deutsch, vice president & associate general counsel for Verizon Communications Inc.).

⁸⁶ See Steve Ragan, *RIAA Sues Hospitalized Girl—Court Issues Default Judgment*, TECH. HERALD (Dec. 9, 2008), <http://www.thetechherald.com/article.php/200850/2592/RIAA-sues-hospitalized-girl-court-issues-default-judgment>.

⁸⁷ Andrew Orlowski, *RIAA Sues the Dead*, THE REGISTER (Feb. 5, 2005), http://www.theregister.co.uk/2005/02/05/riaa_sues_the_dead/.

⁸⁸ See WILLIAM PATRY, MORAL PANICS AND THE COPYRIGHT WARS 11 (2009). Nevertheless, as Patry pointed out, "the RIAA has indicated that it will continue to sue those who in its opinion are engaged in substantial downloading, that it will continue to prosecute suits already filed, and that it will file future suits that are in the 'pipeline.'" *Id.*

of copyright holders or their industry associations. The key issue here should not be whether copyright holders and their trade groups are capable of self-restraint on enforcement. Rather, it should be whether the law is prone to abuse—and, if so, how to prevent such abuse?

The second type of problem concerns abuse by competitors, critics, wrongdoers who try to stop their whistleblowers,⁸⁹ and those who file frivolous or misguided complaints due to misunderstanding of copyright law. Consider the following examples:

- a vendor who wants to remove price-comparison materials posted by its competitor, claiming that its prices are copyrighted;
- a politician who attempts to silence journalists who criticized his platform by quoting passages he wrote;
- a company that seeks to prevent a whistle-blower from disclosing damaging internal e-mails or other documents; and
- an individual who has a good-faith belief that her work has been infringed, even though she is wrong on the law and the identified unauthorized use is in fact legal.

In all of these examples, the OSPs, upon receipt of takedown notices from copyright holders, are likely to take down the allegedly infringing material to take advantage of the safe harbor.⁹⁰ Unfortunately for individual users, the information should not have been taken down because the use of the material, though unauthorized, is not infringing. Even worse, because of the terms of service of their OSPs, many users will not receive compensation for wrongful takedown actions.

⁸⁹ See, e.g., *Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195, 1197 (N.D. Cal. 2004) (a case in which the posting by two Swarthmore students of an archive of internal emails among Diebold employees concerning the flaws of its electronic voting machines led to cease-and-desist letters from Diebold claiming copyright infringement).

⁹⁰ As one commentator noted,

There are two reasons why a provider might not question takedown requests. First, there is the threat of losing safe harbor protections and being exposed to liability for failure to remove infringing material after receiving notice. Second, thoroughly investigating each of these claims can be terribly arduous and expensive. Even in the EU, where there is a threat of liability for wrongfully removing legal content, the incentive to take down content still outweighs the risks of not taking down. Copyright owners are more likely to take legal action against a deep-pocketed third party provider than against an individual Web site publisher.

Joshua Urist, Note, *Who's Feeling Lucky? Skewed Incentives, Lack of Transparency, and Manipulation of Google Search Results Under the DMCA*, 1 BROOK. J. CORP. FIN. & COM. L. 209, 217 (2006) (footnote omitted).

C. Facilitation of Copyright Infringement Actions

Anonymous communication on the Internet has made it difficult for copyright holders to identify potential infringers for the purpose of issuing warnings or taking copyright-infringement actions. In Hong Kong, privacy-related legislation, such as the Personal Data (Privacy) Ordinance⁹¹ and the Public Non-Exclusive Telecommunications Service (PNETS) Licence given to OSPs,⁹² has made it particularly difficult for copyright holders to obtain information about Internet users. As the first consultation document stated,

[C]opyright owners may apply under the *Norwich Pharmacal* principles for a court order which requires the disclosure of the personal data of alleged online infringers by the relevant [Internet access service providers]. *Norwich Pharmacal* relief is a well-established equitable relief under the common law which requires a third party who has facilitated certain wrongdoing to disclose the identity of the wrongdoer to the victim. The essential considerations that the court bears in mind before a *Norwich Pharmacal* order is made are (i) there must be cogent and compelling evidence to demonstrate that serious tortious or wrongful activities have taken place; (ii) it must be clearly demonstrated that the order will or will very likely reap substantial and worthwhile benefits for the plaintiff; and (iii) the discovery sought must not be unduly wide.⁹³

Although court orders are available, they are often slow and costly. Thus, copyright holders have pushed for a streamlined procedure that would allow them to obtain the information needed to pursue copyright-infringement actions. The information sought includes not only the personal information of the alleged infringer, but also information about potential infringing activities. To facilitate the disclosure of such information, OSPs may be asked to track the online activities of their subscribers and to retain records of those activities for a specified period of time.

⁹¹ Personal Data (Privacy) Ordinance, (1997) Cap. 486 (H.K.). As the first consultation document described,

According to the PDPO, personal data shall not, without the prescribed consent of the data subject, be used for any purpose other than (a) the purpose for which the data were to be used at the time of the collection of the data; or (b) a purpose directly related to the purpose referred to in (a). However, the PDPO also provides for exemption whereby the use of the data is for the prevention, preclusion or remedying (including punishment) of unlawful or seriously improper conduct and the application of the Data Protection Principle would be likely to prejudice such matters.

FIRST CONSULTATION DOCUMENT, *supra* note 1, at 19 n.16.

⁹² FIRST CONSULTATION DOCUMENT, *supra* note 1, at 19.

⁹³ *Id.* at 20 n.17; *see also* *Norwich Pharmacal Co. v. Comm'rs of Customs & Excise*, [1974] A.C. 133 (H.L.) (laying down the *Norwich Pharmacal* principles).

The institution of such a disclosure-and-retention mechanism is not only costly for the providers (which are likely to pass the costs down to consumers), but it is also likely to create many problems outside the copyright area. First, a disclosure-and-retention mechanism does not respect the privacy of individual users. Although one tends to identify copyright holders with major media companies, anybody can become a copyright holder. If you have written an e-mail or taken a photograph, you are a copyright holder, as long as the work is deemed original and creative. Thus, in theory, anybody can exploit the disclosure-and-retention mechanism, and the impact on the privacy protection of Internet users is likely to be significant.

Second, this mechanism is likely to chill speech. One of the biggest benefits of Internet communication is anonymity. As stated in the caption of a cartoon in *The New Yorker*, "On the Internet, nobody knows you're a dog."⁹⁴ Indeed, online communication has been essential to promoting free speech in repressive countries where information is heavily controlled.⁹⁵ However, if OSPs can freely disclose subscriber information, individual users are likely to become reluctant to freely discuss politically sensitive matters on the Internet. Freedoms of speech and of the press have been some of the main attractive features of Hong Kong.⁹⁶ It is therefore important that those features are not sacrificed in the name of copyright protection.

Third, a disclosure-and-retention mechanism may result in unforeseen problems, ranging from cyberstalking to old-fashioned blackmail. For example, a cyberstalker could easily request the disclosure of the personal information of his or her target by claiming that an e-mail, a photo, or a video clip the stalker has sent to the target is stored on the server. The same

⁹⁴ Peter Steiner, *On the Internet, Nobody Knows You're a Dog*, THE NEW YORKER, July 5, 1993, at 61.

⁹⁵ See, e.g., *Reno v. ACLU*, 929 F. Supp. 824, 883 (E.D. Pa. 1996), *aff'd*, 521 U.S. 844 (1997) (describing the Internet as "the most participatory form of mass speech yet developed"); LAWRENCE K. GROSSMAN, THE ELECTRONIC REPUBLIC: RESHAPING DEMOCRACY IN THE INFORMATION AGE 3 (1995) (arguing that the Internet and new communications technologies will "increase the people's day-to-day influence on the decisions of state"); CASS SUNSTEIN, REPUBLIC.COM 168 (2001) ("New technologies create extraordinary and growing opportunities for exposure to diverse points of view, and indeed growing opportunities for shared experiences and substantive discussions of both policy and principle."); Peter K. Yu, *Bridging the Digital Divide: Equality in the Information Age*, 20 CARDOZO ARTS & ENT. L.J. 1, 40 (2002) (discussing how the Internet and new communications technologies will strengthen democracy and increase political participation).

⁹⁶ See Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China art. 27, Apr. 4, 1990, 29 I.L.M. 1519, 1525 (1990) (providing "freedom of speech, of the press and of publication"). For overviews of freedom of expression in Hong Kong, see generally Kevin Boyle, *Freedom of Opinion and Freedom of Expression*, in THE HONG KONG BILL OF RIGHTS: A COMPARATIVE APPROACH 299 (Johannes Chan & Yash Ghai eds., 1993); Yash Ghai, *Freedom of Expression*, in HUMAN RIGHTS IN HONG KONG 369 (Raymond Wacks ed., 1992).

can be said for batterers, pedophiles, or other social deviants. Similarly, a pornographer could blackmail those who received or purchased pornography by threatening to post their personal information on a publicly accessible website. As former U.S. Senator Sam Brownback maintained, "Titan [a gay-porn producer] probably calls that intellectual-property protection. I call that blackmail."⁹⁷ As he declared,

I support strong protections of intellectual property, and I will stand on my record in support of property rights against any challenge. . . . But I cannot in good conscience support any tool such as the DMCA information subpoena that can be used by pornographers, and potentially even more distasteful actors, to collect the identifying information of Americans, especially our children.⁹⁸

Finally, a disclosure-and-retention mechanism may slow down Internet development by making consumers reluctant to surf on the Internet. Such a mechanism would therefore frustrate the development of electronic commerce, the deployment of broadband services, and the creation of new Internet-based services. Indeed, promoting Internet development was one of the main reasons why privacy protection of Internet users is important. If individuals are reluctant to use the Internet for their daily activities, many new Internet services would not roll out, and society would be worse off.

D. Statutory Damages for Copyright Infringement

Statutory damages are available in the United States and Canada, as well as in Singapore (due primarily to its recent free trade agreement with the United States).⁹⁹ Section 504(c) of the U.S. Copyright Act provides for statutory damages for copyright infringement. In lieu of actual damages and profits, the provision allows for "an award of statutory damages for all infringements involved in the action . . . in a sum of not less than \$750 or more than \$30,000 as the court considers just."¹⁰⁰ For willful infringement, the provision further stipulates that "the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000."¹⁰¹

⁹⁷ Sam Brownback, *Who Will Police the Pirate-Hunters?*, WALL ST. J., Oct. 7, 2003, at A20.

⁹⁸ Declan McCullagh, *In DMCA War, a Fight over Privacy*, CNET NEWS (Sept. 18, 2003), <http://news.com.com/2100-1027-5078609.html>.

⁹⁹ U.S.-Singapore Free Trade Agreement, U.S.-Sing., arts. 16.9(5)(b), 16.9(9), May 6, 2003, 42 I.L.M. 1026 (providing for "pre-established damages").

¹⁰⁰ 17 U.S.C. § 504(c)(1) (2006).

¹⁰¹ *Id.* § 504(c)(2).

In the United States, statutory damages were instituted for at least two reasons. First, it is sometimes difficult to prove actual damages. If copyright holders have suffered financial harm, they should not be barred from obtaining compensation just because it is hard to substantiate actual losses. Because providing such proof can be costly, statutory damages can help reduce legal costs.

Second, the actual damages in some cases of serious violations, such as willful commercial copyright infringement, may be too low to have any deterrent effect. Imposing statutory damages therefore serves as a major deterrent, similar to the imposition of punitive damages. It also provides an effective tool to punish repeat offenders.

Thus far, commentators have found awards of statutory damages “frequently arbitrary, inconsistent, unprincipled, and sometimes grossly excessive.”¹⁰² As Pamela Samuelson and Tara Wheatland lamented,

Although Congress intended this designation to apply only in ‘exceptional cases,’ courts have interpreted willfulness so broadly that those who merely should have known their conduct was infringing are often treated as willful infringers.

....

In the modern world in which the average person in her day-to-day life interacts with many copyrighted works in a way that may implicate copyright law, the dangers posed by the lack of meaningful constraints on statutory damage awards are acute.¹⁰³

In fact, it is highly inappropriate to award statutory damages in the context of noncommercial copyright infringement, such as unauthorized copying on the Internet. Consider a hypothetical provision that sets the maximum statutory damages at \$150,000 HKD per copy, similar to the award ceiling of \$150,000 USD under the U.S. Copyright Act.¹⁰⁴ A willful

¹⁰² Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. 439, 441 (2009); see also J. Cam Barker, Note, *Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement*, 83 TEX. L. REV. 525 (2004) (criticizing statutory damages in the context of online file-sharing activities).

¹⁰³ Samuelson & Wheatland, *supra* note 102, at 441–43.

¹⁰⁴ See 17 U.S.C. § 504(c)(2); see also *Capitol Records v. Thomas*, 579 F. Supp. 2d 1210, 1227 (D. Minn. 2008) (awarding over \$220,000 for the infringement of “24 songs—the equivalent of approximately three CDs, costing less than \$54”); Editorial, *Awkward Download Laws Make Music-sharing Case a Travesty*, BOSTON GLOBE, Dec. 14, 2009, at 18 (criticizing the \$675,000 judgment against Boston University graduate student Joel Tenenbaum); John Tehranean, *Infringement Nation: Copyright Reform and the Law/Norm Gap*, 2007 UTAH L. REV. 537, 543–48 (2007) (showing how one could be exposed to millions of dollars of damages per day, or \$4.54 billion of damages per year, for ordinary activities, excluding peer-to-peer file sharing).

infringement of ten songs may result in statutory damages of \$1.5 million, while a willful infringement of 10,000 songs could result in statutory damages of \$1.5 billion. To be certain, the illegal reproduction and distribution of 10,000 songs are considered egregious and therefore should be heavily punished. However, a \$1.5 billion damage award for distributing 10,000 songs is likely to be deemed unfair, arbitrary, and excessive by any standards.

While courts have discretion to determine whether it is appropriate to award statutory damages and to determine the amount of such damages, the biggest concern stems from the intimidating threat of damages as opposed to the damages themselves. In fact, the provision could be abused to the point that individual users would be “blackmailed” into settling an infringement lawsuit, even if they had a good-faith belief that their unauthorized use was legal—or, worse, if their use was indeed legal.

If one were given a choice—or “a mafia-like choice,” in Professor Lessig’s words¹⁰⁵—between a statutory damage award of \$1.5 billion and a settlement offer of \$10,000, most rational people would pick the settlement offer regardless of whether they had violated any law. The potential loss is just too high, and fighting the lawsuit can be costly. In some cases, the lawsuit may cost more than the settlement. In that scenario, the law would not serve its intended purpose. Worse still, by coercing law-abiding citizens to pay settlements when they have not broken the law, the law will gradually lose its legitimacy, and the damage to the copyright system and the rule of law in Hong Kong could be quite high.

Moreover, as mentioned above, online sampling can benefit copyright holders, while unauthorized distribution may pose no or limited harm to copyright holders. For example, the distribution of an audiovisual performance of a Beethoven sonata by an emerging pianist may promote the artist. Even if it does not, the financial damage to that emerging pianist is quite limited. Because the copyright system rewards authors based on the market, the law should not grant copyright holders a windfall in statutory damages except in the limited cases of willful commercial copyright infringement. Requiring proof of actual damages is not only prudent but also socially beneficial.

Finally, as the administration acknowledged in the second consultation document, statutory damages do not fit well within the Hong Kong legal

¹⁰⁵ LAWRENCE LESSIG, *FREE CULTURE* 52 (2004) (noting the “mafia-like choice” between a costly settlement and an outrageously high legal bill incurred in defending the lawsuit).

tradition. In the region, as well as in other Commonwealth jurisdictions, additional damages that include a punitive element already exist.¹⁰⁶ In assessing those damages, “the court would take into account all the circumstances of the case, in particular—(a) the flagrancy of the infringement; (b) the benefit accruing to the defendant by reason of the infringement; and (c) the completeness, adequacy and reliability of the defendant’s business accounts and records.”¹⁰⁷

To some extent, damages in copyright actions go hand in hand with damages in other civil tort actions. If statutory damages are introduced in the copyright area, one has to wonder whether such damages need to be introduced elsewhere.¹⁰⁸ The converse is also true. If those damages are inappropriate in another area of the law, one has to wonder whether those damages would be appropriate in the copyright area.

E. Summary

Although these four proposals have their justifications and benefits, they also come with significant drawbacks. While these proposals may help combat the widespread unauthorized copying problem on the Internet, they bring with them significant problems and societal costs. Given the many problems discussed in this part, it is questionable whether the benefits of the transplanted laws would outweigh their costs. In fact, as I noted earlier in the *South China Morning Post*, the leading English newspaper in Hong Kong, some of the medicine prescribed in the first consultation document may be “worse than the diseases it claims exist.”¹⁰⁹

III. THE SECOND CONSULTATION

The first consultation exercise concluded on April 30, 2007, yielding “over 600 submissions, mostly from individuals.”¹¹⁰ After close to a year of review and analysis, the HKSAR government released its follow-up consultation document on April 15, 2008.¹¹¹ Entitled *Preliminary Proposals for Strengthening Copyright Protection in the Digital Environment*, this new document

¹⁰⁶ See FIRST CONSULTATION DOCUMENT, *supra* note 1, at 27.

¹⁰⁷ *Id.* at 26.

¹⁰⁸ See SECOND CONSULTATION DOCUMENT, *supra* note 10, at 8.

¹⁰⁹ Peter K. Yu, *The Digital Divide*, S. CHINA MORNING POST, May 10, 2007, at A15 [hereinafter Yu, *The Digital Divide*].

¹¹⁰ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 1.

¹¹¹ *Id.*

collected views of different stakeholders in the copyright community. As the administration summarized,

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.¹¹²

To help facilitate the drafting of new copyright legislation, the second consultation document included for further consultation a set of preliminary proposals to strengthen copyright protection in the digital environment:

- (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 . . . OSPs . . . , 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.¹¹³

In addition to these six proposals, the document sought comments on a new proposal that seeks to create a limited copyright exception for media-shifting purposes.¹¹⁴

¹¹² *Id.* (footnote omitted).

¹¹³ *Id.*

Although the administration hoped that legislative proposals would be ready for legislative action in fall 2008 or early 2009,¹¹⁵ until recently, it was unable to advance any concrete proposals to the Legislative Council for new copyright legislation—partly due to the unsuccessful negotiation of the proposed voluntary code of practice.¹¹⁶ Because the initial proposals outlined in the second consultation document greatly refined the earlier proposals, the second consultation exercise will provide important insight into the legal transplantation process—in particular, how these digital laws are selected, customized, improved (if at all), and adopted.

This part begins by describing both the government's findings of the first consultation exercise and the reactions of the key local constituents that may be affected by strengthened copyright protection and increased civil and criminal liability. This part then examines four preliminary proposals advanced in the second consultation document: (1) a new right of communication to the public, with criminal liability attached to infringement; (2) criminal liability for unauthorized streaming; (3) a voluntary code of practice for combating online infringements; and (4) a limited media-shifting exception to copyright law. All of these proposals are legal transplants from other jurisdictions.

A. *The Findings*

The first consultation exercise led to a very important finding that the administration should not cast the criminal net too wide in drafting new digital copyright legislation.¹¹⁷ As the administration declared,

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

¹¹⁴ See *id.* annex B.

¹¹⁵ See Press Release, Commerce & Econ. Dev. Bureau (H.K.), Government Moves to Strengthen Copyright Protection in the Digital Environment (Apr. 15, 2008), available at http://www.cedb.gov.hk/citb/ehhtml/press_release_eng.pdf. As the former Secretary for Commerce and Economic Development Frederick Ma noted in the press release,

In formulating the preliminary proposals, the Government has taken into account the results of a public consultation exercise in 2007. The Government is mindful of the need to balance competing interests, including the need to provide an environment conducive to the sustainable development of creative industries in Hong Kong, protection of personal data privacy, and the development of Hong Kong as an Internet service hub.

Id.

¹¹⁶ See 2009 NTE REPORT, *supra* note 19, at 230.

¹¹⁷ See SECOND CONSULTATION DOCUMENT, *supra* note 10, at 1.

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.¹¹⁸

Based on this finding, the administration proposed to “refrain from introducing new criminal liability pertaining to unauthorized downloading and peer-to-peer file-sharing activities.”¹¹⁹ Instead, the administration called for a greater devotion of energy to “combating upstream infringements (i.e. those who distribute infringing copies) and infringements in the business context.”¹²⁰ From the standpoint of consumer protection, the government’s shift of focus away from criminalizing unauthorized downloading and peer-to-peer file-sharing is highly encouraging.

In addition, the second consultation document stepped away from the push for legislation that requires OSPs to introduce a mechanism for retaining and disclosing information about allegedly infringing subscribers and their potential infringing activities.¹²¹ The document also wisely recommended the continued reliance in copyright-infringement actions on the *Norwich Pharmacal* principles, under which the providers will not be required to disclose the personal data of alleged online infringers except under very specific conditions.¹²² As the administration maintained,

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.¹²³

The administration also made clear its “baseline . . . that any [proposed] mechanism should be *subject to the court’s scrutiny*”¹²⁴—an important concern of the Hong Kong legal community.

All of these proposals and recommendations are highly beneficial to Hong Kong. They would help protect the region’s reputation as a place for

¹¹⁸ *Id.* at 9.

¹¹⁹ *Id.* at 8.

¹²⁰ *Id.* at 10.

¹²¹ *See id.* at 7.

¹²² *See id.* at 6–7.

¹²³ *Id.* at 7.

¹²⁴ *Id.* (emphasis added).

safeguarding the freedoms of free speech and free press, the protection of personal privacy, and a respect for the rule of law. These protections are particularly important in light of the heightened scrutiny by Western media following the tenth anniversary of China's resumption of sovereignty over Hong Kong in 2007. As I pointed out elsewhere, the tension between copyright and civil liberties has put the HKSAR government in a catch-22 situation.¹²⁵ If the administration does not offer stronger copyright protection, it will be criticized for responding inadequately to massive online file-sharing activities. However, if it introduces some of the draconian measures outlined in the first consultation document, it will be *equally* criticized for its lack of protection of free speech, free press, personal privacy, and other individual liberties. Thus, regardless of what action it takes, the HKSAR government will become a target of criticism by the Western press—ironically, for its efforts to respond to Western concerns.

Finally, the administration rejected the introduction of statutory damages for copyright infringement—as those damages do not sit well with the Hong Kong legal tradition. As the administration explained, “Copyright infringement is a statutory tort. Damages in tort are generally awarded to place the claimant in the position he/she would have been had the tort not taken place.”¹²⁶ Because additional damages already exist, statutory damages are unnecessary. Moreover, the administration is “not aware of any example of statutory damages for tort actions in Hong Kong.”¹²⁷ Taking a holistic perspective, the administration therefore feared that “the introduction of statutory damages into our intellectual property rights protection regime could have far-reaching implications on other civil proceedings.”¹²⁸

Indeed, during the first consultation exercise, practitioners in the intellectual property field, including members of the legal profession, “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.”¹²⁹ The administration also recognized the “substantive difficulties in specifying a range (or ranges) of damages that

¹²⁵ See Peter K. Yu, *International Enclosure, the Regime Complex, and Intellectual Property Schizophrenia*, 2007 MICH. ST. L. REV. 1, 31 [hereinafter Yu, *International Enclosure*].

¹²⁶ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 7.

¹²⁷ *Id.* at 8.

¹²⁸ *Id.*

¹²⁹ *Id.* at 2.

could do justice over a wide spectrum of infringements, ranging from massive blatant cases to innocent ones.”¹³⁰

In sum, many of the findings and preliminary proposals in the second consultation document demonstrated a careful consideration of the divergent interests of various stakeholders in the Hong Kong 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 the region as an Internet service and information technology hub. In making such careful consideration, 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. Its effort deserves commendation.

B. The Right of Communication to the Public

Notwithstanding these encouraging findings and proposals, the second consultation document contained some proposals that had raised serious concerns for future authors, user communities, and not-for-profit organizations. One of these proposals called for the introduction of a new right of communication to the public, along with criminal sanctions for infringing such a right. Article 8 of the WIPO Copyright Treaty (WCT) provides:

[A]uthors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.¹³¹

Although the WCT entered into effect in Hong Kong on October 1, 2008, Hong Kong has yet to introduce a new right of communication to the public. Instead, the region relies on the rights of issuing and making available copies of the work to the public to fulfill its treaty obligations.¹³²

If a new right of communication to the public is to be introduced, as was the case in the United Kingdom when the Copyright, Designs and

¹³⁰ *Id.* at 8.

¹³¹ WIPO Copyright Treaty art. 8, *adopted* Dec. 20, 1996, S. Treaty Doc. No. 105-17, 2186 U.N.T.S. 152 [hereinafter WCT]. For discussions of the right of communication to the public and article 8 of the WCT, see generally SAM RICKETSON & JANE C. GINSBURG, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND* 744-48 (2d ed. 2006); Andrew Christie & Eloise Dias, *The New Right of Communication in Australia*, 27 SYDNEY L. REV. 237 (2005).

¹³² See Copyright Ordinance, *supra* note 49, §§ 24, 26.

Patents Act of 1988 (CDPA)¹³³ was revised in 2003,¹³⁴ this new right will require adjustment to remove any overlap between the new right and other existing rights. As the administration acknowledged, the Hong Kong 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.”¹³⁵ Thus, the overlap between the proposed right and existing rights may require further adjustment of the copyright system.

When the United Kingdom revised its copyright law to introduce a new right of communication to the public, partly in an effort to implement the EC Information Society Directive,¹³⁶ the new right subsumed the existing broadcasting and satellite transmission rights. Section 20(2) of the CDPA now reads:

- (1) The communication to the public of the work is an act restricted by the copyright in—
 - (a) a literary, dramatic, musical or artistic work,
 - (b) a sound recording or film, or
 - (c) a broadcast.
- (2) References in this Part to communication to the public are to communication to the public by electronic transmission, and in relation to a work include—
 - (a) the broadcasting of the work;
 - (b) the making available to the public of the work by electronic transmission in such a way that members of the public may access it from a place and at a time individually chosen by them.¹³⁷

¹³³ Copyright, Designs and Patents Act, 1988, c. 48 (Eng.).

¹³⁴ The Copyright and Related Rights Regulations, 2003 (Eng.); see also Jonathan Griffiths, *UK and European Media Update: Implementation of the Information Society Directive in the United Kingdom—And Beyond*, 9 MEDIA & ARTS L. REV. 317 (2004) (discussing the introduction of the right of communication to the public into the Copyright and Related Rights Regulations).

¹³⁵ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 3.

¹³⁶ Directive 2001/29, of the European Parliament and of the Council of 22 May 2001 on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society, 2001 O.J. (L 167) 10 (EC).

¹³⁷ Copyright, Designs and Patents Act, 1988, § 20(2), c. 48 (Eng.).

It is therefore no surprise that one of the main questions in the initial consultation exercise concerned whether an all-encompassing, technologically neutral right of communication to the public should be introduced in the first place.¹³⁸

From the standpoint of studying legal transplants, the proposal for a right of communication to the public is particularly interesting. During the 1996 WIPO Diplomatic Conference, in which the WIPO Internet Treaties were developed, the U.S. delegation strongly opposed the inclusion of such a right at the international level.¹³⁹ As Professor Samuelson recounted, while European countries had in their statutes a right of communication to the public, the United States did not have such a right in its copyright laws.¹⁴⁰ Instead, the latter relied on the rights of distribution, public performance, public display, and digital audio transmission.¹⁴¹ As a result, the right of making available—a new right that may overlap with both the right of communication to the public and the right of distribution—was created as a compromise to bridge the divergent positions of the European Union and the United States.¹⁴² Described as the “umbrella solution,” the compromise allowed the treaty’s contacting parties to provide for the agreed-upon protections without specifying which rights they would use to provide substance for these protections.¹⁴³

Understanding this compromise and the ongoing disagreement between the European Union and the United States over the right of communication to the public is particularly important for policymakers in Hong Kong. After all, many of the proposals advanced through the consultation process are drawn from copyright laws in the United States, the United Kingdom, or other Commonwealth jurisdictions. Because U.S. and European copyright laws come from different philosophical backgrounds and historical traditions, the transplant of *both* U.S. and EU laws without adequate and satisfactory modification will lead to doctrinal confusion and

¹³⁸ See FIRST CONSULTATION DOCUMENT, *supra* note 1, at 7–9.

¹³⁹ See Pamela Samuelson, *The U.S. Digital Agenda at WIPO*, 37 VA. J. INT’L L. 369, 392–94 (1997).

¹⁴⁰ See *id.* at 393–94; accord Christie & Dias, *supra* note 131, at 242.

¹⁴¹ See 17 U.S.C. §§ 106(3)–(6) (2006).

¹⁴² Although article 6 of the WCT is titled “Right of Distribution,” the provision states that “[a]uthors of literary and artistic works shall enjoy the *exclusive right of authorizing the making available to the public* of the original and copies of their works through sale or other transfer of ownership.” WCT, *supra* note 131, art. 6 (emphasis added).

¹⁴³ See RICKETSON & GINSBURG, *supra* note 131, at 747. For a discussion of this so-called “umbrella solution,” see MIHÁLY FICSOR, *THE LAW OF COPYRIGHT AND THE INTERNET: THE 1996 WIPO TREATIES, THEIR INTERPRETATION AND IMPLEMENTATION* 205–06, 496–97 (2002).

incoherency within the copyright system¹⁴⁴—and worse, conflicting legal doctrines or provisions within the system.

To be certain, the proposal to create a new right of communication to the public has some benefits. For example, in the second consultation document, the administration justified the creation of this new right on the need to “encompass future developments in electronic transmission.”¹⁴⁵ As the administration explained, 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.”¹⁴⁶ Proleptic in nature, the right would anticipate new advances in communications technologies.

The right’s greater flexibility would also allow protection to be automatically extended to new technological environments without going through another round of legislative reform.¹⁴⁷ As the administration observed, due to advances in technology and the increasing convergence of different digital media, “users may now access digitised materials seamlessly across different media platforms (e.g. television signals can be streamed over the Internet and transmitted to mobile digital devices).”¹⁴⁸ Other platforms, such as webcasting and on-demand services, also have emerged.¹⁴⁹ It is therefore important for policymakers to develop forward-looking legislation that will “ensure that copyright works are adequately protected irrespective of what technology may be used to transmit the works now or in the future.”¹⁵⁰

1. Unauthorized Communication to the Public

Nevertheless, the proposed attachment of criminal liability to this new right has raised serious concerns among consumers and Internet users. As stated in the second consultation document,

[The administration] propose[s] that criminal sanctions should be introduced against acts of making/initiating unauthorised communication to the public in defined circumstances, namely— . . . where, other than for

¹⁴⁴ See GOWERS, *supra* note 9, at 45 (emphasizing the importance of coherence of intellectual property policies).

¹⁴⁵ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 3.

¹⁴⁶ *Id.*

¹⁴⁷ See FIRST CONSULTATION DOCUMENT, *supra* note 1, at 8 (noting that the introduction of the right would “obviate the need to review and amend the Copyright Ordinance whenever new technologies emerge”).

¹⁴⁸ *Id.* at iii.

¹⁴⁹ See *id.* at 7.

¹⁵⁰ *Id.* at iii.

the purpose or in the course of business, communication is made by "streaming" the copyright work to the recipients and the communication is made to such an extent as to affect prejudicially the copyright owner.¹⁵¹

Because Part II already explained the problems of criminalization of noncommercial end user activities, this section focuses only on the criminalization of infringement of the right of communication to the public. The next section discusses the criminalization of unauthorized streaming. None of these sections, however, discusses the criminalization of the proposed right in the business context—an area that presents less concern to Internet users and to the protection of free speech, free press, and personal privacy.

As mentioned earlier, the introduction of the new right of communication to the public may require adjustment of the existing copyright system due to the overlapping protection between this right and other existing rights. If such adjustment is needed, one has to wonder whether the level of criminal liability would stay at the existing level as provided in the Copyright Ordinance,¹⁵² taking into consideration the all-embracing nature of the proposed right of communication to the public, or whether the creation of this new right would result in stiffer criminal penalties. If it is the latter, further justification for the expansion of criminal liability, which is lacking in the consultation documents, needs 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 the past decade of cyberlaw development has shown that no one can accurately predict how the new environment will evolve.¹⁵³

¹⁵¹ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 34.

¹⁵² See Copyright Ordinance, *supra* note 49, § 118.

¹⁵³ As Justin Hughes wrote,

Whether the advent of radio or the rise (or fall) of the Soviet Union, any momentous social development tends to trigger a wave of enthusiastic observations about the way the new world will be. The Internet was no exception. First generation commentary about the Internet was often so extreme as to make one thankful to be among second generation commentators. That includes much of the initial analysis, predictions, and prescriptions on how law and cyberspace would interact. In scholarly pursuits as in military maneuvers, those in the vanguard bear both the pleasure of arriving first and the danger of becoming cannon fodder.

Justin Hughes, *The Internet and the Persistence of Law*, 44 B.C. L. REV. 359, 359 (2003); see also Lawrence Lessig, *The Path of Cyberlaw*, 104 YALE L.J. 1743, 1754 (1995) ("[I]f we had to decide today, say, just what the First Amendment should mean in cyberspace, my sense is that we would get it fundamentally wrong.").

Indeed, at the current stage of development, copyright holders have yet to convincingly demonstrate what new harm that the Copyright Ordinance fails to address would occur. Thus, although it may be a good policy to introduce proleptic legislation to “encompass future developments in electronic transmission,”¹⁵⁴ it is a blatantly bad policy to introduce stiff penalties, in particular criminal ones, to address speculative threats.

Rights holders have a tendency to initially complain about the adverse impact of new technologies only to find those so-called “disruptive technologies” opening new markets for their products and services later.¹⁵⁵ For instance, the well-known American composer John Philip Sousa testified before Congress about the challenge created by the manufacture and sale of phonograph records:

When I was a boy . . . in front of every house in the summer evenings you would find young people together singing the songs of the day or the old songs. Today you hear these infernal machines going night and day. We will not have a vocal cord left. The vocal cords will be eliminated by a process of evolution, as was the tail of man when he came from the ape.¹⁵⁶

Sousa could not be more wrong, his memorable marches notwithstanding. Today, we still have our vocal cords intact! In fact, despite the arrival of phonographs, cassette tapes, jukeboxes, compact discs, mini-discs, MP3 files, and iPods, we still have an amazingly large number of beautiful vocalists.

Decades later, in his effort to lobby against the manufacture and distribution of videocassette recorders, the late Jack Valenti, a longtime lobbyist for the U.S. movie industry, lamented how the new device was “to

¹⁵⁴ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 3.

¹⁵⁵ As the Committee on Intellectual Property Rights and the Emerging Information Infrastructure of the National Research Council pointed out, copyright holders tend to have short-sighted goals and often fail to recognize the benefits brought about by new technologies:

In 17th century England, the emergence of lending libraries was seen as the death knell of book stores; in the 20th century, photocopying was seen as the end of the publishing business, and videotape the end of the movie business. Yet in each case, the new development produced a new market far larger than the impact it had on the existing market. Lending libraries gave inexpensive access to books that were too expensive to purchase, thereby helping to make literacy widespread and vastly increasing the sale of books. Similarly, the ability to photocopy makes the printed material in a library more valuable to consumers, while videotapes have significantly increased viewing of movies.

DIGITAL DILEMMA, *supra* note 25, at 78–79; *see also* LESSIG, FREE CULTURE, *supra* note 105, at 69 (“Just as Edison complained about Hollywood, composers complained about piano rolls, recording artists complained about radio, and broadcasters complained about cable TV, the music industry complains that [file] sharing is a kind of ‘theft’ that is ‘devastating’ the industry.”).

¹⁵⁶ LESSIG, REMIX, *supra* note 46, at 24–25 (quoting John Philip Sousa, *The Menace of Mechanical Music*, 8 APPLETON’S MAG. 278, 280 (1906)).

the American film producer and the American public as the Boston strangler [was] to the woman home alone.”¹⁵⁷ This “Boston strangler,” however, never arrived to threaten the movie industry; rather, it became the industry’s new best friend, bringing with him new revenue and opportunities.

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 to the public, there is no good policy reason to support new or greater criminal liability. Thus, if the copyright system is not adjusted, the creation of this new right would result in a supplemental layer of rights that overlaps with what already exists in the copyright system. While the same concerns over new criminal liability discussed above would arise, such concerns would be heightened by the problem of overlapping rights.¹⁵⁸ For example, a single act of uploading could potentially violate a number of rights provided in the Copyright Ordinance, ranging from the longstanding rights of reproduction and issuing copies to the public, to the later-added right of making available copies to the public, to this newly proposed right of communication to the public.

Indeed, there will be troubling situations in which the proposed right of communication to the public conflicts with existing rights that contain different limitations, require different defenses, and demand different remedies.¹⁵⁹ Even worse, because of the attendant criminal liability, the infringement of some of these rights might call for criminal penalties, while the infringement of others might not. As a result, Internet users would be highly confused as to what activities had been criminalized, and a chilling effect would ensue. Depending on how prosecutors classify user activities, the laws could also be enforced inconsistently, leading to arbitrary criminal prosecutions and unjust outcomes.

¹⁵⁷ *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 Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary*, 97th Cong. 9 (1982) (statement of Jack Valenti, former president of the Motion Picture Association of America).

¹⁵⁸ See generally Lemley, *Dealing with Overlapping Copyrights*, *supra* note 47 (discussing the problem of overlapping rights in the context of online copyright protection).

¹⁵⁹ Cf. GOWERS, *supra* note 9, at 74 (“Where different IP rights overlap, exceptions that apply to one IP right may be barred by restrictions relating to another.”).

2. Unauthorized Streaming

Compared to criminal liability for infringement of the right of communication to the public, the proposal for introducing criminal liability for unauthorized streaming has raised even more questions. To begin with, the term “streaming” was ill-defined in the second consultation document. As the document stated,

“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.¹⁶⁰

Although this definition distinguished streaming from downloading, it remains unclear how different these two modes of transmission are. While the definition stated that “users will generally not be able to retain a complete copy of the work after streaming,” the use of the word “generally” suggested the existence of *some* exceptions. If the legislature is eager to introduce a new law to prohibit unauthorized streaming, especially one with criminal sanctions, the term needs to be more precisely defined.

It is also hard to understand why the HKSAR government would propose to introduce such liability for unauthorized streaming after it had already rejected new criminal liability for unauthorized downloading and peer-to-peer file sharing. The actual harm created by *direct* unauthorized streaming is likely to be less serious and less supported by empirical evidence than that of uploading, downloading, peer-to-peer file sharing, or indirect streaming through third-party services, like YouTube (which requires uploading in the first place).

Moreover, the limits on uploading speed and upstream distribution in most Internet services have 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 *Chan Nai Ming v. HKSAR*,¹⁶¹ there is hardly a need for introducing new criminal penalties.¹⁶²

¹⁶⁰ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 4 n.1.

¹⁶¹ *Chan Nai Ming v. HKSAR*, [2007] 3 H.K.C. 255 (C.F.A.), available at 2007 WL 964529.

¹⁶² One could argue that *Chan Nai Ming* has revealed the existence of a legal loophole for individual uploaders to avoid criminal liability in situations when there is no complete infringing copy. Section 118 of the Copyright Ordinance specifically mentions “an infringing copy.” Copyright Ordinance, *supra* note 49, § 118. However, if the lack of an infringing copy is the main concern, it makes more sense to focus on the problem

In fact, if the administration is reluctant to introduce new criminal liability for activities that would pose serious harms—such as online downloading or peer-to-peer file sharing—it is only logical that it refrains from proposing similar sanctions for activities that pose a less serious harm. Although direct streaming has become easier, and user-friendly tools exist that convert download streams into permanent files, only a minority of users currently have the needed technology, equipment, or know-how to offer illegal streams of copyrighted works.

Today, no copyright holders, except for a few who take extreme positions, realistically believe they have the ability to stop *all* unauthorized reproduction or distribution of their copyrighted works.¹⁶³ Unauthorized reproduction and distribution occurred in the past, and it will continue in the future. Thus, the question for most copyright holders is not whether the law can ensure that no copy of the work will ever be leaked to the public without authorization, but whether the law has the ability to reduce leakage to ensure reasonable and adequate compensation for their creative endeavors.¹⁶⁴

created by the lack of such a copy rather than on the technology or technological environment itself. Indeed, the proposal to criminalize streaming would have sent a wrong signal by singling out “streaming” from other forms of public communication of copyrighted works.

¹⁶³ See Yu, *Anticircumvention and Anti-anticircumvention*, *supra* note 27, at 30–31 (discussing how the various camps in the copyright debate understand the digital copyright challenge confronting the content industries while recognizing the sometimes imperfection of transitional policies); see also June M. Besek, *Anti-Circumvention Laws and Copyright: A Report from the Kenosha Center for Law, Media and the Arts*, 27 COLUM. J.L. & ARTS 385, 477 (2004) (“Some piracy has always been a cost of doing business, but there comes a point at which it is realistic—and unfair—to expect paying customers to subsidize widespread free use.”); Alfred C. Yen, *What Federal Gun Control Can Teach Us About the DMCA’s Anti-Trafficking Provisions*, 2003 WIS. L. REV. 649, 691 (“[N]o law—not even a complete ban on circumvention technology—can guarantee the security of copyright. Piracy has always existed, yet copyright-based industries have flourished.”).

¹⁶⁴ See Yu, *Anticircumvention and Anti-anticircumvention*, *supra* note 27, at 19–22. Paul Geller, for example, insightfully distinguished between leakage and hemorrhage. See Paul Goldstein, *The Future of Copyright in a Digital Environment: Summary of Discussion*, in THE FUTURE OF COPYRIGHT IN A DIGITAL ENVIRONMENT 241, 244 (P. Bernt Hugenholtz ed., 1996) (noting Geller’s apt distinction “between copyright ‘leaks’ and copyright ‘haemorrhages’”). Indeed, as Wendy Seltzer reminded us in the context of DMCA takedown notices,

The so-called pirates, interested in sharing popular mass-media, will always be able to exploit darknet economies—with so many motivated mice, a few will always remain out of the cat’s reach. The posters of non-mass content, by contrast, will be stymied, tripped up by administrative costs and barred from reposting by “repeat infringers” provisions. This means that copies of *The Dark Knight* will spread more easily than transformative commentary on it, and *Saturday Night Live* skits will be more widely available than parodies (or political advertisements) that build upon them. The consequence is a vicious circle, whereby the continued presence of infringing materials increases demand for harsher enforcement, which further increases the costs of hosting challenged material, yet fails to stop the infringement. The tax of DMCA takedowns distorts the speech environment, biasing it against a particular kind of “troublesome” speech.

Wendy Seltzer, *Free Speech Unmoored in Copyright’s Safe Harbor: Chilling Effects of the DMCA on the First Amendment*, 24 HARV. J.L. & TECH. 171, 186–87 (2010) (footnotes omitted).

Even more problematic, by singling out streaming, the proposed penalties would send the wrong public message that unauthorized 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 copyrighted works to distribute these works through peer-to-peer file-sharing technology. Such penalties would also impose serious societal costs by dissuading law-abiding citizens and institutions from using streaming technology to distribute copyrighted works. By reducing the demand for streaming, the penalties might even have the unintended consequence of penalizing those information technology services that rely on the use of streaming technology and count on the network effects created by the increased adoption of such technology.

From the legislative standpoint, the proposal for criminalization of unauthorized streaming is equally problematic. By focusing on a particular mode of transmission, the proposal would directly conflict with the principle of technology neutrality that inspired the proposal for the right of communication to the public¹⁶⁵ (as well as the WCT).¹⁶⁶ In fact, as the government found out in the consultation process, “[n]one of the overseas jurisdictions that [it has] surveyed[, namely the United Kingdom, the United States, Singapore, Australia, and New Zealand,] chooses to tie the criminal sanctions (ancillary to the right of digital communication) to specific technology.”¹⁶⁷

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.¹⁶⁸ Thus, by singling out streaming for criminal liability, the streaming proposal went 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

¹⁶⁵ See SECOND CONSULTATION DOCUMENT, *supra* note 10, at 3 (noting the need to introduce “an all-embracing right of communication which could encompass future developments in electronic transmission”).

¹⁶⁶ See RICKETSON & GINSBURG, *supra* note 131, at 747 (noting that by “allowing member states to implement the making available right through any exclusive right under domestic law, the drafters [of the WCT] opted for an approach of juridical as well as technological neutrality”).

¹⁶⁷ COMMERCE & ECON. DEV. BUREAU (H.K.), PROPOSALS FOR STRENGTHENING COPYRIGHT PROTECTION IN THE DIGITAL ENVIRONMENT 3 (2009) [hereinafter LEGCO PROPOSALS], available at http://www.cedb.gov.hk/citb/ehhtml/pdf/consultation/Panel_Paper_Digital_Eng_Full.pdf.

¹⁶⁸ See SECOND CONSULTATION DOCUMENT, *supra* note 10, at 3.

does not result in the creation of complete copies of the copyrighted works, it provides an opportunity for copyright holders to allow their works to be exposed while retaining the ability to exercise control when they choose to. Such a flexible arrangement is similar to the opportunity created by the notice-and-takedown procedure for OSPs explored in the first consultation document. 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 copyrighted 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.¹⁶⁹

To some extent, the toleration of unauthorized posting or streaming is similar to the intentional "leaking" of copyrighted works to underground channels for unauthorized 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 that market 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 rather: (1) whether and how they could stop further unauthorized distribution of their copyrighted works once the market is sufficiently developed; or (2) whether there are means to obtain compensation for the continuation of the unauthorized activities.¹⁷⁰

¹⁶⁹ Tim Wu, *Does YouTube Really Have Legal Problems?*, SLATE (Oct. 26, 2006), <http://www.slate.com/id/2152264>; see also Tim Wu, *Tolerated Use*, 31 COLUM. J.L. & ARTS 617, 619 (2008) ("Tolerated use is infringing usage of a copyrighted work of which the copyright owner may be aware, yet does nothing about. There may be a variety of reasons for tolerating use. Reasons can include simple laziness or enforcement costs, a desire to create goodwill, or a calculation that the infringement creates an economic complement to the copyrighted work—it actually benefits the owner.").

¹⁷⁰ YouTube, for example, has developed a prepublication video identification system that allows users to

In fact, the different nature and potential benefits of streaming have led jurisdictions from around the world to treat streaming somewhat differently from other modes of digital 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.¹⁷¹ As Lydia Loren summarized,

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 [sic] 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 owner¹⁷²

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

As Professor Litman reminded us, “the idiosyncratic interests of large numbers of individuals who want to share is [sic] directly responsible for the

determine whether they want to monitor, monetize, or stop the unauthorized distribution of their content. As Patry described,

A motion picture studio or other audiovisual content owner provides YouTube with a file of its work. YouTube then encodes the file; when a third party attempts to upload content that provides a match, YouTube contacts the studio and asks the studio what steps it wants to take. The studio can decide to block the upload, let the file be uploaded but tracked, or let the file be uploaded and run either contextual or its own advertisements against it, with the revenues generated being shared. An estimated 90 percent of content owners using video content identification have chosen to monetize their works, resulting in revenues that would not otherwise have been received. Even before the development of its video content identification, YouTube had in place a similar system for audio content contained in consumer-created videos, with an additional feature: Where an audio content owner objects to the use of the music, YouTube offers the user who created the video the ability to engage in an “audio swap.” YouTube will, if requested, strip out the objected-to audio and replace it with a song that either is in the public domain or licensed, thereby leaving the user-generated, noninfringing video up for viewing, while respecting copyright owners’ rights. These systems are a win-win

PATRY, *supra* note 88, at 38–39.

¹⁷¹ See Digital Performance Right in Sound Recordings Act of 1995, Pub. L. 104-39, 109 Stat. 336 (1995).

¹⁷² Lydia P. Loren, *Untangling the Web of Music Copyrights*, 53 CASE W. RES. L. REV. 673, 692–93 (2003).

wealth and incredible variety of information we can find when we go looking for it.”¹⁷³ With growing media concentration and limited diversity in copyrighted content, a heavy-handed approach that seeks to significantly reduce upstream distribution of copyrighted 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 institutions, reducing them to mere consumers of content produced by major media conglomerates.

C. Voluntary Code of Practice for OSPs

The second consultation document proposed 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.”¹⁷⁴ As the administration noted in the first consultation document, there is both a legislative route and a nonlegislative route to enlarge the role of OSPs in combating Internet piracy.¹⁷⁵

Under the current proposal, the nonlegislative 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, the devil is in the details. In fact, because of the potential for industry capture and rent-seeking behavior, the nonlegislative route can sometimes be more dangerous than the legislative route, which provides at least some oversight and accountability.

Thus, to help develop a successful code of practice, this section offers three guidelines to help improve the proposed code. Procedurally, the code of practice has to be developed in an inclusive, transparent stakeholder-based process. In the second consultation document, the administration proposed to “establish a tripartite forum comprising representatives from OSPs, copyright owners and users.”¹⁷⁶ The administration also noted 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

¹⁷³ Jessica Litman, *Sharing and Stealing*, 27 HASTINGS COMM. & ENT. L.J. 1, 50 (2004).

¹⁷⁴ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 5–6.

¹⁷⁵ See FIRST CONSULTATION DOCUMENT, *supra* note 1, at 15.

¹⁷⁶ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 6.

providing an appropriate legislative framework to facilitate implementation of the agreed systems.”¹⁷⁷

If this tripartite forum is to be productive, policymakers 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.¹⁷⁸ 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.¹⁷⁹

Such participation is also important because the outcome of this tripartite forum would affect the digital environment. As recognized 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.”¹⁸⁰ 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 the discussion of these broader societal interests, such discussion will be greatly minimized if the process focuses heavily on the technical or legal details of the copyright system.

Legally, it is important to clarify what the administration meant when it proposed to “amend[] the law such that compliance with the code of

¹⁷⁷ *Id.*

¹⁷⁸ See Yu, *Anticircumvention and Anti-anticircumvention*, *supra* note 27, at 68.

¹⁷⁹ COMM’N ON INTELLECTUAL PROP. RIGHTS, INTEGRATING INTELLECTUAL PROPERTY RIGHTS AND DEVELOPMENT POLICY: REPORT OF THE COMMISSION ON INTELLECTUAL PROPERTY RIGHTS 7 (2002), available at http://www.iprcommission.org/graphic/documents/final_report.htm.

¹⁸⁰ World Summit on the Information Society, Dec. 10–12 2003, *Declaration of Principles*, ¶ 17, U.N. Doc. WSIS-03/GENEVA/DOC/4-E (Dec. 12, 2003).

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.”¹⁸¹ Guidelines and codes of practice have been incorporated by reference into the statutes of a large number of jurisdictions.¹⁸² However, not all statutes effectively incorporate these codes. To be fair and effective, it is not enough for the law to merely prescribe the code of practice as a factor. The law also needs to specify how to weigh that factor and whether any of the considered factors will be outcome-determinative.

In sum, this code of practice and the nonlegislative route may provide a more flexible solution than the one developed through the legislative route. This is particularly true when a wide range of policy options exists and when policymakers have only limited information about the future development of the Internet and new communications technologies. At the very least, policymakers in Hong Kong can avoid some of the problems that arose when their counterparts in other countries drafted digital copyright legislation with very limited information about future developments.

At the time of this publication, Hong Kong has not yet developed a code of practice through the tripartite forum, due primarily to disagreements between the content industries and the OSPs. This deadlock is understandable and unsurprising. While copyright holders cannot promise the OSPs a broad safe harbor because of the rapidly changing nature of digital technology, the OSPs are reluctant to abide by a code of practice without any further promise from the content industries.

The stalemate between the content industries and the OSPs, therefore, has posed a significant barrier to ongoing digital copyright reform, not to mention the additional questions about how well consumers and Internet users are being represented in the tripartite forum and what roles the HKSAR government will and should play in the development of this voluntary code of practice.¹⁸³ In fact, when the code was first proposed, one local scholar had already predicted its failure. Drawing on law and economics, Wan Charn Wing noted:

In the absence of any assignment of legal right to any party, the Coase theorem predicts that parties will fail to resolve the negative externality of

¹⁸¹ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 6.

¹⁸² For an excellent discussion of fair-use guidelines in the United States, which Congress has declined to incorporate into the 1976 Copyright Act, see generally Kenneth D. Crews, *The Law of Fair Use and the Illusion of Fair-Use Guidelines*, 62 OHIO ST. L.J. 599 (2001).

¹⁸³ Cf. Yu, *Anticircumvention and Anti-anticircumvention*, *supra* note 27, at 70 (noting that Congress and courts can serve as “a mediator or an adjudicator” in such a process).

online infringement because of the high transaction costs as well as the government failure to allocate legal rights to any part first other than by the three-step test.¹⁸⁴

Given this deadlock, it is unsurprising that the administration opted for both the legislative route and the nonlegislative route.¹⁸⁵ In the second consultation document, the administration stated that, “[i]f necessary . . . the Administration will consider providing an appropriate legislative framework to facilitate implementation of the agreed systems.”¹⁸⁶ The difficulty in achieving a code of practice without the legal framework, however, has convinced the administration to recommend actions in both the legislative and nonlegislative routes.

As the administration noted, the tripartite forum “unanimously supported introducing a statutory regime which would limit the liability of OSPs for copyright infringement provided that they complied with certain prescribed conditions as regards combating online infringements on their service platform.”¹⁸⁷ Nevertheless, the administration still “will take forward discussions at the Tripartite Forum to build consensus on the details of (a) the statutory regime on limitation of liability and (b) the Code of Practice for OSPs.”¹⁸⁸

This code of practice will remain important, as “OSP’s who observe the Code would be deemed to have complied with the conditions.”¹⁸⁹ As the proposals stated,

OSP’s are free to adopt measures they consider appropriate to deal with infringements committed by third parties using their service platforms. Should they choose to deviate from the Code, it would be up to them to demonstrate to the Court’s satisfaction that the alternative measures are adequate in addressing the problem.¹⁹⁰

¹⁸⁴ Wan Charn Wing, *The Reform of Copyright Protection in the Networked Environment: A Hong Kong Perspective*, 11 J. WORLD INTELL. PROP. 499, 516 (2009).

¹⁸⁵ See LEGCO PROPOSALS, *supra* note 167, at 5 (discussing the possibility for introducing a statutory regime that will be underpinned by a non-legislative Code of Practice).

¹⁸⁶ See SECOND CONSULTATION DOCUMENT, *supra* note 10, at 6.

¹⁸⁷ LEGCO PROPOSALS, *supra* note 167, at 4.

¹⁸⁸ *Id.* at 8.

¹⁸⁹ *Id.* at 5.

¹⁹⁰ *Id.* at 5 n.7.

D. The Media-Shifting Exception

Included at the end of the second consultation document was a new and interesting proposal that would be highly beneficial to the public—a limited copyright exception for media-shifting purposes.¹⁹¹ As the document defined, “media shifting” or “format shifting,” which was used interchangeably in the document, “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.”¹⁹²

This media-shifting exception draws on a proposal advanced in the *Gowers Review*, 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.¹⁹³

Moreover, as the British Phonographic Industry pointed out, it is important to “make a clear and public distinction between copying for your own use and copying for dissemination to third parties and make it unequivocally clear to the consumer that if they copy their CDs for their own private use in order to move the music from format to format we will not pursue them.”¹⁹⁴

Thus, 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.”¹⁹⁵ It also recognized that “transfer between formats may require intermediate steps (or formats) to be taken.”¹⁹⁶ Since the release of the *Gowers Review*, proposals for format-shifting exceptions have been adopted or advanced in Australia, New Zealand, and the United Kingdom.¹⁹⁷

¹⁹¹ SECOND CONSULTATION DOCUMENT, *supra* note 10, annex B.

¹⁹² *Id.* at 1.

¹⁹³ GOWERS, *supra* note 9, at 63.

¹⁹⁴ *Id.* at 62.

¹⁹⁵ *Id.* at 63 recommendation 8.

¹⁹⁶ *Id.*

¹⁹⁷ See SECOND CONSULTATION DOCUMENT, *supra* note 10, annex B, at 2 (discussing developments in Australia, New Zealand, and the United Kingdom).

One could further argue that this media-shifting proposal is consistent with case law in the United States, even though the U.S. Copyright Act does not have an explicit media-shifting exception. As the United States Court of Appeals for the Ninth Circuit noted in *Recording Industry Ass'n 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.*"¹⁹⁸ Even earlier, in *Sony Corp. of America v. Universal City Studios, Inc.*,¹⁹⁹ a United States Supreme Court case involving the manufacture and sale of Betamax videotape recorders, Justice John Paul Stevens, who eventually authored the majority opinion, noted in an internal memorandum to his fellow justices that "[i]t 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."²⁰⁰

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 exception makes the scope of the Copyright Ordinance more realistic and ensures better enforcement of the law. As the second consultation document acknowledged, copyright holders have had great difficulty in enforcing the law against individuals for their unauthorized private use of copyrighted content.²⁰¹

In fact, 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 copyrighted work, it makes good sense to codify the existing social norm and community values in a statutory exception. As Professor Lemley cautioned,

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

¹⁹⁸ *Recording Industry Ass'n of Am. v. Diamond Multimedia Sys., Inc.*, 180 F.3d 1072, 1079 (9th Cir. 1999) (emphasis added).

¹⁹⁹ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

²⁰⁰ Memorandum from Justice John Paul Stevens to the Justices of the 1983 United States Supreme Court 18 (June 1983), *quoted in* Jessica Litman, *Lawful Personal Use*, 85 TEX. L. REV. 1871, 1893 (2007).

²⁰¹ See SECOND CONSULTATION DOCUMENT, *supra* note 10, annex B, at 2.

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.²⁰²

Furthermore, the media-shifting exception is supported by the increasing calls by commentators to establish affirmative user or access rights.²⁰³ It is also consistent with the growing push for a multilateral instrument on limitations and exceptions to copyright by less developed countries, academics, and nongovernmental organizations.²⁰⁴ The WIPO Standing Committee on Copyright and Related Rights is currently

²⁰² Lemley, *Dealing with Overlapping Copyrights*, *supra* note 47, at 578; see also Stuart P. Green, *Plagiarism, Norms, and the Limits of Theft Law: Some Observations on the Use of Criminal Sanctions in Enforcing Intellectual Property Rights*, 54 HASTINGS L.J. 167, 238 (2002) ("People whose internal moral codes would never allow them to walk into a store and steal a piece of merchandise apparently think there is nothing wrong with making an unauthorized copy of a videotape or downloading a bootlegged computer program."); Moohr, *supra* note 34, at 795 ("Under any theory of deterrence, it is more difficult to induce law-abiding behavior when underlying social norms do not support the law. Simply put, people are more likely to obey criminal laws that reflect community values or moral judgments of right and wrong."). As Geraldine Moohr elaborated further,

Criminal enforcement actions that impose harsh penalties for conduct that is not viewed as immoral or harmful can lower the community's respect for the criminal law and thereby diminish both its legitimacy and its general effectiveness. People who have not internalized the legal standard may obey the law because they respect its legitimacy, even when social norms are in transition. But if respect and legitimacy are diminished, people will be less likely to obey or to impose informal sanctions on others.

Respect and legitimacy are threatened when a community norm that condemns prohibited conduct is not yet in place. In that situation, criminal enforcement coupled with severe penalties can make pawns of those caught in the transition period and offend community notions of due process, fairness, and commonly held ideas about notice and legality. If the community believes these severe sanctions are disproportionate to the offense, especially if only a small percentage of personal infringers are targeted, then enforcing criminal infringement crimes may be detrimental. To the extent that citizens reject rules that target people unfairly, they may similarly reject the legal system that promulgates and enforces such rules. In these circumstances, enforcing rules that do not embody a shared community norm may actually undermine the formation of a norm against the forbidden conduct.

Id. at 804-05. But see Hughes, *On the Logic of Staring*, *supra* note 39, at 735 ("[I]f awareness of a law has risen dramatically, but compliance has not, the law enters a window of vulnerability where compliance must rise or the law will fall into disrespect. (It was not disrespected when no one knew about it.)").

²⁰³ These user rights include first-sale rights and fair-use rights. See Samuelson, *supra* note 139, at 381 n.74; see also Rochelle Cooper Dreyfuss, *TRIPS—Round II: Should Users Strike Back?*, 71 U. CHI. L. REV. 21, 27 (2004) ("User access did not need specific delineation when it was the background rule; only the exceptionalism of intellectual property rights required express definition. But if the new background is proprietary control, then the exceptionalism of user rights now needs to be embedded into positive law."); Peter K. Yu, *TRIPs and Its Discontents*, 10 MARQ. INTELL. PROP. L. REV. 369, 396-401 (2006) (discussing the need to add explicit access rights to the TRIPs Agreement).

²⁰⁴ See generally P. BERNT HUGENHOLTZ & RUTH L. OKEDIJI, *CONCEIVING AN INTERNATIONAL INSTRUMENT ON LIMITATIONS AND EXCEPTIONS TO COPYRIGHT: FINAL REPORT* (2008) (exploring the benefits and feasibility of the development of a multilateral instrument on limitations and exceptions to copyright).

examining the need for developing such an instrument.²⁰⁵ As international law becomes increasingly fragmentary, with multiple fora emerging in the intellectual property context,²⁰⁶ the discussions of limitations and exceptions in copyright law may be further extended to the World Trade Organization, UNESCO, and other international fora.²⁰⁷

The early introduction of the media-shifting exception therefore would prepare Hong Kong for a larger policy role in formulating international copyright standards. At the very least, Hong Kong policymakers can share their experience, knowledge, and best practices with their counterparts from other jurisdictions. Instead of staying behind or playing catch-up, the development of this new exception undoubtedly would move Hong Kong to the forefront of the international debate.

Although the media-shifting exception is technically a legal transplant, just like the proposed criminal provisions or the DMCA safe harbor, this transplant is, by far, the most appealing of all the proposed transplants. Indeed, it provides an instructive illustration of what type of transplants can be attractive.

Notwithstanding its many benefits, the media-shifting exception *in its proposed form* has several shortcomings. First, the second consultation document stated 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 [sic] in face of the proposed new exception.”²⁰⁸ Because many new creative works may be released with some forms of technological protection measures in the future, such a qualification is likely to greatly reduce the value and effectiveness of this media-shifting exception.

The anticircumvention 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 copyrighted works, but also enable them to engage in anticompetitive behavior that requires customers to use specified playback devices or formats.²⁰⁹ With the growing consolidation of the media industry, there is a strong likelihood that both the content and

²⁰⁵ See New, *supra* note 11.

²⁰⁶ See Yu, *International Enclosure*, *supra* note 125, at 21–32.

²⁰⁷ See Peter K. Yu, *A Tale of Two Development Agendas*, 35 OHIO N.U. L. REV. 465, 511–40 (2009).

²⁰⁸ SECOND CONSULTATION DOCUMENT, *supra* note 10, annex B, at 3.

²⁰⁹ See Yu, *P2P and the Future*, *supra* note 2, at 683–84.

hardware providers belong to the same parent company. The anticircumvention qualification, therefore, would raise serious anticompetitive concerns for consumers.

By reducing competition in devices, the qualification would also stifle the development in Hong Kong of new information technology services that the content industries have not yet endorsed. As the administration reminded 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."²¹⁰ If Hong Kong is to further develop its knowledge-based economy and become an Internet service and 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.²¹¹ Although one could argue whether any anticircumvention legislation should be introduced in the first place, such legislation has already been adopted. Moreover, the anticircumvention provisions in the Copyright Ordinance include a number of exceptions to provide users with reasonable access.²¹² Based on the existing legislation, one could make a strong case that copyright holders should have the ability to opt out from the proposed media-shifting exception—for example, by introducing technological protection measures.

Although this argument seems convincing, it ignores the fact that the anticircumvention provisions in the Copyright Ordinance were set up to protect copyrighted works against *infringement*. If the legislature has already decided to amend the law so that format shifting is considered an *exception* (and therefore *noninfringement*), 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 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-shifting purposes was most certainly 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

²¹⁰ FIRST CONSULTATION DOCUMENT, *supra* note 1, at 16–17.

²¹¹ Copyright Ordinance, *supra* note 49, §§ 273A–273H.

²¹² *Id.* §§ 273D–273F, 273H.

when viewed in light of the overall direction of the proposed digital copyright reform. Most of the preliminary proposals advocated the creation of new or stronger rights. For example, the proposals called for the introduction of the right of communication to the public and attendant criminal sanctions.²¹³ The second consultation document also outlined the development of a voluntary code of practice that would require OSPs to play a larger role in combating online infringement.²¹⁴ The document further proposed to “[p]rescribe in law additional factors to assist the court in considering the award of additional damages.”²¹⁵

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, the expansion of the fair-use privilege was the main proposal advanced for consumers and end users during the first consultation exercise.²¹⁶ However, the HKSAR government decided *not* to adopt that proposal, but instead responded with a very narrow media-shifting exception, which technological measures can easily trump. From the standpoint of consumers and end users, this has to be disappointing!

Even more problematic, the exception—whether enacted as law or not—reflects the existing social norms of consumers and end users. As the second consultation document noted, “there is growing recognition by the industry worldwide that media shifting by consumers is a *fact of life*,” and some copyright holders have recognized that the current civil remedies are difficult to enforce.²¹⁷ Nevertheless, these rights holders continue to advocate the continuation of the status quo because of its symbolic deterrent effect, as opposed to its effectiveness.²¹⁸

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 end users to the benefit of copyright holders. The gains consumers and end users will make

²¹³ See SECOND CONSULTATION DOCUMENT, *supra* note 10, at 2–4.

²¹⁴ See *id.* at 5–6.

²¹⁵ *Id.* at 7.

²¹⁶ Charles Mok, Remarks at “The Future of Digital Copyright Protection in Hong Kong: An Analysis of the Latest Government Proposals” Panel, Journalism & Media Studies Center, University of Hong Kong (July 2, 2008); see also YU, DIGITAL COPYRIGHT REFORM, *supra* note 17, at 13 (advocating the adoption of the fair-use standard).

²¹⁷ SECOND CONSULTATION DOCUMENT, *supra* note 10, annex B, at 1 (emphasis added).

²¹⁸ See *id.* at 1–2 (stating that “[s]ome copyright owners remain adamant that the current civil remedies, though difficult to enforce, should be kept if only as a deterrent”).

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%. Or as United States Supreme Court Justice Stephen Breyer noted in *Metro-Goldwyn-Mayer Studios Inc. v. Gorkster, Ltd.*,²¹⁹ “it is hard[] to conclude that the gains on the copyright swings would exceed the losses on the technology roundabouts”²²⁰—and in this case, the technology and consumer roundabouts.

In the short run, this lack of balance will create discontent among consumers, end users, and technology developers over the copyright system.²²¹ It will also breed cynicism toward not only 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 institutions that may not have the resources to acquire the needed raw materials to develop their creations. It will also slow down the deployment of new technologies and business models.

IV. PROPOSALS FOR THE LEGISLATIVE COUNCIL

The second consultation concluded in August 2008, yielding about 60 submissions²²²—a tenth of what was received during the first consultation process. In November 2009, the administration submitted its proposals to the Legislative Council in a document entitled *Proposals for Strengthening Copyright Protection in the Digital Environment* (LegCo Proposals).²²³ As the government summarized in a press release, the refined proposals include:

- recognising copyright owners' right to communicate their works through any mode of electronic transmission, with related criminal sanctions against those who initiate unauthorised communication of copyright works to the public in the course of business conducted for profit or where it is made to such an extent as to affect prejudicially the copyright owners;
- introducing a statutory regime to prescribe the circumstances under which online service providers' liability for copyright infringement will be limited;

²¹⁹ *Metro-Goldwyn-Mayer Studios Inc. v. Gorkster, Ltd.*, 545 U.S. 913 (2005).

²²⁰ *Id.* at 960.

²²¹ See Moohr, *supra* note 34, at 805.

²²² See LEGCO PROPOSALS, *supra* note 167, at 1.

²²³ *Id.* at 2–7.

- introducing a copyright exception for temporary reproduction of copyright works by online service providers, which is technically required for (or enables) the transmission process to function efficiently;
- prescribing in law additional factors to help the court consider the award of additional damages, in recognition of the difficulties encountered by copyright owners in proving the extent of actual loss, particularly in the digital environment; and,
- introducing a media shifting exception so the owner of a non-infringing copy of a sound recording may make one copy of that recording in each device they lawfully own for their personal and domestic use.²²⁴

Given the findings of the first consultation exercise, these proposals are unsurprising. To the relief of Internet users, the administration maintained the positions it previously outlined in the second consultation document. For example, it rejected the introduction of an alternative infringer-identity-disclosure mechanism that is not subject to judicial scrutiny.²²⁵ It also declined to introduce statutory damages for online copyright infringement.²²⁶ Most important of all, it refrained from introducing new criminal liability for unauthorized downloading and peer-to-peer file-sharing activities.²²⁷

Even better for OSPs and Internet users, the administration turned down a late-arriving proposal to introduce a graduated response system,²²⁸ which has sparked controversy throughout the world after the release of the second consultation document. As the LegCo Proposals described, “Under [a graduated response] system, warning notices will be issued to subscribers identified as having engaged in online infringing activities (such as unauthorised downloading or file-sharing activities). Repeat infringers who disregard the warning notices on three occasions could have their Internet access suspended for up to one year.”²²⁹

To date, the reception of the graduated response system has been mixed throughout the world. The statute that launched the graduated response

²²⁴ Press Release, Commerce & Econ. Dev. Bureau (H.K.), Government Proposes Further Measures to Strengthen Copyright Protection in the Digital Environment (Nov. 17, 2009), available at http://www.cedb.gov.hk/citb/ehhtml/pdf/p_releases/press_e_2009_11_17.PDF.

²²⁵ See LEGCO PROPOSALS, *supra* note 167, at 8.

²²⁶ See *id.*

²²⁷ See *id.*

²²⁸ See *id.* at 5–6. For discussions of the graduated response, see generally Strowel, *supra* note 3; Yu, *The Graduated Response*, *supra* note 3.

²²⁹ LEGCO PROPOSALS, *supra* note 167, at 5.

system in France was struck down as unconstitutional,²³⁰ though a replacement was quickly adopted.²³¹ Although New Zealand adopted a similar proposal,²³² the New Zealand legislature has since delayed the implementation of such a provision.²³³ The only other jurisdictions that have adopted the graduated response system thus far are South Korea, Taiwan, and the United Kingdom. Meanwhile, Sweden rejected the proposal to develop such a system in March 2008, stating that “copyright holders should ‘not use the copyright laws to defend old business models’ but should rather offer legitimate services.”²³⁴ Germany, Spain, and the European Parliament also rejected similar proposals.²³⁵

The graduated response system, which William Patry and others have referred to as the “digital guillotine,”²³⁶ is problematic for at least five reasons. First, it denies Internet users due process by subjecting them to unverified suspicion of infringing activities. As Patry explained,

Notices of alleged infringement are not, as popularly assumed, the result of copyright owners sitting down at a computer terminal and *directly* detecting infringement. Instead, notices of alleged infringement are generated automatically by the millions, by third-party companies hired by copyright owners. This process, which involves *indirect* detection of alleged unauthorized activity, relies on automated webcrawler technology and databases of digital fingerprints. The process has been notoriously inaccurate, leading to lawsuits against people who don’t even have computers or who are dead, as well as takedown notices sent to individuals claiming that wholly original videos created by those individuals are infringing.

Faced with the receipt of hundreds of thousands or millions of such notices under graduated response, ISPs will simply pass the notices along to customers, who will be presumed guilty. Unlike court proceedings, where consumers are presumed innocent, and are afforded due process of

²³⁰ See Conseil Constitutionnel [CC] [Constitutional Court] decision No. 2009-580DC, J.O., July 10, 2009, p. 9675 (Fr.), available at <http://www.conseil-constitutionnel.fr/decision.42666.html>.

²³¹ Loi 2009-1311 du 28 octobre 2009 relative à la protection pénale de la propriété littéraire et artistique sur internet [Law 2009-1311 of 28 October 2009 on the Criminal Protection of Literary and Artistic Property on the Internet], J.O., Oct. 29, 2009, p. 18290, available at <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000021208046&dateTexte=&categorieLien=id>.

²³² See Copyright (New Technologies) Amendment Act, 2008, §§ 92A–92E (N.Z.).

²³³ See Marisa Taylor, *New Zealand Reconsiders Three-Strikes Rule on Internet Use*, WALL ST. J. (Mar. 26, 2009 11:34 AM), <http://blogs.wsj.com/digits/2009/03/26/new-zealand-reconsiders-three-strikes-rule-on-internet-use/>.

²³⁴ PATRY, *supra* note 88, at 14.

²³⁵ See *id.*; Howell Llewellyn, *Three-Strikes’ Off Anti-Piracy Agenda in Spain*, BILLBOARD.BIZ (June 22, 2009), http://www.billboard.biz/bbbiz/content_display/industry/e3i8071e0d9c25cb6b876d3771fb7c3d102.

²³⁶ PATRY, *supra* note 88, at 14.

law and defenses such as fair use, under private enforcement by ISPs on copyright owner's behalf, there is no guarantee or even reason to believe ISPs' customers will be able to get service restored due to errors or that they will have the ability to prove their use was lawful as fair use.²³⁷

Second, the graduated response system may undermine the protection of basic human rights and individual liberties.²³⁸ Article 19 of the Universal Declaration of Human Rights provides, "Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers."²³⁹ In the digital age, access to the Internet is paramount to the exercise of this core human right.

Although one could argue that one may be able to obtain access through public libraries²⁴⁰ and that criminals' access has, indeed, been curtailed,²⁴¹ it is important to note that the infringing activities have yet to be proven in a court of law. Even if an appeal process is built into the system, it remains unclear how one could prove the lack of infringing activities on the Internet or how a private extralegal appeal process can be as fair as the public legal process.

Third, and related to the first two, the graduated response system may raise serious concerns over what is generally considered substantive due process under U.S. constitutional law. In a recent article, Jennifer Rothman advanced an affirmative theory to explain why individuals should be able to use another's copyrighted work.²⁴² As she declared,

Copyright law should be limited when it interferes with the sacred space constitutionally reserved for individuals to define and construct

²³⁷ *Id.* at 13–14.

²³⁸ See LEGCO PROPOSALS, *supra* note 167, at 5 ("The 'graduated response' system is clouded by debates over its implications on civil rights and liberties even in jurisdictions where legislation introducing the system has been passed.").

²³⁹ Universal Declaration of Human Rights, G.A. Res. 217A, art. 19, U.N. GAOR, 3d Sess., U.N. Doc A/810 (Dec. 12, 1948).

²⁴⁰ See Strowel, *supra* note 3, at 83 ("[T]he French graduated response largely targets internet access at home. A person will thus be able to use other access points, whether at work, in internet coffee shops, through relatives, or by using devices other than a home computer such as mobile devices with email and browsing capabilities.").

²⁴¹ See, e.g., Emily Brant, Comment, *Sentencing "Cybersex Offenders": Individual Offenders Require Individualized Conditions When Courts Restrict Their Computer Use and Internet Access*, 58 CATH. U. L. REV. 779 (2009); Jessica Habib, Note, *Cyber Crime and Punishment: Filtering Out Internet Felons*, 14 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1051 (2004); Jane Adele Regina, Comment, *ACCESS DENIED: Imposing Statutory Penalties on Sex Offenders Who Violate Restricted Internet Access as a Condition of Probation*, 4 SETON HALL CIRCUIT REV. 187 (2007).

²⁴² Jennifer E. Rothman, *Liberating Copyright: Thinking Beyond Free Speech*, 95 CORNELL L. REV. 463, 508 (2010).

themselves In [instances where uses of copyrighted works implicate liberty rights in heightened ways], an individual user's liberty interest will most often outweigh countervailing public-policy justifications for protecting copyrighted works as well as the interests of individual copyright holders and creators. Copyrighted works are fundamental to an individual's liberty when their use is integral to the construction of a person's identity. In particular, uses that are necessary for mental integrity, communication, the development and sustenance of emotionally intimate relations, or the practice of one's religion are all at the core of one's identity.²⁴³

The insights gleaned from her article are important because First Amendment scholars have yet to succeed in persuading courts that "individual speech rights should outweigh the speech-producing value of the overall copyright system."²⁴⁴ As Justice Ruth Bader Ginsburg declared in *Eldred v. Ashcroft*,²⁴⁵ "[T]he First Amendment securely protects the freedom to make—or decline to make—one's own speech; it bears less heavily when speakers assert the right to make other people's speeches."²⁴⁶

Fourth, the graduated response system may not be effective in inducing a significant change of social behavior among individual file sharers, unless it intends to disconnect a large number of users. As Patry reminded us, "[G]raduated response is all stick and no carrot; as such, it can never accomplish its purported goal of encouraging lawful behavior because the industry refuses to respond to the consumer demand, and instead insists on suppressing it, even when third party ISPs are willing to do all the work."²⁴⁷

Finally, the graduated response system may be highly disproportionate, as the LegCo Proposals have acknowledged.²⁴⁸ In fact, one may argue that taking away an individual's access to the Internet as a penalty for *alleged* copyright infringement is even worse than introducing criminal sanctions for downloading and peer-to-peer file sharing. While the criminal law system will not attach sanctions until the perpetrator is proven guilty beyond a reasonable doubt, a graduated response system may involve *mere* allegations of infringement by copyright holders or their industry group.

Thus, it is highly encouraging that the administration considered the present "not an opportune time to consider introducing such a system in

²⁴³ *Id.* at 513.

²⁴⁴ *Id.* at 469.

²⁴⁵ *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

²⁴⁶ *Id.* at 221.

²⁴⁷ PATRY, *supra* note 88, at 12.

²⁴⁸ See LEGCO PROPOSALS, *supra* note 167, at 5.

Hong Kong, especially when its implications are yet to be fully tested in overseas jurisdictions.”²⁴⁹ As this Article has pointed out thus far, heavy reliance on foreign experience has a number of flaws. However, under limited conditions, such reliance can be a blessing in disguise.

In this case, the HKSAR government successfully used such reliance to decline the adoption of a virtually untested model that has been adopted in only a few countries. Ironically, the Hong Kong broadcasting industry now severely criticized the government for being “a passive follower” despite the fact that this industry, along with other copyright industries, has actively pushed for the adoption of legal transplants from abroad.²⁵⁰

Although the Copyright Ordinance, thankfully, will not be amended to mandate a graduated response system, it remains unclear whether such a system will find its way into the code of practice that is being developed along with the legislative safe harbor. Nevertheless, the ongoing deadlock over the negotiation of the code of practice between the content industries and the OSPs seems to suggest that the OSPs are unlikely to agree to institute a graduated response system, especially when the administration had already made clear its intention not to introduce such a system at this stage.

Notwithstanding these encouraging developments, there are some major concerns and limitations in the LegCo Proposals. First, the attachment of criminal liability to the right of communication to the public is rather dangerous. If the provision is modeled after Section 118(1)(g), the new provision would read:

A person commits an offence if he, without the licence of the copyright owner of a copyright work . . . *communicates to the public* an infringing copy of the work (otherwise than for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works) to such an extent as to affect prejudicially the copyright owner.²⁵¹

²⁴⁹ *Id.* at 6.

²⁵⁰ As the broadcasting industry declared in its letter to the HKSAR government,

It is regrettable to see Hong Kong, formerly an Asian leader in adopting firm measures to protect intellectual property, become a passive follower, which will consider such measures only after they have been adopted, and “fully tested” (the government’s own words) in overseas jurisdictions. In the meantime, Hong Kong’s own creative industries are withering, and the SAR’s role as a leader in the global system of trade and services is eroding.

Letter from John Medeiros, Deputy CEO, Cable and Satellite Broadcasting Association of Asia, to Hon. Vincent Kang Fang, Chairman, Panel on Commerce and Industry, Legislative Council of the Hong Kong SAR (Jan. 12, 2010), available at <http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci0119cb1-865-28-e.pdf>.

²⁵¹ Cf. Copyright Ordinance, *supra* note 49, § 118(1)(g).

As the administration reasoned, “[C]riminal sanctions should be available to combat large-scale infringing activities that cause prejudice to the copyright owners, irrespective of whether they are for the purposes of commercial advantage or financial gain.”²⁵²

To be certain, the symmetry between the two provisions will provide coherence to the copyright system. If it is criminal for an individual to distribute an infringing copy of the copyrighted work without the right holder’s authorization, it is only logical that the individual faces the same penalty if he or she communicates to the public such a copy. After all, one should not avoid criminal liability by using communication to the public as a loophole.

Nevertheless, problems exist with this new right in the nonbusiness context. Thus far, the right is controversial and ill-defined at the international level, and there is neither consensus nor sufficient case law on what action would constitute communication to the public. Unless the right is adequately defined, the law would be too vague for criminal purposes. While the administration’s recommendation to develop “appropriate exceptions”—including exceptions for education and library sectors²⁵³—is encouraging, the biggest problem here remains with the definition of the right itself.

Consider, for example, the distinction between distribution and communication to the public. For individual end users, it is not hard to understand what would constitute distribution—at least not after so many years of development in copyright law and accompanying practice in the area. Regardless of whether the copyrighted work is embodied in its physical or electronic form (such as on a diskette or a DVD), most individual end users will be able to tell what distribution is.

By contrast, it remains difficult for these users to determine what would constitute communication to the public. What is the definition of “the public”?²⁵⁴ How populous does the audience need to be in order to constitute a public performance? Is a mailing list a public place within the meaning of the Copyright Ordinance? An Internet Relay Chat room? A computer bulletin board? Facebook, Bebo, MySpace, or other social

²⁵² LEGCO PROPOSALS, *supra* note 167, at 3.

²⁵³ *Id.* at 4 & n.4.

²⁵⁴ Cf. RICKETSON & GINSBURG, *supra* note 131, at 704 (noting that “the text and records of the [Berne] Convention provide little, if any, express assistance regarding the meaning of the requirement that the author’s rights extend only to *public* performances and communications to the *public*”).

networking sites? Is there “semi-public” somewhere in between public and private?²⁵⁵

In addition, what would be covered by communication to the public? Would the inclusion of a hyperlink to an infringing copy be considered communication, or would the inclusion of an infringing copy be required? Would it be sufficient for the website to reroute the user to another website that contains the material? Would it be criminal to incorporate a substantial portion of a copyrighted work into a user-generated video without the copyright holder’s authorization, or a substantial portion of a copyrighted document into a blog post, or a copyrighted audio clip into a hand-made Christmas card?²⁵⁶ Would it be criminal to capture the work incidentally, such as in background music or video?²⁵⁷

What about the so-called appropriation art?²⁵⁸ The use of a copyrighted work in Wikipedia or Second Life? Or the development or release of an amateur webcast or podcast, similar to what one sometimes finds on YouTube? Are there *de minimis* acts of communication that would enable individual users to communicate without facing any liability—and, if so, what would constitute those acts? Should a willfulness requirement be built into the system?

Second, the proposals limit the media-shifting exception to only sound recordings, not to mention the problems with digital rights management tools discussed earlier in Part III.D.²⁵⁹ Under the administration’s proposal, “the owner of a non-infringing copy of a sound recording may make one copy of that recording in each device he lawfully owns for his personal and domestic use.”²⁶⁰ The administration also “propose[d] to impose some conditions such as: (a) no circumvention of technological measures applied by the copyright owner to protect the sound recording, be it a measure to restrict copying or control access; and (b) any copy made must not be sold or given away to other persons.”²⁶¹

²⁵⁵ *Columbia Pictures Indus. v. Redd Home, Inc.*, 749 F.2d 154, 158 (3d Cir. 1984) (stating that “a semi-public place . . . is determined by the size and composition of the audience”).

²⁵⁶ Thanks to my former HKU student for suggesting the last example.

²⁵⁷ *Cf. Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150 (N.D. Cal. 2008) (involving the posting of a YouTube clip of a toddler dancing to Prince’s 1984 hit “Let’s Go Crazy”).

²⁵⁸ *See, e.g.,* Marci A. Hamilton, *Appropriation Art and the Imminent Decline in Authorial Control over Copyrighted Works*, 42 J. COPYRIGHT SOC’Y U.S.A. 93 (1994) (discussing copyright issues implicated by the creation of appropriation art).

²⁵⁹ *See* discussion *supra* Part III.D.

²⁶⁰ LEGCO PROPOSALS, *supra* note 167, at 7.

²⁶¹ *Id.* at 7 n.14.

This media-specific limitation is backward-looking and does not take into account the many other forms of copyrighted works now being digitized. Electronic books and equipment used to read those books, such as Kindle and Nook, are already widely available. Countries are also exploring whether they can make wider use of electronic textbooks to enhance the learning experience and to save educational costs. The media-specific limitation also goes against the principle of technology neutrality. Indeed, it is ironic that the administration rejected the streaming proposal in the name of technology neutrality only to ignore the same problem created by this limitation.

Finally, the increasing convergence of media platforms has made it important for individuals to shift content from one medium to another. If the media-shifting exception is too narrow, the limitation will ultimately backfire on the content providers by making their works less valuable.²⁶² Due to entrenched interests and endowment effects, it may be difficult for these providers to push for an expansion of the media-shifting exception even if they find the exception too narrow for their new business models.

In sum, the proposals have some encouraging features. However, the criminalization part of the proposal remains very troublesome. It is also highly disappointing that the proposals limit the media-shifting exception to sound recordings.

According to the document outlining the proposals, the Legislative Council intended to firm up legislative proposals in the second half of 2010.²⁶³ As of this writing, however, the Legislative Council has yet to table the reform bill for consideration. It remains to be seen what proposals this bill will adopt and what foreign laws and models it seeks to transplant to Hong Kong. If the consultation documents issued by the HKSAR government and past legislative efforts provide any useful guidance, legal transplants will remain an important feature of the upcoming digital copyright reform in Hong Kong.

V. FOUR QUESTIONS A LEGISLATURE SHOULD ASK

Legal transplants are sometimes inevitable. Although Part II discusses their weaknesses, transplants—if carefully selected and appropriately customized—can also be beneficial. For example, legal transplantation

²⁶² See Yen, *Internet Service Provider Liability*, *supra* note 68, at 1888 n.280 (“Content providers . . . may discover that the very provisions designed to enforce their copyrights will instead frustrate their efforts to profit from the Internet.”).

²⁶³ See LEGCO PROPOSALS, *supra* note 167, at 8.

allows countries, especially those with limited resources, to take a free ride on the legislative efforts of other, usually more economically developed, countries. The process also provides laws that have served as time-tested solutions to similar problems, drawing on lessons learned from the experiences in the source countries—both positive and negative. Transplants may even help provide preemptory defenses to countries that face repeated and intense pressure from their more powerful trading partners, not to mention the strong likelihood that the laws in these powerful countries will eventually become international standards by virtue of the source countries' sheer economic and political might.

Nevertheless, if policymakers need to borrow laws from other countries, they need to think seriously about when laws should be borrowed, why they need to be borrowed, what laws to borrow, from where to borrow those laws, and how they should be borrowed. After all, like the transplant of plants or human organs, the process requires a careful process of evaluation, selection, adaptation, and assimilation. To help policymakers think through some of the hard questions concerning legal transplants, this part advances four different questions. Although these questions were discussed and elaborated in the context of the digital copyright reform in Hong Kong, the discussions are equally relevant to policymakers in other jurisdictions who are tasked with similar reforms.

A. What Digital Future Do We Want?

The first question policymakers in Hong Kong need to ask is: What should Hong Kong's digital future look like? If the copyright reform in the region is to be effective, policymakers need to be clear about what they want. As I noted earlier, one of the most important questions that the first consultation document failed to ask is: "How should we shape the digital future of Hong Kong?"²⁶⁴ This particular question becomes even more important when countries from around the world are now actively exploring strategies to modernize their intellectual property systems.

In China, for example, the State Council promulgated the *Outline of the National Intellectual Property Strategy* on June 5, 2008.²⁶⁵ A recurring theme in this national strategy is the development of indigenous or self-driven intellectual property.²⁶⁶ Although the socioeconomic conditions in China,

²⁶⁴ Yu, *The Digital Divide*, *supra* note 109.

²⁶⁵ STATE COUNCIL, OUTLINE OF THE NATIONAL INTELLECTUAL PROPERTY STRATEGY (2008), available at http://www.gov.cn/english/2008-06/21/content_1023471.htm.

²⁶⁶ See, e.g., Wu Handong, *One Hundred Years of Progress: The Development of the Intellectual Property System in China*,

and the country's vast disparities in economic and technological growths across the country, have made the development of an intellectual property policy more complex, pragmatic, and challenging than it is for Hong Kong,²⁶⁷ the goal of developing self-driven intellectual property—in this case, local copyrighted content—serves both Hong Kong and China well.

As much an international city as Hong Kong is, the goal of digital copyright reform cannot be primarily to ensure that the law is consistent with the models adopted in other countries, regardless of whether or not those models would actually succeed in the region. The goal of such reform has to reflect the interests of the local people, industries, and 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*.”²⁶⁸ Without significant customization to take account of these local interests, undertaking digital copyright reform that is modeled after the laws of other countries can be likened to fitting a square peg into a round hole. If a peg is indeed needed for this round hole, that square peg will have to be customized into a round shape through the localization process.²⁶⁹

B. What Other Opportunities Are Available?

The next question concerns the potential opportunities that arise as a result of legislative reform in the copyright area. Although legal transplantation is a process wherein laws migrate from one country to another, it is important not to ignore the fact that the transplantation process also provides important opportunities for improvements, experiments, and new developments.

As noted comparative law scholar Alan Watson reminded us, “a time of transplant is often a moment when reforms can be introduced.”²⁷⁰ Likewise, Jeremy Bentham observed more than two centuries ago, “[t]hat a system might be devised, which, while it would be better for Bengal, would also be better even for England.”²⁷¹ Because legal transplants provide an opportunity to reform laws and make them more sophisticated, they also

¹ WIPO J. 117, 121 (2009).

²⁶⁷ See, e.g., Yu, *International Enclosure*, *supra* note 125 (discussing China's internal divergences in the context of intellectual property protection and enforcement).

²⁶⁸ FIRST CONSULTATION DOCUMENT, *supra* note 1, at v (emphasis added).

²⁶⁹ See discussion *infra* Part V.C.

²⁷⁰ WATSON, *supra* note 16, at 35.

²⁷¹ JEREMY BENTHAM, OF THE INFLUENCE OF TIME AND PLACE IN MATTERS OF LEGISLATION, *in* THE WORKS OF JEREMY BENTHAM 169, 185 (Adamant Media 2005) (1843).

“give[] the recipient society a fine opportunity to become a donor in its turn.”²⁷²

Although the two consultation documents included a mix of both positive and somewhat problematic preliminary proposals, the documents did not take full advantage of the new political, social, economic, cultural, educational, health, and career opportunities created by the digital revolution. First, the documents failed to expand the fair-dealing privilege, or to introduce a broad fair-use standard. Section 107 of the U.S. Copyright Act provides:

[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 non-profit 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.²⁷³

Although these four non-exhaustive factors have been incorporated into the Copyright Ordinance,²⁷⁴ the fair-dealing privilege in Hong Kong remains heavily constrained. Sections 38 and 39 of the Ordinance, for example, limit fair dealing to the purposes of research or private study, criticism, review, or the reporting of current events.²⁷⁵ Section 41A further extends the fair-dealing privilege to educational institutions.²⁷⁶ The expansion of the fair-dealing privilege or the introduction of a broad fair-use standard would certainly allow Hong Kong to become more competitive in the information technology area, in attracting Internet-related foreign investments, and in developing its creative environment. It is therefore no

²⁷² WATSON, *supra* note 16, at 99.

²⁷³ 17 U.S.C. § 107 (2006).

²⁷⁴ Copyright Ordinance, *supra* note 49, § 38.

²⁷⁵ *Id.* §§ 38–39.

²⁷⁶ *Id.* § 41A (providing for fair dealing for purposes of giving or receiving instruction).

surprise that the information technology industry has specifically asked for reform in this area in the first consultation exercise.²⁷⁷

Second, the administration has an opportunity to initiate a new proposal to abolish government copyright,²⁷⁸ or, before 1997, the so-called crown copyright.²⁷⁹ Such protection is particularly problematic with respect to copyrighted works that the government intends for wide public distribution, such as the consultation documents discussed here, the government's public radio or television announcements, or other similar works that have been used to promote Hong Kong as a tourist attraction.

In the first consultation document, for example, the government has to explicitly state that readers "are free to make copies of this consultation document"²⁸⁰ lest the document not be widely disseminated. Such a statement would have been unnecessary had government documents not been protected in the first place. It is also worth noting the rapid proliferation of technological means that can be used for authenticating official documents and for comparing those documents with their unofficial counterparts.²⁸¹

From the taxpayers' standpoint, the unnecessary control rendered by government copyright is also wasteful. Licensing may be costly to administer,²⁸² and such control may make it difficult for others to disseminate public information rapidly, efficiently, and effectively using the latest information technology. In an era where viral distribution has

²⁷⁷ See discussion *supra* Part III.D.

²⁷⁸ See Copyright Ordinance, *supra* note 49, § 16.

²⁷⁹ See generally Elizabeth F. Judge, *Crown Copyright and Copyright Reform in Canada*, in *IN THE PUBLIC INTEREST: THE FUTURE OF CANADIAN COPYRIGHT LAW* 550 (Michael Geist ed., 2005) (discussing crown copyright in the Canadian context). As Professor Judge pointed out,

Crown copyright should not apply to public legal information because those works are produced with the obligation to make them available for the purposes of public access and notice of the law. While accuracy and integrity of those materials are important objectives, and while copyright may have been an appropriate legal mechanism at one time to achieve those ends, other legal, and technological, mechanisms are better suited now to ensure accuracy and integrity, while at the same time facilitating the public's access to those materials. Government ownership of public legal materials is a blunt instrument to approach the laudable goals of facilitating the dissemination of accurate and timely public legal information and may, to the contrary, work to deter and delay the circulation of law in accessible formats.

Id. at 551.

²⁸⁰ FIRST CONSULTATION DOCUMENT, *supra* note 1, at 38.

²⁸¹ See Judge, *supra* note 279, at 573.

²⁸² See Michael Geist, *Copyright Consultations Submission*, 2 OSGOODE HALL REV. L. & POL'Y 55, 70 (2009) ("Documents from Public Works and Government Services Canada, which administers the Crown copyright system, reveal that in the 2006–7 fiscal year, Crown copyright licensing generated less than \$7,000 in revenue, yet the system cost over \$200,000 to administer.").

provided a cheap, efficient, and effective means for marketing, greater control of public information means reduced access and exposure, as well as lost dissemination opportunities. Such control also takes away the chance to use instantaneous communication to distribute information in a timely manner.

Indeed, as Deborah Hurley, the former director of the Harvard Information Infrastructure Project, noted, the abolition of copyright ownership in government works provides “the step that would make the biggest sea change tomorrow in intellectual property protection and access to information.”²⁸³ As she explained,

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.²⁸⁴

Section 105 of the U.S. Copyright Act, for example, stipulates that “copyright protection . . . is not available for any work of the United States Government.”²⁸⁵ If the administration finds such abolition too radical and believes that certain forms of government documents or audiovisual materials should remain protected by government copyright, at the very least it should consider pushing for the use of open format in some of the government-generated content.²⁸⁶ The government may also want to consider the use of partnerships and open source or collaborative models to take advantage of the potential created by the Internet and new communications technologies.

In fact, if the HKSAR government is eager to borrow foreign models, as the consultation documents have suggested, it should seriously consider Australia’s recent development. In June 2010, the Australian Parliament announced its plan to port its central website across to a Creative Commons

²⁸³ DEBORAH HURLEY, POLE STAR: HUMAN RIGHTS IN THE INFORMATION SOCIETY 36 (2003), available at <http://www.ichrdd.ca/english/commndoc/publications/globalization/wsis/polestar.pdf>.

²⁸⁴ *Id.* at 36–37.

²⁸⁵ 17 U.S.C. § 105 (2006).

²⁸⁶ *Cf.* Judge, *supra* note 279, at 551 (noting the need to “specify reciprocal obligations by government to publish these materials in publicly accessible formats and media using appropriate updated technologies”).

licence.²⁸⁷ By opening up its website, which houses such key public documents as bills, committee reports, and parliamentary transcripts, the Australian Parliament made a major commitment to promoting open access of government documents.²⁸⁸ It also set an admirable example for other jurisdictions that have similar needs and interests.

Finally, the consultation document did not address such emerging issues as the protection of orphan works, the treatment of user-generated content, and the need to develop publicly accessible digital libraries. Although these issues can be difficult, perhaps opening a new can of worms, some of these issues are highly related to the ongoing digital copyright reform in Hong Kong. For example, the Google Book Search settlement is as much an issue about the role and liability of Internet intermediaries as it is an issue about the need for legal responses to address the orphan-works problem.²⁸⁹

C. How Much Should the Transplanted Laws Be Adapted?

A successful transplant is usually one that is sensitive to the local environment. In order for the transplanted law to be effective in the local environment, it may need to undergo a careful evaluation and rigorous adaptation process. For example, after the first consultation exercise, the HKSAR government wisely rejected the proposal for the introduction of statutory damages in the Hong Kong copyright system. Such damages not only upset the longstanding local legal tradition, in which there has been no precedent of using such damages in tort actions, but could also result in “far-reaching implications on other civil proceedings.”²⁹⁰

Likewise, in light of the local environment that is more protective of privacy interests of its citizens—an environment that is closer to the European Union than the United States²⁹¹—the HKSAR government correctly declined to introduce an alternative infringer-identity-disclosure mechanism that is not subject to judicial scrutiny.²⁹² Such a system, indeed,

²⁸⁷ See Jessica Coates, *The Australian Parliament Goes CC—With v3.0*, CREATIVE COMMONS AUSTRALIA (June 7, 2010), <http://creativecommons.org.au/weblog/entry/301>.

²⁸⁸ See *id.*

²⁸⁹ See, e.g., Ryan Andrews, Note, *Contracting Out of the Orphan Works Problem: How the Google Book Search Settlement Serves as a Private Solution to the Orphan Works Problem and Why It Should Matter to Policy Makers*, 19 S. CAL. INTERDIS. L.J. 97 (2009).

²⁹⁰ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 8.

²⁹¹ For differences between the EU and U.S. privacy regimes, see generally Symposium, *Data Protection Law and the European Union's Directive: The Challenge for the United States*, 80 IOWA L. REV. 431 (1995); Peter K. Yu, *Toward a Nonzero-sum Approach to Resolving Global Intellectual Property Disputes: What We Can Learn from Mediators, Business Strategists, and International Relations Theorists*, 70 U. CIN. L. REV. 569, 621–34 (2002).

²⁹² See SECOND CONSULTATION DOCUMENT, *supra* note 10, at 7.

would likely be found inconsistent with existing privacy-related legislation in Hong Kong, such as the Personal Data (Privacy) Ordinance²⁹³ and the Public Non-Exclusive Telecommunications Service Licence.²⁹⁴ As the former privacy commissioner for personal data Roderick Woo pointed out, “the mere need for a ‘quick and inexpensive’ alternative mechanism to facilitate effective enforcement of civil rights was not a sufficient justification for invasion of personal data privacy.”²⁹⁵

In lieu of this alternative mechanism, the administration proposed the development of a voluntary code of practice along with a legislative safe harbor. Although this code comes with its own problems, and the negotiations thus far have been stalled in a deadlock, it is hard to ignore the wide use of the proposed code in various contexts in other Commonwealth jurisdictions as well as the strong compatibility between the code and the local legal tradition. Indeed, the proposed code will be more familiar to the Hong Kong legal community. It may also sit easily with legislation in areas outside intellectual property law.

In fact, when one closely examines some of the proposals in the consultation documents, one has to question why, in the late 2000s and early 2010s, Hong Kong is still so eager to transplant the DMCA, an arguably obsolete statute that was drafted in the mid-1990s with very limited insight into the future development of the Internet. In human life, the DMCA is a generation old. In digital life, the statute is ancient!

As the United States Court of Appeals for the District of Columbia acknowledged in *Recording Industry Ass’n of America v. Verizon Internet Services*,²⁹⁶ “P2P [peer-to-peer] software was ‘not even a glimmer in anyone’s eye when the DMCA was enacted’ . . . nor did [Congress] draft the DMCA broadly enough to reach the new technology when it came along.”²⁹⁷ If modeling based on foreign experience is indeed necessary,²⁹⁸ policymakers have to

²⁹³ Personal Data (Privacy) Protection Ordinance, (1997) Cap. 486 (H.K.).

²⁹⁴ FIRST CONSULTATION DOCUMENT, *supra* note 1, at 19.

²⁹⁵ SECOND CONSULTATION DOCUMENT, *supra* note 10, at 7.

²⁹⁶ *Recording Industry Ass’n of Am. v. Verizon Internet Servs.*, 351 F.3d 1229 (D.C. Cir. 2003).

²⁹⁷ *Id.* at 1238 (quoting *In re Verizon Internet Servs., Inc.*, 240 F. Supp. 2d 24, 38 (D.D.C. 2003)); *see also* Jennifer M. Urban & Laura Quilter, *Efficient Process or “Chilling Effects”? Takedown Notices Under Section 512 of the Digital Millennium Copyright Act*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621, 686–87 (2006) (“Peer-to-peer and other distributed networks were not anticipated by policymakers during the crafting of [Section] 512, and in a world where valuable copyright properties are distributed without ‘hosting’ ever occurring, the notice-and-takedown provisions under [Section] 512(c) seem less likely to be of use to the very copyright industry groups that helped compromise on the question of OSP liability during the legislative process.”).

²⁹⁸ JOHN BRAITHWAITE & PETER DRAHOS, *GLOBAL BUSINESS REGULATION* 539–43 (2000) (discussing modeling).

think seriously about whether they should transplant the DMCA or more recent legislation from, say, Australia or other jurisdictions whose copyright systems have similar roots in the Commonwealth tradition.

Today, society has a better understanding of the Internet, even though people still cannot state precisely what the technological environment will become in the future. Commentators have also documented many problems and unintended consequences of the DMCA anticircumvention provision.²⁹⁹ Thus, if policymakers cannot come up with better models and have to transplant laws from other jurisdictions, at least they should do so with significant modification, taking into account existing empirical evidence and the many already-documented problems and unintended consequences.

Before initiating the transplantation process, policymakers also need to be mindful of how legislation is made in the source country. As Professor Litman explained in her classic study of the U.S. copyright lawmaking process, U.S. copyright laws have been made through multiparty negotiation processes for more than a century.³⁰⁰ "The only way that copyright laws get passed in [the United States] is for all of the lawyers who represent the current stakeholders to get together and hash out all of the details among themselves."³⁰¹ As far as the DMCA is concerned,

there is no overarching vision Instead, what we have is what a variety of different private parties were able to extract from each other in the course of an incredibly complicated four-year multiparty negotiation. Unsurprisingly, they paid for that with a lot of rent-seeking at the expense of new upstart industries and the public at large.³⁰²

To some extent, one can view the DMCA as a negotiated legislative settlement between and among the various parties that had earned a seat at the negotiation table. Given the fact that the content industries in Hong

²⁹⁹ See Yu, *Anticircumvention and Anti-anticircumvention*, *supra* note 27, at 54 (discussing the various problems and unintended consequences the DMCA has posed).

³⁰⁰ See LITMAN, *supra* note 27, at 73.

³⁰¹ *Id.* For a classic treatment of public-choice problems in copyright lawmaking, see Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857 (1987).

³⁰² LITMAN, *supra* note 27, at 145; see also Glynn S. Lunney, Jr., *The Death of Copyright: Digital Technology, Private Copying, and the Digital Millennium Copyright Act*, 87 VA. L. REV. 813, 898 (2001) (noting that "[o]rdinary consumers seldom play any direct role in the extended (and often private) negotiating sessions required to craft such compromises" and that their interests are "represented only indirectly in these sessions, when it happens to coincide with the interest of one of the participants"). But see Jane C. Ginsburg, *Copyright Legislation for the "Digital Millennium"*, 23 COLUM.-VIA J.L. & ARTS 137, 137 (1999) (describing the DMCA as "the fruit of intensive lobbying by a wide range of interest groups of copyright owners, on the one hand, and, *particularly, users, on the other*" (emphasis added)).

Kong are rather different from those in the United States, and that virtually all of the stakeholders in the Hong Kong copyright community were absent from the DMCA negotiation table, one cannot help but wonder how wise it would be to transplant the DMCA without questioning the underlying bargain between the different U.S. stakeholders.³⁰³ Even if we can ignore the rights holders' entrenched position in the American political system, what is good for the United States is not necessarily good for Hong Kong.

Moreover, legislation that resembles negotiated interindustry bargains is unlikely to be flexible enough to respond to rapid technological change, not to mention technological change under rather different local conditions. As Professor Litman observed,

The narrower and more specific the prose is, the less likely it is that a statutory provision will be sufficiently flexible to be responsive to technological change, and the more quickly the provision will be outdated.

A process that relies upon negotiated bargains among industry representatives . . . is ill-suited to arrive at general, flexible limitations. The dynamics of interindustry negotiations tend to encourage fact-specific solutions to interindustry disputes. The participants' frustration with the rapid aging of narrowly defined rights inspired them to collaborate in drafting rights more broadly, but no comparable tendency emerged to inject breadth or flexibility into the provision limiting those rights.³⁰⁴

Even worse, the DMCA comes with a number of internal flaws, especially when viewed retrospectively today, more than a decade after its enactment. For example, although Section 512(f) penalizes those who "knowingly materially misrepresent[]" information, that section is poorly drafted.³⁰⁵ Due to the complexities inherent in copyright law, it is virtually impossible to show that a copyright holder has "knowingly materially misrepresent[ed]" information on a takedown notice.

As Jennifer Urban and Laura Quilter noted, "copyright holders may send insufficient or vague notices, and even send notices on suspicion instead of diligent investigation, without triggering § 512(f)."³⁰⁶ Even worse, as William Patry pointed out, "[r]ecord and motion picture companies have outsourced takedown notices to third-party firms, who rely on automated

³⁰³ See LITMAN, *supra* note 27, at 39 (noting that the copyright bills produced in the U.S. process "conferred significant advantages" upon those who had participated in the process at the expense of those who had not).

³⁰⁴ *Id.* at 58.

³⁰⁵ See Yen, *Internet Service Provider Liability*, *supra* note 68, at 1888 n.278.

³⁰⁶ Urban & Quilter, *supra* note 297, at 629.

processes, indirect evidence of infringement, but who have a direct financial benefit to send out as many notices as possible.”³⁰⁷ Given the perverse incentives created for the outsourced agents to find as many infringers as they can, it is hard not to question the eagerness of these firms to protect the interests of Internet users.

Moreover, Alfred Yen warned that “copyright’s ambiguity assures that many statements of infringement can be made in good faith, even though a court may find that no infringement actually exists.”³⁰⁸ In fact, Section 512 may be considered too rigid for a body of law that is considered notoriously complex, subtle, and context-dependent.³⁰⁹ Thus, the Section 512(f) language should not be directly transplanted to Hong Kong, as it virtually guarantees that those whose materials have been wrongfully taken down can rarely obtain compensation from the copyright holder. Instead, the proposed law should embrace a lower evidentiary burden, such as “knowingly misrepresents” or “intentionally misrepresents.”³¹⁰

In addition, the terms of service of many OSPs include immunity clauses that shield the providers from lawsuits for damages caused by their failure to put back materials that they have wrongfully taken down.³¹¹ As a result, even when the law mandates a counter-notice-and-put-back procedure, such as what is required under Section 512(g) of the U.S. Copyright Act,³¹² the terms of service have greatly reduced the providers’ incentives to put back materials that have been wrongfully taken down.

³⁰⁷ PATRY, *supra* note 88, at 169.

³⁰⁸ Yen, *Internet Service Provider Liability*, *supra* note 68, at 1888 n.278 (“Some may argue that the DMCA alleviates the problem of indiscriminately removing speech from the Internet by providing for penalties against those who make knowingly false representations about the existence of infringement. This argument misses the mark because ‘knowing’ misrepresentations do not include statements that are made in good faith but incorrect about the existence of infringement. Indeed, copyright’s ambiguity assures that many statements of infringement can be made in good faith, even though a court may find that no infringement actually exists.”).

³⁰⁹ See Seltzer, *supra* note 164, at 178 (“DMCA notices force service providers to confront fact-specific fair use disputes that even courts would be unable to decide on summary judgment.”); Urban & Quilter, *supra* note 297, at 681 (“A clear, rigid *ex ante* process such as § 512 seems mismatched with a body of law that derives much of its value from flexibility and nuance.”).

³¹⁰ Despite its benefits, this lower burden will not address situations where the copyright holder has a good-faith belief that her work has been infringed, even though she is wrong on the law and the identified unauthorized use is in fact legal. See Seltzer, *supra* note 164, at 224–25. To address these situations, Professor Seltzer proposed the following actions: (1) “minimize the risks of error by confining the takedown remedy to the most easily identifiable and verifiable cases of infringement”; (2) defer content removal “until the poster has been notified and given an opportunity to respond”; and (3) “require greater diligence: declarations on penalty of perjury to match those required by the respondent, and perhaps even a bond against erroneous claims.” *Id.* at 229–30.

³¹¹ See Urban & Quilter, *supra* note 297, at 629.

³¹² See 17 U.S.C. § 512(g) (2006) (providing a safe harbor to those online service providers that restore materials within a period of 10–14 days if the complaining copyright holder does not initiate a lawsuit).

In fact, given the perverse incentives created when immunity clauses are coupled with the DMCA safe harbor, OSPs are “likely to always err on the side of caution and on the side of the complaining copyright holder.”³¹³ Thus, it may be useful for the government to include legislation that prohibits OSPs from using contracts to escape liability for their failure to put back materials that have been wrongfully taken down. It may also be useful to introduce a complaint-and-enforcement procedure to examine and respond to cases where the OSP fails to put back materials on a timely basis following the receipt of a counter notice.³¹⁴

³¹³ Urban & Quilter, *supra* note 297, at 638. As Professor Yen pointed out, The DMCA’s safe harbor scheme creates First Amendment problems in three ways. First, it ossifies and perpetuates ambiguities in existing law that encourage ISPs to indiscriminately remove material from the Internet. . . . Second, the DMCA’s safe harbor scheme increases the incentive for indiscriminate removal of material by protecting ISPs from actions by their subscribers. . . . Third, the DMCA’s safe harbor scheme exacerbates the effect of any mistaken action against speech by effectively circumventing the procedures that would normally protect a copyright defendant from unjustified curtailment of her free speech rights.

Yen, *Internet Service Provider Liability*, *supra* note 68, at 1888–89. To be certain, those OSPs that are willing to err on the side of the users may be able to use their resistance to overaggressive takedown notices or their refusal to turn over subscribers as consumer choice points to attract business. However, Urban and Quilter questioned how effective these choice points would be. As they pointed out, “the lack of public discussion of this issue suggests that consumers have little awareness of the issue or means to compare OSP behavior on this issue.” Urban & Quilter, *supra* note 297, at 687. In fact, those OSPs that are willing to put up resistance may fear that their actions, though appropriate, would ill-advisedly attract the wrong type of customers. See Seltzer, *supra* note 164, at 182 (“[A] provider might fear that offering takedown-resistant services would lead to adverse selection, concentrating in their subscriber base the knowing, intentional infringers since they would most anticipate needing such services and therefore be willing to pay.”).

³¹⁴ See YU, DIGITAL COPYRIGHT REFORM, *supra* note 17, at 7. Section 296ZE of the statute provides:

Where the application of any effective technological measure to a copyright work other than a computer program prevents a person from carrying out a permitted act in relation to that work then that person or a person being a representative of a class of persons prevented from carrying out a permitted act may issue a notice of complaint to the Secretary of State.

Copyright, Designs and Patents Act, 1988, c. 48, § 296ZE(2) (U.K.) (amended 2003). Drawing on this provision, Jacqueline Lipton proposed the introduction of a complaint and enforcement procedure that facilitates legitimate uses of copyrighted works that are “locked up” by copy-protection technologies. Jacqueline D. Lipton, *Solving the Digital Piracy Puzzle: Disaggregating Fair Use from the DMCA’s Anti-device Provisions*, 19 HARV. J.L. & TECH. 111 (2005). As she explained,

[O]ne of the indirect goals of the administrative procedure would be to assist in such private re-ordering of rights and interests. This would be achieved both by encouraging greater cooperation between right-holders and fair users in this way and by gradually establishing social norms with respect to fair use through the determination of complaints under the procedure. The identification and understanding of such norms would help private parties better determine their rights in the first instance without requiring assistance from the administrative agency or the courts. It would help copyright holders to know when they should grant appropriate levels of access to particular individuals, and it would assist those individuals in understanding if and when they had a valid claim to access and use a given work for a particular purpose.

Id. at 151.

D. What Complementary Measures Need To Be Introduced?

In addition to undertaking copyright law reforms, it is worth exploring whether introducing complementary measures would enhance the protection offered through these reforms. As I mentioned repeatedly, enforcement of intellectual property rights depends on the existence of an “enabling environment for effective intellectual property protection.”³¹⁵ While copyright laws, and the protections they grant, remain an important part of the system for providing incentives to copyright holders, the effectiveness of the system depends on how well the laws are enforced.

In fact, many of the factors affecting copyright protection and enforcement may be found *outside* the copyright system. For example, a well-functioning enforcement system depends on the existence of a consciousness of legal rights, respect for the rule of law, an effective and independent judiciary, a well-functioning innovation and competition system, basic infrastructure, established business practices, and a critical mass of local stakeholders. Thus, even if copyright reforms are undertaken, complementary measures may be necessary to enhance the protection of the interests of copyright holders.

Moreover, legal reform may not be responsive to rapid technological change. Because of the slow and lengthy deliberative process used by the legislature, outdated legislation that stifles creativity and innovation usually remains on the books even though technology has evolved. Thus, to address the unauthorized copying problem, copyright holders and policymakers need to explore policy options that meet the needs of consumers while taking into account both the evolving technological architectures and the Internet users’ changing social norms.³¹⁶

Finally, because of the importance of retaining a balance in the copyright system, the introduction of corresponding correction measures is sometimes needed when copyright protection has been ratcheted up to respond to new problems and challenges. After all, copyright law seeks to strike a balance between proprietary control and public access needs. Part IV.B already discussed the need for an expansion of the fair-dealing provisions in the Copyright Ordinance and some of the missed opportunities in the two earlier consultation exercises.³¹⁷ This section

³¹⁵ See Yu, *Intellectual Property, Economic Development*, *supra* note 20, at 213–16 (discussing the importance of an enabling environment for effective intellectual property protection).

³¹⁶ See Yu, *P2P and the Future*, *supra* note 2, at 764.

³¹⁷ See discussion *supra* Part IV.B.

highlights the need for complementary correction measures that are related to copyright protection, but technically fall outside the copyright regime.

To begin with, the HKSAR government should consider providing funding for universities and other relevant not-for-profit organizations to establish legal clinics to assist individual users to deal with copyright-related legal problems. In North America, organizations like the Electronic Frontier Foundation and legal clinics based in law schools offer free or low-cost legal assistance to those confronted with copyright-related problems.³¹⁸ These organizations have been particularly important as copyright protection continues to expand and as individuals increasingly have to deal with technology-related legal problems.

Unfortunately, similar institutions do not yet exist in Hong Kong. None of the law faculties in Hong Kong—the University of Hong Kong, the Chinese University of Hong Kong, or the City University of Hong Kong—has instituted any legal clinic that provides direct assistance with copyright lawsuits against Internet users. Thus, if copyright protection is to be strengthened and if individuals are likely to be subjected to potential complaints or lawsuits in the copyright area, the government should seriously consider offering free or low-cost legal assistance to individuals who cannot afford to hire copyright attorneys or who are unable to obtain effective copyright-related legal assistance from the Legal Aid Department.

In addition, the government may also want to explore whether it needs to support open-access initiatives and new and more flexible copyright-licensing regimes. Examples of these initiatives include open-access journals, the Creative Commons license, and other forms of open or collaborative networks. Although it is not part of the government's job to promote these initiatives, and it is indeed dangerous for the government to favor one form of copyright-licensing regime over another, it is important to

³¹⁸ As James Boyle described,

Thanks in large part to the leadership of Pamela Samuelson, there are law student clinics that do impact litigation on issues such as fair use and that represent underserved clients such as documentarians. But beyond academic work, there are organizations that have dedicated themselves to advocacy and to litigation around the themes of preservation of the public domain, defense of limitations and exceptions in copyright, and the protection of free speech from the effects of intellectual property regulation of both content and the communications infrastructure. The Electronic Frontier Foundation did exist ten years ago, but its cover of intellectual property issues was only episodic. Its portfolio of litigation and public education on the subject is now nothing short of remarkable. Public Knowledge's valuable lobbying and education is another obvious example. International organizations with similar aims include the Open Rights Group in the United Kingdom.

JAMES BOYLE, *THE PUBLIC DOMAIN: ENCLOSING THE COMMONS OF THE MIND* 243 (2008).

note that the promotion of some of these initiatives may considerably reduce government spending in education, research, and other areas. Because such promotion has a direct impact on taxes or the region's financial well-being, the government should take an active role in exploring these alternative options, especially when it does not need to take a position favoring one option over another.

Interestingly, a localized Creative Commons license was launched in Hong Kong on October 25, 2008, partly in response to ongoing copyright reform.³¹⁹ The launch made Hong Kong the fiftieth jurisdiction to adapt the license to the local legal environment.³²⁰ Such development fosters the development of an independent creative sector that helps reduce media concentration and provides diversity in copyrighted contents. The introduction of this ported license also provides an opportunity for policymakers to examine whether alternative copyright arrangement exists to ensure adequate protection of copyright holders while striking a more appropriate balance in the existing copyright system.

Copyright reform is no longer about a small group of stakeholders that can benefit from arcane, obscure, and technical regulations. It affects virtually anybody who utilizes the Internet and digital content. While the Hong Kong people are rather politically apathetic, especially in legislative matters, the recent push for greater fair-use rights and the development of a localized Creative Commons license seem to suggest that the consultation and legislative processes may have ignored the existence of a rapidly growing group of stakeholders. Given the considerable size of this increasingly politically active group and its continuing, rapid growth, the new laws are unlikely to be of great effectiveness until the drafters can take the interests of this group into consideration. If foreign laws are to be transplanted to Hong Kong soil, the interests of this group need to be taken seriously into account.

VI. CONCLUSION

The digital revolution has created significant challenges for copyright holders. Without the ability to recoup the time, effort, and resources expended in the creative process, many existing and future authors are likely to abandon the profession and choose more remunerative endeavors

³¹⁹ See Press Release, Creative Commons, Hong Kong Promotes Education, Creativity with Creative Commons' 50th Launch Event (Oct. 23, 2008), *available at* <http://creativecommons.org/press-releases/entry/10245>.

³²⁰ See *id.*

instead. Nevertheless, 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. Where possible, such protection should also not undermine the development of the information technology industry, future creators, user communities, journalists, libraries, archives, educational and research institutions, and other not-for-profit organizations.

Like many other jurisdictions, Hong Kong is busy developing solutions to respond to the copyright challenges created by the Internet and new communications technologies. Since December 2006, the HKSAR government has developed two consultation documents that laid out preliminary proposals to reform digital copyright laws in the region.³²¹ Although these documents have drawn on models developed in foreign countries and seek to transplant foreign laws on to Hong Kong soil, the documents also provide an opportunity for Hong Kong to develop a more robust, balanced, and well-functioning copyright system.

Such a system will ensure the full participation of consumers and end users in the digital revolution, thereby enabling them to benefit from the many new opportunities created by the Internet and new communications technologies. Through the use of these technologies, people can converse with others via e-mail and online chats, look up information in virtual libraries, increase their knowledge by taking distance-learning courses, publish commentaries on their own websites, and develop social communities in the virtual world.

A robust and forward-looking copyright system will also help Hong Kong earn appreciation and respect from other jurisdictions, which continue to struggle with massive unauthorized copying on the Internet. This is indeed the beauty of the two-way legal transplantation process, which provides opportunities for improvements, experiments, and new developments. Whether Hong Kong can set an example for others in the digital copyright area will ultimately depend on whether it has a vision of its digital future, whether it successfully exploits the available opportunities to implement this vision, and whether it takes into consideration both the models and lessons provided by other countries.

Legal transplants can cut both ways. If carefully selected and appropriately customized, they may provide time-tested models that help

³²¹ See FIRST CONSULTATION DOCUMENT, *supra* note 1; SECOND CONSULTATION DOCUMENT, *supra* note 10.

solve problems within the region. By contrast, if they are hastily adopted without careful evaluation and adaptation, they may be both ineffective and insensitive to local conditions. They may also stifle local development while upsetting the existing local tradition. They may even bring problems from abroad, making the situation worse than the problems they seek to address.

The consultation process on the digital copyright reform in Hong Kong, thus far, has introduced many different possible legal transplants. Some of these transplants, of course, are more desirable than the others. If Hong Kong policymakers are to better tailor the reform bill to local needs, interests, conditions, and priorities, they need to develop not only a more sophisticated understanding of strengths and weaknesses of these transplants, but also a greater appreciation of the legal transplantation process.