

CHAPTER SEVENTEEN

NEW HOPE FOR CONSUMERS OF
DIGITAL COPYRIGHT MATERIAL IN
HONG KONG

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INTRODUCTION

Articles 139 and 140 of the Basic Law of Hong Kong state that protection should be given to intellectual property rights in Hong Kong. It comes as no surprise then that Hong Kong has a suite of legislation dealing with each of the major intellectual property regimes, namely copyright, trade marks, patents and registered designs. The copyright regime is enshrined in the *Copyright Ordinance* (Cap 528) and like most other jurisdictions, registration is not a pre-requisite for obtaining copyright protection, nor are there any formalities that need to be complied with before copyright protection is afforded to a work in Hong Kong.

The *Copyright Ordinance* gives protection to a wide range of creative outputs including literary works (including computer programs), dramatic, musical and artistic works, sound recordings, films, broadcasts, published editions as well as rights in performances and moral rights.

Hong Kong is a member of the World Trade Organisation (WTO) and its intellectual property laws generally meet the requirements set out in the WTO Agreement on the Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPs).

CURRENT ANTI-CIRCUMVENTION PROVISIONS

Currently, the relevant section of the *Copyright Ordinance* that deals with anti-circumvention is section 273. However, a raft of changes were gazetted on 6 July 2007 although at the time of writing, the specific provisions dealing with anti-circumvention have not yet come into force. We shall return to these below.

The current section 273 imposes civil liability only. The section reads:

(1) This section applies where-

(a) copies of a copyright work are issued or made available to the public; or

(b) an unfixed performance is made available to the public or copies of a fixation of a performance are issued or made available to the public,

by or with the licence of the copyright owner, the performer or the person having fixation rights in relation to the performance, as may be appropriate, in any form which is copy-protected.

(2) The person issuing or making available the copies or the unfixed performance to the public has the same rights and remedies against a person who, knowing or having reason to believe that it will be used to make infringing copies or infringing fixations-

(a) makes, imports, exports, sells or lets for hire, offers or exposes for sale or hire, advertises for sale or hire, or possesses for the purpose of, in the course of, or in connection with, any trade or business, any device or means specifically designed or adapted to circumvent the form of copy-protection employed; or

(b) publishes information intended to enable or assist persons to circumvent that form of copy-protection,

as a copyright owner has in respect of an infringement of copyright.

(3) Further, the person issuing or making available the copies or the unfixed performance to the public has the same rights and remedies under section 109 (delivery up) in relation to any such device or means which a person has in his possession, custody or control with the intention that it should be used to make infringing copies of copyright works or infringing fixations of performances, as a copyright owner has in relation to an infringing copy.

(4) References in this section to copy-protection include any device or means specifically intended to prevent or restrict copying of a work or fixation of a performance or to impair the quality of copies or fixations made.

...

(6) It is immaterial for the purpose of subsection (2)(a) whether or not the trade or business consists of dealing in devices or means specifically designed or adapted to circumvent forms of copy-protection.

(7) In subsection (6), "dealing in" (經營) includes buying, selling, letting for hire, importing, exporting and distributing.¹

The current provision only covers devices or means specifically designed or adapted to circumvent a form of copy-protection employed, which includes any device or means specifically intended to prevent or restrict copying or to impair the quality of copies. The current provision is to be applauded for being quite narrow in that it deals only with those devices that prevent or restrict perfect copies from being made, and for only outlawing those devices or means specifically designed or adapted to circumvent a form of copy-protection employed.

Despite the narrowness of the provision, the current section 273 has however been read widely by the courts to favour the plaintiffs.

There have been two high profile cases with the same defendants. Lik Sang International was a defendant in both cases and it sold legitimate

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and infringing computer game related items through its website to customers from all over the world. The first of these cases is *Sony Computer Entertainment Inc v Lik Sang International Ltd*² where the defendant sold mod chips for Sony's PlayStation consoles which enabled the consoles to play, inter alia, infringing copies of PlayStation games. One of the hotly contested issues in this case was whether the device used by Sony is a copy-protection device as defined under the legislation. In cases involving similar mod chips in other jurisdictions such as Australia, the Sony device was established to be a device that enabled Sony to employ regional market segmentation with the result that a legally purchased game in a region such as Japan could not be played in a console purchased in Australia.³ Hence, the Sony device has been held to be an access control device.

At trial, the defendants conceded that Sony's device, namely the protection code in the discs which must be read by the consoles to enable play, is a means specifically intended to prevent or restrict copying of a work. The question then turned on the requirement of the legislation in section 273(2)(a) when it refers to any device or means specifically designed or adapted to circumvent the form of copy-protection employed. The defendants argued that Sony's device could not be a device which is specifically designed or adapted for circumvention purposes because it had innocent and legitimate uses such as enabling legitimately purchased copies from another region to be played on the consoles. The Court however held that the section did not require the use to be exclusive following the English case of *Sony Computer Entertainment Inc v Paul Owen & Others*⁴

In effect, the court held that as long as the device had at least one use that was an infringing use, then the device came within section 273. With respect, this interpretation is not entirely satisfactory as it renders the word "specifically" in the section to be redundant. If the intent of the

² See *Sony Computer Entertainment Inc v Lik Sang International Ltd* [2003] HKEC 521, High Court of the Hong Kong Special Administrative Region Court of First Instance, Action No 3583 of 2002.

³ It should be noted that the Australian High Court decision was decided subsequent to the Hong Kong cases: *Stevens v Kabushiki Kaisha Sony Computer Entertainment* (2005) 224 CLR 193.

⁴ Ch Div Case No HC01CO 5235, Jacob J.

legislature was that *any* device designed or adapted for circumvention purposes would be caught, whether used exclusively for circumvention purposes or not, then it would have omitted the word “specifically” from section 273(2)(a). Secondly, because of the regional coding purpose of the Sony device, there is no reason why the mod chip was not something specifically designed to enable players to fairly utilise games they have purchased in another region, and hence not “specifically designed or adapted for circumvention purposes.”

It is also unfortunate that the defendants conceded that Sony’s device was a means specifically intended to prevent copying. Given the regional market segmentation purposes of the Sony device, there would have been room to argue that it was not a means that Sony specifically employed to prevent copying.

The second case is *Nintendo Co Ltd v Lik Sang International Ltd*⁵ where the defendant sold Flash Linker, Flash Cards and Flash Discs which facilitated the copying of games contained in Nintendo’s Game Boy cartridges onto a computer and then onto a Flash card. Without a great deal of analysis, the court found that the device utilised by Nintendo was something specifically intended to restrict copying and that the defendants’ products were specifically designed or adapted to circumvent a form of copy protection.

On the requirement in section 273(2)(a), the court said that the question that should be asked is “what is the substantial purpose of these Flash products of the defendants and what made them such successful products which sell like hotcakes?”⁶ With respect, the requirement in section 273(2)(a) is whether the product was specifically designed or adapted to circumvent a form of copy protection, not the looser requirement of the “substantial” purpose of the product.

It would appear that although the current section 273 is narrowly worded, the courts have read the provision fairly widely. It could even be argued that the courts have effectively disregarded the wording of section 273(2)(a).

⁵ See *Nintendo v Lik Sang International Ltd* [2003] HKCFI 499, High Court of the Hong Kong Special Administrative Region Court of First Instance, Action No 3584 of 2002.

⁶ *Ibid*, [9]

2007 AMENDMENTS

The *Copyright (Amendment) Ordinance 2007* was gazetted on 6 July 2007 and it amended the *Copyright Ordinance* in a number of areas, including:

- the introduction of permanent criminal offence provisions relating to business end-user possession of computer programs, movies, television dramas and musical recordings
- the introduction of a new criminal offence relating to the copying and distribution of printed copyright works for the purpose of or in the course of trade.
- the introduction of criminal liability for company directors and partners in certain situations.
- the introduction of new civil offences relating to the circumvention of technological measures and new criminal offences relating to circumvention activities.
- the introduction of a new rental right for films and comic books.
- changes to provisions concerning parallel imports of copyright material, including provisions on criminal sanctions.
- changes to provisions on fair dealing for education and public administration purposes.

It should be noted that not all of these provisions have come into force, including the provisions on circumvention devices.

2007 AMENDMENTS ON CIRCUMVENTION PROVISIONS

The 2007 amendments repeal the current section 273 and replaces it with a new section 273 and the addition of sections 273A to 273H. The new section 273 sets out the various definitions and the subsequent sections provide for the substantive wrongs. For example, section 273A places a prohibition on the act of circumvention, section 273B provides

for the civil remedies against trafficking in circumvention devices or services and section 273C sets out the criminal remedies against such trafficking. Sections 273D, 273E and 273F provides for exceptions to sections 273A, 273B and 273C respectively. Section 273H enables further exceptions to be recognized.

The new section 273 warrants a close examination.

(1) In sections 273A to 273H, “circumvent” (規避), in relation to an effective technological measure which has been applied in relation to a copyright work—

(a) where the use of the work is controlled through the measure by the copyright owner of the work, means to circumvent the measure without the authority of the copyright owner;

(b) where the use of the work is controlled through the measure by an exclusive licensee of the copyright owner of the work, means to circumvent the measure without the authority of the exclusive licensee; or

(c) where the use of the work is controlled through the measure by any other person who, with the licence of the copyright owner of the copyright work—

(i) issues to the public copies of the work;

(ii) makes available to the public copies of the work; or

(iii) broadcasts the work, or includes the work in a cable programme service,

means to circumvent the measure without the authority of that other person.

(2) For the purposes of this section and sections 273A to 273H, where a technological measure has been applied in relation to a copyright work, the measure is referred to as an effective technological measure if the use of the work is controlled by any person referred to in subsection (1)(a), (b) or (c) through—

- (a) an access control or protection process (including the encryption, scrambling and any other transformation of the work) which achieves the intended protection of the work in the normal course of its operation; or
 - (b) a copy control mechanism which achieves the intended protection of the work in the normal course of its operation.
- (3) In subsection (2)—
- (a) “technological measure” (科技措施) means any technology, device, component or means which is designed, in the normal course of its operation, to protect any description of copyright work;
 - (b) the reference to protection of a copyright work is to the prevention or restriction of acts which are done without the licence of the copyright owner of the work and are restricted by the copyright in the work;
 - (c) the reference to use of a copyright work does not extend to any use of the work which is outside the scope of the acts restricted by the copyright in the work.”.

The new section 273 is to be applauded for its clarity and the fair balance struck between the interests of copyright owners and the interests of consumers. Unlike its predecessor, the new section 273 in subsection (2) distinguishes clearly between access control devices and protection processes such as passwords and copy control mechanisms. Importantly however, subsection (3) places the caveat that for something to be recognised as a technological measure, it must be something which is designed, in the normal course of its operation, to protect any description of copyright work, and that this notion of protection is limited to those acts which a copyright owner can give a licence for. Subsection (3)(c) makes it very clear that reference to “use of a copyright work” is limited to those acts restricted by the copyright in the work.

It is arguable that the spirit of the new section 273 would mean the devices used by Sony in its playstation consoles do not satisfy the criteria

of a technological measure because of the regional coding function. Whilst subsection (2)(a) specifically refers to access control mechanisms which at first glance the Sony device would meet, a close examination of subsection (3) would render the Sony device to be one that restricts acts beyond that which Sony has the right to control as a copyright owner, namely, the Sony device achieves geographic market segmentation, and hence it would not be considered a technological measure under section 273.

A strict reading of the new provision also seems to find favour for consumers in terms of the preservation of the ability to exercise fair dealing. It could be argued that the combination of subsections (2) and (3) means that devices which for example prevent copying of text in toto may not fit within the criteria of a technological measure. A strict reading of subsections (2) and (3) could mean for example, that a student who under section 38 wishes to copy 5% of a work for research or study purposes may argue that the mechanism that prevents her e-book from allowing her to copy is not a technological measure because under subsection (3)(b), the act of copying that small amount for a fair dealing purpose is not an act which requires a licence from the copyright owner. The same student could also argue that “the use of the work” in subsection (2) is qualified in subsection (3)(c) to explicitly not extend to any use of the work which is outside the scope of the acts restricted by the copyright in the work and since the exercise of fair dealing is a use permitted by copyright law, the mechanism in her e-book is in effect controlling use of the work outside the scope of the acts restricted by the copyright in the work, and hence is not a technological measure.

The new definition of “access control technological protection measure” in the Hong Kong legislation is to be commended for being considerably narrower in coverage than similar provisions in other jurisdictions. The Hong Kong legislation requires a direct link to the prevention of copyright infringement whereas the Australian legislation, which is the most recently adopted on this topic in the Asia-Pacific region, provides much broader coverage than Hong Kong, in that section 10(1) of the Australian *Copyright Act* defines “access control technological protection measure” to include any access control technology that a right holder has “used ... in connection with the exercise of the copyright.”

THE ROAD AHEAD

The courts of many countries have grappled with the novelty of digital media and the protection of copyright material in the new media. The novelty of devices used by copyright owners has been tested in the courts against legislation which have been enacted only over the past ten years or less. Some of these cases has brought about decisions which consumers may not be satisfied with but there is hope that the second round of legislation on technological protection measures and anti-circumvention devices will bring some long-awaited balance.