

30 November 2022

New Copyright Protections Promised for Artists and their Work in Hong Kong

Introduction

In Hong Kong, the primary legal framework that protects intellectual property in artwork is the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) ("**Cap 528**"). Cap 528 protects all original works of authorship including literary, dramatic, musical, and artistic works. "Artistic works" comprise all graphic works (paintings, drawings, diagrams, maps, charts, plans, engravings, etchings, lithographs, and woodcuts), photographs, sculptures, collages, buildings and architectural models, as well as works of artistic craftsmanship (e.g. jewelry).

Cap 528 came into force on 27 June 1997 and has not been amended since. Unsurprisingly, it has not kept pace with rapid advancements in digital technology that have become commonplace over the past 15-20 years. In particular, it has been obvious for some time that Cap 528 needs to be updated to protect copyright holders (esp. artists, collectors and their authorised licensees) from digital piracy while affording those who rely on copyrighted materials the freedom to operate within established international norms.

Unfortunately, the Hong Kong government's first efforts to update Cap 528 (first in 2011 and again in 2014) stalled. Then in late 2021, a public consultation exercise was launched, resulting in a refreshed version of the 2014 bill finally being gazetted in May 2022 as the Copyright (Amendment) Bill 2022 (the "**Bill**") where it is currently under review by Hong Kong's Legislative Council. The Bill is widely expected to pass into law before the end of the year.

Given that artists, copyright users and their lawyers will soon be relying on a 'new & improved version' of Cap 528, now is a good time to consider how copyright protections for artwork will change once the Bill becomes law.

1. Overview of the Bill

The Bill introduces a host of incremental changes to Hong Kong's existing copyright protections as well as the following key changes:

- new 'safe harbour' provisions for certain online copyright infringements;
- new statutory factors for determining additional damages in copyright infringement lawsuits;
- revised and expanded scope of copyright exceptions;
- new right that allow owners to communicate their works through any mode of electronic transmission;
- criminal sanctions for unauthorised communication of copyright protected works.

Let's break these down and explain how they will change the playing field in Hong Kong.

2. Safe Harbour Provisions

Currently, all online service providers ("**OSPs**") in Hong Kong are potentially liable for any copyright infringements that occur on their online systems. This serves as disincentive for them to host a wide range of

user content out of fears that some of it may later be found to infringe a copyright holder's rights.

To address this, the Bill introduces new safe harbour provisions (in new Sections 88A to 88J) which potentially exempt OSPs from liability for such infringements provided that it can be shown that:

1. the OSP took reasonable steps to stop the infringement as soon as practicable after becoming aware of the infringement or circumstances that would lead inevitably to the conclusion that an infringement had occurred;
2. the OSP is not benefiting financially from the infringement;
3. the OSP facilitates efforts by copyright owners to identify or protect their artwork; and
4. the OSP has engaged an agent to receive and follow up on notices of alleged infringement and the agent's name and contact details are available on OSP's network or system.

The safe harbour enabling provisions include procedures for sending infringement notices to OSPs, the various steps that OSPs must take after becoming aware of an infringement, a takedown mechanism as well as counter-notice procedures that alleged infringers must follow to challenge an alleged infringement complaint.

The rationale for offering OSPs a safe harbour is to incentivise them to host content and cooperate with copyright owners in combating online piracy under a reasonable level of protection. Arguably, this achieves a fair balance between the legitimate interests of copyright owners, protecting the rights of OSPs, and society's desire to have meritorious artistic material disseminated.

Accordingly, once the Bill comes into force, the Hong Kong Communications Authority or another government agency can introduce voluntary guidelines or a code of practice for OSPs to follow to ensure compliance. OSPs will still need to monitor their systems and actively seek out infringing activity, but if it's found that a user has posted artwork on the system in violation of an artist's copyright, the OSP will not be liable for damages on a strict liability basis – as they are currently – provided that appropriate precautions were in place and necessary steps are taken to stop the infringement thereafter.

The safe harbour provisions will foster a less restrictive online environment in Hong Kong and encourage more users to post and share artwork without diminishing the legitimate rights of artists and other copyright holders.

3. New Statutory Factors for Determining Additional Damages

Cap 528 already provides that in any copyright dispute, the court is entitled to consider all relevant circumstances in awarding additional damages for copyright infringement. Accordingly, courts may take into account any financial windfall the defendant obtained from infringing a copyright, as well as egregious conduct.

However, once the Bill becomes law, the Court will be entitled to take into account two additional factors, namely any unreasonable conduct on the part of the defendant after the infringement occurred as well as the likelihood of infringing copies being circulated as a result of the infringement, thereby compounding the transgression. In the past, these factors have occasionally been cited as exacerbating factors in infringement cases but the principle of compensatory damages has been inconsistently applied so it is preferable to enshrine the principle in legislation to ensure uniformly fair outcomes.

The availability of damages for such wrongdoings is welcome and long overdue. Infringers often refuse, for weeks (or months), to comply with cease and desist letters sent on behalf of copyright owners and their refusal typically results in copyright owners being deprived of income they are rightfully entitled to. Most infringers are deterred by the threat of having to pay additional damages but for those who simply continue the infringement, it is only right that they pay for their flagrant misconduct.

4. Revised and Expanded Copyright Exceptions

The Bill aims to revise the existing scope of exceptions to copyright protection and add to Cap 528's list of existing 'fair dealing' exceptions. Artists regard these as the Bill's most controversial changes.

To put that into context, readers must understand that although copyright is a potent property right for promoting creativity and innovation, the protection it affords has always been subject to limits. Every free society places importance on allowing fair access to and uses of copyrighted works by others, both to allow freedom of expression as well as the dissemination and advancement of knowledge. And, in fact, Cap 528 currently contains over 60 permitted acts which can be done to copyrighted works – without the rightsholder's permission – but which do not constitute infringement.

How these exceptions function, in principle, is that if certain criteria are met, artwork and other copyrighted material can be lawfully used without permission because such uses are expressly permitted by Cap 528.

The first category of exceptions that the Bill introduces is for:

- artwork and other works incorporated in instructional material (for use in schools);
- works which are handled for curation or storage purposes within libraries, museums and media archives;
- artwork that is essentially copied and saved by OSPs as part of their legitimate data-caching functions;
- sonic artwork that is transferred from one digital medium to another (i.e.: so-called 'media shifting').

The second category concerns exceptions known as fair dealing. In practice, fair dealing essentially serves as a defense to an allegation of copyright infringement and is frequently cited in the context of appropriation art. Appropriation art, the practice of using pre-existing copyrighted images or elements in a new work while making few alterations, is controversial but common in countries with liberal fair dealing provisions.

Hong Kong's current fair dealing exceptions afford only a few circumstances under which a person in Hong Kong can lawfully produce a new work of art (of any kind) derived from an existing piece of copyrighted artwork and none of Cap 528's fair dealing exceptions would safely permit an artist in Hong Kong to commercially produce appropriation art. Any derivative work that is not covered will be an infringement on the rights of the copyright holder.

However, the doctrine of fair dealing (or 'fair use') applied in most Western countries permits derivative artwork produced for satire, for caricature and as a parody of the original. None of these are exact duplications of the original; in all of these instances, the second artist seeks to preserve some element of the original copyrighted work to express a point of view. All liberal societies value such ingenuity.

Liberal societies also value critique so Section 39 of the Bill also introduces fair dealing exceptions that allow copyrighted artwork to be used for commentary on current events.

For each of the above exceptions, a non-exhaustive list of factors are set out in the Bill to aid courts in determining whether or not a user's acts vis-à-vis the copyright artwork is fair way of dealing with the original and hence, s/he is entitled to rely on fair dealing as a defense. Those factors are:

- (i) the purpose and nature of the dealing;
- (ii) the nature of the work;
- (iii) the amount and substantiality of the portion dealt with in relation to the work as a whole; and
- (iv) the effect of the user's dealing on the potential market for, or value of, the work.

By liberalising how artwork can be used, the Bill will make it easier for libraries, schools, museums, archives and OSPs to function and allow artists and critics to seek inspiration from existing artworks.

Users of copyrighted artwork will need to satisfy themselves that their intended use of the original work meets all of the criteria to be fair dealing. If not, such use will be infringement and the copyright holder will be entitled to damages for any losses s/he has incurred due to the infringement. Ultimately, many disputes over whether or not these users have dealt fairly with their source material will be decided by judges.

5. New Right of Communication to the Public & Criminal Sanctions for Unauthorised Communication

Cap 528 currently gives artists and other copyright holders certain exclusive rights, including the right to make their artwork available to the public via “broadcasting” or “cable programming”. However, advancements in technology and proliferation of the internet have made it easier than ever to share content (including copyright-protected artwork) of all kinds among large groups of people almost instantaneously and in digital media formats that were not even contemplated in 1997.

Nowadays, any internet user can upload copyrighted artwork on a peer-to-peer network as digital files or can share a simple hyperlink to that work (or a digital representation of it). If that link goes viral, thousands or millions of people will be able to view it without the lawful rights holder consenting or even being made aware. In its current form, Cap 528 offers scant protection to copyright holders from such infringement, let alone infringement due to sharing artwork on future modes of electronic transmission.

To close these legal loopholes, Section 28A of the Bill replaces several outdated Cap 528 provisions with a new right of ‘communication to the public’, exclusively for copyright owners/holders, that applies universally regardless of whichever technology or electronic medium is used to propagate the work.

Once again, the Hong Kong government is aiming to strike a balance between the public interest and the legitimate rights of copyright holders. Introducing this new right of communication to the public gives copyright holders additional protection from unauthorised exploitation of their work while still allowing art aficionados, OSPs and internet users in general to access it provided they obtain the rightsholder’s permission.

In terms of remedies, the Bill makes a clear distinction between innocent OSPs and file sharers on the one hand, and those who operate systems that have been specifically designed to circumvent restrictions or otherwise provide access to copyrighted works without the artist’s permission. Against the latter, the Bill gives artists a range of remedies to choose from (see below) whereas innocent parties can rely on safe harbour provisions in Section 28A(4) to (6) to exempt them from liability.

In addition to civil remedies that copyright holders can use to enforce their rights, this new communication right is backed up by criminal sanctions. If convicted, enterprises and individuals who are caught engaging in unauthorised communications that result in copyrights being infringed on a for-profit basis – or simply on a scale that significantly deprives copyright holders of their right to exploit their works – will receive fines of up to HKD50,000 and a maximum penalty of 4 years in prison.

6. Conclusion

The Bill is long overdue and in line with both Hong Kong's international IP treaty obligations and China's 14th National Five-Year Economic and Social Development Plan for Hong Kong to develop into a regional IP trading hub. Nevertheless, it represents nothing short of a major revamp of Hong Kong's copyright legal framework for artwork of all kinds and addresses the many gaps that have arisen due to advancements in technology since Cap 528 was promulgated.

There is no concrete timeline for the Bill's passage into law but when it does, its impact will be wide-ranging both in terms of greater certainty about the rights and obligations of copyright holders and users, and in terms of its flexibility in dealing with copyright infringement of artwork in Hong Kong's diverse digital ecosystem.

This document is delivered for informative purposes only.
It does not constitute a reference for agreements and/or commitments of any nature.
For any further clarification or research please contact:

Davide De Rosa
Managing Partner
Hong Kong office
Corporate/M&A

Hong Kong
+852 21563490
dderosa@gop.it

Massimo Sterpi
Partner

Intellectual Property, TMT and
Cybersecurity
Rome
+39 06 478751
msterpi@gop.it

Richard Grams
Counsel

Corporate/M&A

Hong Kong
+852 21563490
rgrams@gop.it



INFORMATION PURSUANT TO ARTICLE 13 OF EU REGULATION NO. 2016/679 (Data Protection Code)

The law firm Gianni & Origoni, (hereafter "the Firm") only processes personal data that is freely provided during the course of professional relations or meetings, events, workshops, etc., which are also processed for informative/divulgateion purposes. This newsletter is sent exclusively to those subjects who have expressed an interest in receiving information about the Firm's activities. If it has been sent you by mistake, or should you have decided that you are no longer interested in receiving the above information, you may request that no further information be sent to you by sending an email to: relazioniesterne@gop.it. The personal data processor is the Firm Gianni & Origoni, whose administrative headquarters are located in Rome, at Via delle Quattro Fontane 20.