

**Tripartite Forum for Drawing up  
a Code of Practice for Online Service Providers in  
Protecting Copyright in the Digital Environment**

**Analysis of Possible Cooperative Items**

**PURPOSE**

This paper gives an analysis of the merits and drawbacks of four possible cooperative items, namely (a) the Notice and Notice system, (b) the Notice and Takedown system, (c) the “three strikes” system and (d) filtering technology.

**BACKGROUND**

2. We have outlined, in TF Paper No.3/2008<sup>1</sup>, the measures adopted in several overseas jurisdictions in encouraging online service providers (OSPs) to take an active role in combating internet infringements. The above-mentioned cooperative items were identified therein for further research and consideration.

3. An analysis of the relative merits of the various cooperative items has been attempted in the ensuing paragraphs. Since the cooperative items do not exist in a vacuum, each of them should be assessed with regard to its unique local circumstances, including the legislative regime of the jurisdiction in which they are used, the need to protect its local creative industries and public concerns etc. Members are invited to make reference to TF Paper No.4/2008<sup>2</sup> for background information regarding the overseas jurisdictions being examined.

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<sup>1</sup> “Role of Online Service Providers in combating online infringements – experience and practices in overseas jurisdictions”, TF Paper No. 3/2008, 16 July 2008.

<sup>2</sup> “Further information on overseas experience and practices regarding the role of online service providers in combating online infringements”, TF Paper No. 4/2008, 13 August 2008.

## **ANALYSIS OF THE COOPERATIVE ITEMS**

### *(a) Warning plus record keeping/Notice and Notice system*

4. The system was introduced into the House of Commons, Canada wide Bill C-61<sup>3</sup>. Under the system, certain types of OSPs<sup>4</sup> are required to forward to their subscribers, on being paid any fee that it has lawfully charged for doing so, allegations of infringement that they receive from the right holders<sup>5</sup>. They are also required to keep a record containing the information that will allow the alleged infringer to be identified in any court proceedings for a specified period of time<sup>6</sup>.

5. The system is considered to be less abusive (relative to the “Notice and Takedown system” discussed below)<sup>7</sup> and affords better protection to user privacy<sup>8</sup>. Under the system, OSPs who receive a notice of claimed infringement (“the notice”) are only required to forward the notice to the alleged infringers, but they are not obliged to pass along their subscribers’ personal information to the righter holders. As regards the requirement to retain records, it is only for a specified purpose, namely, to allow the alleged infringer to be identified in any court proceedings.

6. Moreover, the system is considered to be cost-effective. Right holders and OSPs in Canada have been using the system voluntarily<sup>9</sup> prior to the introduction of the Bill and there appears to be a growing use of it<sup>10</sup>. According to some reports, many subscribers are found to be removing the infringing content voluntarily upon receiving the notice<sup>11</sup>. Furthermore, the Canadian Government mentioned in its website that a number of copyright owners in Canada who have used the

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<sup>3</sup> The Bill could be viewed at:

<http://www2.parl.gc.ca/HousePublications/Publication.aspx?Docid=3570473&file=4>.

<sup>4</sup> They are the providers of network services, hosting services and information location tools.

<sup>5</sup> Please see sections 41.25 to 41.26 of clause 31 of the Bill for details.

<sup>6</sup> Please see section 41.26(b) of clause 31 of the Bill for details.

<sup>7</sup> “ISP Liability and Bill C-60”, available at: [www.onlinerights.ca/learn/isp\\_liability\\_and\\_bill\\_c-60/](http://www.onlinerights.ca/learn/isp_liability_and_bill_c-60/).

<sup>8</sup> “The Effectiveness of Notice and Notice”, available at:

<http://www.michaelgeist.ca/content/view/1705/125/>.

<sup>9</sup> “Internet Service Providers: Copyright Liability”, available at:

<http://www.ic.gc.ca/epic/site/crp-prda.nsf/en/rp01164e.html>.

<sup>10</sup> See n.8.

<sup>11</sup> Ibid.

system generally expressed satisfaction with the effectiveness of the system<sup>12</sup>.

7. Critics of the system, however, considered the system failed to make provisions for the timely removal of infringing content and for dealing with repeat infringers. Some criticised that the system required OSPs to send out notices and to retain their subscribers' internet records based on bare allegations of copyright infringement<sup>13</sup>. There were also criticisms about the absence of ways to punish those who abuse the system<sup>14</sup> and the lack of proper venues for subscribers to respond to wrongful or spurious notices<sup>15</sup>.

*(b) Removal of infringing materials / Notice and Takedown system*

8. The "Notice and Takedown" system was first introduced in the US<sup>16</sup> and was subsequently adopted by other overseas jurisdictions such as Australia and Singapore. The system is applicable to OSPs providing system caching, information storage and information local tool service. In brief, the system is initiated by a copyright owner sending a notice ("the Takedown Notice") to the OSP concerned identifying the material that is claimed to be infringing. The OSP then proceeds to take down the material identified and notifies the alleged infringer who makes available the material. The alleged infringer could file a counter-notice to the OSP if he opposes the infringement claim. Upon receipt of the claim, the OSP is required to reinstate the material unless the copyright owner initiates an action in court against the alleged infringer in the meantime. By complying with the system, the OSP is exempted from monetary liability for copyright infringement claims.

9. Proponents of the system noted that, since the removal of material is done by an OSP instead of the user, it is the quickest and most effective way of ensuring that infringing materials do not remain publicly

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<sup>12</sup> "Question and Answers: Amendments to the Copyright Act", available at: [http://www.ic.gc.ca/epic/site/crp-prda.nsf/en/h\\_rp01153e.html](http://www.ic.gc.ca/epic/site/crp-prda.nsf/en/h_rp01153e.html).

<sup>13</sup> See n.7.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Section 512 of the Copyright Act : Limitations on liability relating to material online is available at <http://www.copyright.gov/title17/92chap5.html#512>.

available any longer than necessary<sup>17</sup>. This can avoid the problem that the user may intentionally refuse to respond quickly and thereby magnifies the damage caused<sup>18</sup>.

10. Opponents of the system expressed worry about the “chilling effect”<sup>19</sup> that the system may have on freedom of expression. Since copyright law is a complex, nuanced and fact-specific body of legal rules<sup>20</sup>, a lay person may not have the requisite legal knowledge to distinguish between materials that are infringing and that are not<sup>21</sup>, or to ascertain the ownership of the copyright works<sup>22</sup>. Consequently, users may lack the incentive to send counter-notice to the OSPs requesting the restoration of the material being taken down. Some critics commented that the system effectively acts to censor speech and free flow of information on the basis of a mere claim of infringement by a private party<sup>23</sup>.

11. Another problem of the system is that it is subject to abuse. Since the system is so effective in removing the target material<sup>24</sup>, senders may include in the Takedown Notice claims other than copyright claims, such as those on unfair competition or trademark infringement, to enforce privately-determined rights<sup>25</sup>. For example, a trader may send a Takedown Notice seeking to de-list its competitors in the search engine, or to remove an authorized seller from the information location tools. Moreover, there were observations that certain copyright owners would try to incriminate users by sending out a large bulk of Takedown Notices

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<sup>17</sup> Richard Clayton, *Judge & Jury? How “Notice and Take Down” gives ISPs an unwanted role in applying the Law to the internet*, Whitepaper: Notice and Take Down, 26 July 2000, available at [http://www.cl.cam.ac.uk/~rnc1/Judge\\_and\\_Jury.pdf](http://www.cl.cam.ac.uk/~rnc1/Judge_and_Jury.pdf).

<sup>18</sup> Ibid.

<sup>19</sup> Jennifer M. Urban & Laura Quilter, *Efficient Process or “Chilling Effects”? Takedown Notices under Section 512 of the Digital Millennium Copyright Act*, p. 667-673, available at <http://lquilter.net/pubs/UrbanQuilter-2006-DMCA512.pdf>.

<sup>20</sup> Ibid, p. 681.

<sup>21</sup> For example, it is difficult for a lay person to distinguish between non-copyrightable facts and other copyrightable materials. In 2002, Wal-Mart sent a letter requesting that the price information be deleted from posts to its “Hot Deals” section. The requests raised eyebrows in the legal community because Wal-Mart claimed copyright on a compilation of facts, an approach the US Supreme Court rejected in the 1991 *Feist v. Rural Telephone Service case*. Please see Declan McCullagh, *Wal-Mart backs away from DMCA claim*, 5 December 2002, available at <http://news.cnet.com/2100-1023-976296.html>.

<sup>22</sup> For example, the subject of a photograph may erroneously believe he/she is the owner of the copyright of a photograph. See also n. 19, p. 667-673.

<sup>23</sup> See n. 17.

<sup>24</sup> See n. 19, p. 684.

<sup>25</sup> Ibid, p. 678-679.

to OSPs wishing to create a “record” of repeat infringements against these users<sup>26</sup>.

12. Some OSPs complained about the compliance costs involved in implementing the system. While copyright owners might adopt an automated process to send out substantial amount of Takedown Notices to the OSPs<sup>27</sup>, the latter would have to incur substantial compliance costs to track and see if the infringing material did reside on their networks<sup>28</sup>.

13. Lastly, the system is unable to deal with infringements using Peer-to-Peer (P2P) technology. At the time when the system was first introduced in the US, P2P technology was unknown to the US Congress. Given that the transmission method of P2P technology does not normally require a centralized index or service, the only role played by the OSP is the provision of connection to the internet. As a result, the system is of no application in regard to infringing activities conducted over P2P platforms.

*(c) The “three strikes” system*

14. The system aims to take a progressive and incremental approach in dealing with online infringements. While the system may take various forms, the most representative one is the French model under the “Creation and Internet” Bill<sup>29</sup> (the Bill). Following the signature of the Elysee Agreement<sup>30</sup> in November 2007, the French Government introduced the Bill into the French Parliament in June 2008 with a view to institutionalising the “three strikes system”. The Bill provides, amongst others, that an independent administrative authority known as

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<sup>26</sup> Ibid.

<sup>27</sup> In 2002, Pacific Bell Internet Services and its affiliates were given more than 16,700 DMCA notices by Recording Industry Association of America. Please see *Unsafe Harbors: Abusive DMCA Subpoenas and Takedown Demands*, The Electronic Frontier Foundation, available at <http://www.eff.org/wp/unsafe-harbors-abusive-dmca-subpoenas-and-takedown-demands>

<sup>28</sup> Jacob Varghese, *Guide to copyright and patent law changes in the US Free Trade Agreement Implementation Bill 2004*, 3 August 2004, available at <http://www.aph.gov.au/library/pubs/CIB/2004-05/05cib03.pdf>

<sup>29</sup> The English translation of the Bill can be viewed at the website of French Ministry of Culture and Communication at [http://www.culture.gouv.fr/culture/actualites/conferen/albanel/creainter\\_english.pdf](http://www.culture.gouv.fr/culture/actualites/conferen/albanel/creainter_english.pdf).

<sup>30</sup> The Elysee Agreement was signed by certain technical service providers and more than 40 film, music and audiovisual companies or bodies, under the supervision of the French Government. An official English translation of the Agreement can be viewed at [http://www.culture.gouv.fr/culture/actualites/dossiers/internet-creation08/Accords\\_%20Version\\_anglaise.pdf](http://www.culture.gouv.fr/culture/actualites/dossiers/internet-creation08/Accords_%20Version_anglaise.pdf).

the High Authority for the Distribution of Works and the Protection of Rights on the Internet (the “High Authority”) should be established to oversee the protection of copyright works from infringement committed on electronic communication networks.

15. The High Authority shall consist of a Commission for the Protection of Rights (the “Commission”)<sup>31</sup> which is responsible for carrying out the measures under the “three strikes” system<sup>32</sup>. In short, the Commission may, on receipt of facts that may constitute a breach of copyright, send to the subscriber by electronic means a recommendation reminding the subscriber of his obligation to respect copyright and warning the subscriber of the sanctions incurred in case of the breach reoccurring. In case of reoccurrence of facts which may constitute a breach of copyright within 6 months from the first recommendation, the Commission may send a second recommendation by electronic means, by registered letter or such other means to ensure the receipt of the recommendation by the subscriber.<sup>33</sup>

16. If, within one year subsequent to the receipt of the recommendation sent by the Commission<sup>34</sup>, it is established that the subscriber has repeatedly disregarded his obligation to respect copyright, the Commission may, after adversarial proceedings<sup>35</sup>, order the suspension of access to the Internet for a period from three months up to one year accompanied with a ban to contract with another service provider during the same period of suspension. The decision of the Commission may be subject to appeal to legal jurisdictions and may be overturned.<sup>36</sup>

17. The High Authority will establish a national register of persons whose access to the Internet has been suspended. When concluding any new contract for the provision of service, the service

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<sup>31</sup> Article L 331-14 of the Bill.

<sup>32</sup> Article L 331-16 of the Bill.

<sup>33</sup> Article L 331-24 of the Bill.

<sup>34</sup> It is not entirely clear from the translation of the Bill that the “recommendation” referred hereto means the first or the second recommendation. However, since the wording seems to emphasize “receipt of the recommendation”, it appears more likely that it should refer to the second recommendation which is required to be sent by registered letter or other appropriate means to ensure receipt by the subscriber.

<sup>35</sup> The Bill has not provided further details as to how the adversarial proceedings are to be conducted.

<sup>36</sup> Article L 331-25 of the Bill. The Bill has not provided further details relating to the appeal procedure, apart from mentioning that a decree shall determine the competent jurisdiction to hear the appeal.

provider shall verify whether the name of the customer appears on the register. If the service provider does not adhere to this obligation to consult the register or if the service provider concludes a contract with a customer whose name appears on the register, the Commission may, after adversarial proceedings<sup>37</sup>, impose a penalty of a maximum of 5,000 euros for each breach. The above penalty imposed on the service provider is subject to appeal to legal jurisdictions and may be overturned.<sup>38</sup>

18. Proponents of the system submitted that the proposal takes a preventive and educational approach which is more effective than pure punitive measures. Some recent research carried out in the UK shows that 70% of Internet users would stop downloading on receiving an initial warning message and 90% on receiving a second one<sup>39</sup>. Another survey carried out in France in May 2008 also shows that a similar measure has a comparable preventive effect on French Internet users with 90% of them stating that they would stop downloading illegally after receiving two warning messages. The Bill also allows the High Authority to offer the subscriber, by way of settlement accepted of his own accord, a suspension of Internet access of a shorter time period. This helps promote compliance with copyright law and highlights the educational side of the system.

19. The progressive nature of the system also ensures that the type of measures to be taken is commensurate with the severity of the conduct of infringement. While an initial wrongdoing would only give rise to a warning message, repeated infringement will lead to more serious penalty such as suspension of Internet access. In this way, many considered the system a better venue to address the problem of infringements by “domestic users”, rather than resorting to civil claims and criminal enforcement.

20. There were however concerns as to whether suspension of internet access would infringe civil liberties and human rights. Interestingly, before the Bill was submitted to the French Parliament, the European Parliament adopted a resolution on 10 April 2008 on cultural

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<sup>37</sup> See Note 36.

<sup>38</sup> Article L 331-31 of the Bill. Same as Article L331-25 and L 331-29, it is only mentioned that a decree shall determine the competent jurisdiction to hear the appeal. There are no further details as to the appeal procedure.

<sup>39</sup> Please refer to the Explanatory Memorandum of the Bill at <http://www.culture.gouv.fr/culture/actualites/conferen/albanel/creainterenglish.pdf>.

industries in Europe (2007/2153(INI))<sup>40</sup>. Paragraph 23 of the resolution was amended to read:

*Calls on the Commission and the Member States to recognise that the Internet is a vast platform for cultural expression, access to knowledge, and democratic participation in European creativity, bringing generations together through the information society; calls on the Commission and the Member States, to avoid adopting measures conflicting with civil liberties and human rights and with the principles of proportionality, effectiveness and dissuasiveness, such as the interruption of Internet access.*

21. The effect of the resolution should not be over-stated as it was not binding on the member states and the amendment was adopted only by a narrow margin<sup>41</sup>. Nonetheless, it represents an opposing view to the French model on the ground that daily activities of the public are increasingly linked with the digitally networked environment. It is arguable whether the penalty of suspension of network access is disproportional to infringement of copyright, especially those without commercial gain.

22. There were also queries as regards who should bear the cost of implementing the system. It is estimated that the implementation of the system by the High Authority would involve an annual budget of 15 million euros. Many did not favour the idea of having the Government or the OSPs to pay because in either case, innocent internet users who do not infringe copyright were to suffer by having to pay more to the Government (in the form of tax) or the OSPs (in the form of subscription fees).

23. Lastly, the system may not be as simple and straight-forward as it seems. As in the French model, the system provides, at various stages, redress through adversarial proceedings or appeal procedures if the party concerned is discontented with the decision of the High Authority. While the existence of these feedback mechanisms would certainly help guarantee fairness of the whole system, the

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<sup>40</sup> Resolution adopted on 10 April 2008 at <http://www.europarl.europa.eu/oeil/file.jsp?id=5498632>.

<sup>41</sup> 314 voted in favour of the amendment and 297 voted against.



adversarial/judicial proceedings will take time and parties may have to incur substantial legal costs.

*(d) Filtering technology*

24. Filtering technology is receiving increasing attention in the global arena as a possible technical solution to combating online infringements. The technology is proposed to be adopted, or is being tried out, in jurisdictions like France<sup>42</sup> and the US<sup>43</sup>. Technically, filtering technology could take many forms, such as URL blocking, IP address blocking, port blocking, protocol blocking, content filtering etc.

25. Insofar as content filtering (also known as content recognition) is concerned, the technology involves a two-stage process: (a) identifying the types of files being communicated, and (b) matching the files with a database of fingerprints/watermarks. In other words, the technology operates by taking “snap-shots” of online traffic and matching these with the fingerprints of certain copyright works to determine whether the materials being transmitted are infringing or not. Some technical experts advised that the use of the technology by internet access service providers would not cause any significant delay to online traffic because the “snap-shots” are taken in a very short period of time (e.g. nanoseconds).

26. Proponents considered the technology could help substantially reduce the amount of infringing materials available on the internet. To achieve the most desirable results, some suggested that the technology could be used in conjunction with other cooperative items (e.g. three strikes system). Moreover, there were submissions that filtering was also in the interests of OSPs<sup>44</sup> who would like to see a decline in the overall bandwidth usage as well as more legitimate content being made available on the internet.

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<sup>42</sup> In the Elysee Agreement (see n.31), it was expressly agreed that “the services providers will cooperate with right holders to test filtering technologies”.

<sup>43</sup> In October 2007, some copyright owners and User Generated Content Services (UGC Services) collaborated voluntarily to establish a set of guidelines, in which it was agreed that UGC Services should “implement Identification Technology by the end of 2007 to eliminate infringing content for which copyright owners have provided Reference Material”. See details at <http://www.ugcprinciples.com/index.html>.

<sup>44</sup> See the article “MPAA head: Content filtering is in ISPs’ best interests” at <http://arstechnica.com/news.ars/post/20071205-mpaa-head-content-filtering-in-isps-best-interests.html>.

27. Opponents, however, were worried that the technology might be used as a kind of censorship and had grave concerns over its implications on freedom of expression and privacy<sup>45</sup>. On the other hand, some OSPs were wary of the costs implications and possible PR backlash as a result of implementing the system. Moreover, by moving down this path, the OSPs might face the prospects of future demands to monitor other content<sup>46</sup>.

## CONSIDERATIONS

28. To provide an environment conducive to the sustainable development of our creative industries, we must strive to put in place effective measures that could address the problem of pervasive online copyright infringements. In deciding which of the above-mentioned cooperative items should be adopted in Hong Kong, we have to take into account the following considerations –

- (a) *Freedom of expression* – this is a fundamental human right as guaranteed by the Basic Law<sup>47</sup> and the Hong Kong Bill of Rights Ordinance (Cap.383)<sup>48</sup>. There were criticisms that the Notice and Takedown system and the three strikes system imposed limitation to this right based on mere allegations of infringement.
- (b) *Freedom and privacy of communication* – the entitlement of Hong Kong residents to enjoy a private life, including the right to communicate with others free of intrusion, is a constitutionally protected right<sup>49</sup>. The Basic Law provides that this right should not be infringed upon, on any grounds, except “*in accordance with legal procedures to meet the needs of public security or of investigation into*

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<sup>45</sup> See the article “ISPs face new role in network control” at <http://www.michaelgeist.ca/content/view/2648/159/>.

<sup>46</sup> See the article “Is Content Filtering the New DRM?” at <http://www.michaelgeist.ca/content/view/2023/125/>.

<sup>47</sup> Article 27 of the Basic Law.

<sup>48</sup> Article 16 of the Hong Kong Bill of Rights Ordinance.

<sup>49</sup> The right is guaranteed by Article 30 of the Basic Law and Article 14 of the Hong Kong Bill of Rights Ordinance.

*criminal offences*” (e.g. Interception of Communications and Surveillance Ordinance (Cap. 589)). It is for consideration whether “content recognition” technology would constitute infringement of this right.

- (c) *Costs and other resources implications* – all the above-mentioned measures would lead to compliance costs on the part of OSPs. Moreover, the establishment of a dedicated authority and/or appeal mechanism to oversee the implementation of the measures would require manpower and resources. Further discussion regarding the sharing of costs would be required.

## **ADVICE SOUGHT**

- 29. Members are invited to –
  - (a) note the analysis of the four possible cooperative items set out in paragraphs 4 to 27 above;
  - (b) offer comments on the relevant considerations that should be taken into account, including those set out in paragraph 28 above; and
  - (c) advise whether any of the cooperative item(s) could be further considered, bearing in mind that the cooperative items could be suitably modified to better meet our local needs.

Secretariat to the Tripartite Forum  
Commerce and Economic Development Bureau  
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