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IFPI Comments on the Consultation Paper on Draft Copyright Tribunal Rules in Hong Kong

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INTRODUCTION

IFPI represents the recording industry worldwide, with a membership comprising some 1300 record companies in 63 countries and affiliated industry associations in 57 countries. Our membership includes the major multinational recording companies and hundreds of independent record companies, large and small, located throughout the world, including in Hong Kong.

We are hereby submitting our views in relation to the current consultation on the revised Draft Copyright Tribunal Rules ("Draft Rules").

(1) Specific rules to ensure that proceedings are not abused as a tactic to avoid or delay payment to right holders

We substantially repeat paragraphs (a)(i) and (a)(ii) of our submission on the Consultation Paper on Copyright Tribunal Rules in Hong Kong dated September 2009 ("**2009 Submissions**") -

(i) *The Tribunal should be empowered to order potential licensees to pay the full licence fees or deposit them with the Tribunal*

In disputes relating to the level of tariffs under a licensing scheme (under sections 155 to 157 of the Copyright Ordinance), the entitlement to licence under a licensing scheme (under section 158 and 159 of the Copyright Ordinance), and the application to licences which are granted by a licensing body otherwise than in pursuance of a licensing scheme (under sections 162, 163 and 165 of the Copyright Ordinance), the Tribunal should be empowered to order the party challenging the fees and seeking the relevant licences to pay the full amount of the licence fee to the licensor or deposited the same in escrow with the Tribunal for the duration of the tribunal hearing, whether such fee is in dispute or under a licensing scheme, as a condition for hearing the case.

Requiring payment of the licence fees for the duration of the tribunal hearing would ensure that the process is not abused by those who wish to delay or evade payment.

The Tribunal's ability to order payment will also ensure that the interests of right holders are not undermined during the period of the tribunal hearing as the user would in effect be authorized to utilize the copyright works without any payment of royalties during that time. It should be noted that under Section 164, the Tribunal is already empowered "of its own motion or on the application of the licensing body (to) order the licensee to make such interim payment of such royalty as the Tribunal thinks just to the licensing body" in the case of Sections 162 or 163 applications and this would simply be an extension of this power.

(ii) *The Tribunal should be empowered to order the user to stop using the content until the dispute is resolved*

Additionally, if the potential licensee or licensee refuses to make any payment of licence fees, the Tribunal should have specific powers to order applicants to stop the use of works until a final decision is reached. These powers will prevent the Tribunal and its procedures from becoming a tool to delay payment of licence fees as and when due and payable, and would discourage bad-faith applications. It will also enable the licensor to safeguard its interest without taking the onerous and costly recourse to seek an interlocutory injunctive relief under separate court proceedings. Indeed, it will balance the interests between the parties as the Tribunal is currently empowered under Section 164 to make an order to prevent the licensor from seeking injunctive relief against the licensee/potential licensee (in the case of Sections 162 or 163 applications).

(2) Statement of Facts

(i) Rule 6(2)(b)(i) of the Draft Rules

The respondent needs to have access to the information held by applicants as to which copyright materials they are using and the use(s) to which it puts such materials. Any assessment of a reasonable fee is dependent on this information. It is important to note that this information is within the knowledge of the applicant. The respondent will only have such information where the applicant is not yet a licensee. The rules should make it a requirement in the Statement of Facts to include crucial evidence of this kind.

(ii) Rule 6(2)(b)(ii) of the Draft Rules

From the experience of our member licensing societies, real issues are only revealed late in the case after much time and costs have been spent. It is vital that the Statement of Facts sets out exhaustively the grounds of complaints. This includes specifying exactly what variations are sought. The present wordings "specify the relief sought" are too vague. It should be stated clearly that the exact terms, conditions and rate payable that is being sought must be included. The Tribunal should be ready to penalize a party in costs if it makes a challenge without having explained its reasons behind, depriving licensing bodies of assessing the merits of the challenge and, if appropriate, adjusting its terms before the commencement of litigation.

(3) Procedural rule placing the burden of proof on the party claiming that the licence terms are unreasonable should be introduced

In disputes concerning proposed licences/tariffs or licences/tariffs in operation, it should be stipulated that the burden to prove that the licence terms/tariffs complained of are unreasonable lies on the applicant. This rule would prevent bad-faith applications and any unnecessary delays in the adjudication of genuine matters that stand before the Tribunal.

(4) Availability of Interim Remedy

In order to safeguard the interest of copyright holders, licensing bodies often asks for interim payment from the applicants. However, when the applicant refuses to make the interim payment, licensing bodies will have no choice but to make an application to the High Court for an injunction relief. The High Court may not grant the injunction relief on the ground that there is an on-going dispute at the Tribunal. This leaves licensing bodies with no remedy to protect the interests of its members. It also results in the odd situation where a user is now by virtue of a tribunal action empowered to utilize copyright works without making any payment for the use for the duration of the tribunal hearing. In order to avoid the costly application at High Court and to provide a fair recourse to licensing bodies, the Tribunal should be given the power to issue interim injunctive order (especially since the Tribunal has full understanding of the case).

(5) Interim measures under Rule 22 of the current Copyright Tribunal Rules (Cap 528C) (the "current rules") missing in the Draft Rules

The interim measures available under Rule 22 of the current rules are missing in the Draft Rules. For references brought under sections 162 and 163 of the Copyright Ordinance, the Tribunal may on its motion or on the application of the licensing body order the licensee to make interim payment under section 164 of the Copyright Ordinance. For references brought under sections 155 to 157 of the Copyright Ordinance, the licensing body relies on sections 45(2), (4) and (9) of the Arbitration Ordinance introduced through Rule 22 of the current rules which should thus be kept in the Draft Rules, failing which the licensing body will be bereft of any interim payment remedy.

(6) Procedures for application of interim measures

The procedures for an application for interim measures under Rule 22 of the current rules are found in Order 29 of the Rules of High Court ("RHC"). Order 73 Rule 4 of the RHC provides that:

> "If an application for an interim measure under section 45(2) of the Arbitration Ordinance or for an order under section 60(1) of that Ordinance is in relation to any arbitral proceedings outside Hong Kong, rules 1, 2, 3, 4, 7(1), 7A and 8 of Order 29 apply with any necessary modifications to the application as they apply to an application for interlocutory relief in an action or proceeding in the High Court."

With the purpose of the Draft Rules being the clarification of arbitration rules relating to the Tribunal and the introduction of a set of self-contained rules, we strongly suggest to include the procedures for interim measures in the Draft Rules.

(7) Security for costs

Under the current rules, the Tribunal may make an order requiring a claimant to give security for costs under section 56 of the Arbitration Ordinance introduced by Rule 22 of the current rules. This is revised to "requiring a party to give security for costs" under Rule 26(4)(r) of the Draft Rules. It should be made clear that only persons in the position of the applicant should be subjected to an order of security for costs.

(8) Withdrawal of Application

It is submitted that the existing Rule 17 which permits withdrawal of an application at any time before final disposal by the Tribunal be retained in place of the new proposed Rule 12 which permits a withdrawal only with the leave of the Tribunal. The proposed change seems to run counter to at least one of the stated objectives of the Draft Rules, which is to follow the principles of the Civil Justice Reform, namely for there to be procedural economy and expeditious dispatch of any matter before the Tribunal.

(9) Right for licensing bodies to apply to the Tribunal

IPD should seek to introduce such legislation as may be required to give licensing bodies a right of access to the Copyright Tribunal in relation to their proposed or existing licensing schemes. This will bring the Hong Kong provisions in line with for example that of Singapore where under its Section 160, a licensor who proposes to bring a licence scheme into operation may refer the scheme to a Tribunal, and under its Section 161, where a licensor may refer an existing licence scheme to the Tribunal.

We stand ready to assist the Government with further information on any of the above points.

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