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The Hong Kong BitTorrent Case (*HKSAR v CHAN NAI MING)*: Why Should Big Crook Go Down Big Time for a Little Infringement?

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Background:

Chan Nai-Ming, a Hong Kong citizen, is believed to be the first person in the world to be convicted of a crime for using BitTorrent P2P file sharing.[1] Chan is currently bailed awaiting the outcome of his appeal.[2] Accused of uploading three movies (Daredevil, Miss Congeniality and Red Planet) onto the Internet using BitTorrent under the alias "Big Crook", Chan was convicted on three counts of "attempting to distribute an infringing copy of a copyright work (otherwise than for the purpose of, in the course of, any trade or business) to such an extent as to affect prejudicially the owner of the copyright, without the licence of the copyright owner, contrary to sections 118(1)(f) and 119(1) of the Copyright Ordinance, Cap. 528 and section 159G of the Crimes Ordinance, Cap. 200."[3] As a first time offender and because this conviction is the first of its kind anywhere in the world, Tuen Mun Magistrate Mr Colin Mackintosh sentenced Chan to three months in prison on 24 October 2005 although the maximum penalty Chan could have face was four years in prison.[4]

The Appeal:

Chan was released on bail for HK$5000 while waiting for the results of the appeal to the High Court. On 12 December 2006, however, Justice Claire-Marie Beeson of the High Court upheld the original verdict and refused to grant a certificate for Chan to take his case to the Court of Final Appeal ("CFA") and denied him bail.[5] On 3 January 2007, Chan was bailed by Mr Justice Ribeiro PJ for HK $5000 to seek leave for appeal to the CFA (leave can be granted by either the High Court or the CFA).[6] On 7 February 2007, the CFA granted Chan leave to appeal certifying two points as the basis for his appeal setting 9 May 2007 as the date for the appeal to be heard before a three-judge criminal appeal panel.[7]

The Arguments Made at Trial:

This is the first time that an individual in Hong Kong has been jailed for putting pirated movies on the Internet.[8] The prosecution alleged that Chan was responsible for distributing three films on the Internet using BitTorrent software that allows for fast and efficient downloading of large digital files such as films.[9] More specifically, Chan was alleged to have been the seeder, that is that he installed the films on his computer in torrent files (i.e., files with the extension ".torrent"), that he

[1] http://en.wikipedia.org/wiki/Chan_Nai-ming
[2] http://legalref.judiciary.gov.hk/lrs/common/ju/ju_frame.jsp?DIS=55985
[3] http://legalref.judiciary.gov.hk/lrs/common/ju/ju_frame.jsp?DIS=46722 at ¶1.
[4] http://legalref.judiciary.gov.hk/lrs/common/ju/ju_frame.jsp?DIS=55378 at ¶94.
[5] *Ibid.*
[6] *Op cit.*, n.2.
[7] *Op cit.*, n.2.
[8] *Op cit.*, n.4.
[9] *Ibid.*

advertised the existence of those files through newsgroups on the Internet, and that he enabled others to download them.[10] The prosecution alleged that this amounted to distribution or an attempt to distribute:

> All the films were copyright works, so that their installation in his computer was an infringement of copyright, making them into infringing copies. The distribution of the infringing copies was done to such an extent, it is alleged, as to affect prejudicially the owners of the copyright; or that at least the defendant attempted so to do. In the alternative, the defendant, in advertising the existence of the .torrent files containing the films on the newsgroup computers, thereby gained access to those computers with a dishonest intent, that is, with a view to dishonest gain for others.[11]

Chan's defence was that even if his involvement was as alleged, the evidence did not establish that the alleged acts amounted to distribution within the terms of section 118(1)(f) of Cap 528:

> What it amounts to, it is said, is no more than sharing or making available the films in question to those who wanted to download them. The acts were of a different character to distribution. And, in any event, there was no evidence of any prejudicial effect on the copyright owners of any such distribution.[12]

Magistrate Mackintosh found the facts to be as follows:

> Defendant had used [his] computer (M1) to make infringing copies from the three genuine VCD movies, that he had thereafter made *.torrent* files relating to those movies, and that he had made photo images of the inlay cards and stored them on the computer by using the camera seized from his home. He had, by e-mail, sent the *.torrent* files, and the inlay images to the BitTorrent newsgroup. The *.torrent* files were activated. His computer was kept online with the tracker server, and therefore the customs officer and other downloaders could receive full copies of the films in question from the computer M1.[13]

Mr. Mackintosh also found that the evidence showed a clear violation of the law rejecting the argument that uploading was not distribution under the Hong Kong copyright ordinance:

> I am in no doubt that the acts of the defendant did amount to distribution within the ordinary meaning of that word and within the meaning of that word as it appears in the relevant sub-section.
>
> The defendant loaded the files into his computer, he created the *.torrent* files, he created the images of the inlay cards and imprinted them with his logo, the statuette; he published the existence of the *.torrent* files, and the name of the films in question, on the newsgroup, so that others would know where to go to download.
>
> He said, in effect, "Come here to get this film if you want it." He activated the *.torrent* file, so as to enable others to download. He kept his computer connected and the BitTorrent software active to allow the downloading to take place. The downloading involved the dissemination of the data comprising the infringing copies. His acts were an essential part of the downloading process and were

[10] *Ibid.*
[11] *Ibid.*
[12] *Ibid.*
[13] *Ibid.*

> continuing throughout the downloading, even if he had not been sitting at the computer at all times. These acts were an integral part of the enterprise of downloading the infringing copies to other computers. This amounted to distribution….
>
> I am sure that it would be straining the language to breaking point to conclude that the defendant's acts did not constitute, or might not have constituted, a distribution of the films which are the subject of the charges. This was not merely "making available" the BitTorrent files. These were positive acts by the defendant, leading to the distribution of the data. He intended that result. In no way can the defendant's involvement in the downloading of this material be properly described as passive. The fact that the recipients of the packets of data, originating from the defendant's computer, might have received it by indirect routes does not alter the nature of the defendant's act of distribution.[14]

Appeal to the High Court, Court of First Instance:

Defendant appealed the Magistrate's decision to the High Court. This gave Justice Clare-Marie Beeson the opportunity to fully consider the argument made by Chan's appellate lawyer, Kevin Pun Kwok-hung, that Chan had never actively "distributed" any "copies" of the movies online but only made them available for others to download. Pun further developed this argument that since Chan's case did not involve any physical copy of the movies, it could not be considered a "distribution of copies in the copyright sense."

> The basic argument for the Appellant was that his act was confined only to making the films available for others to download and that the term 'distribution', as in the sub-section, must mean a positive act. As the acts done were those of the downloaders, not the Appellant, his role was passive. It was argued that after the publication of the *.torrent* file on the newsgroup website, the seeder/Appellant's computer remained passive and it was not therefore, distributing the material. Accordingly, no criminal offence was committed by the Appellant, although there might be some civil liability owed to the copyright owner.

What Constitutes Distribution?

Justice Beeton found that the Magistrate was correct when in interpreting "distribution" he had taken into account Section 19 of the Interpretation and General Clauses Ordinance, Cap. 2 providing that when no ambiguity exists, the ordinary language of the statute should be considered at its face value.[15] Underpinning the Magistrate's decision as to the meaning of distribution were two foreign cases that considered questions as to what distribution means in the context of the Internet: *Shetland Times Ltd v. Wills* 1997 F.S.R. (Ct. Sess. O.H.) (24 October 1996) and *Donna R Hotaling & Others v Church of Jesus Christ of Latter-Day Saints*, 118 Fed. 3rd 199 (4th Cir., 1997).

In *Shetland Times*, the proprietors of a newspaper ("First Newspaper") set up a web site expecting that once its information service became known they would be able to sell advertising space on the front page of the site. Another newspaper ("Second Newspaper") operated a web site that reproduced headlines and text from recent issues of the First Newspaper's publication, thus enabling prospective advertisers to bypass the first site. The First Newspaper sought a declaration contending that the Second Newspaper had infringed copyright.

[14] *Ibid.*
[15] *Ibid.*

The Second Newspaper's argument was that the process of Internet communication did not involve the First Newspaper sending information. If it did the sending was done not by the First Newspaper but by the Second Newspaper; The Second Newspaper also argued that there was no sending (distribution) in the ordinary sense, as the caller obtained the information by its own action. The *Shetland Times* court took the view that the Second Newspaper's contention that the service provided by them did involve the sending of information was prima facie well founded.[16]

In *Donna R Hotaling & Others* ("Hotaling") *v Church of Jesus Christ of Latter-Day Saints* ("Church"), a similar result was obtained. Hotaling copyrighted a quantity of genealogical research materials which were published in microfiche form and marketed.[17] The Church obtained one legitimate copy of the microfiche, added it to its main library's collection, listed the work in its index or catalogue system and made the copy available to the borrowing or browsing public.[18] A year or two later, the Church also made copies of the works and sent them to several of its branch libraries.[19] Hotaling claimed that this infringed one of their exclusive rights of the copyright, i.e. the right to distribute copies of the copyright work to the public by sale or other transfer of ownership, or by rental, lease, or lending pursuant to 17 USC section 106(3).[20] Senior Court Judge ruled in favour of Hotaling reversing the district court's summary judgement:

> In this appeal we hold that a library distributes a published work, within the meaning of the Copyright Act, 17 U.S.C. Sections 101et seq., when it places an unauthorized copy of the work in its collection, includes the copy in its catalog or index system, and makes the copy available to the public. Because the district court ruled that these actions, by themselves, were insufficient to constitute distribution, we reverse the district court's summary judgment for the library and remand this case for further proceedings.[21]

Justice Beeton acknowledged that the factual scenarios presented in *Shetland Times* and *Hotaling* were not identical to Chan's case. However, at the same time she accepted the Magistrate's conclusion that Chan had done all that was necessary to fulfil the criteria for distribution in spite of the fact that the Copyright Ordinance did not define 'distribution'.[22] Justice Beeton also concluded that the Magistrate's ruling that even though the Copyright Ordinance did not specify whether digital formats and electronic storages could be considered tangible, physical copies of copyrighted works a "fair, large and liberal interpretation" of the Copyright Ordinance is sensible to give the Copyright Ordinance proper effect.[23] Additionally, these digitally formatted and electronically stored documents could be distributed in digital form.[24]

The Bigger Issue Surrounding Big Crook's Downfall:

Assuming that the CFA does not overturn the conviction, the question that one has to ask is whether the sentence imposed – imprisonment for 3 months – is excessive given the economic and social impact of the alleged crime. After all, isn't this case an ideal one for which damages could compensate? This case begs the question as to when a custodial sentence is appropriate for copyright infringement. While the authors do not doubt the inherent authority vested in the court to impose a custodial sentence in the case of a violation of the sections 118(1)(f) and 119(1) of the Copyright Ordinance, Cap. 528 and section 159G of the Crimes Ordinance, Cap. 200. However, they question the wisdom of the court in imposing such a sentence in light of the nature of the infringement involved. The trial court should have undertaken an economic analysis of the

[16] http://www.jura.uni-tuebingen.de/bechtold/text/shetland_interdict.htm.
[17] 118 Fed. 3rd 199; 43 USPQ 2d 1299
[18] *Ibid.*
[19] *Ibid.*
[20] *Ibid.*
[21] *Ibid.*
[22] *Op cit.*, n. 2.
[23] *Ibid.*
[24] *Ibid.*

damage that Chan incurred upon the various entertainment companies before sentencing him to prison. Given the traceable nature of digital infringement, the court could have very easily have assigned economic damages in a straightforward way. For instance, if for each illegally downloaded version of a film, Chan cost the studio 20p profit, then for 10,000 infringements the fine would be £2,000. A punitive assessment could also be imposed on top of this amount – e.g., double or treble damages, etc. Nonetheless, the damages could have been computed very easily and a jail sentence avoided. So why did the court jumpto put Big Crook in the "klink".

When should we jail copyright infringers? There is undeniably a recent trend in a variety of countries to introduce jail sentences for copyright infringers.[25] In the UK, David Stanley and Yogesh Raizada who were caught for copyright infringement were sent to prison for four and three years respectively pursuant to the enactment of The Copyright, Etc. and Trade Marks (Offences and Enforcement) Act 2002.[26] The Copyright, Etc. and Trade Marks (Offences and Enforcement) Act 2002 strengthens the penalties set out in the Copyright, Designs and Patents Act 1988 and the Trade Marks Act 1994, increasing certain offences relating to copyright infringement from two year to ten years.[27]

On 17 October 2006, Grant T. Stanley, age 23, of Wise, VA, in the US was sentenced to five months in prison to be followed by five months of home detention for his role in a BitTorrent peer-to-peer (P2P) network previously known as Elite Torrents.[28] US District Court Judge James P. Jones also sentenced Stanley to a $3,000 fine and three years supervised release. The defendant had previously pleaded guilty to a two count felony information charging conspiracy to commit copyright infringement and criminal copyright infringement in violation of the Family Entertainment Copyright Act.[29] US Attorney John Brownlee of Virginia who brought the case under US federal law noted:

> This is the first criminal enforcement action against copyright infringement on a P2P network using BitTorrent technology. We hope this case sends the message that cyberspace will not provide a shield of anonymity for those who choose to break our copyright laws.[30]

If one compares the conviction of Stanley with that of Chan one sees that the operation that Stanley was a part of was very sophisticated:

> Stanley is one of three defendants convicted to date as a result of Operation D-Elite, a federal crackdown against the first providers (or suppliers) of pirated works to the technologically-sophisticated P2P network known as Elite Torrents. At its prime, the Elite Torrents network attracted more than 133,000 members and facilitated the illegal distribution of more than 2 million copies of movies, software, music, and games. On May 25, 2005, federal agents shut down the Elite Torrents network by seizing its main server and replacing its log-in web page with the following notice: "This Site Has Been Permanently Shut Down by the FBI and U.S. Immigration and Customs Enforcement (ICE)." Within the first week alone, this message was viewed over half a million times. The Elite Torrents P2P network offered a virtually unlimited content selection, including illegal

[25] "Two Copyright Infringers Sentenced in Shanghai", People's Daily, 16 June 2000 available at: http://english.people.com.cn/english/200006/16/eng20000616_43188.html
[26] http://www.lawdit.co.uk/reading_room/room/view_article.asp?name=../articles/Music%20Pirates.htm
[27] *Ibid.*
[28] http://www.usdoj.gov/usao/vaw/press_releases/stanley_17oct2006.html
[29] Available at: http://www.copyright.gov/legislation/pl109-9.html.
[30] *Op cit.,* n. 28.

> copies of copyrighted works before their availability in retail stores or movie theatres.[31]

This is not to say that Chan's conduct was not culpable. Rather, it is authors' argument that the solution to the BitTorrenting problem is not draconian prison sentences for infringers. Given that BitTorrent technology is optimal for transferring video because of the very large size files it allows to be transferred P2P and that this traffic accounts for between 18% and 55% of all Internet traffic[32], the idea that locking up one or two infringers here and there will somehow stop the online deluge of filesharing of pirated movies and music is naïve. Prosecutions amount to a selective "finger in the dam" solution to a problem that calls for a much more creative solution. This solution can only lie with the entertainment industry in developing anti-circumvention technology that exploits the fragmented nature of a novel technology that uses the output of multiple download clients and websites to assemble a singular product.[33] It is ludicrous to think that prosecutors and judges should play the primary enforcer role in the ongoing struggle between copyright pirates and the entertainment industry. Surely this is a problem of the entertainment industry not developing products quick enough to protect their own economic investment. Prosecutors should jail violent criminals and not waste precious resources doing the bidding of the entertainment industry.

Selected Case History:

- TMCC 1268/2005 HKSAR v CHAN NAI MING original judgment
- HCMA 1221/2005 HKSAR v CHAN NAI MING High Court appeal judgment
- FAMC 0061/2006 HKSAR v CHAN NAI MING CFA bail pending leave application
- FAMC 0061A/2006 HKSAR v CHAN NAI MING CFA bail pending appeal

[31] *Ibid.*
[32] D Bradbury, "Can stuck torrents beat pirates?", *The Guardian*, 12.04.07, T1.
[33] *Ibid.*