

**BUSINESS SOFTWARE ALLIANCE - SUBMISSIONS ON COPYRIGHT
(AMENDMENT) BILL 2004**

The Business Software Alliance, as the voice of the business software industry, is pleased to provide comments on the draft Copyright Amendment Bill as part of the public consultation exercise. In particular, the BSA would like to comment on Clauses 28 and 34 of the Bill which amend Sections 119 and 136 of the Copyright Act respectively. The comments on these clauses are set out below.

**I. WILLFUL COPYRIGHT PIRACY - CLAUSE 34 OF THE BILL INTRODUCING
NEW SECTION 136(3A) OF THE COPYRIGHT ACT**

Clause 34 of the Bill is intended to implement Section 21 of Article 16.9 of the United States-Singapore Free Trade Agreement (“FTA”) on willful copyright piracy on a commercial scale. Clause 34 of the Bill introduces a new Section 136(3A) of the Copyright Act.

(3A) Where at any time when copyright subsists in a work –

- (a) a person does any act that would result in an infringement of the copyright in work;
 - (b) the person does the act wilfully;
 - (c) the infringement has a substantial prejudicial impact on the owner of the copyright;
- and
- (d) the infringement occurs on a commercial scale,

the person shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$20,000 or to imprisonment for a term not exceeding 6 months or to both and, in the case of a second or subsequent offence, to a fine not exceeding \$50,000 or to imprisonment for a term not exceeding 3 years or both.

The Bill also introduces a new Section 136(6A) which provides that in determining whether an infringement occurs on a commercial scale, the court shall have regard to -

- (a) the volume of any articles that are infringing copies;
- (b) the value of any articles that are infringing copies;
- (c) all other relevant matters.

Comments

1) The provision in Section 136 (3A) does not appear to comply with Section 21 of the FTA.

Section 21 of Article 16.9 of the FTA provides that each party shall provide criminal procedures and penalties to be applied *at least* in cases of willful trade mark counterfeiting or copyright or related rights piracy on a commercial scale. Willful copyright piracy or related rights piracy on a commercial scale includes (i) *significant* willful infringements of copyright or related rights that have no direct or indirect motivation of financial gain, as well as (ii) willful infringements for the purpose of commercial advantage of financial gain.

The FTA clearly specifies that two separate and distinct types of infringements must be the subject of criminal penalties and procedures as being “on a commercial scale”. These include:

- (1) any *significant* and *willful* infringements; and
- (2) any non-significant willful infringements for the purpose of commercial advantage or financial gain.

The BSA has concerns as to whether the proposed Section 136(3A) fully implements the provisions of the FTA. In order to qualify as an offence under the proposed section 136(3A), it must be proved:

- (1) that there is an act of infringing the copyright in the work
- (2) the act was carried out willfully
- (3) the infringement has a substantial prejudicial impact on the copyright owner; and
- (4) the act must be carried out on a commercial scale

The requirement to prove “a substantial prejudicial impact on the copyright owner” appears to introduce an additional requirement not envisaged in the FTA. It is possible that the drafter’s intention is for this requirement to implement the “significant” element of the infringement. However, the FTA clearly provides that all forms of willful copyright piracy and not merely significant willful infringements are to be subject to criminal penalties. Non-significant willful infringements must also be the subject of criminal

penalties and procedures if they are carried out for the purpose of commercial advantage or financial gain. Therefore, the requirement in the Bill that the infringement have a substantial prejudicial impact on the copyright owner in all cases leads to a narrower application of the criminal procedures and penalties than that which is required pursuant to the FTA.

This construction is aggravated by the introduction of the new Section 136(6A) which by reference to quantity and value of infringing copies implies that the infringement must relate to a significant quantity or value before it may qualify as a criminal offence. As stated above, the FTA provides that all willful infringements must be criminalized even if they are not significant if they provide a commercial advantage or financial gain.

2) The scope of the offence in the new section 136 (3A) is unclear and enforcement will be difficult

Separate and apart from this, the BSA also submits that the concept of “commercial scale” is not clearly defined in the Bill. As this is a new concept to copyright law in Singapore clearer guidance should be given to ensure that the provision covers both significant and willful infringements and non-significant willful infringements for the purpose of commercial advantage or financial gain.

The reference in Section 136(6A) to the number of infringing copies does not lead to a clear understanding of the threshold that is required to meet the standard of “commercial scale”. Would 10 or 100 infringing copies meet the standard? How is this to be determined? Further, the reference to the “value of the articles that are infringing copies” is not suitable as it is the value of the work infringed that should be considered and not the infringing copies which are a fraction of the value of the original work. The section also does not contain any benchmark in terms of both the number of infringing copies or the value and this will lead to a great amount of uncertainty in determining what cases should be prosecuted. For example, US copyright law contains in Chapter 5 Section 506 a threshold of US\$1000 for criminal infringements relating to the reproduction of works other than for the purpose of commercial advantage or financial gain.

Further, the term “willfully” whilst defined in the criminal provisions in the Bill in relation to circumvention of technological protection measures in Clause 54 in the new Section 261B(5), is not defined here. The proposed section 261B(b) makes clear that “willfully” requires only that the person “knew or had reason to believe”. Assuming a similar construction is intended in Section 136(3A), this should be made clear. Further, the other provisions in Section 136 of the Act, subsections (1), (2), (3) (4) and (6) all presently contain the phrase “knows or ought reasonably to know” as the *mens rea* required for the offence. The introduction of a new and different mens rea, “willfully”, in the new Section 136 (3A) may lead to the impression that a higher standard of mens rea is required for subsection (3A). This introduces additional uncertainty in the construction of the subsection.

As the new section 136(3A) is intended to introduce a completely new offence not previously present under Singapore law, it is important that copyright owners, the prosecuting authorities and the public are able to clearly identify what falls within the scope of the section. This will be critical in the public education process and in making the law an effective tool. As presently, drafted the scope of the section is unclear and this will make the prosecution of offenders under this provision fraught with difficulties making it an ineffective enforcement option.

3) The punishment provided in section 136(3A) is not a sufficient deterrent

The maximum punishment provided in section 136(3A) is S\$20,000 or 6 months imprisonment for a first offence and S\$50,000 or 3 years imprisonment for a second and subsequent offence. This is not sufficient to act as a deterrent.

Both sections 136(1) and (2) which deal with the sale of, and the possession of infringing copies respectively, provide for punishment by a fine of upto S\$10,000 per infringing copy up to a maximum of S\$100,000 or upto 5 years imprisonment or both. Where several works are involved, the punishment that the offender may be subject to is considerable and this has acted as a deterrent to the commission of such offences. By contrast the punishment proposed in the new section 136(3A) is much lower and is not based on the number of infringing copies. Therefore, a first offender who willfully infringes the copyright in a work by making 1000 copies of the work will only be subject

to a maximum fine of S\$20,000. This is inconsistent with the punishment accorded in sections 136(1) and (2) of the Act which also deal with copyright piracy.

Sections 136(4) and 136(6) provide for different levels of punishment but these sections deal with the making or dealing with an implement for making copies of a work, and the public performance of a work or film, not copyright piracy of works.

The BSA believes that the present punishment provided for in the Bill is not set at levels that would operate as a deterrent. Section 21.a.i of Article 16.9 of the FTA provides that each Party shall encourage its judicial authorities to impose fines at levels sufficient to provide a deterrent to future infringements.

4) Proposal

In the light of all the above the BSA proposes the following :

A. Amend existing sections 136(1), (2) and (3) as follows:

Section 136(1)

A person who at a time when copyright subsists in a work –

(a) makes for sale or hire or for use in the course of or in connection with a trade or business;

(b) sells or lets for hire, or by way of trade offers or exposes for sale or hire; or

(c) by way of trade exhibits in public,

an infringing copy of a work which he knows or ought reasonably to know to be an infringing copy shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$10,000 for each infringing copy in respect of which the offence was committed or \$100,000, whichever is the lower , or to imprisonment for a term not exceeding 5 years or to both.

Section 136(2)

A person who at a time when copyright subsists in a work has in his possession or imports into Singapore an infringing copy of a work which he knows or ought reasonably to know to be an infringing copy for –

- (a) selling, letting for hire or by way of trade offering or exposing for sale or hire, the infringing copy;
 - (b) distributing the infringing copy for the purpose of trade, or for any other purpose to an extent that will affect prejudicially the owner of the copyright in the work;
 - (c) by way of trade exhibiting the infringing copy in public; or
 - (d) use in the course of or in connection with a trade or business,
- shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$10,000 for each infringing copy in respect of which the offence was committed or \$100,000, whichever is the lower, or to imprisonment for a term not exceeding 5 years or to both.

Section 136(3)

Any person who, at a time when copyright subsists in a work, makes available or communicates to the public either –

- (a) for the purpose of trade; or
- (b) for other purposes, but to such an extent as to affect prejudicially, the owner of the copyright,

an infringing copy of a work which he knows or ought reasonably to know to be an infringing copy of a work shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$10,000 for each infringing copy in respect of which the offence was committed or \$100,000, whichever is the lower, or to imprisonment for a term not exceeding five years or both.

B. Alternatively, if sections 136(3A) and (6A) are to be retained, the BSA suggests that they be amended as follows:

(3A) Where at any time when copyright subsists in a work -

- (a) a person does an act which he knows or ought reasonably to know is an infringement of copyright in the work; and
- (b) the infringing act is on a commercial scale, being either
 - (i) a significant infringement of copyright that has no direct or indirect motivation of financial gain; or
 - (ii) an infringement for the purpose of commercial advantage or financial gain

that person shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$10,000 for each infringing copy of a work in respect of which the offence was committed or \$100,000, whichever is the lower or to imprisonment for a term not exceeding 5 years or to both.

(6A) For the purpose of subsection (3A)(b)(i), the court shall presume that the infringement is significant if the total retail value of the work or works infringed exceeds \$1000.

II. STATUTORY DAMAGES

The Bill provides for an amendment to Section 119 of the Copyright Act to provide for statutory damages as relief in lieu of damages or an account of profits for copyright infringement. The quantum of statutory damages provided for is a maximum of S\$10,000 for each work or subject-matter infringed; or not more than S\$100,000 in respect of each action, whichever is the lower.

Comments

The BSA welcomes the introduction of statutory damages as relief for acts of copyright infringement. However we would like to outline the following concerns we have with this proposed provision.

1) No minimum amount of statutory damages provided

The purpose of statutory damages is to act as a deterrent to infringers against the infringement of copyright. Assessment of damages is a difficult process and the copyright owner is therefore always in an unfavourable position of having to prove the loss suffered. The introduction of statutory damages is intended to remove this uncertainty by mandating the payment of damages where copyright infringement is proved irrespective of the loss suffered by the copyright owner. For this reason, it is imperative that the legislation stipulate a minimum amount of damages as otherwise the copyright owner is left in the same uncertain position of having to await the court's assessment. By specifying a minimum amount of statutory damages payable, both

copyright owners and infringers will be clearer about the amount of damages that must be paid once liability is proved.

- 2) The maximum amount of damages per work is low considering its application to the work infringed; the maximum cap per action is also extremely low

The amount provided in the Bill of S\$10,000 per work is not sufficiently high as it does not provide enough flexibility to take into account the infringement of works that are valuable and, in particular, where the number of copies infringed is high.

In some cases, the infringement will involve a large number of copies of an infringing work. In some cases, a large number of works will be infringed in one instance. For example, in the case of music CDs, each song enjoys separate protection as a work. Therefore the copying of one CD would infringe several works. In the case of software however each work is usually contained on a separate medium and copying of a software would amount to the infringement of one work only even if many copies are reproduced. The statutory damages should take into account both the number of works infringed as well as the number of copies of each work infringed as both are relevant factors. The maximum amount of damages provided per work must therefore be higher to take into account the large numbers of infringing copies that may be involved.

Further there is no distinction made between infringements that are willful and those which are not. A higher amount of statutory damages should be payable where the infringement is willful. Section 504 of the US Copyright law provides for a higher amount of statutory damages to be payable where the infringement is willful. The BSA submits that this two-tier approach is appropriate as the punishment will be commensurate with the intention of the infringement.

In the Trade Marks (Amendment) Act 2004, statutory damages are provided in the amount of S\$100,000 for each type of good or services to which the trade mark has been falsely applied. This is significantly higher than what has been provided for under the Bill.

- 3) The maximum cap on the amount of statutory damages that can be awarded for each action is not equitable

The maximum cap on the amount of statutory damages that can be awarded should not be limited by each action. This will lead to inequitable results as companies which hold their copyright in several names will be entitled to higher statutory damages as they will file separate actions. Further this provision penalizes companies with a wide range of products.

Further there is no rationale for the maximum cap for each action. There already exists a maximum on the amount of damages that can be awarded for each infringing work. The plaintiff would only be able to claim a much larger sum if the defendant has infringed a large number of works, in which case, the larger amount of damages is merited. The US Copyright law which provides for statutory damages also does not provide a maximum cap for each action.

The Trade Marks (Amendment) Act 2004 also provides a S\$1 million cap on the amount of statutory damages for each action. This is a significantly higher amount than that which has been proposed under the Bill. More importantly, the cap is not absolute and does not apply in all cases.

5) Proposal

As such the BSA proposes that Section 119(2)(d) of the Copyright Act be amended as follows:

- (d) where the plaintiff elects for an award of statutory damages in lieu of damages or an account of profits, statutory damages of –
- (i) at least \$1,500 but not more than \$20,000 for each work or subject-matter infringed ; or
 - (ii) not more than \$100,000 for each work or subject-matter infringed where the defendant knew or ought reasonably to have known that the act was an infringement of copyright.

Summary

The BSA welcomes the amendments to the Copyright Act but urges the Singapore Government to take these views into consideration in determining the appropriate amendments to be enacted. BSA would welcome the opportunity to elaborate on and discuss the views set out in this paper at further discussions.