CHAPTER NINETEEN

CRIMINAL INFRINGEMENT OF COPYRIGHT: THE *BIG CROOK* CASE

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On 24th October 2005 an unemployed man from Hong Kong, Chan Nai Ming aka "Big Crook", received the dubious honour of becoming the first person in the world to be sentenced to a custodial sentence for using the Bit Torrent protocol to infringe copyright.[1] This chapter explores the definitions of "affect prejudicially" and "distribution" in the context of criminal law; issues which emerged from the case.

THE TECHNOLOGY

Bit Torrent is open source file-sharing protocol that can be used to disseminate any type of computer file. Any program that implements the protocol is known as a Bit Torrent "client".

Three elements are required for the system to function correctly: (1) a file to share ("the shared file"); (2) its corresponding "torrent" file, which contains metadata about the shared file; and (3) a tracking computer ("a tracker") which locates other clients that are uploading or downloading the shared file. A Bit Torrent user creates the torrent file using a client and uploads it to a newsgroup site (which typically also functions as the tracker[2]), but keeps the shared file on their own computer. Other Bit Torrent users download the torrent file from the

[1] 'Jail for BitTorrent bandit 'Big Crook'', *Sydney Morning Herald,* May 18 2007, <http://www.smh.com.au/news/security/jail-for-bittorrent-bandit-big-crook/2007/05/18/1178995417708.html> 25 January 2008.

[2] The notorious Swedish website *The Pirate Bay* <http://thepiratebay.org/> operates in this manner.

newsgroup site and their Bit Torrent client software will download and exchange parts of the shared file with other users using the same tracker, in what is known as a "swarm". The parts of the shared file that a user has already downloaded become available to the other users in the swarm, so each user almost immediately becomes part of the dissemination process. This means that if there is no user who has a complete copy of the shared file ("a seeder") in the swarm, a complete copy of the shared file can still be created by other users transferring different parts of the shared file to each other. In plain English, this means that files containing copyrighted films, music, software, etc. can be easily and quickly transferred between computers.

THE FACTS

On 10 January 2005, while browsing a (now defunct) film newsgroup site, a customs officer came upon a post from a member calling himself "Big Crook". Accompanying the post was a torrent file for the film *Daredevil*[3] which the officer used to successfully transfer a copy of the film from "Big Crook's" computer.[4] The next day the officer downloaded the films *Red Planet*[5] and *Miss Congeniality*[6] using the same method.[7] Customs officers traced the IP address of "Big Crook" from the newsgroup message, presumably obtained his residential address from the Internet Service Provider ("ISP") and raided Chan's flat "where he was found sitting at a computer and surfing the internet"[8]. They seized legitimate copies of the three films, a digital camera used to make images relating to the films and Chan's computer.[9] A forensic expert analysed the computer and concluded that it was the original source from which copies had been downloaded by the Customs officer and others.[10]

[3] See <http://www.imdb.com/title/tt0287978/> at 3 December 2007.
[4] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 260.
[5] See <http://www.imdb.com/title/tt0199753/> at 3 December 2007.
[6] See <http://www.imdb.com/title/tt0212346/> at 3 December 2007.
[7] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 260.
[8] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 260.
[9] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 260.
[10] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 260.

THE MAGISTRATES' DECISION

Chan faced three charges under s159G of the *Crimes Ordinance, Cap 200* arising from offences under the then s 118(1)(f) of the *Copyright Ordinance, Cap 528*.[11] Section 159G codifies the law of attempts and s118(1)(f) confers the substantive offence that Chan was accused of attempting. Section 118(1)(f) stated:

> A person commits an offence if he, without the licence of the copyright owner, distributes (otherwise than for the purpose of, in the course of, or in connection with, any trade or business) to such an extent as to affect prejudicially the owner of the copyright, an infringing copy of a copyright work.[12]

Three alternate charges were brought for obtaining access to a computer with dishonest intent, contrary to s 161(1)(c) of the *Crimes Ordinance, Cap 200*. Chan was found guilty of the first three charges and no verdict was given for the alternate charges.[13] Chan failed in both his appeals to the High Court[14] and the Court of Final Appeal.[15]

The main issues that emerged from the hearing were: (a) whether or not the extent of Chan's activities was sufficient to "affect prejudicially the copyright owner" [16] had he succeeded in his attempt; and (b) the meaning of the word "distribute".[17]

[11] Section 118 has been amended by the *Copyright (Amendment) Ordinance 2007* since this case commenced. The offence Chan was charged with still exists, and is found at s 118(1)(g) of the amended *Copyright Ordinance, Cap 528*.
[12] *Copyright Ordinance, Cap 528* (1 April 2001) s 118(1)(f) amended by *Copyright (Amendment) Ordinance 2007*.
[13] *HKSAR v Chan Nai Ming* [2005] 4 HKLRD 142, 153.
[14] *Chan Nai Ming v HKSAR* [2007] 2 HKC 1.
[15] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255.
[16] *Copyright Ordinance, Cap 528* (1 April 2001) s 118(1)(f) amended by *Copyright (Amendment) Ordinance 2007*.
[17] *Copyright Ordinance, Cap 528* (1 April 2001) s 118(1)(f) amended by *Copyright (Amendment) Ordinance 2007*.

PREJUDICE

The term "affect prejudicially" can be found in the copyright offence provisions of a large number of countries in the former British Commonwealth[18], but its meaning has received little or no judicial analysis. The "three step test" in art 9(2) of the Berne Convention[19] uses similar language to the offence provisions, stating "Members shall confine limitations and exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not *unreasonably prejudice* the legitimate interests of the rights holder"[20], but the ambiguity of this term leaves it open to a variety of interpretations. In Chan's case Magistrate Colin Mackintosh took a very wide view of what is mean by the term:

> Prejudice in this context is not necessarily restricted economic prejudice, though that is the obvious area at which attention is directed. It might be said that (for example in the case of Miss Congeniality, charge 3,) the distribution of one copy to a customs officer, who would never otherwise have bought it, in the context of local sales since release in 2001 of over 50,000 copies, barely amounted to significant prejudice. If that is a correct analysis, then given that the intention of the defendant must have been to distribute much more widely than simply to one downloader, his acts amounted to an attempt to distribute to such an extent as to affect prejudicially the owner of the copyright, within the context of section 159G(1) of the Crimes Ordinance, Cap 200. It is inevitable that distribution to 30 or 40 or more downloaders would involve prejudice to the copyright owners through unauthorised distribution of their intellectual property and lost sales. And though lost sales, in the context of the evidence in this case, might be small, nevertheless, such losses would amount to a prejudicial effect.[21]

[18] See *Copyright Act* (Canada) s 42(1)(c); *Copyright Act* (Jamaica) s 46(1)(d); *Copyright Act* (Singapore) s 136(2)(b); *Copyright Act 1968* (Australia) s 132AI(2)(d); and *Copyright, Designs and Patents Act 1988* (England and Wales) s 107(1)(e).
[19] Berne Convention for the Protection of Literary and Artistic Works 1886.
[20] Berne Convention for the Protection of Literary and Artistic Works 1886 art 9(2).
[21] *HKSAR v Chan Nai Ming* [2005] 4 HKLRD 142, 152.

The question of whether or not the extent of the distribution is sufficiently widespread to affect prejudicially the copyright owner, as Mr Mackintosh correctly stated, is in part dependent on the size of the market for legitimate copies, but this is not a complete picture. To state that it is "inevitable that distribution to 30 or 40 or more downloaders"[22] demonstrates perhaps, that the continual propagation and repetition of the industry view (i.e. that each case of infringement equates to a lost sale) has had its desired effect of becoming the hegemonic view of the popular discourse. Although Mr Mackintosh acknowledged that the "distribution of one copy to a customs officer, who would never otherwise have bought it" would have "barely amounted to significant prejudice" he did not explore this analysis further, and did not consider the possibility that none of the potential recipients of Chan's infringing copies may have ever bought legitimate copies, or even, that one or more of those recipients may have bought a legitimate copy because they watched an infringing copy.

Mr Mackintosh stated the scope of what was meant by "affect prejudicially" was not limited merely to the financial impact of an unauthorised distribution:

> Potential lost sales are not the only measure of prejudice. There is, for instance, the movie rental market to be considered. And copyright owners plainly suffer prejudice from such piracy as this beyond simply their sales figures. The widespread existence of counterfeits tends to degrade the genuine article and undermines the business of copyright owners.[23]

These statements concerning the prejudicial effect on the rental market are again couched in terms of the damage "piracy"[24] in general does to the film industry, rather than the actual prejudicial effect caused or attempted to be caused by Chan. It might be a plausible argument that the cumulative effect of large numbers of Bit Torrent users distributing infringing copies prejudicially affect copyright owners beyond a direct financial impact of lost sales, but it is difficult to see how an individual charged with distributing 30 or 40 infringing copies could be held responsible to any measurable degree for the fortunes of the film rental

[22] *HKSAR v Chan Nai Ming* [2005] 4 HKLRD 142, 152.
[23] *HKSAR v Chan Nai Ming* [2005] 4 HKLRD 142, 152.
[24] *HKSAR v Chan Nai Ming* [2005] 4 HKLRD 142, 152.

market, particularly when the offence in question has not been completed.

Since Chan was charged with an attempt, Mr Mackintosh only needed to find that Chan's actions implied the necessary specific intent required to convict. Ribeiro J suggested that the *mens rea* of the offence requires an intention to distribute widely enough that it prejudicially affects the copyright owner:

> "The reason why the prosecution resorted to the offence of attempt was to avoid any difficulties that might be posed by the requirement in the full offence of showing that distribution was to such an extent as to cause prejudice to the copyright owner."[25]

This is perhaps the most disturbing aspect of this case. It meant that one of the crucial elements of the *actus reus*, a threshold test to assess the damage caused to the victim, was instead left to Mr Mackintosh's estimation of (a) Chan's state of mind; and (b) the film buying habits of imaginary recipients of non-existent infringing copies. Chan's legal team did not seek to appeal on any grounds raised by this issue, and regrettably, since the finding of specific intent was a matter of fact and not law, it is understandable why it was not pursued. It was suggested in the Court of Final Appeal that Chan had passively allowed other users to make their own copies, an argument that was rejected by Ribeiro J:

> "After taking the numerous preparatory steps described, he kept his computer connected with the network and continued to run the software to ensure that entire copies of the films would be transferred to the downloaders. It would be wrong to mistake his use of automated means (ie the BitTorrent software) to achieve his purpose for mere passivity on his part"[26]

This would also suggest however, that Chan did not know, much less cared, how many other users were transferring files from his computer. There is perhaps, an argument to be made that he was merely reckless or

[25] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 258.
[26] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 270.

negligent in his state of mind and lacked the specific intent to distribute the infringing copies to the extent required.

THE COURT OF APPEAL DECISON

Chan chose instead to appeal on the following grounds to the High Court:

> "[1] The Magistrate erred in law by failing to recognise that the offence under section 118(1)(f) of the Copyright Ordinance (Cap. 528) is concerned with distribution of infringing copies, and not merely distribution of data/information. Consistent with this error, the Magistrate failed to take note of the meaning of "copy" as defined in section 23(2) of the Copyright Ordinance, which requires that a "copy" must be in a "material form", i.e. a physical material entity.
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> Consequently, the Magistrate erred in law by: -
>
> (a) confusing the concept of distribution of data/information with distribution of copies, and equating the former with the latter;
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> (b) failing to recognise that distribution of copies in the context of the Copyright Ordinance must involve distribution of physical material entities
>
> [2] The Magistrate erred in law by finding the Appellant's acts constituted a distribution (or an attempted distribution) of the films the subject of the charges under section 118(1)(f) of the Copyright Ordinance: -
>
> (a) The finding is contrary to the evidence of the Prosecution expert, which clearly suggested that the downloading process of each downloader using the BitTorrent technology was initiated by the downloader himself and that it was the downloader's own decision which directly caused the creation of the copy in the downloader's computer.
>
> (b) The Magistrate's reasoning at most supports the contention that the Appellant's acts played a crucial part in facilitating or assisting the downloaders in making copies in their own computers. It does not lead to the conclusion that the Appellant's

> acts amounted to distribution of copies as the making of the copies was initiated and directly caused by the downloaders themselves.
>
> [3] This ground related to the fact that although the Magistrate did not deliver verdicts on the alternative charges, he nevertheless expressed his view that the charges could have been made out. Although this ground of appeal refers to a so-called finding, there was no finding made nor verdict given against which the Appellant can appeal. Accordingly, for the purposes of the appeal this ground was not argued.
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> [4] This was a catchall submission that the convictions were unsafe and unsatisfactory under all the circumstances"[27]

Justice Beeson considered the arguments in grounds one and two, but found that neither of these grounds were made out and dismissed the appeal.[28] She stated:

> "No real assistance can be derived from a comparison of the historical development of legislation in Hong Kong and the UK, interesting though it might be. Nor can any weight be given to the Appellant's insistence that the "distribution right", a term devised by a textbook author to label a concept, is relevant to Hong Kong; and is the meaning to be given to distribution. Having considered the matters raised in argument, having regard to the evidence and having noted the structure and content of the Copyright Ordinance, Cap.528, I am satisfied that the Ordinance does, and was intended to cover, copies in digital format. The Magistrate did not confuse the concept of distribution of data/information with distribution of copies as the Appellant alleges. Further, the Appellant's argument that 'copies' must involve physical material entities has not been established. Accordingly the appeal against conviction fails."[29]

[27] *HKSAR v Chan Nai Ming* [2007] 2 HKC 1, 9.
[28] *HKSAR v Chan Nai Ming* [2007] 2 HKC 1, 21.
[29] *HKSAR v Chan Nai Ming* [2007] 2 HKC 1, 18.

THE COURT OF FINAL APPEAL DECISION

All of the other judges of the Court of Final Appeal agreed with the judgment of Ribeiro PJ. The Court upheld the decisions of the lower courts and rejected Chan's appeal. Again, the arguments brought before the court were essentially that: (a) the word "copy" used in s118(1)(f) of the Copyright Ordinance meant that "an electronic copy can only exist as something stored in a physical object" [30]; and (b) that "for 'distribution' to occur, the distributor must first be in possession of the relevant copy which he then transfers to the recipient, after which he no longer has the distributed copy"[31]. It is clear, as Ribeiro PJ pointed out[32], that the two arguments were very closely related, if not inseparable.

COPY

Dealing with the first part of Chan's arguments Ribeiro PJ made the following statements:

> "I agree of course that an electronic copy must exist in some physical medium or environment and not in a vacuum. But as the evidence established and as everyday experience indicates, electronic data constituting a digital copy of a work can plainly be transmitted via the medium of the network of computers and cables making up the Internet. Electronic copies can thus plainly be transmitted without first being stored in a tangible article such as a CD or DVD to be physically handed over to a recipient."[33]
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> "It is of course true that an electronic copy will often be stored in a disk or some similar tangible object which is capable of and intended for physical delivery. But use of such a storage device is not an essential condition for the transfer or distribution of an electronic copy. An Internet network made up of linked

[30] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 258.
[31] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 259.
[32] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 259.
[33] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 265.

> computers is no less tangible and effective a medium for its transmission."[34]
>
> "Plainly, electronic copies of copyright works can be bought, sold and delivered entirely via the Internet […]It is of course true that in some cases, such as with rentals, one would normally envisage persons renting and then returning disks containing electronic copies of the relevant works. But it does not follow that because one particular form of dealing with an electronic copy may require physical delivery of the storage device, all forms of dealing, and in particular distribution, of such copies must inevitably require similar physical handling, to the exclusion of delivery via the Internet. Indeed, technological advances are constantly being made with a view to eliminating the need for such physical delivery. Thus, an electronic copy of a 'rented' film may be sent to the recipient on the Internet, programmed to delete itself after a stated period. In other words, there is no factual imperative for dealings with, and in particular distribution of, electronic copies to be confined to the physical transfer of storage devices."[35]

DISTRIBUTION

Chan's counsel sought support for his distribution argument[36] from the agreed statements concerning Articles 6 and 7 of the WIPO Copyright Treaty[37] which states:

> "As used in these Articles, the expressions "copies" and "original and copies," being subject to the *right of distribution* and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects.[38]

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[34] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 266.
[35] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 266.
[36] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 267.
[37] *World Intellectual Property Organisation* (WIPO) *Copyright Treaty, Geneva*, 20 December 1996.
[38] Article 6, footnote 5, *World Intellectual Property Organisation* (WIPO) *Copyright Treaty, Geneva*, 20 December 1996.

Ribeiro PJ was of the opinion that this merely "represented an agreement as to minimum levels of copyright protection to be implemented"[39] by the contracting parties of the Treaty[40] and did not confine the meaning of "distribution". He stated:

> "There is also no legal reason to confine distribution of copies to cases involving delivery by physical means. "Distribution" is not defined in the Ordinance and should be given its ordinary meaning. In the present case, the evidence showed that upon being accessed by downloaders seeking to obtain a copy of the relevant film, the appellant's computer reproduced the infringing electronic copy (which remained on his hard disk) in the form of packets of digital information which were sent to the downloaders and reassembled by their computers in the correct sequence to constitute an entire infringing copy of that film. In my view, that process in aggregate is aptly described as involving the appellant's creation of infringing electronic copies (transient or otherwise) of the film and their distribution directly or indirectly to each member of each swarm."[41]

He went on to state:

> "It does not by any means follow that the scope of the s118(1)(f) offence should be [confined to fixed copies], if, as a matter of its proper construction, it provides more extensive protection. This is especially so where, as in the present case, the Court is not concerned with ascertaining the scope of a rightholder's distribution right nor with conduct permissible after exhaustion of that right – which was the relevant focus of the Treaty – but with the unlicenced dissemination of multiple infringing copies via the Internet."[42]

The other aspect of the distribution argument submitted by Chan's counsel was that

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[39] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 268.
[40] Although the People's Republic of China acceded to the WIPO Copyright Treaty on 9 March 2007, the Treaty does not, at the time of writing, apply to the Hong Kong or Macau Special Administrative Regions. See <http://www.wipo.int/treaties/en/Remarks.jsp?cnty_id=1989C> 25 January 2008.
[41] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 266.
[42] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 268.

> "[Chan] did not transfer any infringing copy away from his computer. Rather, copies were only created by the downloading activities of the members of the swarm. In other words, there was no distribution since the appellant did not transfer any copy previously in his possession to the downloading swarm. He merely enabled them to make copies of their own."[43]

Ribeiro rejected this argument on the facts:

> "It is of course true, but not relevant, that the initial infringing copy of each film remained on the appellant's hard disk. As previously stated, the magistrate accepted the evidence as establishing that electronic copies duplicating that initial infringing copy were generated by the appellant's computer and were then sent to the downloaders as a stream of digital packets designed to be reconstituted as entire, viewable films. Accordingly, even assuming for the sake of this argument, that [Chan's counsel] Mr Pun's approach to the meaning of 'distribution' is correct - namely, that it requires the transfer of a copy in the distributor's possession to the recipient - the findings were to the effect that the appellant did create and did have possession of such a copy (transiently or otherwise) for distribution to the downloading swarm."[44]

In *obiter*, Ribeiro PJ suggested that an act of distribution may not even require possession of a copy by the distributor:

> "[I]f the evidence had been different and if it had shown that no further electronic copy of any film was ever created by the appellant's computer and that no such copy was ever transmitted to the downloaders; but that the appellant had enabled the recipients by some technological means to create infringing electronic copies of the three films on their own computers, the question would still arise as to whether such conduct on his part could constitute the 'distribution of infringing copies'. The fact would remain that by his use of technology the appellant had caused reproductions of the

[43] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 271.
[44] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 271.

> infringing copies on his computer to appear on the computers of the downloaders, even if the process did not involve the prior creation by his computer of an electronic copy (transient or otherwise). I leave open the question whether such conduct might nevertheless be caught by s 118(1)(f)."[45]

COMMENTARY

The relevance of this case to Australian law, and indeed other jurisdictions with similar criminal copyright provisions, will depend largely on the willingness of the Courts to take a similarly wide view of what is meant by "distribution". In this case, it is clear from the judgement that it is not necessary for a court to find that the copyright owner's *right of distribution* had been infringed (if such a right is recognised in the jurisdiction), the article merely needs to be an infringing copy and *any* distribution (whether the distribution itself is infringing or not) will be an offence.

What was not exactly clear from the case was the approach courts may take when they assess the extent of the distribution when dealing with the fragmented method Bit Torrent uses to disseminate files. If a Bit Torrent user seeds a swarm of 40 other users and distributes a different part of the file to each user, the swarm could still produce 40 complete copies even if the seeder disconnects; 40 copies could be created independently of the original seeder. It is likely that the courts would take the view that the defendant had distributed copies to the 40 users, if they follow the obiter dicta of Ribeiro PJ, but this raises the awkward question of exactly where the liability for the distribution ends. Perhaps more prosecutors will resort to attempt or conspiracy charges to avoid answering this question. We may never know the answer. Another method of file sharing called one-click hosting seems to be overtaking peer-to-peer software like Bit Torrent as the standard method for disseminating infringing copies[46]. In this system, the user uploads the file

[45] *Chan Nai Ming v HKSAR* [2007] 3 HKC 255, 271.

[46] See <http://en.wikipedia.org/wiki/One-click_hosting> 25 January 2008 and Choi, Bryan H "The Grokster Dead-End" (2006) 19 *Havard Journal of Law and Technology* 393.

to a website ostensibly for the purposes of file storage, and receives a URL[47] which can be used to download the file at a later date. The URL address can be posted on forums in exactly the way Chan posted his torrent files. Other users can then download the files at the maximum speed of their internet connection, rather than being restricted by the available bandwidth of a seeder's connection. This allows a much faster rate of file transfer and consequently a far greater volume of data to be received. Future non-commercial criminal cases (and indeed civil actions against the host services) are more likely to arise from the use of this type of file hosting service than from peer-to-peer file trading protocols.

CONCLUSION

This case was the first real opportunity to observe the application of criminal copyright law in file-sharing cases. The meaning of distribution has been clarified, but the case also highlights the evidentiary difficulties of proving prejudicial effect. There are likely to be more cases of this nature in the future and it will be interesting to see how the law develops to address this problem.

[47] A Uniform Resource Locator (URL) allows computers to locate pages on the Internet. The text in the address bar of a web browser shows the URL.