

**For discussion
on 16 July 2013**

Legislative Council Panel on Commerce and Industry

Public Consultation on Treatment of Parody under the Copyright Regime

Purpose

The Administration launched a three-month public consultation exercise on the treatment of parody under our copyright regime on 11 July 2013. This paper outlines the consultation issues and arrangements.

Background

2. In pace with the rapid development of the knowledge-based economy, we keep our copyright regime under regular review to ensure that it continues to strike a balance between the legitimate interests of copyright owners and users and the general public, and to serve the best interest of Hong Kong. Following extensive consultations since 2006, the Copyright (Amendment) Bill 2011 (the Bill) was introduced into the Legislative Council (LegCo) in June 2011 to update the Copyright Ordinance (Chapter 528). Among other things, it sought to introduce a technology-neutral communication right¹ to better protect copyright works in the digital environment. The Bill also sought to foster cooperation between copyright owners and online service providers to combat online copyright infringement, and facilitate new modes of uses of copyright works such as e-learning and media shifting.

3. Parody was not a subject that the Bill sought to address, but wide-ranging views on this were expressed in the community during the examination of the Bill in LegCo. Some netizens considered that the

¹ At present, the Copyright Ordinance (Cap.528) gives copyright owners a number of exclusive rights including the right to make a copyright work available to the public on the Internet, to broadcast a work or to include a copyright work in a cable programme. The current modes of transmission specified in the Ordinance, including “making available”, “broadcasting” and “inclusion in cable programme” may not be adequate to cope with future developments in electronic transmission. Introduction of a new communication right would ensure that our copyright law will endure the test of rapid advances in technology to obviate the need to change the law every time a new communication mode emerges.

proposed communication right would adversely affect freedom of expression and non-profit-making parody might inadvertently amount to a copyright infringement or even caught by the criminal net. To assuage their concern, the Government enhanced, through Committee Stage Amendments (CSAs), the clarity of the wording in the Bill to reflect our policy intent that the Bill sought to target large-scale copyright piracy².

4. After thorough scrutiny, the LegCo Bills Committee supported passage of the Bill with a package of CSAs agreed with the Government, bearing in mind the future public consultation on parody the Government pledged. But owing to other pressing business LegCo had to transact before the end of its term, the Bill did not resume Second Reading Debate and lapsed upon expiry of the previous term of LegCo.

Restarting the legislative exercise through consultation

5. There are cogent reasons to restart the legislative exercise to update our copyright regime -

(a) Rapid technological developments have been reshaping the information society and driven many overseas jurisdictions to modernise their copyright laws. There is a genuine need to update our Copyright Ordinance to catch up with the international trend³. Some US copyright owners associations⁴ have recently made submissions to the United States Trade Representative (USTR) suggesting that Hong Kong should be put under a list of “Deserving Special Mention” and “Watch List” in

² The Government refined the proposed criminal sanctions to clarify the scope of the infringing acts which have caused “more than trivial” economic prejudice to copyright owners. The refinements would demonstrate that it would be difficult for prosecution in a case where the infringement does not result in economic prejudice to the copyright owners and therefore parody which in general would not substitute the market of the original copyright work would likely fall outside the criminal net. The proposed CSA as agreed with the Bills Committee now becomes Option 1 for public consultation (paragraph 18 below).

³ The proposed communication right has been incorporated into the copyright laws of major common law jurisdictions i.e. Australia in 2001, the UK in 2003, Singapore in 2005, and New Zealand in 2008. Other parts of the legislative package such as the “safe harbour” provisions for online service providers (so that their potential liability for copyright infringement taken place or occurring on their service platforms would be limited) are essential to keep us on par with other major common law jurisdictions.

⁴ The International Intellectual Property Alliance and Cable & Satellite Broadcasting Association of Asia.

the Special 301 Report⁵ as they allege that the existing copyright legislation of Hong Kong lags behind technological development and provides inadequate copyright protection in the digital environment. Although Hong Kong has not been placed on any list in the USTR report released in May 2013, we will face continuous pressure on this front until our copyright regime is brought up to international standard.

- (b) Our updating exercise started way back in 2006. The package of proposals contained in the Bill and the CSAs agreed with the LegCo Bills Committee are the respectable result of years of deliberations of the Government, LegCo, copyright owners, online service providers and general users. We should not let the broad consensus consolidated in this always sensitive subject fall away.
- (c) For advanced economies which aspire to exploit innovation and creativity to drive economic growth⁶, they would exercise proactive efforts to ensure a robust and up-to-date intellectual property (IP) regime, underpinned by a clear legal framework that would support their development needs. For instance, further to their reforms in the early 2000s to keep up with the digital environment, the UK and Australia are looking to new rounds of efforts to

⁵ Under Special 301 provisions of the Trade Act of 1974, USTR must identify those countries that deny adequate and effective protection for IP rights or deny fair and equitable market access for persons that rely on IP rights protection. USTR has created a “Priority Watch List” and “Watch List”. Placement of a trading partner on the lists indicates that particular problems exist with respect to IP rights protection, enforcement, or market access for persons relying on IP rights. Additionally, USTR monitors a trading partner’s compliance with measures that are the basis for resolving an investigation under Section 301. USTR may apply sanctions if a country fails to satisfactorily implement such measures. Indeed, Hong Kong has not been placed on the watch list since February 1999.

⁶ Copyright laws protect and stimulate the development and marketing of new products and services and their creative content. The laws contribute to the overall economic and cultural development of society.

modernise their copyright regimes⁷. An outdated copyright law will deal a heavy blow to our sustained efforts to maintain a copyright regime of world class standards, undermine our efforts on other fronts to exploit IP to drive economic growth (such as promotion of Hong Kong as an IP trading hub) and tarnish our claim as a progressive knowledge-based economy. Hong Kong cannot afford to mark time and should complete the current Bill in earnest to move further ahead.

6. The consultation exercise aims to build consensus on the subject of parody so that we could map out the way forward for the package of legislative amendments already scrutinised and supported by the LegCo Bills Committee. This will help us update our copyright regime in earnest.

The consultation paper

7. We have put in context the discussion and set out possible options for the treatment of parody in the consultation paper (copy at Annex). The gist and our considerations are set out below.

Concepts of parody

8. The use of parody taking advantage of an existing work as a form of expression is not new. With technological advancements, it has become easier for members of the public to express their views and commentary on current events by altering existing copyright works and to disseminate them through the Internet. In Hong Kong, popular forms of this genre in recent years include (a) combining existing news photos or movie posters with pictures of political figures; (b) providing new lyrics to

⁷ Both countries introduced the communication right and statutory provisions to limit the potential liability for copyright infringement for online service providers in the early 2000s. They have been considering how their regimes can be further modernised. For instance, the UK government has conducted several rounds of public consultations on various copyright issues since 2006 and announced in December 2012 its intention to provide new copyright exceptions for private copying, data mining, parody, archiving and preservation, education and people with disabilities. In June this year, the Australian Law Reform Commission launched a consultation exercise inviting the public to consider whether open-ended fair use provisions should be introduced to replace the fair dealing provisions.

popular songs; and (c) editing a short clip from a television drama or movie to relate to a current event (sometimes with new subtitles or dialogues).

9. An important feature of this genre is the inclusion of an element of imitation or incorporation of certain elements of an underlying copyright work. In overseas jurisdictions, a variety of terms such as parody, satire, caricature and pastiche⁸ are used to describe this genre in legislation or policy discussion as well as in case law, referencing different perspectives or emphasis (such as the intended purposes or effects). For the sake of consistency and convenience, we would collectively use the term “parody” as a general reference to such imitations.

10. We note that some local media and some sectors of the public sometimes use the term “secondary creation” (“二次創作”) interchangeably with “parody”. This is not a term commonly used in copyright jurisprudence and may entail a much larger scope than parody. In fact, the term "secondary creation" has been used very loosely to cover a wide-range of activities, including a mere adaptation or modification of a copyright work. As such, the subject of the present consultation is parody but not “secondary creation”.

Current legal position in Hong Kong

11. Not all parodies involve copyright infringement.

⁸ The Oxford English Dictionary defines the terms as follows -

Parody: an imitation of the style of a particular writer, artist or genre with deliberate exaggeration for comic effect

Satire: the use of humour, irony, exaggeration, or ridicule to expose and criticise people's stupidity or vices, particularly in the context of contemporary politics and other topical issues

Caricature: a depiction of a person in which distinguishing characteristics are exaggerated for comic or grotesque effect

Pastiche: an artistic work in a style that imitates that of another work, artist or period

12. For parodies that only incorporate the idea or reproduce an insubstantial part of the underlying works, they do not constitute any copyright infringement as copyright only prohibits substantial copying of the original work and does not grant a monopoly over the underlying ideas or information. Parodies incorporating a substantial part of the underlying work with consent from the copyright owner, including such as by way of an appropriate Creative Commons licence⁹, are lawful. Parodies can also be lawfully produced by incorporating works in the public domain¹⁰ with expired copyrights¹¹ provided that the production does not involve the use of sound recordings or other works which are protected by copyright. In addition, the existing Copyright Ordinance provides for a number of copyright exceptions or permitted acts for users to facilitate the reasonable use of copyright works in various ways¹².

13. For parodies that fall outside the aforementioned exemptions and exceptions, they may attract civil liability for copyright infringement under the existing copyright law. Furthermore, if a person distributes a copy of an infringing parody to the public in the course of any trade or business or to such an extent as to affect prejudicially the copyright owner,

⁹ A Creative Commons (CC) licence is a set of standard terms licence devised by a private organisation called Creative Commons. CC licences are meant to facilitate owners in licensing their works for use by others free of charge based on certain preset terms and conditions. The public may copy, distribute, display and perform a CC licensed work and/or any derivative works based on it, subject to any conditions the author has specified, such as acknowledging the author of the underlying work and for non-commercial purposes etc.

¹⁰ According to section 17 of the Copyright Ordinance (Cap.528), copyright in literary, dramatic, musical or artistic work expires at the end of the period of 50 years from the end of calendar year in which the author dies subject to certain exceptions.

¹¹ Examples are classical painting like Leonardo da Vinci's "*Mona Lisa*" and songs like Beethoven's "*For Elise*".

¹² There are over 60 provisions on permitted acts under the existing Copyright Ordinance (Cap. 528) governing the reasonable use of copyright works under specific circumstances. For instance, the fair dealing of copyright works for the purposes of education, research and private study, criticism and review (regarding the subject copyright works or other works), and news reporting are permissible with qualifying conditions. Parodies that are created for such purposes may fall within the ambit of the permitted acts in appropriate circumstances.

he may be subject to criminal liability¹³. However, in reality, it appears unlikely that the distribution of a parody copy will be considered as “*to the extent as to affect prejudicially the copyright owner*”. Parodies in general target different markets from those of the underlying works and do not displace the legitimate market of the underlying works¹⁴. We are also unaware of any criminal prosecution against parody in Hong Kong or in other common law jurisdictions that we have surveyed. As a further safeguard, the court has jurisdiction to prevent or restrict the enforcement of copyright on the ground of public interest¹⁵.

¹³ See section 118(1) of the Copyright Ordinance (Cap. 528).

“A person commits an offence if he, without the licence of the copyright owner of a copyright work -

- (a) makes for sale or hire an infringing copy of the work;
- (b) imports an infringing copy of the work into Hong Kong otherwise than for his private and domestic use;
- (c) exports an infringing copy of the work from Hong Kong otherwise than for his private and domestic use;
- (d) sells, lets for hire, or offers or exposes for sale or hire an infringing copy of the work for the purpose of or in the course of any trade or business;
- (e) exhibits in public or distributes an infringing copy of the work for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works;
- (f) possesses an infringing copy of the work with a view to -
 - (i) its being sold or let for hire by any person for the purpose of or in the course of any trade or business; or
 - (ii) its being exhibited in public or distributed by any person for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works; or
- (g) distributes an infringing copy of the work (otherwise than for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works) to such an extent as to affect prejudicially the copyright owner.”

As mentioned in paragraph 2, the Bill sought to introduce a technology-neutral communication right. The proposed criminal sanction against unauthorised communication of a copyright work to the public in the Bill mirrors the existing offences under section 118(1) of the Copyright Ordinance. The proposed section 118(8B) reads -

“A person commits an offence if the person -

- (a) without the licence of the copyright owner of a copyright work, communicates the work to the public for the purpose of or in the course of any trade or business that consists of communicating works to the public for profit or reward; or
- (b) without the licence of the copyright owner of a copyright work, communicates the work to the public (otherwise than for the purpose of or in the course of any trade or business that consists of communicating works to the public for profit or reward) to such an extent as to affect prejudicially the copyright owner.”

¹⁴ In *HKSAR v Chan Nai Ming* [2005]4 HKLRD 142 (Reasons for Verdict of Tuen Mun Magistrates' Court), the presiding magistrate considered that “prejudice” is not necessarily restricted to economic prejudice though economic prejudice would be the obvious area to which attention should be directed.

¹⁵ Section 192(3) of the Copyright Ordinance (Cap. 528) provides that “*Nothing in this Part affects any rule of law preventing or restricting the enforcement of copyright, on grounds of public interest or otherwise.*” The English Court of Appeal in *Ashdown v Telegraph Group Ltd.* concluded that “*the circumstances in which public interest may override copyright are not capable of precise categorisation or definition.*” (paragraph 58 of the judgment).

Overseas experiences

14. The treatment of parody in overseas jurisdictions which we have surveyed is set out in paragraphs 17-24 of the consultation paper at Annex. There is obviously no unified approach in dealing with the issue of parody, but a few observations may be pertinent -

- (a) The US adopts a general fair use doctrine. While parody may be considered as a fair use under appropriate circumstances, the US court is less inclined to consider “satire” as fair use.
- (b) Among other common law jurisdictions, Australia and Canada have provided a copyright exception for parody and satire, which is crafted within the ambit of “fair dealing” with no statutory definition of those terms. The precise scope of the exception and the issue of “fairness” are to be determined by the court. But to our knowledge there is no decided case on the application of these statutory exceptions. The UK is following a similar approach in taking forward a fair dealing exception for parody, caricature and pastiche. Draft provision of the exception was published for public views.
- (c) In introducing a copyright exception for parody and satire, neither Australia nor Canada had found it necessary to change the moral rights¹⁶ provision under their pre-existing laws. In the UK’s latest proposal for a copyright exception for parody, it has indicated that the current system of moral rights will be maintained.

¹⁶ Under the copyright regime, moral rights allow the authors of literary, dramatic, musical and artistic works, and the directors of films to preserve their relationship with the creation of their works. Sections 89(1), 92(1) and 96(1) of the Copyright Ordinance (Cap. 528) afford protection to three kinds of moral rights, namely (a) the right to be identified as author or director, (b) the right to object to derogatory treatment of a work, and (c) the right not to have a work falsely attributed to him as author or director. The first two rights are recognised by the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) which is applicable to Hong Kong. Only civil liabilities will be attracted by violating these rights, and to our best knowledge, there is no local court decision on infringement.

Pros and cons of special treatment of parody

15. Those who support some form of special treatment consider that parody -

- (a) causes little or no economic damage to the copyright owners as a parody is unlikely to substitute the original work;
- (b) may, in some cases, make the original work more popular by drawing attention to it;
- (c) encourages creativity, nurtures new talents and even entertainment business, and therefore contributes to the overall economic and cultural development of society; and
- (d) serves as effective tools for the public to express views or comment on social and public affairs, and enhances freedom of expression.

16. On the other hand, those who oppose consider that -

- (a) the present regime (paragraphs 11-13 above) already strikes a fair balance between the legitimate interests of different parties, and evidently has not hindered the creation and dissemination of parody;
- (b) a special treatment of parody would create uncertainty and increase opportunities for abuse by blurring the line between parody and outright copyright infringement;
- (c) a special parody treatment would affect copyright owners' legitimate interests in seeking licensing revenue over use of their works for parody, lowering the returns for their creative works and thereby dampening creativity; and
- (d) a special parody treatment might conflict with certain moral rights of creators, e.g. right to be attributed and

right to preserve the integrity of their works.

Possible options for special treatment

17. In considering the possible options, we have been guided by the following broad principles -

- (a) a fair balance between protecting the legitimate interests of copyright owners and other public interests, such as reasonable use of copyright works and freedom of expression, should be maintained;
- (b) any criminal exemption or copyright exception to be introduced must be fully compliant with our international obligations¹⁷; and
- (c) any proposed amendment to the Copyright Ordinance must be sufficiently clear and certain so as to afford a reasonable degree of legal certainty, especially in the criminal jurisdiction involving law enforcement agencies, and to ensure that the general public is able to regulate their conduct accordingly.

18. In the consultation paper, we have identified three options for special treatment to solicit views, as follows -

- (a) Option 1 - Clarification: We may clarify the provisions for criminal sanction under the Copyright

¹⁷ Such as Article 61 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization. It provides that “*Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.*”

Another relevant Article is Article 13 of the TRIPS Agreement. It provides that “*Members shall confine limitations or 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.*” To comply with the “three-step test” under Article 13, the Government must ensure that the exception (a) is confined to “special cases”, (b) does not conflict with a normal exploitation of the work, and (c) does not unreasonably prejudice the legitimate interests of the copyright owner.

Ordinance (regarding both the existing “distribution offence” and the proposed “communication offence¹⁸”) by underlining in the legislation the consideration of whether the infringing acts have caused “more than trivial” economic prejudice to the copyright owners and introducing relevant factors as guidance to the court in determining the magnitude of economic prejudice. This option is indeed part of the CSAs agreed with the LegCo Bills Committee (paragraph 3 above).

- (b) **Option 2 - Criminal exemption:** We may consider introducing a criminal exemption to specifically exclude parody from the existing “distribution” and the proposed “communication” offences. The dissemination of parody, so long as it meets the qualifying conditions specified in the relevant provisions, will not attract any criminal liability under those provisions.
- (c) **Option 3 - Fair dealing exception:** We may consider introducing a fair dealing exception for parody based on the experience or approach in Australia, Canada and the UK. Under this option, distribution and communication of parody will not attract any civil nor criminal liability if the qualifying conditions of the exception are met. The proposal of limiting the exception on a fair dealing basis aims at curbing abuse and minimising any possible adverse impact on the copyright owners, following the jurisprudence in our copyright regime in other areas of exceptions¹⁹.

¹⁸ Please refer to footnote 13 for s.118(1)(g) of the Copyright Ordinance (Cap.528) and the proposed new s.118(8B) under the Bill.

¹⁹ We may also consider providing a list of non-exhaustive factors for determining fairness as currently set out in sections 38 and 41A of the Copyright Ordinance (Cap.528). The relevant factors for determining whether the dealing of a copyright works is fair include -

- (a) the purpose and nature of the dealing, including whether the dealing is for a non-profit-making purpose and whether the dealing is of a commercial nature;
- (b) the nature of the work;
- (c) the amount and substantiality of the portion dealt with in relation to the work as a whole; and
- (d) the effect of the dealing on the potential market for or value of the work.

Whether a particular dealing is fair would be considered by reference to the overall circumstances of individual cases, and may eventually be determined by the court.

19. Details of the Options and the initial proposed legal wording are set out in paragraphs 28-36 of and Annexes A to C to the consultation paper annexed to this paper.

Way Forward

20. We maintain an open mind towards the above options. The objectives of the consultation exercise are to build consensus in the community as far as possible, and enable the Government to identify an option which serves the best interest of Hong Kong and is broadly acceptable to the parties concerned. We are publicising this consultation through various channels. During the consultation, we will organise public forums and stakeholders engagements to facilitate a rational public discussion on the pros and cons of different options. We will review the outcome after the consultation ends on 15 October this year and take a policy view on how we should take forward the legislative package that has been scrutinised and supported by the LegCo Bills Committee. This will enable the re-introduction of a new amendment Bill into LegCo to update our copyright regime in earnest.

Advice Sought

21. Members are invited to take note of the consultation and offer views on the subject.

Commerce and Economic Development Bureau
Commerce, Industry and Tourism Branch
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