

**Treatment of  
Parody**  
Main Topic

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**Public Consultation on Treatment of Parody under the Copyright Regime**

to: co\_consultation@cedb.gov.hk

15/11/2013 22:47

Sent by:  
Cc:

From:

To: "co\_consultation@cedb.gov.hk" <co\_consultation@cedb.gov.hk>

Cc:

Sent by:

Dear Sir or Madam:

On behalf of the Journalism and Media Studies Centre of the University of Hong Kong, I am attaching herewith the submission to the Public Consultation on Treatment of Parody under the Copyright Regime. If you have any questions, please do not hesitate to contact me.

Yours sincerely,

Peter

Prof. Peter K. Yu

Drake University Law School

Tel:

Fax:

Email:



jmsc\_hku\_submission.pdf



## **DIGITAL COPYRIGHT AND THE PARODY EXCEPTION IN HONG KONG: ACCOMMODATING THE NEEDS AND INTERESTS OF INTERNET USERS**

*Peter K Yu*

### **Introduction**

On 11 July 2013, the Government of the Hong Kong Special Administrative Region released a consultation document on the treatment of parody under the copyright regime. This latest consultation built on two earlier consultations on digital copyright reform launched in December 2006 and April 2008. It also responded to questions and concerns raised during the deliberation of the Copyright (Amendment) Bill 2011. Because the Legislative Council (LegCo) did not resume the Second Reading debate, the bill lapsed upon the expiry of the LegCo term in July 2012. A new amendment bill now needs to be introduced.

In April 2007 and August 2008, the author, in collaboration with the Journalism Media Studies Centre of the University of Hong Kong, submitted two position papers as part of the government's consultation exercises. Drawing on the recommendations and explanations advanced in these two papers, this new paper analyses the three legislative options identified in the consultation document: (1) clarifying the existing general provisions for criminal sanctions; (2) introducing a specific criminal exemption for parody; and (3) introducing a fair dealing exception for parody. Although the document used the term 'parody' collectively to cover parodies, satires, caricatures, pastiches and other forms of imitations, this paper uses specific terms to avoid confusion.

At the outset, it is important to state that none of the three options identified in the consultation document *alone* can adequately address the needs, interests and concerns of internet users. Each option has its strengths and weaknesses, and each serves its own purpose. Because these options are not mutually exclusive, this position paper recommends the adoption of *all* three options in combination with a fourth unidentified option – an exception for predominantly non-commercial user-generated content (PNCUGC). The last option is badly needed because even a broad, unlimited copyright exception for parody, satire, caricature or pastiche would not cover most of the derivative creations generated by internet users. Often referred to as user-generated content (UGC) or 'secondary creations' (二次創作), these creations include remixes, mash-ups, cut-ups, spoofs, parodies, satires, caricatures and machinimas.

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This position paper begins by examining each individual option identified in the consultation document. It argues that *both* civil and criminal exceptions, with appropriate qualifications, should be created for parodies, satires, caricatures and pastiches. It also explains why a separate criminal exception will be needed even if a fair dealing exception is to be adopted. The paper then articulates the need for the introduction of a PNCUGC exception, similar to the one Canada recently adopted. It further explains why creating exceptions in the copyright regime would benefit both copyright owners and internet users. The paper concludes by identifying four related issues that deserve legislative attention.

Specifically, this position paper makes four recommendations:

1. Refrain from picking among the three options identified in the consultation document, as they are not mutually exclusive.
2. Introduce a criminal exemption for parody, satire, caricature or pastiche.
3. Introduce a fair dealing exception for parody, satire, caricature or pastiche and provide corresponding changes to the moral rights provisions.
4. Introduce a copyright exception for PNCUGC and provide corresponding changes to the moral rights provisions.

To help legislators, government officials, consumer advocates, internet users and the mass media to identify the various legislative options and to provide baselines for comparison, this position paper includes two appendices at the end. Appendix A advances the specific language for statutory amendments. These amendments draw on the legislative experiences and best practices of copyright reform in Australia, Canada, New Zealand, Singapore, the United Kingdom and the United States. Where the language proposed in this position paper differs from the draft language advanced in the consultation document, the proposed language will be underlined to denote insertion and struck out to denote deletion. Appendix B provides two flow charts detailing how the proposed statutory amendments would operate in practice. The first chart covers the scenario where a copyright exception for PNCUGC will be adopted. The second chart covers the scenario where PNCUGC will be exempted from criminal sanctions only.

### **Option 1: Clarifying the existing general provisions for criminal sanctions**

The first option identified in the consultation document focuses on the need to clarify the existing provision on the criminal offences for the prejudicial distribution or communication of copyright works. Section 118 of the Hong Kong Copyright Ordinance (Ordinance) focuses on large-scale copyright piracy, targeting offences in relation to making or dealing with infringing articles. Section 118(1)(e) specifically prohibits the unauthorised distribution of ‘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’. Section 118(1)(g) further prohibits the unauthorised distribution of ‘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’.

If amended, section 118 would further prohibit the unauthorised communication of a copyright work to the public. This amendment focuses on two different types of activities: (1) infringements in the business context and (2) upstream infringements. The first type concerns

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the communication of a copyright 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’. The second type concerns the communication of a copyright work to the public ‘to such an extent as to affect prejudicially the copyright owner’ other than for the purpose of or in the course of any trade or business.

Particularly controversial is the ambiguous language used in relation to the second type of prohibited activity – upstream infringements or the so-called prejudicial distribution/communication of copyright works. Such ambiguity is problematic for four reasons. First, the language in the Copyright (Amendment) Bill 2011 and the government’s proposals in the consultation document could cast the criminal net wider than is needed to protect the interests of copyright owners. As noted in the two previous position papers, the societal costs imposed by the proposed amendments would far outweigh their valuable benefits. Secondly, criminal enforcement shifts costs, responsibility and risks from private right owners to the government. Because of scarcity and the high costs of public enforcement, ambiguous language could waste valuable government resources. In fact, greater criminal enforcement of intellectual property rights could take away the scarce resources that could be used to meet other public needs. Thirdly, tighter criminal sanctions could dampen creativity, an area where Hong Kong remains behind other similarly situated economies. Fourthly, even if properly implemented, these sanctions could raise concerns about the protection of free speech, free press and other civil liberties. If draconian sanctions were to be introduced, these sanctions would also raise questions about the lack of proportionality between the proposed sanctions and the relevant criminal offences.

To help clarify the language regarding prejudicial distribution or communication of copyright works, the proposed sections 118(2AA) and 118(8C) of the Copyright (Amendment) Bill 2011 included the following five factors:

- (a) the purpose of the distribution/communication;
- (b) the nature of the copyright work, including its commercial value;
- (c) the amount and substantiality of the infringing portion in relation to the work as a whole;
- (d) the mode of distribution/communication; and
- (e) the economic prejudice caused to the copyright owner as a consequence of the distribution/communication including its effect on the potential market for or value of the work.

A committee stage amendment subsequently condensed these five factors into the three factors now listed in the consultation document<sup>1</sup> – namely, ‘(a) the nature of the work, including its commercial value (if any); (b) the mode and scale of distribution/communication; and (c) whether the infringing copy so distributed amounts to a substitution for the work’ (Annex A, 1).

Given the high costs of criminal intellectual property enforcement and its significant demands on public resources, this position paper recommends the following:

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<sup>1</sup> Intellectual Property Department, *Amendments to Clause 51 of the Copyright (Amendment) Bill 2011* (LC Paper No CB(1)1180/11-12(01), 2012).

**1. Replace the phrase ‘more than trivial’ with the word ‘substantial’.**

The government explained that the phrase ‘more than trivial’ has been used in other ‘statutory provisions in connection with criminal offences’, such as section 16 of the Defamation Ordinance (Cap. 21), section 107 of the Criminal Procedure Ordinance (Cap. 221), section 36 of the Magistrates Ordinance (Cap. 227) and rule 36 of the Immigration (Vietnamese Boat People) (Shek Kwu Chau Detention Centre) Rules (Cap. 115P).<sup>2</sup> However, if the goal of this proposed amendment is to provide clarification, it is much more appropriate to use the word ‘substantial’ (or ‘considerable’, ‘serious’ or ‘important’, as suggested by LegCo Councillor Hon Ronny Tong<sup>3</sup>). Such a word would provide an important reminder that section 118 was enacted to combat large-scale copyright piracy.

Two questions may arise in relation to this particular word choice. First, would the change from the phrase ‘more than trivial’ to the word ‘substantial’ alter the criminal threshold already established in section 118(1)(g)? The answer is negative. Although the use of the phrase ‘in particular’ in the government’s proposed language provides both emphasis and clarification, the proposed language does not alter the existing threshold. Any language that follows this phrase merely suggests factors that the court *may* consider in determining whether the distribution or communication in question has prejudiced the interests of the copyright owner.

The second question concerns whether such a change would be consistent with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization (WTO). This question is important because ensuring Hong Kong’s compliance with its international obligations is one of the three guiding principles of this consultation exercise (11). Like the answer to the first question, the answer to this question is negative. Because the proposed change would merely provide emphasis and clarification, as opposed to altering the existing criminal threshold, the change would not create any new inconsistency between the Ordinance and the TRIPS Agreement. Thus, if the government is concerned about the United States Trade Representative’s Section 301 Report or complaints filed through the WTO dispute settlement process, the change proposed in this position paper will not create any new complications.

**2. Include ‘the purpose of distribution/communication’ among the factors the Court may take into account in determining whether the infringer has prejudiced the interests of the copyright owner.**

As noted earlier, ‘the purpose of distribution/communication’ is one of the five factors listed in the Copyright (Amendment) Bill 2011 before the introduction of a committee stage amendment. This factor is important: it reminds both the courts and the public at large that section 118 focuses primarily on combating large-scale copyright piracy. This added factor would not only help the provision achieve its intended objective, but would also ensure that the criminal net will not be cast wider than is needed to reduce copyright piracy.

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<sup>2</sup> Commerce and Economic Development Bureau, *Copyright (Amendment) Bill 2011: Outstanding Matters* (LC Paper No CB(1)1395/11-12(02), 2012) 3.

<sup>3</sup> Legislative Council Secretariat, *Report of the Bills Committee on Copyright (Amendment) Bill 2011* (LC Paper No CB(1)1610/11-12, 2012) 7.

**3. Include ‘the amount and substantiality of the infringing portion in relation to the work as a whole’ among the factors the Court may take into account in determining whether the infringer has prejudiced the interests of the copyright owner.**

Another factor listed in the original 2011 bill concerns ‘the amount and substantiality of the infringing portion in relation to the work as a whole’. Such a factor is important because it allows the Ordinance to focus on achieving its intended goal of combating large-scale copyright piracy, as opposed to clamping down on UGC that merely builds on portions of copyright works. Examples of UGC that could be threatened by the omission of this important factor are fan videos incorporating publicly accessible copyrighted audio and video clips and sports videos featuring the top ten highlights of favourite National Basketball Association players.

**4. Provide clarification that the new provision does not cover the mere act of uploading, posting or sharing a hyperlink.**

Of great concern to internet users is the issue regarding whether the new provision would cover the mere act of uploading, posting or sharing a hyperlink. In the now-updated version of the Q&A provided in conjunction with the consultation document, the government stated:

Q8 – Is it unlawful to upload/post/share links that would lead to parodic content on the Internet?

A8 – If the ‘link’ in question merely provides those who click on it a means to access materials on another website, and the person who shares the link does not distribute an infringing copy of the copyright work (e.g. by uploading an infringing song to a website for others to download), the mere act of sharing a link will not constitute copyright infringement. The legislative proposals introduced by the Government last year contain provisions that clearly specify the same. (9)

While this official response clarifies the intent behind the government’s proposals, it does not have any *legal* effect. Nor does it remove the internet users’ concern about overzealous enforcement of laws related to intellectual property crimes. As a result, this position paper recommends the introduction of clarifying language similar to what the government offered in the Q&A:

For the purposes of subsection (8B), the phrase ‘communicates the work to the public’ does not cover the act of dissemination of information concerning the means by which the infringing work is accessed, such as the act of uploading, posting or sharing a hyperlink, so long as the person who communicates such information does not distribute any infringing copy of a copyright work.

The inclusion of this proposed language is especially important in the wake of the UK Supreme Court decision of *Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd*<sup>4</sup> and the recent decision by the Court of Justice of the European Union to address the question concerning whether the provision of a clickable hyperlink to a copyright work would

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<sup>4</sup> [2013] UKSC 18 (2013).

constitute infringement on the right of communication to the public within the meaning of EU Information Society Directive.<sup>5</sup>

## Option 2: Introducing a specific criminal exemption for parody

The second option identified in the consultation document concerns the introduction of a criminal exemption for parody, satire, caricature or pastiche. The goal of such an exemption is to ensure that the distribution or communication to the public of these specified creations would not attract criminal liability for copyright infringement.

Parodies, satires, caricatures and pastiches are important to Hong Kong for at least seven reasons. *First*, they are important in an environment where there is insufficient debate on current events and public affairs. Because Hong Kong was a British colony, the region has not developed a vibrant, critical political culture until recent years. If Hong Kong people are to successfully govern Hong Kong (港人治港), it is very important for the region to harness its copyright regime to promote the development of a critical political culture.

As the consultation document rightly acknowledged, parodies, satires, caricatures and pastiches can ‘serve[] as effective tools for the public to express views or comment on social and public affairs, and enhances freedom of expression’ (4). By promoting the development of these creations, the copyright regime would help facilitate comments on current events, public affairs and political, social and economic matters. As shown by the many repeated protests in Hong Kong, the continued dissatisfaction with the past and present governments and the growing demand for more democratic elections (especially in relation to the Chief Executive and members of the Legislative Council), Hong Kong is now at a critical juncture where the development of wider political discourse is of paramount importance and great urgency.

*Secondly*, because of China’s resumption of sovereignty over Hong Kong in 1997, the protection of free speech, free press and other civil liberties in Hong Kong has always been the subject of heightened scrutiny by Western media. Greater protection of parodies, satires, caricatures and pastiches would not only protect Hong Kong’s much-needed reputation for free speech and free press, but would also enhance Hong Kong’s reputation as a city that respects and protects individual freedom. This year, Hong Kong is again recognised as the world’s leader in the Index of Economic Freedom, which *The Wall Street Journal* and The Heritage Foundation releases annually.<sup>6</sup> Hong Kong also ranks seventh worldwide in the Global Innovation Index, ahead of all Asian economies, including Singapore, South Korea and Japan.<sup>7</sup>

*Thirdly*, and relatedly, article 27 of the Basic Law provides that ‘Hong Kong residents shall have freedom of speech, of the press and of publication’. Article 16(2) of the Hong Kong Bill of Rights further provides that ‘[e]veryone shall have the right to freedom of expression; this right shall include freedom to seek, receive and impart information and ideas of all kinds,

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<sup>5</sup> Case 466/12 *Svensson*. On copyright liability issues raised by hyperlinks, see Alain Strowel and Vicky Hanley, ‘Secondary Liability for Copyright Infringement with Regard to Hyperlinks’ in Alain Strowel (ed), *Peer-to-Peer File Sharing and Secondary Liability in Copyright Law* (Edward Elgar Publishing 2009) 71–109.

<sup>6</sup> ‘2013 Index of Economic Freedom’ <<http://www.heritage.org/index/>> accessed 30 October 2013.

<sup>7</sup> Soumitra Dutta and Bruno Lanvin (eds), *The Global Innovation Index 2013: The Local Dynamics of Innovation* (Cornell University, INSEAD and World Intellectual Property Organization 2013) xx.

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regardless of frontiers, either orally, in writing or in print, in the form of art, or through any other media of his choice'. The protection of parodies, satires, caricatures and pastiches is therefore needed to provide the appropriate balance between the adequate protection of copyright owners and the region's need to protect individual human rights. Indeed, as a US appellate court rightly noted in *Berlin v E.C. Publications, Inc*, 'many a true word is ... spoken in jest'.<sup>8</sup> It is therefore no surprise that the consultation document considered one of its guiding principles 'a fair balance between protecting the legitimate interests of copyright owners and other public interests, such as ... freedom of expression' (11).

In *Eldred v Ashcroft*, a case challenging the constitutionality of the US copyright term extension legislation, the US Supreme Court used the fair use privilege – the provision that exempts unauthorised parodies from infringement – as an example to illustrate the 'built-in First Amendment [or free speech] accommodations' the copyright regime provides.<sup>9</sup> As Justice Ruth Bader Ginsburg observed, 'the "fair use" defense allows the public to use not only facts and ideas contained in a copyrighted work, but also expression itself in certain circumstances.... The fair use defense affords considerable "latitude for scholarship and comment," and even for parody'.<sup>10</sup> The existence of these built-in accommodations is important. After all, one should not forget that copyright, which owes its origin to the Star Chamber in England, has been historically used as a censorship tool.<sup>11</sup>

*Fourthly*, the internet has created the potential for Hong Kong citizens to express themselves in an unprecedented manner. As the consultation document rightly noted:

With advances in technology, 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 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). (2)

Likewise, the *Hargreaves Review of Intellectual Property and Growth (Hargreaves Review)*, which the UK government published in 2011, reminded us, 'Video parody is today becoming part and parcel of the interactions of private citizens, often via social networking sites, and encourages literacy in multimedia expression in ways that are increasingly essential to the skills base of the economy.'<sup>12</sup> The UK Intellectual Property Office (UKIPO) also declared in its recent consultation document:

Modern parodies are as likely to be made at home by ordinary people as by professional writers, broadcasters and comedians. Parodies have become part and parcel of online social interaction, with parody works adorning Facebook walls and trending on Twitter. The

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<sup>8</sup> 329 F2d 541, 545 (2d Cir 1964).

<sup>9</sup> 537 US 186, 219–20 (2003).

<sup>10</sup> *ibid.*

<sup>11</sup> Peter K Yu, 'Three Questions that Will Make You Rethink the U.S.-China Intellectual Property Debate' (2008) 7 *J Marshall Rev Intell Prop L* 412, 429–30.

<sup>12</sup> Ian Hargreaves, *Digital Opportunity: A Review of Intellectual Property and Growth* (UKIPO 2011) 50.



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modern public's response to an event is as likely to be expressed through Photoshop competitions and Downfall parodies as through traditional comment, argument, and debate.<sup>13</sup>

Thanks to the high speed and low costs of reproduction and distribution, the anonymous architecture and the many-to-many communication capabilities, the internet has become a particularly effective means of communication. As a US district court judge recognised in the early days of the World Wide Web, the internet is 'the most participatory form of mass speech yet developed', and its content 'is as diverse as human thought'.<sup>14</sup> Thus, the amended Ordinance should allow Hong Kong to harness the copyright regime to enable the internet to realise its immense potential for political, social, economic and cultural developments. After all, the present consultation focuses not only on 'striking a balance between the legitimate interests of copyright owners and users and the general public, [but also on] serving the best interest of Hong Kong' (1).

In fairness, copyright owners could question why the Ordinance should be amended to allow internet users to use their works to create parodies, satires, caricatures and pastiches, as opposed to creating new works themselves. However, to properly answer this question, we need to develop a better and deeper understanding of how meanings are created in culture. As Lawrence Lessig explained:

[The meaning of the remixes] comes not from the content of what they say; it comes from the reference, which is expressible only if it is the original that gets used. Images or sounds collected from real-world examples become 'paint on a palette.' And it is this 'cultural reference,' as coder and remix artist Victor Stone explained, that 'has emotional meaning to people.... When you hear four notes of the Beatles' "Revolution," it means something.' When you 'mix these symbolic things together' with something new, you create ... 'something new that didn't exist before.'<sup>15</sup>

To a large extent, a society that allows internet users to generate derivative creations will ensure that '[e]veryone – not just political, economic, or cultural elites – has a fair chance to participate in the production of culture, and in the development of the ideas and meanings that constitute them and the communities and subcommunities to which they belong'.<sup>16</sup> As Jack Balkin reminded us, freedom of speech is the ability to 'participate in culture through building on what [people] find in culture and innovating with it, modifying it, and turning it to their purposes'.<sup>17</sup>

*Fifthly*, the creation of parodies, satires, caricatures and pastiches as well as other forms of UGC or so-called secondary creations is important to fostering the development of the creative and cultural sectors in Hong Kong. As Lawrence Lessig, Henry Jenkins and many other commentators have aptly pointed out, digital literacy now goes beyond texts to include other

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<sup>13</sup> UKIPO, *Consultation on Copyright* (2011) 83.

<sup>14</sup> *Reno v ACLU* 929 F Supp 824, 883, 842 (ED Pa 1996).

<sup>15</sup> Lawrence Lessig, *Remix: Making Art and Commerce Thrive in the Hybrid Economy* (Penguin Press 2008) 74–75.

<sup>16</sup> Jack M Balkin, 'Digital Speech and Democratic Culture: A Theory of Freedom of Expression for the Information Society' (2004) 79 NYU L Rev 1, 4–5.

<sup>17</sup> *ibid* 4.

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forms of creative media.<sup>18</sup> Materials that can be used for re-creation therefore need to include not only texts, but also images, audio files and video clips – including even portions of pre-existing copyright works. As Professor Lessig declared eloquently:

Text is today's Latin. It is through text that we elites communicate .... For the masses, however, most information is gathered through other forms of media: TV, film, music, and music video. These forms of 'writing' are the vernacular of today. They are the kinds of 'writing' that matters most to most.<sup>19</sup>

In addition, in Australia's Creative Industries Strategy, the Australian Minister for the Arts declared that 'a creative nation is a more productive nation'.<sup>20</sup> This key insight cannot be lost on Hong Kong, a place that has always taken great pride in its high productivity. In fact, as the *Hargreaves Review* rightly reminded us, 'Comedy is big business'.<sup>21</sup> The earlier *Gowers Review of Intellectual Property* (*Gowers Review*), which the UK government published in 2006, also stated:

[A]n exception to enable parody can create value. Weird Al Yankovic has received 25 gold and platinum albums, four gold-certified home videos and two GRAMMYS® by parodying other songs, but he had to ask permission from rights holders. Furthermore, many works which are considered to have high value could be considered parodies, for example Tom Stoppard's *Rosencrantz and Guildenstern Are Dead*.<sup>22</sup>

In Hong Kong, for example, *From Beijing with Love* (國產凌凌漆), directed by Lee Lik-Chi and Stephen Chow, is a parody of *James Bond* movies. Featuring Chow, Anita Yuen and Law Ka-Ying, this movie ended up earning more than HK\$37 million at the box office and becoming one of the highest-grossing movies at that time. Outside Hong Kong, US television programmes that heavily rely on fair use and commercial parodies of copyright works, such as *The Daily Show with Jon Stewart* and *The Colbert Report*, have been wildly popular and financially successful. The success of these programmes has indeed raised concern among British policymakers and commentators over the global competitiveness of the UK cultural sector.<sup>23</sup> As the UKIPO consultation document lamented, 'the UK may be at a disadvantage on the world stage and that British broadcasters, production companies, and creators who produce commercially valuable parody works may be inhibited from making the most of their potential'.<sup>24</sup>

While there is no denying that copyright protection is important to the successful development of the copyright sector, creating an exception for parody, satire, caricature or pastiche would be needed to remove the unnecessary restrictions on some creative activity. Such an exception could also be beneficial, as it would greatly reduce the administrative costs incurred

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<sup>18</sup> Eg Kris Erickson, Martin Kretschmer and Dinusha Mendis, *Copyright and the Economic Effects of Parody: An Empirical Study of Music Videos on the YouTube Platform and an Assessment of the Regulatory Options* (UKIPO 2013) 32; Henry Jenkins, *Convergence Culture: Where Old and New Media Collide* (New York University Press 2006) 186; Lessig (n 15) 68–76.

<sup>19</sup> Lessig (n 15) 68.

<sup>20</sup> Australian Ministry for the Arts, *Creative Industries, a Strategy for 21st Century Australia* (2011) 2.

<sup>21</sup> Hargreaves (n 12) 50.

<sup>22</sup> Andrew Gowers, *Gowers Review of Intellectual Property* (2006) 68.

<sup>23</sup> UKIPO, *Copyright Exception for Parody* (Impact Assessment No BIS 1057, 2012) 3.

<sup>24</sup> UKIPO, *Modernising Copyright: A Modern, Robust and Flexible Framework* (2012) 29.

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in obtaining copyright clearances. Taken together, these two benefits would help nurture new creative talents, thereby enriching the Hong Kong cultural and entertainment industries.

Even better, such an exception could open up new and untapped markets for Hong Kong cultural products and enable these products to reach larger and wider audiences. Thus, by creating new uses that provide no or limited harm to copyright owners, the exception would create new value from copyright works, as opposed to mere ‘transferring surpluses from producers to consumers, or between industries’.<sup>25</sup> It is therefore no surprise that the *Hargreaves Review* declared, ‘A healthy creative economy should embrace creativity in all its aspects.’<sup>26</sup> A few years earlier, Recommendation 12 of the *Gowers Review* also called for the ‘[c]reat[ion of] an exception to copyright for the purpose of caricature, parody or pastiche by 2008’.<sup>27</sup>

The lack of distinction between commercial and non-commercial parodies in the *Gowers Review* makes great policy sense. Although commercial parodies raise concern about inappropriate free riding, the commercial nature of the works could enable those parodies – and, more importantly, their underlying messages – to reach larger and wider audiences. Such audiences are often hard to achieve by non-commercial parodies unless they have gone viral through the internet. Thus, even though commercial parodies deserve less support (and exemption) than non-commercial parodies, the former could provide important social benefits. The former could also enhance the value of the underlying work. As the consultation document recognised, a parody ‘may, in some cases, make the original work more popular by drawing attention to it’ (4). Without parodies and imitations, Psy’s ‘Gangnam Style’, Baauer’s ‘Harlem Shake’ and Shepard Fairey’s photo of President Barack Obama would very unlikely be the commercial successes they are today.

*Sixthly*, exceptions for parody, satire, caricature or pastiche can be found in jurisdictions throughout the world. For example, the consultation document identified similar exceptions in Australia, Canada and the United States as well as related policy consultations in New Zealand and the United Kingdom. A recent study commissioned by the UKIPO also identified the parody exceptions in seven countries, including Australia, Canada, Germany, the Netherlands, New Zealand, the United Kingdom and the United States.<sup>28</sup>

In addition to Commonwealth jurisdictions, parody exceptions can be found in civil law jurisdictions in continental Europe. For example, article 5(3)(k) of the EU Information Society Directive allows member states to provide for exceptions or limitations for ‘use for the purpose of caricature, parody or pastiche’. Consistent with this directive, article L 122-5(4) of the French Code de la Propriété Intellectuelle provides: ‘Once a work has been disclosed, the author may not prohibit ... parody, pastiche and caricature, observing the rules of the genre’. Article 18b of the 1912 Dutch Copyright Act also provides: ‘Publication or reproduction of a literary, scientific or artistic work in the context of a caricature, parody or pastiche will not be regarded as an

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<sup>25</sup> *ibid* 11.

<sup>26</sup> Hargreaves (n 12) 50.

<sup>27</sup> Gowers (n 22) 68.

<sup>28</sup> Dinusha Mendis and Martin Kretschmer, *The Treatment of Parodies under Copyright Law in Seven Jurisdictions: A Comparative Review of the Underlying Principles Parody and Pastiche* (UKIPO 2013).

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infringement of copyright in that work, provided the use is in accordance with what would normally be sanctioned under the rules of social custom’.

*Finally*, a global trend has emerged toward providing more access to copyright works and to introduce more limitations and exceptions. For example, in October 2007, the World Intellectual Property Organization (WIPO) adopted the Development Agenda and its 45 recommendations for action. Based on these recommendations, the UN specialised agency introduced a wide array of pro-development activities, ranging from technical assistance and capacity building to norm setting and public policy, and from technology transfer to assessment, evaluation and impact studies. Earlier this year, WIPO also adopted the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled. Upon ratification, this landmark agreement will provide easy or ready access to copyright publications to hundreds of millions of individuals with print disabilities.

In addition, the UK government recently released an important consultation document outlining the number and scope of permitted acts it intended to amend. Building on both the *Gowers Review* and the *Hargreaves Review*, this consultation focuses on ten ‘areas where copyright legislation appeared to get in the way of reasonable use of copyright works’.<sup>29</sup> The nine areas that are related to limitations and exceptions are: (1) private copying; (2) education; (3) quotation and news reporting; (4) parody, caricature and pastiche; (5) research and private study; (6) data analytics for non-commercial research; (7) access for people with disabilities; (8) archiving and preservation; and (9) public administration.

Even in the United States, the entertainment industry’s aggressive push for domestic legislation such as the PROTECT IP Act (PIPA) and the Stop Online Piracy Act (SOPA) has led to a massive service blackout launched by Wikipedia, Reddit, WordPress and other internet companies in January 2012. Launched during an election year, this well-timed blackout quickly caused Congressional representatives to withdraw support for SOPA and PIPA. These highly controversial bills have since died in Congress. As Senator Ron Wyden rightly reminded the US Trade Representative in a Senate Finance Committee hearing, ‘The norm changed on Jan. 18, 2012, when millions and millions of Americans said we will not accept being locked out of debates about Internet freedom.’<sup>30</sup>

To some extent, the SOPA/PIPA developments in the United States paralleled the widespread protests in major European cities against the signing of the Anti-Counterfeiting Trade Agreement (ACTA) as well as the European Parliament’s unprecedented rejection of a trade agreement negotiated by the European Commission and the EU Council of Ministers.<sup>31</sup> The EU and US developments also remind us of the past and ongoing criticisms in Hong Kong of the Copyright (Amendment) Bill 2011 as ‘Internet Article 23’. Thus, if the Hong Kong government remains concerned about the pressure from foreign governments, it needs to be more conscious of the unprecedented and rapidly growing changes in intellectual property politics

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<sup>29</sup> UKIPO (n 24) 1.

<sup>30</sup> Joseph J Schatz, ‘Technology Groups Worry about Trade Pact’ (*CQ Today Online News*, 13 March 2012) <<http://public.cq.com/docs/news/news-000004045563.html>> accessed 30 October 2013.

<sup>31</sup> For the author’s earlier criticisms of ACTA, see Peter K Yu, ‘ACTA and Its Complex Politics’ (2011) 3 WIPO J 1; Peter K Yu, ‘Enforcement, Enforcement, What Enforcement?’ (2012) 52 IDEA 239; Peter K Yu, ‘Six Secret (and Now Open) Fears of ACTA’ (2011) 64 SMU L Rev 975.

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around the world. The views many EU and US policymakers and the public at large express on digital copyright reform today are actually very different from the views they espoused when the Hong Kong government launched its first consultation exercise in December 2006.

Taken together, all of these recent developments have shown that countries around the world no longer subscribe to the view that stronger intellectual property protection will *always* be better regardless of the country's internal needs, interests, conditions and priorities. As the UKIPO rightly declared in its consultation document:

[R]emoval of unnecessary and disproportionate copyright regulation from businesses, individuals and other groups will help to encourage innovation and will provide new opportunities for economic growth. That is not to deny the value of copyright to UK businesses; it is a way of enhancing the value of creativity to the UK as a whole. But it does not follow that more copyright necessarily means more benefit to the UK.<sup>32</sup>

Likewise, the *Hargreaves Review* noted, 'Government should firmly resist over-regulation of activities which do not prejudice the central objective of copyright, namely the provision of incentives to creators'.<sup>33</sup>

Even in the United States, whose industries have actively pushed for stronger copyright protection and enforcement, distinguished appellate judge Alex Kozinski declared in his now-famous dissent in *White v Samsung Electronics America, Inc*, 'Overprotecting intellectual property is as harmful as underprotecting it.'<sup>34</sup> Likewise, Josh Lerner wrote in *The WIPO Journal*: 'Almost all economists would agree that some intellectual property protection is better than no intellectual property protection at all. But this does not mean that very strong protection is better than a more moderate level of protection.'<sup>35</sup>

In light of the importance of parodies, satires, caricatures and pastiches to Hong Kong and their many benefits, this position paper recommends the following:

### **1. Introduce a criminal exemption for parody, satire, caricature or pastiche.**

The language for this exemption is currently provided as Option 2 in the consultation document. The issue to be considered is whether this exemption should be limited to *only* criminal sanctions or whether it should be extended to *both* civil remedies and criminal sanctions. Although this position paper recommends the latter approach, it finds Option 2 acceptable so long as an additional exception from civil liability for copyright infringement will be created for parodies, satires, caricatures and pastiches. After all, the three options identified in the consultation document are not mutually exclusive, and the support of one option does not preclude the support of other options.

Nevertheless, if the exception for parody, satire, caricature or pastiche is to be drafted as only a *single, limited* exception from both civil remedies and criminal sanctions, such as in the

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<sup>32</sup> UKIPO (n 13) 36.

<sup>33</sup> Hargreaves (n 12) 51.

<sup>34</sup> 989 F2d 1512, 1513 (9th Cir 1993) (Kozinski J, dissenting).

<sup>35</sup> Josh Lerner, 'The Patent System in a Time of Turmoil' (2010) 2 WIPO J 28, 32.

form of a fair dealing exception as proposed in Option 3, this position paper recommends the creation of a *separate, broader* criminal exemption to complement the proposed fair dealing exception. The importance of this standalone exemption will be discussed in detail below.

**2. Replace the phrase ‘cause more than trivial economic prejudice to the copyright owner’ with the phrase ‘does not amount to a substitution for the work’.**

The consultation document indicated that the distribution or communication of a parody is unlikely to be covered within the phrase ‘to the extent as to affect prejudicially the copyright owner’ (6). As it explained: ‘Parodies in general target different markets from those of the underlying works and do not displace the legitimate market of the underlying works. We are also unaware of any criminal prosecution against parody in Hong Kong or in other common law jurisdictions that we have surveyed’ (6). Nevertheless, just because no criminal prosecution has ever been brought against parody under copyright law does not mean that Hong Kong cannot come up with the world’s first-ever criminal prosecution against an infringing parody, similar to its world-first action against BitTorrent users in *HKSAR v Chan Nai Ming*.<sup>36</sup>

More importantly from the internet users’ standpoint, parodies, especially highly effective parodies of a critical nature, can cause more than trivial economic prejudice. A case in point is a parody that has successfully criticised the underlying work to the point that consumers have lost interest in the work. As the late Benjamin Kaplan reminded us, ‘we must accept the harsh truth that parody may quite legitimately aim at garroting the original, destroying it commercially as well as artistically’.<sup>37</sup> To some extent, such a parody would achieve the same effect of a highly critical theatre or restaurant review, which copyright law does not intend, and should not be allowed, to silence. While such a review harms the theatre or restaurant economically, it is certainly not criminal. As the US Supreme Court made clear in *Campbell v Acuff-Rose Music, Inc*:

We do not ... suggest that a parody may not harm the market at all, but when a lethal parody, like a scathing theater review, kills demand for the original, it does not produce a harm cognizable under the Copyright Act. Because ‘parody may quite legitimately aim at garroting the original, destroying it commercially as well as artistically,’ the role of the courts is to distinguish between ‘biting criticism [that merely] suppresses demand [and] copyright infringement[, which] usurps it.’

This distinction between potentially *remediable displacement* and *unremediable disparagement* is reflected in the rule that there is no protectible derivative market for criticism. The market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop. Yet the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market.<sup>38</sup>

Thus, if the amended Ordinance removed criminal liability from only those parodies that do not cause more than trivial economic prejudice, many highly effective parodies that serve the public interest would remain criminalised. Internet users who create legitimate parodies could

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<sup>36</sup> (2005) 4 HKLRD 142.

<sup>37</sup> Benjamin Kaplan, *An Unhurried View of Copyright* (Columbia University Press 1967) 69.

<sup>38</sup> 510 US 569, 591–92 (1994) (emphasis added).

also be inadvertently caught in the criminal net. Such outcomes would defeat the intent and purpose of the proposed exemption. After all, the more successful a parody is in criticizing a commercially successful copyright work, the more the parody will reduce the demand of that work or undermine its commercial value.

Moreover, because the concept of ‘face’ is dominant in Hong Kong – and, for that matter, other parts of Asia – a loss of ‘face’ could result in economic prejudice. Indeed, even legitimate parodies, satires, caricatures and pastiches could ‘cause more than trivial economic prejudice to the copyright owner’. Thus, the proper question should not be whether the derivative creations would cause any economic prejudice, but whether they would serve as a substitute for the underlying work. With this specific question in mind, this position paper argues that the distribution or communication of unauthorised parodies, satires, caricatures and pastiches should only attract criminal liability for copyright infringement when they ‘amount to a substitution for the work’. Such a qualification would protect the interests of copyright owners by preventing commercial pirates from using the parody exception as a loophole.

One may question whether amending the provision on the prejudicial distribution offence would undermine the criminal threshold already established in regard to that offence in section 118(1)(g) of the Ordinance. The answer is two-fold. First, if the government is correct that the distribution of a parody is unlikely to be covered within the phrase ‘to the extent as to affect prejudicially the copyright owner’, as explicitly stated in the consultation document, the phrase ‘does not amount to a substitution for the work’ should more than suffice to cover situations where the copyright owner’s interests will be prejudiced.

Secondly, LegCo has a duty to make appropriate amendments to the Ordinance in light of changing technologies, social norms and market conditions. If section 118(1)(g) has cast the criminal net too wide in the areas of parodies, satires, caricatures, pastiches and UGC, it is the legislature’s *duty* to introduce appropriate amendments to restore the balance in the copyright regime. For example, following massive public outcry, LegCo quickly introduced the Copyright (Suspension of Amendments) Ordinance 2001 to suspend the operation of the relevant provisions of the Copyright Ordinance.<sup>39</sup> As noted below, countries from around the world – Commonwealth or otherwise – have also introduced, or are considering the introduction of, limitations and exceptions into their copyright regimes in response to changes brought about by the internet and the new digital environment.

### **3. Discourage law- and policymakers from distinguishing between the genres of parody, satire, caricature and pastiche.**

One of the major concerns over any exception for parody, satire, caricature or pastiche is the lack of statutory definitions for these genres. As the consultation document noted in the Q&A, ‘[p]arody is not defined in the respective copyright legislations of Hong Kong and overseas countries such as Australia, the US, Canada and the UK’ (2). The term’s definition is therefore subject to court interpretation. Although the need for such interpretation could create a sense of uncertainty among internet users, having undefined terms in copyright law is actually not that

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<sup>39</sup> Intellectual Property Department, *Lessons Learnt from the Suspension of the Intellectual Property (Miscellaneous Amendments) Ordinance 2000* (LC Paper No CB(1)1310/11-12(03), 2012).

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unusual. Because copyright law focuses on rights in intangible objects, its boundaries are notoriously complex, subtle, elusive and unsettled. Regardless of whether it is the boundaries concerning the scope of rights or available defences, litigants always have to rely on a court of law to determine where the boundaries are.

Notwithstanding this uncertainty, the internet users' concern about having undefined terms in the Ordinance is valid. Even if judges eventually defined those terms, the lack of clarity in the Ordinance could lead to overzealous criminal prosecutions. Such prosecutions, in turn, would cost those internet users who face prosecutions before the available definitions a tremendous amount of time, effort and resources regardless of whether they would prevail in the end. Such prosecutions could also inflict unnecessary and undesirable psychological damage to these users.

To provide clarity, the Ordinance could include statutory definitions drawn from authoritative dictionaries. The consultation document, for example, included definitions taken from the *Oxford English Dictionary*:

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 (2, fn 5).

Even if these definitions were not to be included in the Ordinance, they could still be incorporated into prosecutorial guidelines or other related materials.

Although the Ordinance could provide definitions of the terms 'parody', 'satire', 'caricature' and 'pastiche', it is unclear whether such definitions would eventually benefit or harm internet users. As shown in past experiences involving copyright legislation in the United States and other jurisdictions, standards that are intended to provide *floors* to benefit the public could easily be turned into *ceilings* to cause public harm. A case in point is the Guidelines for Classroom Copying in Not-for-Profit Educational Institutions with Respect to Books and Periodicals, which US Congress adopted in 1976, shortly before the current US Copyright Act entered into effect. As Dan Burk and Julie Cohen observed, '[US] courts have shown a deplorable tendency to act as though the guidelines defined the outer limits of fair use ... [even though these] guidelines were intended to delineate fair use minima: a floor rather than a ceiling'.<sup>40</sup>

Thus, this position paper does not recommend the terms 'parody', 'satire', 'caricature' and 'pastiche' be defined in the Ordinance – due largely to the fear that supposedly *helpful* definitions seeking to provide guidance to internet users could end up backfiring on them by

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<sup>40</sup> Dan L Burk and Julie E Cohen, 'Fair Use Infrastructure for Rights Management Systems' (2001) 15 Harv JL & Tech 41, 57. On these Guidelines, see Kenneth D Crews, 'The Law of Fair Use and the Illusion of Fair-Use Guidelines' 62 Ohio St LJ 599 (2001).



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creating *harmful* limits on otherwise legitimate, commonplace user activities. Instead, this paper recommends that law- and policymakers refrain from distinguishing between these various genres, similar to the recommendation provided in a recent UKIPO-commissioned study on the treatment of parody under the copyright regime.<sup>41</sup>

In supporting the use of all four terms proposed in the consultation document – ‘parody’, ‘satire’, ‘caricature’ and ‘pastiche’, terms that many have considered similar and overlapping – this position paper relies on both the consultation document as well as legislation, legislative proposals, case law and policy discussions in other jurisdictions:

*Australia:* parody and satire (sections 41A and 103AA of the Copyright Act 1968)

*Canada:* parody and satire (section 29 of the Copyright Act)

*European Union:* caricature, parody and pastiche (article 5(3)(k) of EU Information Society Directive)

*France:* parody, pastiche and caricature (article L 122-5(4) of the Code de la Propriété Intellectuelle)

*Ireland:* caricature, parody, pastiche, satire, and other similar or related purposes (government consultation)

*The Netherlands:* caricature, parody and pastiche (article 18b of the 1912 Dutch Copyright Act)

*New Zealand:* parody and satire (government consultation)

*United Kingdom:* parody, caricature and pastiche (government consultation).

By using terms that are found in these jurisdictions, the amended Ordinance would lend itself to supportive interpretations and policy experiences from abroad. The availability of these interpretations and experiences would also greatly alleviate the concern that Hong Kong might not have sufficient case law development to provide guidance on future interpretations. If law- and policy-makers remain concerned about the overly literal interpretation of these terms to the detriment of internet users and society at large, this position paper would recommend using the phrase ‘parody, satire, caricature, pastiche or other similar or related purposes’, the language recently proposed by the Irish Copyright Review Committee.<sup>42</sup>

Finally, it is worth clarifying in this position paper the oft-noted distinction between ‘parody’ and ‘satire’ in *Campbell*. That distinction was made when Justice David Souter wrote, ‘Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim’s (or collective victims’) imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.’<sup>43</sup> Justice Souter’s observation was specific to the *Campbell* case, which concerned a parody, *not* a satire.

While it is correct to state that a parody is more likely to be deemed protected as fair use than a satire under US copyright law – due in large part to the fact that ‘[p]arody needs to mimic

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<sup>41</sup> Erickson, Kretschmer and Mendis (n 18) 32.

<sup>42</sup> Irish Copyright Review Committee, *Modernising Copyright* (2013) 62–63.

<sup>43</sup> *Campbell* 510 US 569, 580–81 (1994).

an original to make its point’ – it may be somewhat problematic for the consultation document to state that US courts are ‘less inclined to consider [satire] a fair use’ (8). It is even more problematic to state that ‘the fair use defence may be applicable to parody only’, as noted in a document the government submitted to the LegCo Bills Committee.<sup>44</sup> Both statements are problematic because they create the misimpression that satires are unlikely to be protected as fair use under US copyright law – a proposition that *Campbell* did not address and one that many commentators have convincingly rejected.<sup>45</sup>

**4. Introduce a criminal exemption for PNCUGC if such an exemption is not to be adopted as a copyright exception as proposed in Option 4.**

This position paper advocates the introduction of a new copyright exception for PNCUGC, similar to the one Canada recently adopted. A detailed discussion will be provided below. If such an exception is not to be adopted, law- and policymakers should at the very least exempt PNCUGC from criminal sanctions.

**Option 3: Introducing a fair dealing exception for parody**

The third option concerns an exception for fair dealing with a copyright work for the purpose of parody, satire, caricature or pastiche. As noted earlier, the creation of these derivative creations is both important and beneficial to Hong Kong. The seven reasons this position paper articulated earlier to explain why parodies, satires, caricatures and pastiches should be exempted from criminal sanctions are equally applicable to the exception concerning civil remedies. This position paper therefore recommends the following:

**1. Introduce an exception for fair dealing with a work for the purpose of parody, satire, caricature or pastiche.**

One question that has been repeatedly raised since the commencement of the present consultation exercise is whether *both* a criminal exemption and a fair dealing exception should be introduced. The ongoing public debate concerning the present consultation seems to suggest that Hong Kong needs to pick between Option 2 and Option 3. Nevertheless, as noted earlier, these two options are not mutually exclusive. As a matter of simple logic, an exception from both civil remedies and criminal sanctions includes an exception from criminal sanctions. The former is a larger set consisting of the latter. However, a fair dealing exception is *not* the same as an exception from civil remedies and criminal sanctions. Instead, such an exception is only a *limited* exception for the purpose of fair dealing with a copyright work.

Put differently, a fair dealing exception is *conditioned* on selected, and often non-exhaustive, ‘fairness factors’. Sections 38 and 41A of the Ordinance, for example, use the following non-exhaustive factors to determine whether any dealing with a copyright work is fair:

- (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;

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<sup>44</sup> Intellectual Property Department, *Copyright Exception for Parody* (LC Paper No CB(1)385/11-12(04), 2011) 6.

<sup>45</sup> On the conceptual flaws in the parody/satire distinction, see Bruce P Keller and Rebecca Tushnet, ‘Even More Parodic Than the Real Thing: Parody Lawsuits Revisited’ (2004) 94 *Trademark Rep* 979, 994–99.

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- (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.

Thus, some parodies would fall outside the scope of the fair dealing exception, even though they would fit within the type of parody that many LegCo members and Hong Kong citizens did not intend to criminalise. For illustrative purposes, this position paper provides two hypothetical examples, both involving parodies of a commercial nature.

The first hypothetical concerns an artist who uses a government poster to create a non-commercial parody criticizing the administration. Because of its non-commercial nature, this parody is likely to be covered by the proposed fair dealing provision. However, that artist will enter a grey area if she starts selling T-shirts featuring her parody, even though the sale seeks to raise money for a protest march. This is especially true when licences to use the government poster are easily available at a reasonable price.

Whether this artist will be found liable for copyright infringement, of course, will depend on whether the court finds her dealing with a copyright work fair. If the commercial sale causes the court to find her dealing unfair, the artist can be further prosecuted for criminal infringement unless there is a separate criminal exemption for parody, satire, caricature or pastiche as proposed in this position paper. Should such an exemption exist and should the language proposed in this paper be adopted, this artist will be able to avoid criminal prosecution because her parody will not 'amount to a substitution for the work'. Even if the government's proposed language is to be adopted, the artist will still be able to avoid criminal prosecution by showing that her parody has not 'cause[d] more than trivial economic prejudice to the copyright owner'. In short, without a separate criminal exemption, the artist cannot avoid criminal prosecution if the court has found her dealing with a copyright work unfair.

The second hypothetical concerns a video producer who creates parodies of news programmes broadcasted by Channel A, a highly popular television station that most Hong Kong citizens watch. These parodies are created in part to alleviate boredom and in part to satisfy his urge to comment on current affairs. The parody videos become very popular after he has uploaded them onto YouTube. Shortly afterwards, Channel B, Channel A's major but unsuccessful competitor, contacts the producer to see if they can show some of his parodies during prime time in an effort to boost the station's ratings. Channel B offers the producer a large sum of money, and he accepts.

If Channel A sues both the producer and Channel B for copyright infringement, there is a very good chance the court will decide the parody issue the same way the Australian court did in *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd*, the case on which this hypothetical was based.<sup>46</sup> Because the parodies are of a commercial nature, at least after the producer's acceptance of Channel B's offer, they may not be covered by the fair dealing provision. Notwithstanding this potential finding of civil liability for copyright infringement, it remains

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<sup>46</sup> (2004) 218 CLR 273. On this case, see Nicolas Suzor, 'Where the Bloody Hell Does Parody Fit in Australian Copyright Law?' (2008) 13 Media & Arts L Rev 218.

unclear how many LegCo members and Hong Kong citizens would prefer the producer to be prosecuted for criminal copyright infringement.

To be certain, in both hypothetical cases, the court may choose to balance copyright protection against the free speech interests by bringing in other laws and regulations, including those outside the copyright field. The Basic Law and the Hong Kong Bill of Rights immediately come to mind. Section 192(3) of the Copyright Ordinance, which states that '[n]othing in this Part affects any rule of law preventing or restricting the enforcement of copyright, on grounds of public interest or otherwise', could also come in handy. Notwithstanding all of these additional balancing tools, mounting a defence that pushes for such balancing could be very costly and highly burdensome to the parodist. In the end, those parodists who cannot afford such a complex defence will be forced to abandon their creations. Meanwhile, those parodists who have deep pockets or who receive backing from major corporations will be able to continue with their creations.<sup>47</sup>

Moreover, if potential conflicts already exist between the proposed amendment on the one hand and the Basic Law and the Hong Kong Bill of Rights on the other, law- and policymakers have a duty to use their best efforts to avoid these foreseeable conflicts when drafting the amendments. It would indeed be ill-advised to draft provisions to expand the rights so broadly that their scope would have to be later cabined by relying on balancing tools from the Basic Law, the Hong Kong Bill of Rights or other laws and regulations outside the copyright field. As the consultation document rightly declared, 'a fair balance needs to be struck between copyright protection and the freedom of expression on the part of those who seek to use or communicate copyright works' (3). This is particularly true concerning the current political climate in Hong Kong and the heightened scrutiny the region has received from Western media. Law- and policymakers therefore should not abdicate their responsibilities by leaving this balancing task to the court, especially considering the limited number of copyright cases in Hong Kong.

Thus, if law- and policymakers seek to remove civil and criminal liability from parodies, satires, caricatures and pastiches, they should not adopt a fair dealing exception for these types of works. Instead, they should adopt a much broader exception that is conditioned *only* on the substitution of the underlying work. That way, socially-productive parodies, satires, caricatures and pastiches would be protected as intended.

## **2. Introduce corresponding exceptions to the moral rights provisions in the Ordinance.**

If a fair dealing exception is to be introduced to exempt parodies, satires, caricatures and pastiches from both civil and criminal liability for copyright infringement, corresponding changes should also be made to the moral rights provisions in the Ordinance. When the parody, satire, caricature or pastiche in question involves many different underlying works, such changes are unlikely to be important. After all, the less one could recognise the works, the less likely their moral rights would have been infringed. By contrast, when the relevant derivative creation

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<sup>47</sup> Suzor (n 46) 223, fn 24.

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involves only one underlying work or a few highly distinctive works, corresponding changes to the moral rights provisions are badly needed.

Section 91(4) of the Ordinance provides exceptions to the right to be identified as the author or director of the copyright work. Section 93 further includes exceptions to the right to object to derogatory treatment of the work. Although Australia and Canada did not introduce these corresponding exceptions to their moral rights regimes, the consultation document rightly reminded us that Hong Kong provides a different moral rights regime than those found in these other jurisdictions:

[I]t should be reckoned that in the respective regimes of Australia and Canada, the exercise of moral rights is subject to the consideration of reasonableness.... In contrast, in the absence of similar general provisions for reasonableness, the Hong Kong regime ... subjects the moral rights to certain specific exceptions and qualifications as provided for in sections 91, 93 and 94 of the Copyright Ordinance (Cap. 528). For example, the right to be identified as author or director (section 89) is not infringed by an act covered by the fair dealing exception regarding criticism, review and news reporting (section 39) so far as it relates to the reporting of current events by means of a sound recording, film, broadcast or cable programme. (10, fn 31)

Adding corresponding exceptions to the moral rights provisions in the Ordinance is important. Consider the now-famous mash-up, or ‘egao’ (惡搞), that remixed video clips from Chen Kaige’s *Wuji* (*The Promise*) with a legal affairs programme from China’s state broadcaster CCTV.<sup>48</sup> Presented in the form of ‘a mock legal-investigative TV program’ that reported a murder caused by a steamed bun (*mantou*), this seemingly frivolous mash-up touched on many important contemporary socio-economic problems in China. This video was not only timely and entertaining but also contained socio-political value. When the famous film director found out about the unauthorised mash-up, he was very upset and threatened to sue the video’s author for copyright infringement and defamation. As he told reporters from Sina.com, ‘I think this [parody] has exceeded the normal bounds of issuing commentary and opinion. It’s an arbitrary alteration of someone else’s intellectual property.’<sup>49</sup>

Although news about this lawsuit has since disappeared, the director’s reactions to the parody clip suggest that parodists may face legal action when their parodies have caused embarrassment, emotional pain or loss of ‘face’. More importantly, parodists face civil actions from not only copyright owners (based on copyright infringement), but also authors or directors (based on infringement of moral rights). Although authors/directors can be copyright owners, the two parties are not always identical.

Moreover, as the government rightly recognised, ‘Whether the ... requirement [of a sufficient acknowledgment] is appropriate for a proposed exception for parody to ensure that the author/the underlying work is given due credit is debatable. An author may not wish to have any association with a parody.’<sup>50</sup> In his recent article on the UK parody consultation, Ronan Deazley also reminded us about the challenge of including acknowledgements in parodies. As he observed: ‘Adhering to a requirement of sufficient acknowledgement will invariably hamper the

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<sup>48</sup> Dexter Roberts, ‘A Chinese Blogger’s Tale’, *Business Week*, 2 March 2006.

<sup>49</sup> *ibid.*

<sup>50</sup> Intellectual Property Department (n 44) 8.

work of many parodists. Depending upon the medium and the nature of the parody in question the opportunity for sufficient acknowledgement will not always be available. Neither will complying with the sufficient acknowledgement requirement always be appropriate.<sup>51</sup>

In view of all of these shortcomings, this position paper calls for the introduction of exceptions in the moral rights provisions in the Ordinance. The exceptions should cover *both* the right to be identified as the author/director of the copyright work and the right to object to derogatory treatment of that work.

#### **Option 4: Introducing an exception for PNCUGC**

As noted earlier, the three options identified in the consultation document cannot adequately address the needs, interests and concerns of internet users. This position paper therefore recommends the following:

##### **1. Introduce an exception for PNCUGC.**

This position paper recommends the introduction of a new copyright exception for PNCUGC, similar to the one Canada recently adopted. After years of legislative debates in Canada, the Copyright Modernization Act (Bill C-11) finally entered into effect in November 2012. Section 29.21 of the amended Canadian Copyright Act provides:

- (1) It is not an infringement of copyright for an individual to use an existing work or other subject-matter or copy of one, which has been published or otherwise made available to the public, in the creation of a new work or other subject-matter in which copyright subsists and for the individual – or, with the individual’s authorization, a member of their household – to use the new work or other subject-matter or to authorize an intermediary to disseminate it, if
  - (a) the use of, or the authorization to disseminate, the new work or other subject-matter is done solely for non-commercial purposes;
  - (b) the source – and, if given in the source, the name of the author, performer, maker or broadcaster – of the existing work or other subject-matter or copy of it are mentioned, if it is reasonable in the circumstances to do so;
  - (c) the individual had reasonable grounds to believe that the existing work or other subject-matter or copy of it, as the case may be, was not infringing copyright; and
  - (d) the use of, or the authorization to disseminate, the new work or other subject-matter does not have a substantial adverse effect, financial or otherwise, on the exploitation or potential exploitation of the existing work or other subject-matter – or copy of it – or on an existing or potential market for it, including that the new work or other subject-matter is not a substitute for the existing one.
- (2) The following definitions apply in subsection (1).

‘intermediary’ means a person or entity who regularly provides space or means for works or other subject-matter to be enjoyed by the public.

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<sup>51</sup> Ronan Deazley, ‘Copyright and Parody: Taking Backward the Gowers Review?’ (2010) 73 MLR 785, 791.

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‘use’ means to do anything that by this Act the owner of the copyright has the sole right to do, other than the right to authorize anything.

The introduction of a PNCUGC exception is badly needed because much of the content generated by internet users is not covered by an exception for parody, satire, caricature or pastiche – whether the exception is for civil remedies, criminal sanctions or both. Although one could argue that this consultation exercise covers only issues related to certain types of UGC – namely, parodies, satires, caricatures and pastiches – all UGC-related issues are so intertwined with each other that they should be discussed together. Moreover, as the government clearly explained in the Q&A, the present consultation focuses on parody, as opposed to ‘secondary creations’, mainly because “[s]econdary creation” is not a term commonly used in copyright jurisprudence’. Based on this open-ended response, the government’s preference for focusing on terms used in copyright jurisprudence and its repeated assurance of being ‘open to how the subject matters raised in this consultation document should be addressed’ (4), one could logically infer that this consultation exercise was not intended to exclude discussion of issues related to other forms of UGC.

To underscore the failure of the three options advanced in the consultation document to fully address the challenges posed by the creation of UGC, consider the uploading of a home video showing a child’s performance of a Canto-pop or Mando-pop song. Under the government’s proposals, such uploading would open that child performer to both civil and criminal liability for copyright infringement. After all, even though the song was performed by the child herself and no sound recording had been used, the underlying song was protected by copyright. Because this performance was not intended to be a parody or a satire, the dissemination of this home video via the internet would constitute the unauthorised communication of a copyright work to the public – unless the term ‘pastiche’ is so broadly defined to cover all forms of imitation, a definition copyright owners would most certainly reject.

Consider another example: this time, a real copyright case from the United States. *Lenz v Universal Music Corp* involved the posting of a 29-second YouTube clip of a toddler dancing to Prince’s 1984 hit ‘Let’s Go Crazy’ that was being played in the background.<sup>52</sup> When the clip became available on YouTube, an attorney for Universal Music sent a copyright takedown notice to YouTube asking the provider to remove the potentially infringing home video. Although the parent, with the help of the Electronic Frontier Foundation, eventually succeeded in fighting the takedown notice and keeping the video on YouTube, it is unclear how that same scenario would have played out in Hong Kong given the region’s woefully inadequate pro bono assistance in the copyright arena, which is generally unavailable from either nongovernmental organisations or legal clinics located in the region’s three law faculties.

Even worse, the government’s current proposals for digital copyright reform would open this poor parent to legal liability, including criminal prosecution. Such liability originated from the parent’s uploading of the video to YouTube and therefore communication of the copyrighted song to the public, notwithstanding the fact that the song was only incidentally captured, the video lasted for only half a minute, and virtually nobody would have watched this video just to listen to Prince’s song. Even if the parent were to contact Universal Music to request a licence

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<sup>52</sup> 572 F Supp 2d 1150 (ND Cal 2008).

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for use in her non-commercial home video, it was unclear whether she would have succeeded. Copyright permission departments are inundated with licence requests, and they usually do not respond to every single request, especially those requests that do not generate much music revenue, such as the case at hand.

To be certain, it is fair to assume that the well-trained government prosecutors in Hong Kong are unlikely to prosecute this poor parent. It may also be true that Hong Kong copyright owners – unlike Universal Music in this case – would have exercised more restraint and declined to take such ill-advised action against this poor parent. The important point here, however, is not whether the parent would have been prosecuted for criminal copyright infringement or whether the copyright owner would have taken any civil action. Rather, it is that the Ordinance should *not* be amended in a way that would open this poor parent to civil and criminal action, unless the copyright owner can successfully show that the parent's action has displaced the market of the underlying work.

Taking into account issues that were explored in the two previous consultation exercises and the ongoing discussions concerning both the safe harbours and the Code of Practice for online service providers, it is also important to question whether the amended Ordinance should allow the copyright owner to force an online service provider to take down such a video even when it is clear that the video would not serve as a substitute for the underlying work. From the standpoint of broader societal development, there is clearly something wrong when internet users and online service providers have to constantly live at the mercy of copyright owners. If Hong Kong is to further develop its knowledge-based economy and to become a regional internet service and information technology hub, the Ordinance will need to strike a more appropriate balance among copyright owners, internet users and online service providers.

Today, communicating copyright materials to the public via the internet and other electronic means is commonplace. A quick search on YouTube will collect many home videos of teenagers singing in bedrooms or living rooms covering copyrighted songs. One can also find online performances of secondary school students covering copyrighted songs during school assemblies, singing contests and talent shows. Unless these young performers or their schools had already acquired licences from the relevant copyright owners, their actions could lead to criminal prosecutions even if civil and criminal exceptions for parody, satire, caricature or pastiche under both Options 2 and 3 were to be introduced.

The intent of the criminal copyright infringement amendments advanced in the consultation document is to combat large-scale copyright piracy, such as the unauthorised streaming of pay-per-view football matches. Yet, without a PNCUGC exception, the criminal net would be cast so wide that many otherwise law-abiding citizens would be subject to criminal liability. Thus, this position paper recommends the creation of such an exception.

If the proposed exception is deemed to have tilted the balance of the copyright regime toward internet users too much, law- and policymakers can add to the exception a reciprocal licence that allows the copyright owner to use the parody for non-commercial purposes. If the exception is further expanded to cover commercial UGC, a profit-sharing arrangement can also be introduced. As Neil Netanel suggested in his book examining the tension between copyright and freedom of expression, 'secondary authors should only be required to disgorge to the



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copyright holder the proportionate share of their profits attributable to using the underlying work'.<sup>53</sup>

Regardless of what reciprocal arrangements need to be introduced to balance the interests of copyright owners and internet users, law- and policymakers should at the very least create a criminal exemption for PNCUGC. It would be ill-advised to undertake such comprehensive digital copyright reform in Hong Kong only to leave such a large volume of commonplace activities in a grey area that could potentially open internet users to criminal prosecution. From a policy standpoint, it is even worse to strengthen copyright protection and enforcement without providing corresponding exceptions when the new amendments would clearly generate highly undesirable unintended consequences.

The PNCUGC exception proposed in this section is modelled after section 29.21 of the Canadian Copyright Modernization Act. Because the Canadian provision only covers non-commercial UGC, one may question whether the often inconsequential advertising revenue provided by YouTube or other providers would make the content commercial. As shown in a Creative Commons study, the internet user community has wide disagreement over what constitutes 'non-commercial use'.<sup>54</sup> If this community could not even achieve consensus, one could imagine how much harder it would have been had copyright owners been involved in defining the term.

Thus, to avoid this type of difficult situation, this position paper replaces the word 'solely' in the Canadian statute with the word 'predominantly'. Even with this replacement, there may still be questions concerning what the word 'predominantly' means – an issue not unfamiliar to commentators on the TRIPS Agreement.<sup>55</sup> There may also be additional questions concerning how the situation would be resolved when the covered content began to attract revenue via advertising, digital download or merchandise sale. After all, such revenue-generating activities would slowly convert the UGC in question from predominantly non-commercial to commercial. Such conversion would make a strong case for a profit-sharing arrangement between the copyright owner of the underlying work and the author of the derivative creation.

It is worth noting that Canada adopted section 29.21 after significant lobbying by the various stakeholders of the copyright regime and years of review and deliberation. The provision therefore approximates a well-negotiated bargain struck during a multi-year negotiation process that took into account the interests of copyright owners, internet users and online service providers. While law- and policymakers could rewrite the exception by providing different conditions, section 29.21 will serve as a useful starting point.

Moreover, transplanting this exception from Canada would allow Hong Kong to introduce recently-created exceptions, as opposed to those introduced more than a decade ago in the early days of the World Wide Web – such as the 15-year-old Digital Millennium Copyright Act of 1998 (DMCA), a piece of heavily criticised US copyright legislation that was drafted

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<sup>53</sup> Neil Weinstock Netanel, *Copyright's Paradox* (OUP 2008) 197.

<sup>54</sup> Creative Commons, *Defining 'Noncommercial': A Study of How the Online Population Understands 'Noncommercial Use'* (2009).

<sup>55</sup> Article 31(f) of the TRIPS Agreement states that any use of the subject matter of a patent without the authorization of the right holder 'shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use'.

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before even the development of peer-to-peer file-sharing technologies.<sup>56</sup> Even better, such a transplant would allow Hong Kong to draw on important lessons Canadian law- and policy-makers have learned. As the first consultation document reminded us: ‘The advantage of [formulating a solution based on an existing overseas model] is that our courts could make reference to the case law of that particular jurisdiction when deciding cases before them. This would result in more certainty and predictability in our law’ (v).

Indeed, given the fact that the Hong Kong government had already made up its mind to transplant models from abroad when it launched the consultation exercise in December 2006, there is no reason why Hong Kong should not transplant one of the more attractive and valuable features of US copyright law: the transformative use doctrine. This doctrine provided the model based on which section 29.21 of the Canadian Copyright Modernization Act was developed. The transformative use doctrine was also embraced by the *Gowers Review*. Recommendation 11 specifically proposed that the EU Information Society Directive ‘be amended to allow for an exception for creative, transformative or derivative works, within the parameters of the Berne Three Step Test’.<sup>57</sup>

Although the Australian Law Reform Commission (ALRC) recently declined to introduce a *standalone* transformative use exception, it did not object to creating exceptions for transformative uses of a copyright work. Instead, it stated that ‘[t]ransformative uses of copyright material would be better considered under the [proposed] fair use exception, rather than under a specific exception, in determining whether copyright is infringed’.<sup>58</sup> Given the fact that Hong Kong has no plan to introduce a fair use provision, the proposed PNCUGC exception would have to be introduced to meet the need for transformative uses that the ALRC sought to address through its proposed switch to a fair use regime.

It is also worth noting that many countries are now exploring how to address UGC-related copyright issues. For example, in its Green Paper on *Copyright in the Knowledge Economy*, the European Union explored whether a special UGC exception should be introduced into the EU Information Society Directive.<sup>59</sup> Across the Atlantic, the Internet Policy Task Force of the US Department of Commerce very recently released a green paper, calling for public comments on ways to address copyright ‘issues related to the creation of remixes and the first sale doctrine in the digital environment’.<sup>60</sup> At a time when countries are busy exploring ways to address these issues, Hong Kong has a tremendous opportunity to provide leadership in digital copyright reform. It is indeed ironic that the government was so eager to take the lead in providing the world’s first-ever criminal prosecution against BitTorrent users, but remains timid in leading the way in an important area of reform that affects both Hong Kong citizens and netizens from abroad.

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<sup>56</sup> As a US appellate court readily admitted in a case involving the DMCA, ‘P2P software was “not even a glimmer in anyone’s eye when the DMCA was enacted”’. *Recording Industry Association of America v Verizon Internet Services Inc*, 351 F3d 1229, 1238 (DC Cir 2003).

<sup>57</sup> Gowers (n 22) 68.

<sup>58</sup> Australian Law Reform Commission (ALRC), *Copyright and Digital Economy: Discussion Paper* (2013) 209.

<sup>59</sup> Commission of the European Communities, *Copyright in the Knowledge Economy* (Green Paper, COM(2008) 466/3, 2008) 20.

<sup>60</sup> Internet Policy Task Force, US Department of Commerce, *Copyright Policy, Creativity, and Innovation in the Digital Economy* (2013) 38.

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In view of these recent developments from around the world, this position paper calls for the introduction of a PNCUGC exception. Paralleling the position taken by the ALRC, this paper stops short of advocating the introduction of a transformative use exception. It nevertheless takes the view that a further expansion of the PNCUGC exception to cover commercial UGC or other forms of transformative *works* or transformative *uses* would be highly beneficial to Hong Kong. The key to success in this type of exception is that the derivative creation has to *transform* the underlying work, as opposed to merely adding a word, a logo or some subtitles. As noted in a playful exchange between the Court and the respondent's attorney during the oral argument in *Campbell*, a change from 'Oh, Pretty Woman' to 'Pretty Woman' would certainly not be sufficient to render the derivative creation a legitimate parody. Distinguished US appellate Judge Pierre Leval also reminded us in his widely-cited article:

[If the challenged use is to be transformative, t]he use must be productive and must employ the quoted matter in a different manner or for a different purpose from the original. A quotation of copyrighted material that merely repackages or republishes the original is unlikely to pass the test; in Justice Story's words, it would merely 'supersede the objects' of the original. If, on the other hand, the secondary use adds value to the original – if the quoted matter is used as raw material, transformed in the creation of new information, new aesthetics, new insights and understandings – this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.

Transformative uses may include criticizing the quoted work, exposing the character of the original author, proving a fact, or summarizing an idea argued in the original in order to defend or rebut it. They also may include parody, symbolism, aesthetic declarations, and innumerable other uses.<sup>61</sup>

Another question that would arise in the UGC context is whether this exception is compliant with the TRIPS Agreement. Article 61 of the Agreement requires WTO members to 'provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale'. As shown in the recent US-China WTO dispute, in which the United States *failed* to challenge China's provisions on intellectual property crimes, article 61 does not require WTO members to provide for criminal procedures and penalties to cases other than of wilful copyright piracy on a commercial scale.<sup>62</sup> In the copyright context, the three elements that are required to sustain an article 61 claim are: (1) piracy (as opposed to mere copyright infringement); (2) wilful acts; and (3) 'on a commercial scale' (as opposed to mere commercial impact or commercial purposes – a definition that the European Union and the United States now seek to change through bilateral, plurilateral and regional trade, investment and intellectual property agreements).<sup>63</sup> Given the specific language in article 61, it is virtually impossible to argue that the TRIPS Agreement requires the provision of criminal procedures or penalties in cases of PNCUGC, which are clearly not 'cases of wilful copyright piracy on a commercial scale' within the meaning of the TRIPS Agreement.

Moreover, the right of communication to the public is covered in the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, as opposed to the TRIPS

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<sup>61</sup> Pierre N Leval, 'Toward a Fair Use Standard' (1990) 103 Harv L Rev 1105, 1111.

<sup>62</sup> Peter K Yu, 'TRIPS Enforcement and Developing Countries' (2011) 26 Am U Intl L Rev 727, 731–35; Peter K Yu, 'The TRIPS Enforcement Dispute' (2011) 89 Neb L Rev 1046, 1056–69.

<sup>63</sup> Panel Report, China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights (WT/DS362/R, 2009) paras 7.518–7.528; Yu, 'The TRIPS Enforcement Dispute' (n 62) 1065.

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Agreement. As Sam Ricketson and Jane Ginsburg rightly reminded us, ‘No provisions of the TRIPs Agreement directly address the scope of the rights of public performance or communication to the public in the Berne Convention–protected works’.<sup>64</sup> While the phrase ‘for the purpose of or in the course of any trade or business’ in the Ordinance already provides satisfactory coverage of all cases of wilful copyright piracy on a commercial scale, the obligation under article 61 of the TRIPs Agreement is *irrelevant* to any provision concerning the unauthorised communication of a copyright work to the public – whether ‘for the purpose of or in the course of any trade or business’ or ‘to such an extent as to affect prejudicially the copyright owner’. The right of communication to the public is simply not a right protected by the TRIPs Agreement.

A third question that would arise in the UGC context concerns the oft-cited three-step test laid out in the Berne Convention, the TRIPs Agreement and the WIPO Internet Treaties. Article 13 of the TRIPs Agreement requires WTO members to ‘[1] confine limitations or exceptions to exclusive rights to certain special cases [2] which do not conflict with a normal exploitation of the work and [3] do not unreasonably prejudice the legitimate interests of the right holder’. Article 10(1) of the WIPO Copyright Treaty and article 16(2) of the WIPO Performances and Phonograms Treaty provide identical language.

The question of whether section 29.21 of the Canadian Copyright Modernization Act would pass the three-step test came up during the multi-year deliberations of the four copyright bills (Bills C-60, C-61, C-32 and finally C-11). Nevertheless, Canadian law- and policymakers were confident that the significant qualifying conditions of the exception, such as ‘the identification of the source, the legality of the work or the copy used, and the absence of a substantial adverse effect on the exploitation of the original work’,<sup>65</sup> would ensure that the proposed exception passes the three-step test.

In fact, many commentators took, and still take, the view that section 29.21 provides a much more limited exception than the fair use provision in the United States, which allows for the transformative use of copyright works for commercial purposes. If section 107 of the US Copyright Act passed the three-step test, a narrower form of the US fair use provision, such as section 29.21 or the PNCUGC exception proposed in this position paper, clearly would not fail that same test. Even if one questions the consistency between the US fair use provision and the three-step test, as some EU policymakers and commentators have done, the fact that the United States, Israel, the Philippines, Singapore and South Korea already have a fair use regime and that Australia, Ireland, Japan and potentially other countries are now considering a switch to that regime strongly suggests that the proposed PNCUGC exception will unlikely be challenged before the WTO Dispute Settlement Body. (The fair use regime and the proposals to switch from a fair dealing regime to a fair use regime will be discussed further below.)

As far as the three-step test is concerned, it is important to remember that the copyright regime was designed to provide the economic incentives needed to promote creativity. In doing so, it enables authors and their investors to recoup the time, energy, effort and resources

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<sup>64</sup> Sam Ricketson and Jane C Ginsburg, *International Copyright and Neighbouring Rights: The Berne Convention and Beyond* (2nd edn, OUP 2006) 744.

<sup>65</sup> Dara Lithwick and Maxime-Olivier Thibodeau, *Bill C-11: An Act to Amend the Copyright Act* (41-1-C11E, 2012) 12.

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expended in the creative process. This regime, however, was *not* designed to enable copyright owners to capture whatever benefits they could obtain. As Mark Lemley rightly reminded us:

In no other area of the economy do we permit the full internalization of social benefits. Competitive markets work not because producers capture the full social value of their output – they do not, except at the margin – but because they permit producers to make enough money to cover their costs, including a reasonable return on fixed-cost investment. Even real property doesn't give property owners the right to control social value. Various uses of property create uncompensated positive externalities, and we don't see that as a problem or a reason people won't efficiently invest in their property.<sup>66</sup>

Since netizens began showing interest in having a UGC exception, copyright owners have expressed concern that the benefits the exception provides to online service providers and other third parties would make the exception suspect under the three-step test. Although it makes good *business* sense for copyright owners to demand licences from third parties, this business-oriented position unfortunately does not translate well into a strong *legal* argument that the proposed PNCUGC exception would fail the three-step test laid out in the Berne Convention, the TRIPS Agreement and the WIPO Internet Treaties.

If the copyright owners' argument were valid – that is, if benefits to online service providers and other third parties would cause a copyright exception to fail the three-step test – the same argument would also undermine section 39 of the Ordinance, which allows for fair dealing for the purposes of criticism, review or news reporting. After all, online service providers and other third parties rarely compensate copyright owners for the benefits they derive from the latter provision. If those benefits would cause the proposed PNCUGC exception to fail, it certainly would also have caused section 39 to fail. There is simply no categorical distinction between third-party benefits derived from the proposed PNCUGC exception and those derived from section 39.

In addition, the copyright owners' argument would directly contradict their repeat and open claim that internet users do not need authorisation to create parodies that criticise the underlying work. If online service providers and other third parties would be required to obtain licences from copyright owners, section 39 would have been rather useless in the digital environment. Without those licences, internet users would not be able to disseminate the PNCUGC they created, even if such creations fell squarely within the ambit of section 39. In view of this highly undesirable scenario, Hong Kong would clearly have to undertake more drastic copyright reform in the area of parodies, satires, caricatures, pastiches and UGC. The copyright owners' repeated claim that the existing Ordinance already allows internet users to create parodies that criticise the underlying work would also have been proven disingenuous.

More disturbingly, if third-party benefits could cause a copyright exception to fail the three-step test, section 38, which allows for fair dealing for the purposes of research or private study, would have failed the test when third parties benefited from research without compensating copyright owners. Section 41A, which allows for fair dealing for the purposes of giving or receiving instruction, would also have been suspect unless schools, universities and

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<sup>66</sup> Mark A Lemley, 'Property, Intellectual Property, and Free Riding' (2005) 83 Tex L Rev 1031, 1032.

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other third parties would compensate copyright owners. Most shockingly, section 54A, which allows for fair dealing for the purposes of public administration (concerning such urgent matters as SARS, H1N1 and H7N9), would have to be amended to require the government, the Executive Council, the judiciary and various District Councils – and, by extension, Hong Kong taxpayers – to buy licences from copyright owners. After all, the more efficient administration of public matters would certainly have provided Hong Kong citizens with a tremendous amount of benefits.

Put differently, if the benefits third parties derived from the proposed PNCUGC exception would cause that exception to fail the three-step test, similar third-party benefits would also have made sections 38, 39, 41A, 54A as well as many other limitations and exceptions in the Ordinance suspect. In fact, under this rather untenable interpretation, most of the copyright limitations and exceptions in the world – whether it was fair use in Singapore and the United States, fair dealing in Australia, Canada, New Zealand and the United Kingdom, or other limitations and exceptions in civil law jurisdictions in continental Europe – would likely have failed the three-step test. Such an interpretation, of course, cannot be supported by existing interpretations in WTO decisions and scholarly literature.

To pass muster under the three-step test, the proposed exception needs to meet three specific requirements. The first step is that the exception needs to be confined to ‘certain special cases’. The special cases here are those involving the use of copyright works in the creation of new, predominantly non-commercial works that meet three additional requirements: (1) the identification of the source (where reasonable); (2) the legality of the work, the subject matter or the copy used; and (3) the lack of a substantial adverse impact on the exploitation or potential exploitation of the underlying work. Thus, this exception does not broadly cover all forms of UGC, but only UGC of a predominantly non-commercial nature that satisfies three additional requirements. With these limitations and clearly stipulated requirements, the proposed exception will be considered ‘clearly defined and ... narrow in its scope and reach’.<sup>67</sup>

The lack of a universal definition of the term ‘UGC’ will not automatically disqualify the proposed exception. Courts and commentators continue to disagree over the definition of terms such as ‘parody’, ‘satire’, ‘criticism’, ‘fair’ (as in ‘fair dealing’ and ‘fair use’) and even ‘special’ (as in ‘certain special cases’ in the first step of the three-step test). In fact, when the WTO panel applied the test to the challenged measures in *United States – Section 110(5) of the US Copyright Act*, it had to define a large number of terms in that particular test, including ‘certain’, ‘special’, ‘case’, ‘normal’, ‘exploitation’, ‘unreasonable’, ‘prejudice’, ‘legitimate’ and ‘interests’.<sup>68</sup> As Laurence Helfer observed, ‘[t]he precise meaning of article 13 [which lays out the three-step test], and its relationship to the exceptions and limitations set out in the Berne Convention, are among the most ambiguous and contested issues in international copyright law’.<sup>69</sup> It is therefore unrealistic to expect universality and certainty in such an ambiguous and highly contested issue.

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<sup>67</sup> Panel Report, *United States – Section 110(5) of the US Copyright Act* (WT/DS/160/R, 2000) para 6.112.

<sup>68</sup> *ibid* paras 6.102–6.113, 6.163–6.189, 6.220–6.229.

<sup>69</sup> Laurence R Helfer, ‘World Music on a U.S. Stage: A Berne/TRIPS and Economic Analysis of the Fairness in Music Licensing Act’ (2000) 80 *BU L Rev* 93, 103.

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In determining whether the proposed exception passes the first step of the three-step test, it is important not to over-analyse the language concerning this particular step. As Daniel Gervais, who worked in the WTO secretariat at the time of the TRIPS negotiations, reminded us and as WTO panel decisions have shown, the last two steps of the test, which affect the copyright owners' exploitation of the underlying work, deserve much more focus and attention than the first step.<sup>70</sup> After all, the first step merely seeks to ensure that an exception 'guarantees a sufficient degree of legal certainty'.<sup>71</sup> It further requires that the exception be 'the opposite of a non-special, i.e., a normal case'<sup>72</sup> – that is, the exception needs to be an exception, not the norm. Regardless of how one interprets these requirements, the proposed exception will be more clearly defined and narrower in scope and reach than the fair use provision in the United States and other jurisdictions.

The second step is that the proposed exception cannot 'conflict with a normal exploitation of the work'. Such a conflict will not occur because the PNCUGC exception will be unavailable if the excepted use creates a substantial adverse impact on the exploitation or potential exploitation of the underlying work. As noted in the earlier discussion of section 39 and the proposed PNCUGC exception, even when technological and market developments are taken into consideration, copyright owners will not ordinarily expect to receive compensation from internet users who *directly* benefit from their creative activities and online service providers or other third parties who *indirectly* benefit from the related user activities.

This second step does not focus on mere exploitation or potential exploitation, but *normal* exploitation. The definition of the word 'normal' was a key dispute between the European Union and the United States in *United States – Section 110(5) of the US Copyright Act*. Although the WTO panel stated that the word had more than one connotation – and accepted both the United States' 'empirical or quantitative' approach and the European Communities' 'more normative approach' – the panel emphatically declared: 'If "normal" exploitation were equated with *full* use of all exclusive rights conferred by copyrights, the exception clause of Article 13 would be left devoid of meaning. Therefore, "normal" exploitation clearly means something less than full use of an exclusive right.'<sup>73</sup> The panel specifically focused on whether the excepted use 'enter[s] into economic competition with the ways that right holders *normally* extract economic value from that right to the work (i.e., the copyright) and thereby deprive them of significant or tangible commercial gains'.<sup>74</sup>

The panel's resounding rejection of 'full use' is an important reminder that the copyright regime was not designed to enable copyright owners to capture whatever benefits they could obtain – or, in economic terms, the *full* social value of their output. In relation to the second step, it is also worth noting that the predominantly non-commercial nature of the UGC created through the proposed exception would ensure that the exception does not result in a 'form[] of

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<sup>70</sup> Daniel J Gervais, 'Towards a New Core International Copyright Norm: The Reverse Three-Step Test' (2005) 9 Marq Intell Prop L Rev 1, 15–16.

<sup>71</sup> Panel Report (n 67) para 6.108.

<sup>72</sup> *ibid* para 6.109.

<sup>73</sup> *ibid* para 6.167 (emphasis added).

<sup>74</sup> *ibid* para 6.183 (emphasis added).

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exploitation which, with a certain degree of likelihood and plausibility, could acquire considerable economic or practical importance'.<sup>75</sup>

The third step is that the proposed exception cannot 'unreasonably prejudice the legitimate interests of the right holder'. Because the PNCUGC exception will be unavailable if the use creates a substantial adverse impact on the exploitation or potential exploitation of the underlying work, the excepted use will not prejudice the copyright owners' *legitimate* interests. According to the WTO Dispute Settlement Body, the legitimacy of these interests will be determined from a legal positivist perspective as well as based on 'justifi[cations] in the light of the objectives that underlie the protection of exclusive rights'.<sup>76</sup> Even if the prejudice of legitimate interests is to exist, such prejudice will not be deemed 'unreasonable'. Like the second step of the three-step test, the third step is very specific. It does not focus on the prejudice of *all* interests of the copyright owner, but only the *unreasonable* prejudice of its *legitimate* interests.

In sum, the proposed PNCUGC exception is 'confine[d] ... to exclusive rights to certain special cases', 'do[es] not conflict with a normal exploitation of the [protected copyright] work' and 'do[es] not unreasonably prejudice the legitimate interests of the right holder'. It will pass the three-step test.

If law- and policymakers remain concerned about this test and decline to introduce the proposed PNCUGC exception, they can introduce a special exception for the *fair dealing* of a copyright work for the purposes of creating PNCUGC, making a transformative use of a copyright work, or both. They can also include in the fair dealing exception for PNCUGC the four 'fairness factors' listed in sections 38 and 41A of the Ordinance. In addition, they can incorporate the three-step test directly into the proposed exception by adding the phrase 'provided that the use of the existing work or other subject-matter – or copy of one – does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the right holder'. For example, South Korea recently took this approach to introduce a fair use regime. A similar approach has also been used to develop article 21 of the Implementing Regulations of the Chinese Copyright Law and the draft Third Amendment to the Chinese Copyright Law.

This position paper does not recommend a more limited exception than what was proposed earlier, given the fact that the United States and other countries have offered far greater protection of transformative works and uses via fair use or similar legislation – often to the benefit of their creative, cultural and information technology sectors. This paper nonetheless recognises the geopolitical reality confronting Hong Kong. It is also sympathetic to the copyright owners' concern about the potential abuse of the proposed exception and their fear of blurring the line between legitimate UGC and outright copyright infringement. Thus, this position paper would support the introduction of a fair dealing exception for PNCUGC if such an exception could allay the concerns of lawmakers, policymakers and copyright owners. The most important outcome of this consultation exercise is not what form the proposed PNCUGC

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<sup>75</sup> *ibid* para 6.180.

<sup>76</sup> *ibid* para 6.224.



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exception will take, but whether the exception will offer the much-needed protection to internet users – and, most notably, creators of PNCUGC.

A fourth and related question that would arise in the UGC context concerns the lack of case law involving section 29.21 of the Canadian Copyright Modernization Act. While this question is valid, considering the exception's relatively recent origin, this question could be asked of any provisions or models that have not been adopted abroad for a long period of time or by a large number of jurisdictions. For example, no case law on criminal actions against BitTorrent users has ever existed before Hong Kong took its world-first action in *HKSAR v Chan Nai Ming*. Unless Hong Kong is willing to concede leadership in digital copyright reform, law- and policymakers will always have to struggle with this particular question.

In its submission to the LegCo Bills Committee, Cable and Satellite Broadcasting Association of Asia rightly declared: 'It is regrettable to see Hong Kong ... become a passive follower, which will consider such measures only after they have been adopted, and "fully tested" (the government's own words) in overseas jurisdictions'.<sup>77</sup> Although that submission criticised the Hong Kong government's failure to introduce the graduated response system to strengthen copyright protection and enforcement, the same argument can be used to defend the introduction of new limitations and exceptions, such as the PNCUGC exception proposed in this position paper. If the balance in the copyright regime is to be maintained, the government cannot be proactive in strengthening copyright protection and enforcement without making a corresponding effort to develop limitations and exceptions.

Moreover, as a matter of copyright law, the PNCUGC exception is actually not that new – contrary to what some have claimed and many have believed. That exception is only new if one does not consider it a narrower form of the transformative use exception, such as the transformative use doctrine the US Supreme Court introduced in *Campbell* or the proposed exception for innovation under Irish copyright law.<sup>78</sup> If the PNCUGC exception is seen as a model of this exception, as the ALRC and other policymakers and commentators did,<sup>79</sup> a large and ever-growing volume of case law and scholarly literature already exists on this particular exception. Law- and policy-makers in Hong Kong therefore do not need to worry about the lack of case law development to provide guidance on the future interpretation of the proposed PNCUGC exception.

The final question that would arise in the UGC context concerns the different layers of rights involved in the development of UGC. Copyright owners are understandably concerned that such development would make it difficult for them to commercially exploit the rights they already have. Nevertheless, their concern is unfounded.

Although UGC is generally not considered a 'derivative work' in the copyright sense – due in large part to the lack of authorisation from the copyright owner – UGC behaves just like any other derivative work. Whether the UGC in question is protectable as an independent

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<sup>77</sup> Cable and Satellite Broadcasting Association of Asia, *Strengthening Copyright Protection in the Digital Environment* (LC Paper No CB(1)2780/10-11(09), 2011) 3.

<sup>78</sup> Irish Copyright Review Committee (n 42) 72–75.

<sup>79</sup> ALRC (n 58) 202–03.

copyright work will depend on whether it meets the requisite requirements for copyright protection. Regardless of what protection the UGC may have, such protection will not interfere with the rights in the underlying work or the pre-existing portion(s) of that work. Although the Ordinance does not include a specific provision on derivative works, this type of work is rather common in Hong Kong. Derivative works emerge when new works are created out of pre-existing copyright works – for example, movies created out of screenplays and screenplays created out of books or short stories.

For illustrative purposes, consider the following example. Song B is UGC created out of Song A, which is currently protected by copyright. Although the author of Song B retains the underlying music, he changes the lyrics entirely. Because of their originality, the modified lyrics are protectable as a copyright work. Nevertheless, the author of Song B does not have the ability to grant any licence to the song except for the lyrics. The copyright owner of Song A will still own the rights in the underlying music. Meanwhile, future authors who want to adapt Song A commercially will have to buy a licence from that owner (and licences from the owner of the relevant sound recording and music video, if those materials are also used). The proposed PNCUGC exception would not interfere with any of these business opportunities.

To be certain, intriguing questions may arise concerning who could exploit the different layers of rights in the UGC, especially when the UGC involves multiple underlying works. These questions, however, are usually not that important to internet users, because most of them create UGC for non-commercial purposes. In fact, internet users are more interested in having the creative space needed to develop UGC than competing with copyright owners for rights and business opportunities. Moreover, if the proposed PNCUGC exception is to be adopted, that exception will not cover all forms of UGC. Instead, it will be limited to only PNCUGC that does not displace the copyright owner's market. Questions about who owns what in the commercial context are therefore largely irrelevant.

If, *arguendo*, a user wants to commercially exploit the rights in the UGC, the copyright analysis involving the UGC will be no more difficult than one involving an underlying work and a derivative work – for example, a book and a movie screenplay. Even if the analysis concerning a UGC work involving multiple underlying works can be challenging, the challenging nature of this analysis should not be used to justify the rejection of the proposed PNCUGC exception. After all, it would not make much sense to reject the right to make an adaptation of the copyright work just because determining ownership in a derivative work could be quite challenging.

## **2. Introduce corresponding exceptions to the moral rights provisions in the Ordinance.**

For the reasons discussed earlier in relation to Option 3, if an exception is to be introduced to exempt PNCUGC from civil and criminal liability for copyright infringement, corresponding changes should be made to the moral rights provisions in the Ordinance.

### **Exceptions and Balance in the Copyright Regime**

Whether it is the exception for parody, satire, caricature or pastiche, the exception for PNCUGC or other exceptions, the creation of copyright exceptions, on its face, may appear harmful to copyright owners. Such exceptions would erode the owners' ability to prevent the use of their

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works in parodies, satires, caricatures, pastiches and UGC. In reality, however, the creation of these exceptions would benefit copyright owners by removing a major obstacle to digital copyright reform – an issue that has heavily polarised the copyright debate in at least the past decade.

Despite the entertainment industry's *en masse* lawsuits and its continued push for increasingly draconian copyright enforcement measures, such as the adoption of a graduated response system that requires internet disconnection, copyright owners are in no better position to protect copyright works today than before. More importantly, because parodies, satires, caricatures, pastiches and PNCUGC do not supplant the market of the underlying work, the impact of these new exceptions on copyright owners is likely to be minimal, if not non-existent.

Moreover, the copyright owners of movies or television programmes do not always possess the rights to create derivative works in every direction. Although these owners continue to express concern about the creation of new copyright exceptions, they may not be in good positions to exploit rights implicated by the creation of UGC. Even if approached by internet users, these owners may not be able to grant a licence to create parodies, satires, caricatures, pastiches or PNCUGC. Entertainment contracts are highly complex, and rights are usually granted for specific purposes, such as the exploitation of the work in cinema, on television or in the format of a VHS, DVD or a digital download. Thus, the economic impact on copyright owners of the exceptions endorsed by this position paper may not be as significant as their rhetoric has suggested.

Finally, the introduction of copyright exceptions may have some important upsides. In addition to advancing the digital copyright reform debate, such exceptions could help the copyright regime regain some of its legitimacy and public trust. Although internet users who have no respect for this regime are unlikely to change their behaviour toward copyright law, the exception may have a positive impact on traditionally law-abiding citizens – or, as the UKIPO put it, 'the vast silent majority who pay for works and value greatly the contribution that creators make to their lives'.<sup>80</sup> This 'silent majority' has hitherto been alienated by the entertainment industry's *en masse* lawsuits and its aggressive push for increasingly draconian copyright measures. It is about time the copyright regime regain its legitimacy and public trust. After all, a copyright regime about which members of the public are highly cynical will benefit neither copyright owners nor internet users.

Most important of all, to both copyright owners and internet users, many policy issues in the copyright arena, including the reduction of large-scale copyright piracy, deserve legislative and policy attention. Just because internet users are concerned about the legal liability incurred in the creation of parodies, satires, caricatures, pastiches and PNCUGC does not mean that they support large-scale copyright piracy. Introducing exceptions for socially-beneficial derivative or secondary creations therefore may be a good compromise to move the digital copyright reform debate forward and to get policymakers to re-focus on issues that would substantially prejudice the economic interests of copyright owners.

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<sup>80</sup> UKIPO (n 24) 3.

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Since the launch of the first consultation exercise in December 2006, the process of digital copyright reform has been going on for more than six years already. It is about time policymakers start looking for compromises that can help build consensus in the community and regain the momentum for digital copyright reform. From the government's standpoint, an acceleration of such reform would also be highly beneficial. As the government warned in its Paper for the LegCo Panel on Commerce and Industry:

Some US copyright owners associations [such as International Intellectual Property Alliance and Cable & Satellite Broadcasting Association of Asia] 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 the Special 301 Report 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. (2–3)

To be certain, the successful completion of the present digital copyright reform will not necessarily satisfy these industry associations, for two reasons. First, the industry groups already expect Hong Kong to consider new issues in the copyright arena. Because the proposed reform originated from a consultation exercise that was launched more than six years ago, much of the copyright debate has now moved on to new issues. The International Intellectual Property Alliance (IIPA), for example, noted the following in its most recent Section 301 report:

The government should focus on the passing of the present Bill as it is, and then start another round of public consultation on other issues as soon as possible.... For example, the issues that should be addressed in the next public consultation will likely include, but not be limited to, extension of copyright term; online border control measures; specific measures combating peer-to-peer infringement; additional damages and statutory damages; and further clarification on secondary liability and action against repeated offenders.<sup>81</sup>

Secondly, the intense pressure to which Hong Kong is constantly subjected is largely attributed to the widespread piracy and counterfeiting problems in China and Hong Kong's strategic location as a gateway to the mainland. Until China's problems abate, Hong Kong will *always* be the subject of industry attention and pressure, regardless of what Hong Kong does in the digital copyright reform.

Notwithstanding these two reasons, copyright owners and their supportive industry groups are understandably frustrated by the lack of progress in digital copyright reform for the past seven years. IIPA may have overestimated the government's ability to 'start another round of public consultation on other issues as soon as possible', considering the large amount of political capital the government still needs to expend to complete the current reform. However, it is not difficult to understand the frustration and disappointment of this industry group, with which this author is sympathetic. The important question at the moment is what compromises the government could strike to move the digital copyright reform debate forward and to finally complete the current reform.

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<sup>81</sup> International Intellectual Property Alliance, *2013 Special 301 Report on Copyright Protection and Enforcement* (2013) 305.

## Other Issues for Consideration

Although the present consultation exercise is important and highly encouraging, it is worth remembering that the ongoing reform provides Hong Kong with a unique opportunity to update its copyright law in the digital environment. If this opportunity is properly seized, the present reform will enable Hong Kong to take full advantage of the new political, social, economic, cultural, educational, health and career opportunities created by the digital revolution. It would also enable Hong Kong to set the standard for not only Asia but also the world.

In previous consultation exercises, the author of this position paper identified many issues as deserving legislative attention. If the government is eager to lead the way, it will need to proactively consider new cutting-edge proposals that are now being considered by law- and policymakers in other jurisdictions – Commonwealth or otherwise. Because the present consultation only focuses primarily on the treatment of parody under the copyright regime, this paper recalls only four proposals that are specifically related to such treatment. It is nonetheless worth noting that other issues that have been covered in the previous consultation exercises, such as safe harbours for online service providers and the format shifting exception, remain highly important to internet users.

The first proposal concerns fair use, as opposed to fair dealing. As the *Hargreaves Review* recounted: ‘The Philippines has a Fair Use doctrine, Israel adopted one in 2008, and Singapore uses a Fair Use type multi factor test within its fair dealing. The recently elected Irish Government has launched a review of copyright in the digital environment which will consider moving towards a Fair Use style doctrine, among other issues.’<sup>82</sup> In addition, South Korea recently adopted a new open-ended fair use provision that incorporated the TRIPS three-step test.<sup>83</sup> Japan is also exploring a similarly broad and open-ended exception despite its civil-law tradition.<sup>84</sup>

More interestingly, in a recent consultation document, the ALRC proposed to amend the Copyright Act ‘to provide a broad, flexible exception for fair use’.<sup>85</sup> After rejecting the transplant of the US fair use model in the past, the Commission finally recommended the replacement of the existing ‘fair dealing’ exceptions. Included among these exceptions are sections 41A and 103AA, both of which cover parody and satire. As the Commission noted:

The purpose-based, or close-ended, nature of the fair dealing exceptions is problematic in the digital environment. Rather than take a piecemeal approach and propose the addition of further specific exceptions in the hope of addressing gaps, the ALRC proposes the repeal of the existing fair dealing provisions and application of the new fair use exception ....<sup>86</sup>

Given the fact that the consultation documents have introduced Australia as a possible model for emulation, a potential change in Australia from fair dealing to fair use deserves the

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<sup>82</sup> Hargreaves (n 12) 45.

<sup>83</sup> Jaewoo Cho, ‘Newly Implemented Korean Fair Use and the Three Step Test’ (Infojustice.org, 28 February 2013) <<http://infojustice.org/archives/28766>> accessed 30 October 2013.

<sup>84</sup> Yoshiyuki Tamura, ‘Rethinking the Copyright Institution for the Digital Age’ (2009) 1 WIPO J 63, 70.

<sup>85</sup> ALRC (n 58) 60.

<sup>86</sup> *ibid* 131.

utmost attention of law- and policymakers in Hong Kong. To a large extent, they should think ahead about whether Hong Kong should ‘leapfrog’ from a fair dealing regime to a fair use regime, lest Hong Kong introduce new fair dealing exceptions only to find that most other jurisdictions – Commonwealth or otherwise – have already begun to embrace open-ended fair use exceptions to meet the growing demands and challenges of the digital environment. As the *Hargreaves Review* rightly reminded us, fair use could have provided ‘the big once and for all fix’ to the UK copyright regime had the EU Information Society Directive not been applicable.<sup>87</sup>

The benefits to introducing fair use in Hong Kong are considerable. Such introduction not only could better accommodate the needs and interests of internet users, but would also enable Hong Kong to become more competitive in the information technology area, to attract internet-related foreign investments and to develop its creative environment. Promoting such competitiveness is indeed consistent with the government’s regularly updated Digital 21 Strategies, which seek to ‘put[] Hong Kong in the forefront of global [information and communications technology] development’.<sup>88</sup> Introducing fair use would also enable Hong Kong to harmonise its copyright law with that of the world’s largest intellectual property market – the United States – while embracing the best copyright practices in other jurisdictions.<sup>89</sup>

One could query whether it would be a good idea for Hong Kong to introduce a system that is based on a foreign model – in this case, the US fair use model. Such a query, however, is a non-starter. Virtually all of the provisions included in the government’s present proposals are transplants from abroad. Moreover, as the ALRC has shown, many convincing arguments exist to rebut the claim that the US fair use model is unsuitable for the local legal environment.<sup>90</sup> For example, the Commission noted that ‘there is nothing so intrinsically American about a fair use exception that one could not be enacted in Australia’.<sup>91</sup> In the Canadian context, Ariel Katz also dispelled the myth that there are fundamental differences between the US fair use doctrine and the Canadian fair dealing doctrine.<sup>92</sup> Although this paper does not allow me to discuss these analyses in greater depth, it is worth pointing out that objections to the US fair use model have been raised and soundly defeated in many jurisdictions.

The second proposal concerns copyright ownership in government works, or so-called ‘crown copyrights’. Whether it is in the area of parodies, satires, caricatures, pastiches and UGC or in other areas of digital copyright reform, issues concerning government-owned copyright works have raised complications in ensuring greater dissemination of government or publicly funded works. Such dissemination is important, considering that taxpayers’ money could have been better utilised had others been able to use government works more widely to develop secondary creations. An example that is increasingly important in the information technology context is the use of geospatial data found in government datasets.<sup>93</sup> Whether these datasets are

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<sup>87</sup> Hargreaves (n 12) 52.

<sup>88</sup> Commerce and Economic Development Bureau, *Public Consultation on 2014 Digital 21 Strategy* (2013) 3.

<sup>89</sup> ALRC (n 58) 86–87.

<sup>90</sup> *ibid* 86–89.

<sup>91</sup> *ibid* 86.

<sup>92</sup> Ariel Katz, ‘Fair Use 2.0: The Rebirth of Fair Dealing in Canada’ in Michael Geist (ed), *The Copyright Pentology: How the Supreme Court of Canada Shook the Foundations of Canadian Copyright Law* (University of Ottawa Press 2013) 93–156.

<sup>93</sup> Teresa Scassa, ‘Acknowledging Copyright’s Illegitimate Offspring: User-Generated Content and Canadian Copyright Law’ in Geist (n 92) 431–53, 434.

protected by government copyright is likely to affect investment in technological ventures that utilise the implicated data.

Moreover, the infringement on the copyright in government works is an area where the law enforcement agency can take action without getting cooperation from any private right owner. In the Q&A, the government works hard to assure internet users that it will not ‘insist on prosecuting the copyright offence without involving the copyright owner’ (8). Sadly, until government works have become freely available without protection or until the Ordinance provides civil and criminal exceptions for parody, satire, caricature, pastiche or PNCUGC, the government’s assurance will ring hollow. After all, as far as the copyright in government works is concerned, the government is *both* the enforcement agency and the copyright owner.

In June 2010, the Australian Parliament announced its plan to port its central website across to a Creative Commons licence.<sup>94</sup> By opening up its website, which houses such key public documents as bills, committee reports and parliamentary transcripts, the Australian Parliament made a major commitment to promoting open access of government documents. Given the attention the government’s consultation documents have paid to developments in Australia and the fact that Hong Kong has already developed a localised Creative Commons licence, what the Australian Parliament did certainly deserves the attention of law- and policymakers in Hong Kong. Making government works widely accessible through the current digital copyright reform will benefit all parties involved – copyright owners, internet users, online service providers and other for-profit and not-for-profit organisations. Moreover, as Deborah Hurley noted, ‘governments, by placing their large thumbs firmly on the side of the scale tipped toward more access to information, would reframe the debate and send a strong signal to other content providers’.<sup>95</sup> Reform in this area therefore would also send an important signal to the rest of the international community about the need for open access to government information and Hong Kong’s respect for the freedom to seek and receive information.

The third proposal concerns the need to locate solutions to address the problems raised by orphan works, works whose authors are difficult or impossible to find. This issue has received attention from policymakers in countries ranging from Australia to the United States to members of the European Union.<sup>96</sup> The treatment of orphan works under the copyright regime was also specifically addressed in both the *Gowers Review* and the *Hargreaves Review*.<sup>97</sup> While it is difficult enough for major publishers to locate copyright owners, it is even more difficult for internet users to locate these owners, given their limited knowledge, resources and legal expertise. As a result, the exceptions proposed in this position paper and therefore greater flexibility in the use of copyright works by internet users would greatly reduce the problems created by orphan works.

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<sup>94</sup>Jessica Coates, ‘The Australian Parliament Goes CC – with v3.0’ (7 June 2010) <<http://creativecommons.org.au/weblog/entry/301>> accessed 30 October 2013.

<sup>95</sup> Deborah Hurley, *Pole Star: Human Rights in the Information Society* (International Centre for Human Rights and Democratic Development 2003) 36–37.

<sup>96</sup> ALRC (n 58) 249–68; Government Response to the Committee’s 1st Report of Session 2012–13 – Business, Innovation and Skills Committee (18 September 2012) <<http://www.publications.parliament.uk/pa/cm201213/cmselect/cmbis/579/57904.htm>> accessed 30 October 2013; Internet Policy Task Force (n 60) 29–33.

<sup>97</sup> Gowers (n 22) 69–72; Hargreaves (n 12) 38–40.

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The final proposal concerns the abuse or misuse of copyright. A previous position paper noted the need to introduce safeguards to protect against such abuse, including penalties for the misrepresentation of copyright claims using the notice-and-takedown procedure.<sup>98</sup> While safeguards remain important in all areas of digital copyright reform, they are especially important in the area of parodies, satires, caricatures, pastiches and UGC. After all, as shown earlier in this position paper, derivative creations could reduce the demand of the copyright work or undermine its commercial value. They could also result in embarrassment, emotional pain or loss of ‘face’. Providing exceptions from civil and criminal liability alone will therefore not suffice unless additional safeguards against the misuse or abuse of copyright are also introduced.

Given the developments surrounding the three consultation exercises and the Copyright (Amendment) Bill 2011, it is very unlikely that the government would introduce new proposals or consultations to fully address issues concerning at least the first three areas. (The last area, by contrast, could be easily addressed by fine-tuning proposals that have already been advanced through the past consultation exercises and the Copyright (Amendment) Bill 2011.) Nevertheless, it is important for this position paper to highlight these recurring issues, as they are likely to have major impacts in the copyright arena in the future. It is also worth noting that law- and policymakers in other jurisdictions are now paying considerable attention to these issues. Law- and policymakers in Hong Kong should therefore start paying attention to these issues even if they are not ready to introduce reform.

In sum, law- and policymakers in Hong Kong should at the very least develop a better and deeper understanding of how the government’s proposals will impact on these four sets of issues, and vice versa. In doing so, they will be able to anticipate future challenges in the copyright arena – in both the online and offline worlds. They will also be able to avoid introducing legislation that would foreclose Hong Kong’s ability to satisfactorily address these challenges in the future.

### Conclusion

Although this consultation exercise focuses narrowly on the treatment of parody under the copyright regime, it is important to consider the new proposals in the larger context of the ongoing digital copyright reform and all the three consultation exercises in their entirety. While the first consultation document called for the introduction of rights that would ‘obviate the need to review and amend the Copyright Ordinance whenever new technologies emerge’ (8), the second consultation document underscored the importance of developing forward-looking solutions that ‘encompass future developments in electronic transmission’ (3).

Today’s biggest challenge concerning internet users relates to the creation and dissemination of parodies, satires, caricatures, pastiches and UGC. While the introduction of exceptions endorsed by this position paper does not provide internet users with the maximum protection they need – for example, protection for commercial UGC or the transformative *use* of a copyright work – it at least enables the Ordinance to strike a more appropriate balance among the copyright owners’ need for greater protection, the internet users’ need for adequate space to

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<sup>98</sup> Peter K Yu, *Digital Copyright Reform in Hong Kong: Promoting Creativity without Sacrificing Free Speech* (Journalism and Media Studies Centre, University of Hong Kong 2007) 6–7.



develop content they generate themselves and both the government's and online service providers' need to foster the internet's healthy development.

### **About the Author**

**Peter K. Yu** (余家明), who is born and raised in Hong Kong, holds the Kern Family Chair in Intellectual Property Law and is the founding director of the Intellectual Property Law Center at Drake University Law School. He has served as Wenlan Scholar Chair Professor at Zhongnan University of Economics and Law in Wuhan, China and a visiting professor of law at the University of Hong Kong, the University of Haifa, the University of Strasbourg and Washington and Lee University. Before joining Drake University, he founded the nationally-renowned Intellectual Property & Communications Law Program at Michigan State University, at which he held faculty appointments in law, communication arts and sciences, and Asian studies.

Professor Yu is a leading expert in international intellectual property and communications law. He serves as the general editor of *The WIPO Journal* published by WIPO and chairs the Committee on International Intellectual Property of the American Branch of the International Law Association. He also writes and lectures extensively on international trade, international and comparative law, and the transition of the legal systems in China and Hong Kong. A prolific scholar and an award-winning teacher, he is the author or editor of five books and more than 100 law review articles and book chapters.

Professor Yu has spoken at events organised by WIPO, the International Telecommunication Union, the UN Conference on Trade and Development (UNCTAD), the UN Educational, Scientific and Cultural Organization (UNESCO), the Chinese, EU and US governments and at leading research institutions from around the world. His lectures and presentations have spanned more than 25 countries on six continents. He is a frequent commentator in the national and international media. His publications have appeared in Chinese and English and have been translated into Arabic, French, Japanese, Persian, Portuguese, Spanish and Vietnamese.

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### **About the Journalism and Media Studies Centre, University of Hong Kong**

The Journalism and Media Studies Centre of the University of Hong Kong is dedicated to the professional training of journalists in the highest international standards of ethics, skills, knowledge and critical thinking. Established in 1999, the Centre offers graduate and undergraduate degrees, seminars, workshops and courses for news professionals at all levels of expertise. Leveraging its unique position at the crossroads of China, Asia and the West, the Centre's special programs and research have made it a focus for understanding exciting changes underway in journalism throughout the region. The Centre's emphasis is on professional education designed to produce graduates for the local, regional and international media who will practice in English, Chinese or both. The Centre's faculty have served at senior levels at ABC News, CNN, the *New York Times*, the *New York Daily News*, the *South China Morning Post* and

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Dow Jones, among other organisations. Adjunct professors drawn from the top levels of journalism in Hong Kong also teach at the Centre.

APPENDIX A: PROPOSED STATUTORY AMENDMENTS

**Amendment 1 – Clarifying the existing provisions on the criminal offences for ‘prejudicial distribution/communication’**

- After section 118(2) of the Copyright Ordinance, add a new section 118(2AA):
  - ‘(2AA) For the purposes of subsection (1)(g), in determining whether any distribution of an infringing copy of the work is made to such an extent as to affect prejudicially the copyright owner, the court may take into account all the circumstances of the case and, in particular, the purpose of the distribution, the amount and substantiality of the infringing portion in relation to the work as a whole, and whether substantial—more than trivial economic prejudice is caused to the copyright owner as a consequence of the distribution having regard to, amongst others –
    - (a) the nature of the work, including its commercial value (if any);
    - (b) the mode and scale of distribution; and
    - (c) whether the infringing copy so distributed amounts to a substitution for the work.’
- Add new sections 118(8B), (8C) and (8D) as follows:
  - ‘(8B) 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.’
  - ‘(8C) For the purposes of subsection (8B)(b), in determining whether any communication of the work to the public is made to such an extent as to affect prejudicially the copyright owner, the court may take into account all the circumstances of the case and, in particular, the purpose of the communication, the amount and substantiality of the infringing portion in relation to the work as a whole, and whether substantial—more than trivial economic prejudice is caused to the copyright owner as a consequence of the communication having regard to, amongst others –
    - (a) the nature of the work, including its commercial value (if any);
    - (b) the mode and scale of communication; and
    - (c) whether the communication amounts to a substitution for the work.’

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‘(8D) For the purposes of subsection (8B), the phrase “communicates the work to the public” does not cover the act of dissemination of information concerning the means by which the infringing work is accessed, such as the act of uploading, posting or sharing a hyperlink, so long as the person who communicates such information does not distribute any infringing copy of a copyright work.’

### **Amendment 2 – Introducing specific criminal exemptions for parody, satire, caricature, pastiche or PNCUGC**

- After section 118(2) of the Copyright Ordinance, add the following new section:

‘Subsection (1)(g) does not apply to any distribution of an infringing copy of a work for the purpose of parody, satire, caricature or pastiche if the distribution does not amount to a substitution for the work—cause more than trivial economic prejudice to the copyright owner.’

- For the offence related to the communication right, add the following exemptions:

‘Subsection (X) does not apply to any communication of the work to the public for the purpose of parody, satire, caricature or pastiche if the communication does not amount to a substitution for the work—cause more than trivial economic prejudice to the copyright owner.’

- For the offence related to the distribution and communication rights, add the following exemptions (if a PNCUGC exception is not to be adopted as proposed in Amendment 4):

‘(1) It is not an infringement of copyright for an individual to use an existing work or other subject-matter – or copy of one – which has been published or otherwise made available to the public, in the creation of a new work or other subject-matter in which copyright subsists and for the individual – or, with the individual’s authorisation, a member of their household – to use the new work or other subject-matter or to authorise an intermediary to disseminate it, if

- (a) the use of, or the authorisation to disseminate, the new work or other subject-matter is done predominantly for non-commercial purposes;
- (b) the source – and, if given in the source, the name of the author, performer, maker or broadcaster – of the existing work or other subject-matter – or copy of it – are mentioned, if it is reasonable in the circumstances to do so;
- (c) the individual had reasonable grounds to believe that the existing work or other subject-matter – or copy of it – as the case may be, was not infringing copyright; and
- (d) the use of, or the authorisation to disseminate, the new work or other subject-matter does not have a substantial adverse effect, financial or otherwise, on the exploitation or potential exploitation of the existing work or other subject-matter – or copy of it – or on an existing or potential

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market for it, including that the new work or other subject-matter is not a substitute for the existing one.

(2) For the purposes of subsection (1), “intermediary” means a person or entity who regularly provides space or means for works or other subject-matter to be enjoyed by the public, and “use” means to do anything that by this Ordinance the owner of the copyright has the sole right to do, other than the right to authorise anything.’

### **Amendment 3 – Introducing a fair dealing exception for parody**

- After section 39 of the Copyright Ordinance, add a new section 39A:

‘39A. Parody, Satire, Caricature or Pastiche

Fair dealing with a work for the purpose of parody, satire, caricature or pastiche does not infringe any copyright in the work.’

- In section 91(4) of the Copyright Ordinance, add the following provision:

‘(g) section 39A (fair dealing for parody, satire, caricature or pastiche).’

- In section 93 of the Copyright Ordinance, add the following provision:

‘(8) The right is not infringed by an act which constitutes a fair dealing with a work for the purpose of parody, satire, caricature or pastiche.’

### **Amendment 4 – Introducing an exception for PNCUGC**

- After the proposed section 39A of the Copyright Ordinance, add a new section 39B:

‘39B. Predominantly Non-commercial User-generated Content

(1) It is not an infringement of copyright for an individual to use an existing work or other subject-matter – or copy of one – which has been published or otherwise made available to the public, in the creation of a new work or other subject-matter in which copyright subsists and for the individual – or, with the individual’s authorisation, a member of their household – to use the new work or other subject-matter or to authorise an intermediary to disseminate it, if

(a) the use of, or the authorisation to disseminate, the new work or other subject-matter is done predominantly for non-commercial purposes;

(b) the source – and, if given in the source, the name of the author, performer, maker or broadcaster – of the existing work or other subject-matter – or copy of it – are mentioned, if it is reasonable in the circumstances to do so;

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(c) the individual had reasonable grounds to believe that the existing work or other subject-matter – or copy of it – as the case may be, was not infringing copyright; and

(d) the use of, or the authorisation to disseminate, the new work or other subject-matter does not have a substantial adverse effect, financial or otherwise, on the exploitation or potential exploitation of the existing work or other subject-matter – or copy of it – or on an existing or potential market for it, including that the new work or other subject-matter is not a substitute for the existing one.

(2) For the purposes of subsection (1), “intermediary” means a person or entity who regularly provides space or means for works or other subject-matter to be enjoyed by the public, and “use” means to do anything that by this Ordinance the owner of the copyright has the sole right to do, other than the right to authorise anything.’

- In section 91(4) of the Copyright Ordinance, add the following provision:

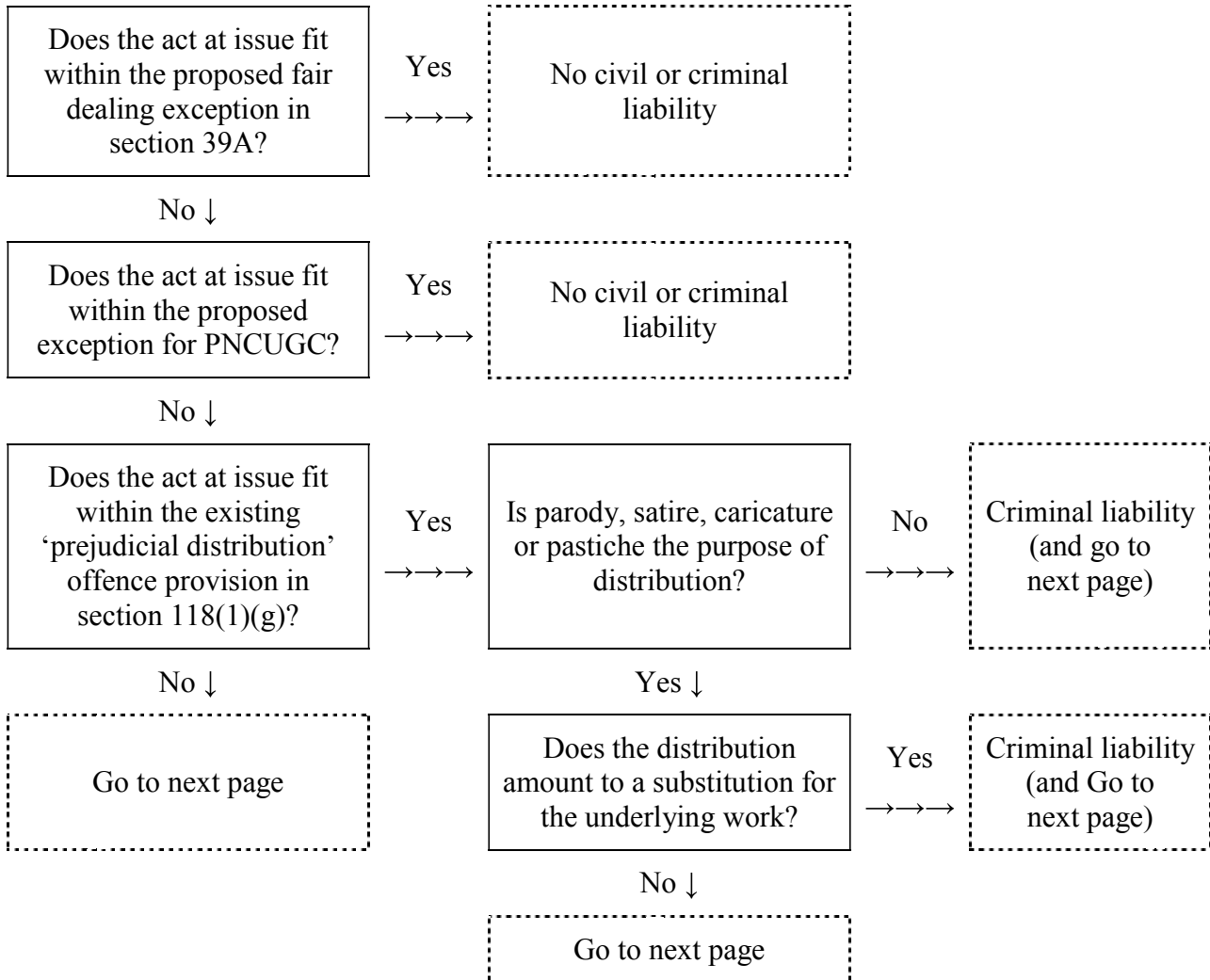
‘(h) section 39B (predominantly non-commercial user-generated content).’

- In section 93 of the Copyright Ordinance, add the following provision:

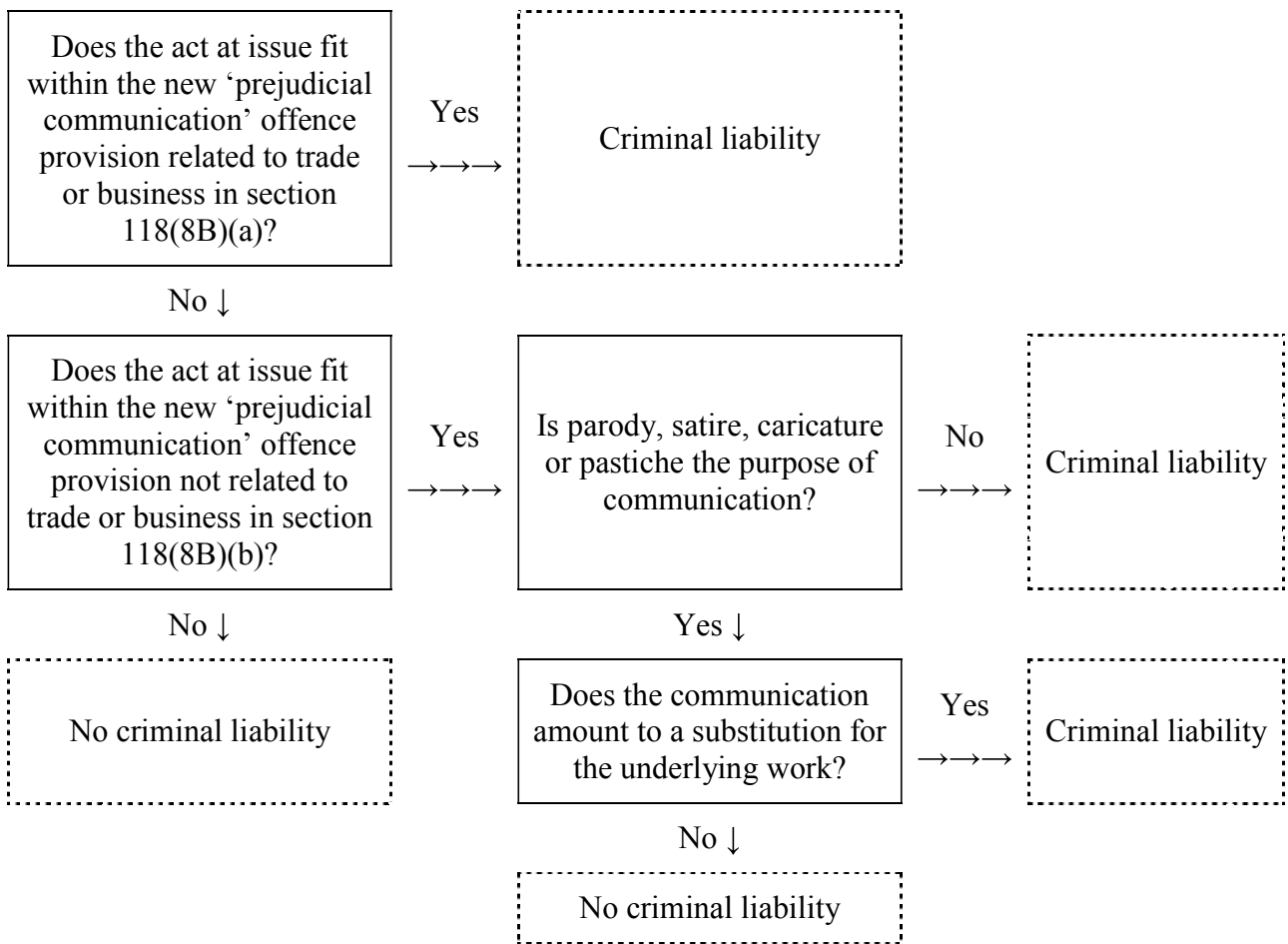
‘(9) The right does not apply to predominantly non-commercial user-generated content as specified in section 39B.’

APPENDIX B: FLOW CHARTS CONCERNING THE OPERATION OF THE PROPOSED STATUTORY AMENDMENTS

Chart 1: How would the proposed amendments operate if a copyright exception for PNCUGC were adopted?

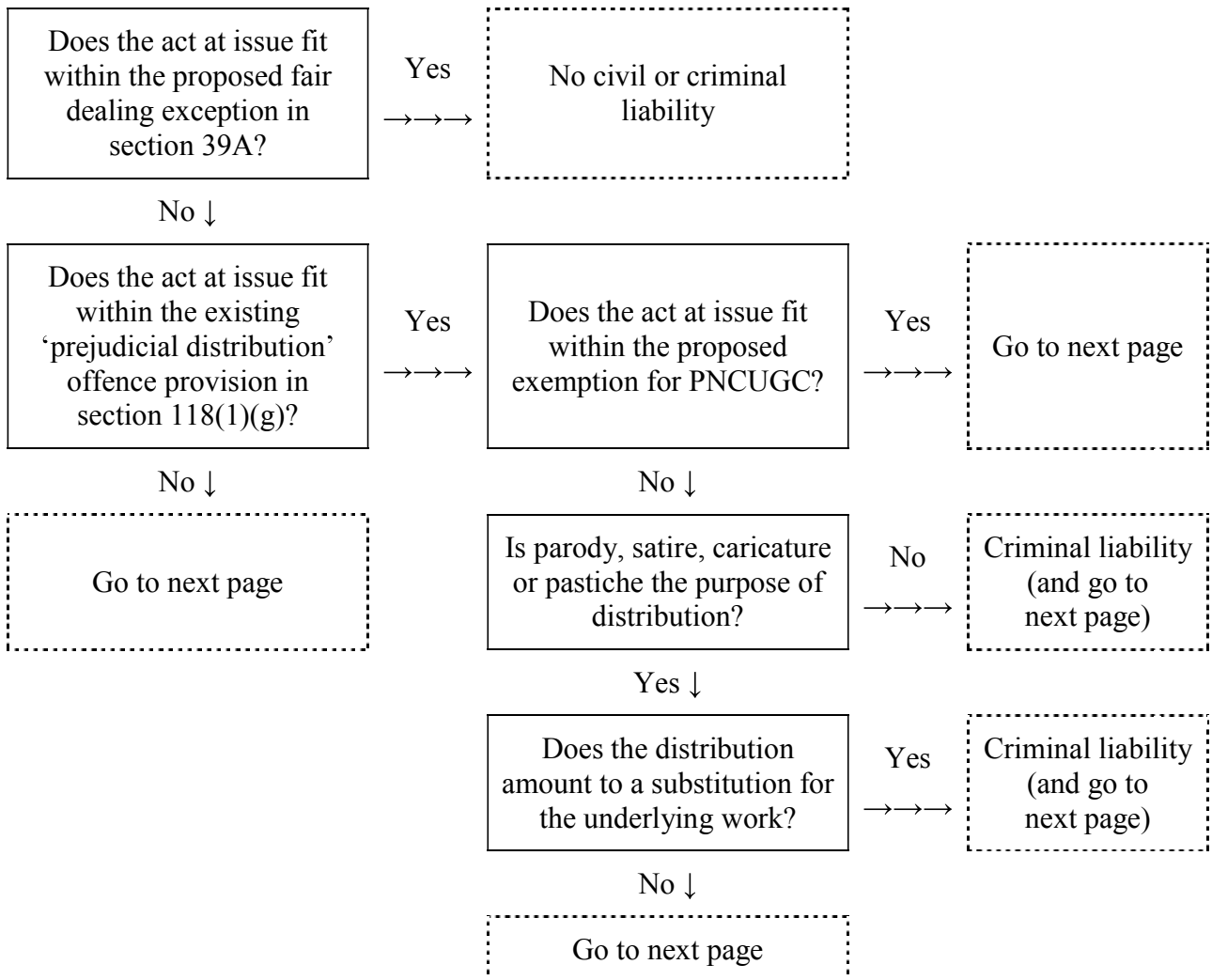


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**Chart 2: How would the proposed amendments operate if PNCUGC were exempted from criminal sanctions?**



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