

**Treatment of  
Parody**  
Main Topic

Carman KM  
HO/CITB/HKSARG  
04/12/2013 14:31

Subject: S0948\_Clera Chu (Deltamac (HK) Co Ltd)  
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**Views & Suggestions on the Treatment of P**

to: co\_consultation@cedb.gov.hk

15/11/2013 12:21

From:

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

Dear Sir,

On behalf of the following organizations, we enclosed herewith our Views & Suggestions on the Treatment of Parody under the Copyright Regime Consultation in Hong Kong. Should you have any queries, please feel free to contact us at . Thanks.

Hong Kong Film & Video limited  
Hong Kong Motion Picture Industry Association (MPIA)  
Hong Kong Video Development Foundation Ltd.  
Movie Producers and Distributors Association of Hong Kong Limited (MPDA)

Best regards,  
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Microsoft Word - Our Views & Suggestions on the Treatment of Parody under the Copyright Regime Consultation in Hong Kong.p

## **Re: Our Views & Suggestions on the Treatment of Parody under the Copyright Regime Consultation in Hong Kong**

November 15, 2013

### **A Objective of Copyright Law**

1. Perhaps if we may, we wish to point out that our copyright industry is built on the notion that Hong Kong has all along been following the United Kingdom's approach on copyright law, "the central objective of copyright law is to provide incentive to creator and content investors."<sup>1</sup> The primary essence of attribution of property rights in intellectual goods is to give the right holders an opportunity to recoup his investment in creation. May we refer to the Mr. Justice Arnold of the U. K Court's observation in *Newsbin*<sup>2</sup> that "it is reasonable to suppose that in this atmosphere, with governments around the world eager to promote economic growth and the creation of quality jobs, there will be forceful demands for new IP interventions, in terms of both scope and intensity of enforcement."
2. The social benefits created by the commoditisation of copyright have driven political institutions to protect copyright in our free market economy. The protection of authors, whether of inventions, works of art, or of literary compositions, is the object to be attained by all patent and copyright laws.
3. The international copyright law is to harmonize the copyright protection against copyright infringement. Under the TRIPS, a trade-based approach to intellectual property right, the protection of intellectual property is formulated in the context of trade. <sup>3</sup>Under the international copyright law, overseas works receive the same protection for the local copyright work. Works from overseas receive equal treatment in terms of copyright protection for Hong Kong copyright works and Hong Kong expect to receive the same treatment from overseas markets. It is just as simple as that.
4. There is no dispute that Hong Kong has an international obligation is obligated to comply with and subject to the constraints of international copyright institutions such as the Berne Convention; WIPO Internet Treaties; TRIPS etc. all of which incorporate the well-known three step test<sup>4</sup> i.e. (i) exception is confined to

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<sup>1</sup> Digital Opportunity A Review of Intellectual Report and Growth prepared by Professor Ian Hargreaves May 2011; Para 5 on page 8 of that review.

<sup>2</sup> Case No. HC10C04385.[2001]EWHCC 1981(Ch.) Para 2.19

<sup>3</sup> May, Christopher, *A Global Political Economy of Intellectual Property Rights: The New Enclosures?* (Routledge, London 2000) 68.

<sup>4</sup> Article 9(2) of the Berne Convention stipulates that '[i]t shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in special case, provided that such

“special cases”, (ii) exception does not conflict with a normal exploitation of the work and (iii) exception does not unreasonably prejudice the legitimate interests of the copyright owner. The three step test only allows a narrow scope of exemption to any free use of copyrighted materials.

5. Therefore any dealing or use of copyright right for a special purpose must be fair (in the eye of the international law), not the copyright owner or the government or an individual person.

## **B Three Step Test and Parody**

6. International Copyright Law allows exceptions for free use of copyright works as long as the exceptions comply with the well-known three step test. For example, education criticisms and news reporting fall within these exceptions.
7. Like the U.K.’s present copyright protection regime, there is no special exemption for parody *per se*, under Hong Kong present copyright law, any parodical use of an original work must be within the scope of fair dealing exemptions for the purpose of criticism or review or newspaper reporting. The relevant test is the ‘substantial part test’ as put forward by Falconer J in the *Schwepes* case.<sup>5</sup>
8. However, parody requires the public knows the source work, in some case the source work is the target of criticism (parody), in others it is used merely as a weapon against third party (Satire).<sup>6</sup>
9. In the sense the **parodist tries to express himself by using the source work and therefore he is both** a ‘creator’ and a ‘user’.<sup>7</sup>
10. In order to comply with the three step test, the parodied works must comply with the requirements of “Fairness Test.” In the context of international norm: it means
  - (i) no risk of causing any confusion with that work to the original work;
  - (ii) doing no harm to the original work or its author; and
  - (iii) the extent of such use is limited to that much necessary for attaining its purpose.

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reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author. Article 13 of the TRIPs also has the same three step test for exception of all economic rights of copyright owner.

<sup>5</sup> *Schwepes Ltd and Others v Wellingtons Ltd* (1984) F.S.R. 210. Also *Williamson Music Ltd v The Pearson Partnership Ltd* (1987) F.S.R. 210 Judge Paul Baker Q.C. considered the previous authorities on parody and concluded without further comments that the relevant test is the ‘substantial part test’ as put forward by Falconer J in the *Schwepes* case.

<sup>6</sup> *Acuff-Rose Music Inc v Campbell* (6<sup>th</sup> Cir. 1992) 972 F.2d 1429.

<sup>7</sup> Spence, ‘Intellectual Property and the Problem of Parody’ *L.Q.R.* 1998, 114(Oct), 594 – 620.

## C Copyright and Freedom of Expression

11. Copyright does not protect ideas, but only the expression of ideas.
12. Under the U.N. Declaration of Human Rights, both the authorship<sup>8</sup> and freedom of expression<sup>9</sup> are human rights.
13. In a U.K. fair dealing defence case based on freedom of expression argument, the U. K. Court of Appeal held that the freedom of expression is not the right to take someone else's copyrighted expression and copy it<sup>10</sup> and so did in other U.K. case.<sup>11</sup>
14. Copyright protects the author's freedom of expression,<sup>12</sup> ensuring his view would not be distorted.<sup>13</sup>
15. Copyright permits free communication of facts while still protecting an author's expression.
16. The US Supreme Court in *Harper & Row, Publishers, Inc v Nation Enterprises*<sup>14</sup> held that it does not violate the First Amendment for a person to prevent a third

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<sup>8</sup> Article 27(2) of the **Universal Declaration of Human Rights** provides that "everyone has the right to the protection of the moral and material interests resulting from any scientific literary or artistic production of which he is the author." Article 15 (1) of the United Nations **International Covenant on Economic, Social and Cultural Rights** also provides that "The States Parties to the present covenant recognize the right of everyone: 1. To take part in cultural life;

2. To enjoy the benefits of scientific progress and its applications; and

3 To benefit from the **protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.**

<sup>9</sup> Article 16 (a) of the **Universal Declaration of Human Rights.**

<sup>10</sup> *Ashdown v Telegraph Group Ltd* [2001] EWCA Civ 1142, decided on 18 July 2001: 'rare circumstances could arise where the right of freedom of expression[guaranteed by art 10 of the European Convention on Human Rights] came into conflict with the protection afforded by the Copyright, Designs and Patents Act 1988 ..... if a newspaper considered it necessary to copy the exact words created by another, it should in principle indemnify the author for any loss caused to him or account to him for any profit made as a result of copying his work.'

<sup>11</sup> *Hyde Park Residence Ltd v Yelland* held that 'freedom of expression should not normally carry with it the right to make free use of another's work.'

<sup>12</sup> Article 140 of Hong Kong Basic Law (better known as copyright clause) is considered as an engine of free expression and that protection of free expression- Article 35 provides the protection of the freedom of expression (Article 35 of Hong Kong Basic Law).

<sup>13</sup> Justin Huges, the Philosophy of Intellectual Property" *Georgetown Law Journal* 77, 287 (1988): "Freedom of expression is meaningless without assurances that the expression will remain unadulterated. Free speech requires that speech be guaranteed some integrity."

<sup>14</sup> *Harper & Row, Publishers, Inc. v. Nation Enterprises* 471 U.S. 539 (1985) decided on 20 May 1985: at page 560: First, 17 U.S.C. § 102(b), which makes only expression, not ideas, eligible for copyright protection, strikes a definitional balance between the First Amendment and copyright law by permitting free communication of facts while still protecting an author's expression. (Copyright laws are not restrictions on freedom of speech as copyright protects only form of expression and not the ideas expressed)..... it should not be forgotten that the Framers intended copyright itself to be the engine of free expression."

Available

<http://caselaw.lp.findlaw.com/scripts/getcase.pl?navby=CASE&court=US&vol=471&page=539>

party using his copyrighted expression by copyright law since the ‘Framers intended copyright itself to be the engine of free expression.’<sup>15</sup>

17. Borrowing the parallel arguments from this US case, *Harper & Row, Publishers, Inc v Nation Enterprises*, Article 140 of Hong Kong Basic Law (better known as copyright clause) is considered as an engine of free expression and that protection of free expression is subject to the freedom of expression Article 35 of Hong Kong Basic Law. The fact that the copyright clause and the freedom of expression are enshrined in the Basic Law indicates that, according to the view of the ‘Framers’ of the Basic Law, the copyright is compatible with the principle of freedom of expression. Indeed the copyright’s purpose is to promote the creation and publication of free expression (also see *Eldred v Ashcroft* 2003,<sup>16</sup> a US Supreme Court case).
18. Freedom of expression is not an absolute right in Hong Kong, the U.K and U.S.

#### **D The Treatment of Parodies under Copyright Law in Seven Jurisdictions (United Kingdom, Canada, France, Australia, Germany, USA and the Netherlands)**

19. *An independent study commissioned by the U.K. Intellectual Property Office authored by* Dr. Dinusha Mendis and Professor Martin Kretshmer (submitted in January 2013)<sup>17</sup> offers a comparative legal review of the law of parody in seven jurisdictions.
20. *On page 47, the study concluded that* the key criteria are now listed, and then interpreted for their underlying economic and non-economic rationales. The order progresses from criteria most restrictive of the scope for unlicensed parodies to criteria that are most permissive. It should be noted that some criteria can easily be combined with any other (such as the requirement to acknowledge the source work for the parody), while others are incommensurate (in that they derive from a different logic, and may not be applied coherently together – such as the criteria of ‘social custom’ and ‘non-commerciality’):

Criterion 1: Parody must be non-commercial;

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<sup>15</sup> Ibid. 561.

<sup>16</sup> *Eldred v Ashcroft* (01-618) 537 U.S. 186 (2003) 239 F.3d 372, [15 January 15 2003]. Available at <http://www.copyright.gov/docs/eldredd1.pdf>

<sup>17</sup> <http://www.ipso.gov.uk/ipresearch-parody-report2-150313.pdf>

Criterion 2: Parody must not have an adverse effect on the market for the original;

Criterion 3: Parody must not use more of the original than necessary;

Criterion 4: Parody must add some significant new creation;

Criterion 5: Parody must have humorous or critical intention;

Criterion 6: Parody must be directed at the work used ('target');

Criterion 7: Parody must not harm the personality rights of the creator of the original work;

Criterion 8: Parody must be sanctioned under the rules of social custom;

Criterion 9: Parody must acknowledge source of original work.

21. *It reflects the global views on the treatment on parody among these seven jurisdictions; given that* it is, indeed, **not obligatory** for any Country or jurisdiction to enact exemption for parody.

## 22. *The US Approach*

The U. S. Supreme Court limits parody to a ridiculing distortion and criticism and fair use can only be gained by a parody if it targets the original work. As a result, the Court appears to favor parody under the fair use doctrine, while devaluing satire.<sup>18</sup>

## 23. *The U.K. Approach*

The U.K. has considered introduction of fair dealing to the purpose of parody only.<sup>19</sup>

24. There has not been any single court case against a true parodist in the past, we are not convinced that there is any evidence to suggest that there is any need to change the present law on political or public policy ground at this stage. Therefore we do not support Hong Kong should provide any special fair dealing for the purpose of parody for reasons as stated in paragraph B ( 7) above.

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<sup>18</sup> Dr Seuss v Penguin Books 924 F. Supp. 1559 (S.D. Cal. 1996) (the Cats in the Hat case).

<sup>19</sup> See n 1.

25. If (which we do not agree) Hong Kong would consider introducing a special fair dealing for the purpose of parody; we should only exempt parody but not satire or others.

#### **E. User Generated Content (“UGC”)**

26. We are somewhat disappointed that some netizens feel justifiable to move the goal post at the eleventh hour when the public consultation is aimed for paving the way to resolve the issue left behind in the last round of Copyright Amendment (2011) Bill. First and foremost, UGC is not part of this round of copyright consultation that limits the issues related to Parody. It should be and must be the issue for next round of copyright consultation and definitely not this time. As explained below, Hong Kong needs to reexamine the role of users, copyright owners, safe harbor provisions for ISP when considering any introduction of the so called UGC; much less the question of non-compliance of the three step test.
27. Section 29 of Canadian Copyright Act (2012) provides that Fair dealing for the purpose of research, private study, education, parody or satire does not infringe copyright. It is a distinct and separate fair dealing section for parody or satire purpose from that for UGC. Parody and UGC serve different purposes.
28. *Section 29.21 of Canadian Copyright Act (2012) provides for exemption of UGC allows the creation of (i) a new work that (ii) must not be for commercial use and (iii) must not be a substitute of the existing copyright materials and (iv) does not cause harm or negatively impact on the existing or potential market and reputation on the existing materials as long as (v) the existing materials were legitimately acquired and (vi) the user has properly acknowledged the authors of the existing works as long as the user may be able to do so. Some scholars have suggested that UGC might be in breach of the adaption right of the authors<sup>20</sup> and also three-step test<sup>21</sup>. It remains to be seen how Canadian court will interpret the working of UGC provisions in the context of International Obligations.*

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<sup>20</sup> See section 29 of the Copyright Ordinance (Cap 528).

<sup>21</sup> It fails the first step test as it is not limited to a special case and therefore it is not qualified as a special case. It fails the second test as it violates the economic values of adaptation and reproduction right of an author for which s/he has no control over the use of his/her work; much less the problem of permitting online intermediaries to knowingly host infringing content with no liability because of safe harbor provisions. It fails the third step test because the extensive adaptations that user is entitled to use would unreasonably prejudice the legitimate interests, both pecuniary and non-pecuniary interests, of the author as s/he has no control over the creation adaptation and dissimulation of a new work s/he might find objectionable.

29. It is not clear as how the UGC exception actually works as the precise interpretation of this provision, particularly in terms of the kinds of adverse effects (financial, reputation or any other matters); non-commercial transformative use (new work) and non-substitution of existing work remain to be seen. It only encourages users and copyright owners of existing works fight their cases in court just for the proper judicial interpretations of these terms. Every case must be adjudicated separately as factual and legal matrix must be different from a case to a case. It does not obviate the concern of parodist to avoid unnecessary litigation.
30. Clearly the **creation of new work** that is not a substitute of existing one means that it **must be a transformative use of the existing work** and more than simply just cut and paste two existing copyright works. It must be **a stand-alone work** that **shows high artistic integrity and identity** (must make people know that the new work and existing work is different-no confusion as to the authors of both works).
31. It also defeats the very purpose that the netizens want as they would try very hard to avoid litigation. **The losers are the users, copyright owners and Hong Kong.** Only the intermediaries or online **service providers stand gain commercially** as more infringing works will be circulated around online in the disguise of User Generated Contents that in turn attract more subscribers to them (more infringing copyright works are freely available online without any fear of being punished by law (under the safe harbor provisions-that must be wrong in the context of UGC that exempt free use of copyrighted materials for non-commercial purpose): only the users, not the intermediaries service providers, will get caught and sued by the copyright owners).
32. Therefore it is an oxymoron to note that; UGC is only allowed if it is for non-commercial purpose and UGC contents are allowed to be disseminated via internet system where millions of online users may get access to it free of charge on the one hand ; but on the other hand, the OSP intermediaries are allowed to have commercial gain without any fear of being prosecuted under the cloak of safe harbor provisions as a result of posting these UGC contents online knowing that many of them might not have passed the relevant UGC tests. Remember that the users cannot get a penny from OSP Intermediaries because of the requirement of non-commercial purpose. So we must re-examine the safe harbor provisions for OSP to ensure that OSP are liable for distributing UGC contents as well because of their commercial gain.

33. We support the views of other copyright organisations' submission that UGC should not be considered at this stage. It should be and must be a subject matter for next round of public consultation.

## **F Our Views**

34. Whether the application of criminal sanction of copyright infringement should be clarified under the existing copyright regime in view of the current use of parody?

### **Our reply:**

Because true parody (complies with three step test) is an excepted dealing of an original work for a special purpose that requires no consent from the copyright owner, the parodied work is very rarely substitutable for an original work and will not impair the market for that original work, the act in and by itself is not and can never be a crime. Therefore we should not amend sections 118 and 119 that deal with copyright infringement.

35. Whether a new criminal exemption or copyright exception for parody or other similar purposes should be introduced into the Copyright Ordinance?

### **Our reply:**

We may provide a “for the avoidance of doubt proviso” (albeit looks awkward internationally) that the true parody (complies with three step test and other criteria) will not attract criminal sanction.

36. If a new criminal exemption or copyright exception for parody is to be introduced, what should be the scope of and the appropriate qualifying conditions or limitations for such a criminal exemption or copyright exception?

### **Our Reply:**

We would like to propose our option: **Criminal Exception for Parody (without Fair Dealing for Parody)** and suggest that we may provide the following for the avoidance of doubt provisions into section 118:

- (i) Section 118 (2AA) – section 118 (1) does not apply to an infringing copy

**for the purpose of parody** if the use of the original copyright work is solely for non-commercial purposes and the parody is not a substitute of the original underlying work. *For the purposes of subsection (1)(g), in determining whether any distribution of a parody is made to such an extent as to affect prejudicially the copyright owner of the original underlying work, the court may take into account all the circumstances of the case and, in particular, whether it causes or has the potential to cause an unreasonable loss of income to the copyright owner<sup>22</sup> as a consequence of the distribution having regard to, amongst others -*

- (a) whether the purpose and character of the use is of parody nature;
- (b) *the nature of the work, including its commercial value (if any);*
- (c) *the mode and scale of distribution; and*
- (d) *whether the infringing copy so distributed amounts to a substitution for the work.”.*

- (ii) *Section 118 (8C): “ section 118 (8B) (1) does not apply to an infringing copy for the purpose of parody if the use of the original underlying work is solely for non-commercial purposes and the parody is not a substitute of the original underlying work. For the purposes of For the purposes of subsection (8B)(b), in determining whether any communication of a parody 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, whether it causes or has the potential to cause an unreasonable loss of income to the copyright owner as a consequence of the communication having regard to, amongst others -*

- (a) whether the purpose and character of the use is of parody nature;
- (b) *the nature of the work, including its commercial value (if any);*
- (c) *the mode and scale of communication; and*
- (d) *whether the communication amounts to a substitution for the work.”*

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<sup>22</sup> The WTO report of the Panel on *United States – Section 110(5) of the US Copyright Act WT/DS160/R* dated 15 June 2000. Paragraph 6.229 on page 59 “The crucial question is which degree or level of "prejudice" may be considered as "unreasonable", given that, under the third condition, a certain amount of "prejudice" has to be presumed justified as "not unreasonable". In our view, prejudice to the legitimate interests of right holders reaches an unreasonable level if an exception or limitation causes or has the potential to cause an unreasonable loss of income to the copyright owner.”

37. Whether moral rights for authors and directors should be maintained?

**Our Reply:**

As parody must not be a substitute of an original work, there is no question of violation of the integrity of authorship and the Human Rights do protect the authorship of the original writer.<sup>23</sup> Under no circumstances should any change of moral rights of an author be allowed and so do the other leading jurisdictions.

38. We do not support any introduction of special fair dealing for parody as there has not been any evidence that the freedom of expression based on parody has been deteriorated under the present regime.

39. If (we do not agree) Hong Kong would *include parody as part of fair dealing regime in our copyright law, it must comply with its international obligations and criminal sanction against piracy must remain as effective and efficient as before. We believe that there is no fear for parodists to be criminally prosecuted as long as the parodied work is not a substitution of an original work and it causes no harm to that original work or its author (just like all other leading jurisdictions do).*

40. *We should focus our discussion on the removal of a true parodist's fear of being criminally prosecuted whilst ensuring criminal sanction against piracy remains intact effective and efficient. We suggest that we adopt the U.K.'s purpose test approach when coming to decide if a piece of a derivative work is for the purpose of parody or otherwise.*<sup>24</sup>

Submitted by:

Hong Kong Film & Video Limited

Hong Kong Motion Picture Industry Association (MPIA)

Hong Kong Video Development Foundation Ltd

Movie Producers and Distributors Association of Hong Kong Limited (MPDA)

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<sup>23</sup> See footnote n.8.

<sup>24</sup> *Hyde Park Residence Ltd v Yelland* [2000] (EMLR 363). Also first test of the 4 fair use tests in the US Copyright Act.