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representing the recording industry worldwide

IFPI Comments on the Treatment of Parody under the Copyright Regime Consultation in Hong Kong

October 2013

INTRODUCTION

IFPI represents the recording industry worldwide, with a membership comprising some 1300 record companies in 66 countries and affiliated industry associations in 55 countries. Our membership includes the major multinational recording companies and hundreds of independent record companies, large and small, located throughout the world, including in Hong Kong.

In 2011, the Government of Hong Kong introduced a bill to the Legislative Council to update the Hong Kong Copyright Ordinance (Cap. 528) (the "Bill"). It seeks to introduce, amongst other matters, a technology-neutral communication right to better protect copyright works in the digital environment and provisions for limitations on liability of service providers. Generally speaking, the Bill represents an important step toward aligning the copyright laws of Hong Kong with recent rapid technological advancements. IFPI participated actively in the consultation of the Bill and submitted our comments in July 2011. Unfortunately, due to concerns of some parts of the public regarding parody, satire and exceptions on usage of copyright works, the Bill never reached a Second Reading Debate in 2012 and has been put on hold since then.

We are pleased to note that the Government is now consulting the public on the treatment of parody under the copyright regime (the "Consultation") to determine how to address some of the public's concerns on this issue which will facilitate the re-introduction of an amended Bill that will update the copyright regime in Hong Kong.

The Consultation is proposing three options to deal with parody, namely:-

Option 1: clarifying the existing general provisions for criminal sanction;
Option 2: introducing a specific criminal exemption for parody; and
Option 3: introducing a fair dealing exception for parody.

Further, the Consultation invites views on the following questions:-

(a) 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;

(b) whether a new criminal exemption or copyright exception for parody or other similar purposes should be introduced into the Copyright Ordinance;

(c) 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; and

(d) whether moral rights for authors and directors should be maintained notwithstanding any special treatment of parody in the copyright regime.

EXECUTIVE SUMMARY

IFPI's starting position is that the existing copyright regime in Hong Kong already provides adequate exceptions to allow reasonable use of copyright works for certain purposes, including parody. For instance, fair dealing with copyright works for the purposes of education, research, private study, reporting current events, criticism or review is permitted. Parodies that are created for the aforesaid purposes and satisfy the prescribed conditions will fall within the ambit of the permitted acts. Moreover, if the parody works only incorporate the idea or copy an insubstantial part of the underlying works, they will not constitute infringement. There does not seem to be any evidence that a fresh parody exception is justified or necessary. Having said that, if an exception for parody is to be introduced into the law, we believe its scope must be clearly and narrowly defined, the moral and economic rights of the original creator must be fully respected, and it must comply with Articles 13 and 61 of the TRIPS Agreement.

On such basis, IFPI supports Option 1, but opposes Option 2. For Option 3, we do not object to a fair dealing exception for parody (subject to certain qualifying conditions), but we oppose extending such an exception to satire or other works that do not comment on the underlying work. We set out below our detailed comments in response to the Government's questions.

WHETHER APPLICATION OF CRIMINAL SANCTION SHOULD BE CLARIFIED

We are aware that certain parts of the Hong Kong public, in our view, a minority but vocal number of mainly internet users, have expressed concern as to whether the provisions for criminal sanction under the proposed section 118(8B) of the Bill would render the non-commercial dissemination of parody works online criminally liable. Some were even concerned that the existing provisions for criminal sanction under section 118(1)(g) of the Copyright Ordinance may already catch the non-commercial distribution of parody works.

Since we do not believe that the Bill or the existing law targets parody, and in order to alleviate such concerns, we agree that the application of criminal sanction of copyright infringement may be clarified under the existing copyright regime in the light of the current use and treatment of parody.

In cases where the distribution or communication of an infringing copy of the work to the public is not for the purpose of or in the course of any trade or business, it would constitute an offence only if the distribution or communication is to "such an extent as to affect

prejudicially the copyright owner". As such, Option 1 suggests that provisions be added (i.e. Section 118(2AA), Section 118(8B) and (8C)) to clarify what factors the court may take into account in determining whether any distribution or communication is made to that extent. The proposed provision states that the court may take into account all the circumstances of the case and in particular, whether "more than trivial economic prejudice" is caused to the copyright owner as a consequence of the distribution/communication, having regard to, amongst others, the nature of the work including its commercial value (if any), the mode and scale of distribution/communication, and whether the infringing copy amounts to a substitution for the work.

In fact, in 2011 we already supported the Government's original proposed formulation of provisions under section 118(2AA) and section 118(8C) of the Bill to clarify what factors the court may take into account in determining whether any distribution or communication is made to "such an extent as to affect prejudicially the copyright owner". We believe the new formulation proposed in the Consultation may better capture what the court should consider. We believe it is very clear from the proposed provisions that parody works which do not adversely affect the legitimate market of the underlying copyright works would not be criminally liable as they should not cause "more than trivial economic prejudice" to the copyright owner. This should alleviate the concerns of most internet users or parodists who are merely disseminating parody works which are not in substitution of the underlying work and have not prejudiced the market for the underlying work.

On the other hand, if a work is in fact an adaptation of the underlying copyright work which will be competing with or diverting sales or economic benefit from the underlying copyright work, then more than trivial economic prejudice will be caused to the copyright owner and such work should fall within the ambit of criminal liability.

With the scope of criminal liability clarified, we believe that the users or genuine parodists who are not adapting or copying a work for economic benefit or to displace the market of the underlying work will not have to worry about being caught by the criminal provisions. We also welcome the greater certainty in the law that will result from such clarification.

WHETHER A NEW CRIMINAL EXEMPTION OR COPYRIGHT EXCEPTION FOR PARODY SHOULD BE INTRODUCED AND WHAT SHOULD BE THE APPROPRIATE QUALIFYING CONDITIONS

In considering whether to introduce any new exception, the Government needs to carefully consider the objectives and effects of such exception with solid evidence and justification. Strong evidence of a problem should be available before a new exception should be considered as it is extremely easy for the delicate balance between protection and permitted uses which has been calibrated over many years to be upset. IFPI does not believe that the Consultation has presented sufficient evidence to justify or necessitate a new general exception for parody.

On the contrary (as explained in the Executive Summary above and in the Consultation paper), there are already a number of copyright exceptions or permitted acts under the existing legal framework, and parody works that only incorporate an idea or insubstantial

part of the underlying work will not constitute any infringement; hence, an express new exemption is superfluous. We believe there are already sufficient safeguards to protect the creativity of parodists and the reasonable dissemination of their works.

In considering whether to proceed with a criminal exemption or copyright exception for parody, the Government must ensure that it complies with Article 61 of the TRIPS Agreement, which obligates members (including Hong Kong) to provide for criminal procedures and penalties at least in cases of wilful counterfeiting or copyright piracy of a commercial scale. Furthermore, an exception would have to comply with the Three-Step Test established under Article 13 of the TRIPS Agreement and Article 16 of the WPPT ("Three-Step Test"), namely that any exceptions and limitations:-

(i) Shall only apply to certain special cases – this requires that an exception should be clearly defined and narrow in its scope;

(ii) Do not conflict with the normal exploitation of the work; and

(iii) Do not unreasonably prejudice the legitimate interest of the rights holder.

These three conditions apply on a cumulative basis, each being a separate and independent requirement that must be satisfied. Failure to comply with any one of the three conditions results in a failure to comply with the Three-Step Test and the exception should be disallowed.

Criminal Exemption

On this basis, the proposed provision under Option 2 is too general in scope. There is nothing inherent about parody alone that should justify a specific criminal exemption. Article 61 of the TRIPS Agreement requires that there should be criminal procedures and penalties in place at least in cases of copyright piracy of a commercial scale, and this applies to all forms of uses of copyright works, including parody.

As discussed above, the existing law has already provided sufficient safeguards to protect the creativity of parodists and the reasonable dissemination of their works. In any event, the circumstances under which a criminal prosecution for copyright infringement might be brought when the offending work is a parody will be rare, if they will ever occur at all. But if a parody were to supplant the legitimate market for a work, there is no reason why criminal remedies should not be available. Accordingly, we do not see why a specific criminal exemption is necessary in the circumstances.

A criminal exemption for parody will also likely fail the Three-Step Test as it is too wide in scope, not even requiring the dealing of the work to be fair. Such an exemption may open the floodgates for the distribution of purported parody works for various purposes, including commercial purposes, taking advantage of the fact that rights holders are unlikely to take civil actions due to the time and high costs involved in bringing litigations. As a result, the legitimate interest of the rights holder will be unreasonably eroded.

All in all, IFPI opposes a specific criminal exemption for parody under Option 2.

Fair dealing exception

On the other hand, IFPI does not object to a fair dealing exception for parody (subject to certain qualifying conditions), but we oppose extending such an exception to satire or other works that do not comment on the underlying work.

The permitted purpose to be covered by the fair dealing exception should be "parody", meaning that the parody concerned would have to be a parody of the underlying work that it uses, as opposed to using that work as a vehicle to make an unrelated comment or to criticise or make fun of something else. The latter would be more akin to "satire" or "weapon parody", providing an exception for which may mean condoning the copying of an existing work simply to "get attention or to avoid the drudgery in working up something fresh"[1]. As such, "satire" or "weapon parody" is less likely to be conducive to promoting creativity in the society. Thus, as a matter of principle IFPI believes that any fair dealing exception for parody should be narrowly drafted and cover only those parodies that in fact are in some fashion criticising or commenting on the work that is the subject of the parody. If one wants to write a parody of, for instance, "Gone with the Wind", in order to draw attention to what one believes to be its antediluvian point of view or its stilted style, the need to use some of the expression from the original work is understandable. But if one wants to use the same work in a satire attacking a particular political figure or to mock a particular event, the justification for using that particular work as opposed to some work in the public domain or some work for which one can obtain a licence, or even creating an original work, is not apparent.

Furthermore, the notion of "pastiche" should not be included in the exception as it implies using the underlying work to create another work without adequate rights to do so. According to the Oxford English Dictionary, "pastiche" is "an artistic work in a style that imitates that of another work, artist, or period". Such imitation is akin to the common law tort of "passing off", which should not be included in the exception. While one can at least discern an understandable purpose in creating a parody, pastiche implies no requirement that the copyright work be used as a starting point for commentary either on the work itself or on issues of the day. Of course, a pastiche that does nothing more than imitate the style of another work, but without taking substantial original expression from that work, would not be infringing in the first place.

We note that the Government further raised the question whether the exemption should instead cover a more specific formulation such as "commentary on current events, social, economic or political issue", and in the Government's proposed provision the formulation does not require such commentary to be a parody or humorous. However, bearing in mind that the intent of any parody work must be to provoke humour or comic effect, or to critique a work, the said exception formulation for commentary cannot stand on its own. The arguments above against "satire" also apply to this case. In short, while taking

[1] *Campbell v Acuff-Ross Music, Inc.* 510 U.S. 569 114 S. Ct. 1164 at p.580 (1994)

expression from a work in order to make a parody of that work may be justified since it is difficult to parody a work without using some of its expression (although no more than necessary), that justification is absent when the only purpose in using a work is to express comments on current events, social, economic or political issues that have nothing to do with the work that is being used.

If a fair dealing exception for parody is to be introduced then we suggest that such an exception must only apply where the parody work:-

(a) comments on the original underlying work;

(b) has humorous or critical intent;

(c) acknowledges directly or indirectly the source of the original work;

(d) is non-commercial and distribution/communication is not for the purpose of, or in the course of, any trade or business;

(e) has no adverse effect on the market of the original underlying work or causes no more than trivial economic prejudice to the copyright owner;

(f) uses only as much of the underlying works as is necessary[2] to convey the parodic message;

(g) is an original work in itself[3];

(h) is sufficiently distinguishable from the underlying work so there will be no risk of confusion; and

(i) is not a straightforward lift of the underlying work.

The above qualifying conditions are necessary in order to strike a balance between the interests of users and rights holders, as well as to comply with the TRIPS Agreement.

As discussed in detail above, there is no reason why one needs to use any particular work in order to comment on something entirely separate from that work. The Three-Step Test requires that any exception must only apply to certain special cases, whereas we believe "satire" should normally not be exempted[4] as it is a much broader concept involving use of

[2] In the UK cases *Schweppes Ltd. And Others v Wellingtons Ltd* and *Williamson Music Ltd v Pearson Partnership Ltd*, the court held that where a substantial part of the plaintiff's work is reproduced without license, copyright is infringed despite it is a parody. Parody exceptions in many countries include a requirement that no more of the original work be taken than is necessary. For example, in Germany the Courts have held that as a threshold for consideration to come within the free use exception that work must not have borrowed any more from the original work that is necessary and in France the Courts have held there is a requirement that the parody "not exploit the fame of the original". Also see Norway where section 22, Norwegian Copyright Act 1961 states: *"An issued work may be quoted, in accordance with proper usage and to the extent necessary to achieve the desired purpose" and Finland where* section 22 of its Copyright Act 2010 states: *"A work made public may be quoted, in accordance with proper usage to the extent necessary for the purpose."* Luxembourg law similarly states in Art. 10 (6) of the Law of April 18, 2001 on Copyright, Neighbouring Rights and Databases as amended by Law of April 18, 2004 that "Once a work has been lawfully published, its author may not prohibit (...) caricature, parody and pastiche, which are intended to 'make fun' of the parodied work on condition that fair practice is observed and in particular that they only use strictly necessary elements and do not debase the parodied work.'"

[3] For example, in Germany permitted parodies must reflect a transformative inner distance between the original and the parody.

[4] Even under the liberal US law of fair use, courts tends to consider "satire" as a separate category and are less inclined to consider it a fair use. See *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 580-81 (1994) ("Parody needs to mimic an original

an underlying work as a vehicle to make an unrelated comment to critique society or something else. Therefore, any fair dealing exception to be introduced must be limited to those commenting on the underlying work itself. In other words, only fair dealing for the purpose of "parody" should be permitted, but not satire, pastiche or (to the extent that it goes beyond parody) caricature.

As Article 61 of the TRIPS Agreement provides that criminal procedures and penalties must be provided for in cases of copyright piracy on a commercial scale, and the Three-Step Test requires that any exception must not conflict with the normal exploitation of the work, if the parody is for commercial purposes, the distribution/communication of the parody work is for the purpose of or in the course of any trade or business, or adversely affects the market of the underlying work, it must not be exempted.

In order not to conflict with the normal exploitation of the work and not to unreasonably prejudice the legitimate interests of the rights holder, as is required under the Three-Step Test, the parody work should not excessively copy the underlying work, but should only use so much as is necessary to achieve its purpose. Moreover, it should not be a mere lift or adaptation of the underlying work, as otherwise it would infringe on the rights holder's adaptation right. If the parody work is too similar to the underlying work, there will be a risk of confusion such that may give rise to an action in passing off. The work may also impact negatively on sales of the original work and/or deprive the rights holder of licensing income.

In fact, if the purpose of introducing a fair dealing exception for parody is to nourish and protect the creativity of parodists, then it is crucial that sufficient safeguards should be put in place – such as the conditions set out above. These conditions would not hinder creativity as their purpose is precisely to ensure that the parody work is an original, creative work rather than a product of blindly copying from existing works.

Definition

IFPI believes that it would be ideal for the Government to provide a statutory definition for parody in order to create legal certainty and provide useful guidance to the court as well as the copyright owners and users. In particular, the definition should make it clear that parody refers to commenting on the underlying work itself (and not making an unrelated comment on something else), being an imitation of the style or expression of the underlying work with deliberate exaggeration for comic effect. It is in the interests of both the rights holders and users to know what parody means under Hong Kong law, so they may have more certainty as to what is or is not permitted before they resort to costly and lengthy litigation, and to arrange for proper licences if required.

WHETHER MORAL RIGHTS SHOULD BE MAINTAINED

We believe that moral rights for authors, directors as well as performers should be maintained notwithstanding any special treatment of parody in the copyright regime. As discussed above, the right of integrity must be maintained as it offers the most fundamental

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.").

respect to creators and performers. In fact, such right encourages creativity and innovation as creators and performers may publish their works without fear that their works or performances will be abused or mutilated after they are made available to the public.

For the right of attribution, however, we understand that it may not always be appropriate to require that the author or performer be expressly identified in a parody work. That said, we believe that the parody work should at least implicitly acknowledge the underlying work, for if the audience is unable to ascertain the object of mockery or criticism, there would be no parody at all, or the parody is unsuccessful. As such, sufficient acknowledgement of the underlying work should be given, but it can be implicit in the case of parody, i.e. a connection can be formed in the mind of the audience. Alternatively, a qualification may be given so that sufficient acknowledgement should be given "if it is reasonable in the circumstances to do so".

As such, any exception for parody must be subject to the author's and performers' moral rights.

CONCLUSION

Based on the above submissions, we support Option 1 in the Government's proposal. Option 2 is not acceptable to us. We do not object to Option 3 provided that it is limited to "parody" only and appropriate safeguards and qualifying conditions are put in place as suggested above.

We stand ready to assist the Government with further information on any of the above points.

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