Bills Committee on the Copyright (Amendment) Bill 2014

User-Generated Content

Purpose

At the meeting on 14 October 2014, the Administration was requested to provide information on –

(a) the rationale behind the adoption or otherwise of the copyright exception for user-generated content ("UGC") in legislation in overseas jurisdictions;

(b) the experience of the adoption of the copyright exception for non-commercial UGC in Canada; and

(c) the rationale behind the Administration's decision not to adopt the copyright exception for non-commercial UGC in the Bill.

This paper provides the information required.

User-Generated Content in Overseas Jurisdictions

2. UGC as a copyright exception is a new concept. Except Canada, no overseas jurisdictions have adopted it in their copyright regimes. On the other hand, following their reforms in the late 1990s and early 2000s in response to the digital environment, many key overseas jurisdictions are looking to new rounds of efforts to further modernise their copyright regimes. In this larger context, they have identified UGC as one of the issues to be examined, reflecting on its controversial and unsettled nature. We set out in the ensuing paragraphs the latest discussion on UGC in some overseas jurisdictions.

Canada

- In 2012 Canada enacted the Copyright Modernization Act (Bill C-11) as part of its continuing work to modernise the laws for the digital economy. One of the new measures introduced is a copyright exception for non-commercial UGC in section 29.21-

  “(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 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 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.”

This would permit users to incorporate existing copyrighted material in the creation of new works, such as making a home video of friends and family members dancing to a popular song and posting it online, or creating a "mash-up" of video clips.

Australia

• In June 2013, the Australian Law Reform Commission (ALRC) issued a paper entitled “Copyright and the Digital Economy”. Among other things,
it rejects a standalone transformative use exception, after studying the Canadian UGC model and identifying many problems associated with it. Notably, it may not provide adequate protection for the owner of the underlying copyright from the possible effects on that owner’s interests of dissemination of the new work by the internet intermediary.

- The ALRC is of the view that transformative use of copyright material should be considered under the proposed fair use exception, rather than under a new specific exception, in determining whether copyright is infringed. It opines that relying on a fair use exception to deal with uses that may be characterised as transformative, rather than introducing a specific exception, is preferable in view of the difficulties involved in framing such an exception. These difficulties include defining whether a use is transformative, how to distinguish transformative use from the making of an adaptation; and the extent to which a transformative work needs to be original or creative. For similar reasons, the ALRC is of the view that even if a fair use exception is not enacted, it does not propose that any new specific transformative use exception should be introduced or that transformative use be included as an illustrative purpose in the fair use exception. The Commission further observes that “[limiting any transformative use exception to non-commercial purposes is problematic because the boundary between non-commercial and commercial purposes is not clear given ‘a digital environment that monetises social relations, friendships and social interactions’.”

- The ALRC reaffirmed this position in its Final Report submitted to the Australian Government in November 2013. It agrees with the Copyright Council Expert Group’s observation that UGC “reflects a full spectrum of creative and non-creative re-uses” and should not automatically qualify for protection under any proposed exception aimed at fostering innovation and creativity. The ALRC is further of the view that social uses of copyright material are best considered on a case-by-case basis and it is doubtful whether it would be beneficial in attempting to prescribe types of social uses that should not infringe copyright. It is of the view that attempts to distinguish between types of UGC without using general fairness principles seem unlikely to be successful.

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4 Para 10.109 of the ALRC report.
• The Australian Government tabled the Final Report at the Senate on 13 February 2014 and has been considering the ALRC’s recommendations.

The United States (US)

• In a Green Paper issued by the US in July 2013, it highlights the promising trend of using filtering technology such as the Content ID system\(^5\) in allowing users to post remixes that may be monetised by the relevant rights holder, or by way of the Creative Commons licence through which creators can authorise remixes of their works subject to certain provisos\(^6\). It also underlines certain UGC principles established in 2007 by a group of private companies (i.e. copyright owners and UGC services should cooperate with regard to creating “content-rich, infringement-free services”\(^7\)) “to foster an online environment that promotes the promises and benefits of UGC Services and protects the rights of Copyright Owners.”

• Following the release of the Green Paper, the Internet Policy Task Force of the Department of the Commerce of the US convened four roundtables examining, inter alia, the issue of remixes\(^8\) from May to July 2014. The question posed in the Green Paper on remixes was “Whether or not the creation and dissemination of remixes is being unacceptably impeded by legal uncertainty, and if there is a need for any new approaches in that area.” The Green Paper provided a definition for “remixes” to mean

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5 See [http://www.youtube.com/t/contentid](http://www.youtube.com/t/contentid) for details.
6 A Creative Commons (CC) licence is a set of standard terms licence devised by a private organisation called Creative Commons. CC licences are meant to facilitate copyright owners in licensing their works for use by others free of charge based on certain preset terms and conditions. The public may copy, distribute, display and perform a CC licenced work and/or any derivative works based on it, subject to any conditions the author has specified, such as acknowledging the author of the underlying work and for non-commercial purposes etc.
7 To which end they “should cooperate in the testing of new content identification technologies and should update these Principles as commercially reasonable, informed by advances in technology, the incorporation of new features, variations in patterns of infringing conduct, changes in users’ online activities and other appropriate circumstances.” Principles for User Generated Content Services, [http://www.ugcprinciples.com/](http://www.ugcprinciples.com/).
8 The US Green Paper discusses the issue of “remixes” (other terms such as “mashups” or “sampling” are also used, especially with reference to music). Often, these works are part of a growing trend of “user-generated content” that has become a hallmark of today’s Internet, including sites like YouTube. Despite the availability of a number of possibilities to address the issue (such as the fair use doctrine, Content ID system of YouTube and Creative Commons licence), the paper accepts that a considerable area of legal uncertainty remains. The way forward is to consult widely on questions like “Is there a need for new approaches to smooth the path for remixes, and if so, are there efficient ways that right holders can be compensated for this form of value where fair use does not apply? Can more widespread implementation of intermediary licensing play a constructive role? Should solutions such as microlicensing to individual consumers, a compulsory licence, or a specific exception be considered? Are any of these alternatives preferable to the status quo, which includes widespread reliance on uncompensated fair uses?” Apparently, the Canadian model is not the only answer.
“creative new works produced through changing and combining portions of existing works” but expressed that such a definition is only for discussion purpose which is far from being precise enough to be a statutory definition.

- One category of the comments on UGC collected by the Internet Policy Task Force was that the present legal doctrines supplemented by licensing system are working. Changes to the law are not necessary. They are against the introduction of statutory licenses authorising the use of copyright works in remixes and were of the view that such use should be determined by free market and upon the rights owner’s voluntary consent. The Government may however, help to facilitate in improving the licensing system, for example exploring into micro-licensing options.

- Another category of the opinion pointed out that the fair use doctrine creates too much uncertainty in the law and the licensing system does not work well at times. There are voices suggesting incorporating in the law a compulsory licensing system for remixes which however was opposed by some panelists as they are of the view that artists or rights owners would lose too much control on the use of their works.

- It can be seen that views on the issue of remixes are polarised and the Internet Policy Task Force has yet to make any policy recommendations.

The European Union (EU)

- The EU launched in December 2013 a public consultation exercise as part of its on-going efforts to review and modernise EU copyright rules. UGC is one of the many subjects under review. It is noted in the consultation document that there are questions raised with regard to fundamental rights such as the freedom of expression and the right to property. It recalled that during previous rounds of discussions, no consensus was reached among stakeholders on either the problems to be addressed or even the definition of UGC. The document invites views as to experiences of different stakeholders (users, owners and online service providers) and the best way to respond to this phenomenon.

- Views on UGC received are varied and divergent among end users/consumers, institutional users, authors/performers, collective
management organisations, publishers/producers/broadcasters, intermediaries/distributors/other service providers, academics, and Member States.\textsuperscript{10}

- The EU review is going on.\textsuperscript{11} Part of the mandate given to the new Commissioner for Digital Economy and Society in September 2014 is to ensure that the right conditions are set, including through copyright law, to support cultural and creative industries and exploit their potential for the economy.

**The United Kingdom (UK)**

- Following the Hargreaves Review,\textsuperscript{12} the UK government has conducted several rounds of public consultations on various copyright issues and announced in December 2012 its intention to provide new copyright exceptions for private copying, data mining, parody, archiving and preservation, education and people with disabilities, and quotation (but not UGC). The exceptions have been implemented by legislation in or before October 2014.

- On the other hand, in February 2014, the UK published its responses to the EU consultation. Regarding UGC, “[t]he UK believes more transparency for users regarding blanket licensing arrangements for UGC platforms would be useful, as would a focus on educating users and creators of UGC about copyright rules more broadly. As the recent EU stakeholder dialogue found, the case for any other regulatory intervention in this area remains to be made.”

**Ireland**

- In October 2013, a Copyright Review Committee in Ireland submitted a report entitled “Modernising Copyright” to the Minister for Jobs,
Enterprise and Innovation. It recommends introducing a new copyright exception for non-commercial UGC along similar lines of the Canadian model as the Committee was of the view that a UGC exception, together with other copyright exceptions for users, encourages innovation and also benefit the internet intermediary to which a user might upload any generated content. The Committee was of the view that if the copyright exceptions are properly defined, they should have little or no economic or practical impact on rights-holders and there will be a clear overall net gain to innovation, especially to technological and digital innovation. However, the report acknowledged the main objection for such exception was that it was not provided in EU’s Copyright Directive.

- The Department of Jobs, Enterprise and Innovation stated that they would examine the recommendations of the Report against the broader policy context and legal scope for implementation and they intended to bring legislative proposals for copyright reform in 2014. Nevertheless, no legislative proposal has been made by the Irish Government in this regard so far.

**Canadian Experience**

3. Except Canada, no major overseas jurisdictions have adopted UGC in their copyright regimes. In the absence of similar international precedents, the Canadian UGC exception has attracted considerable discussions and comments on its compatibility with international copyright treaties, in particular, whether it complies with the three-step tests under the Berne Convention (“Berne”) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization (WTO).

4. To comply with the “three-step test” under Berne and TRIPS, any copyright exception must (a) be confined to “special cases”, (b) not conflict with a normal exploitation of the work, and (c) not unreasonably prejudice the legitimate interests of the author/copyright owner. A preliminary assessment is as follows.

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14 Article 9(2) of the Berne Convention and Article 13 of the TRIPS require members to confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author/rights holder.
15 There are subtle differences between the third steps under TRIPS and Berne. “Interests” in the context of the third step under Berne refer to those of the “author” (i.e. not of the “right holder” as under TRIPS) which includes non-pecuniary interests such as moral rights.
(a) “Certain special cases” (the first step)

5. According to the WTO Panel Report (WT/DS160/R), “special” means that an exception or limitation must be clearly defined and should be narrow in scope and has an exceptional or distinctive objective. There are concerns that the use of an existing work in the creation of a new work in which copyright subsists solely for non-commercial purposes as provided by section 29.21(1)(a) of the Canadian UGC exception may not be regarded as “clearly defined”. In particular, the dividing line “for non-commercial purposes” may be too vague. Further, the scope may not be considered “narrow” given the large number of potential users. The “for non-commercial purposes” requirement may not suggest “an exceptional or distinctive objective”. In view of the above, it is arguable as to whether this exception complies with the first step.

6. We note that the former Assistant Director General of World Intellectual Property Organization (WIPO), Dr. Mihaly Ficsor has expressed the view that the Canadian UGC exception does not meet the 1st step of the three-step test as it is not a “special case”. In particular, he noted that the mere reason that a derivative work was created and made available and that therefore it should be free in order to guarantee the freedom of expression was hardly an acceptable reason alone since articles 12 and 14(1) of Berne provided for an exclusive right of adaptation which “by definition” covered the creation of derivative works. Dr. Ficsor considered that much more substantive criteria would be necessary to reduce the scope and nature of the UGC exception to a “special case”.16

(b) “Not conflict with a normal exploitation of the work” (the second step)

7. Regarding the 2nd step of the three-step test under TRIPS and Berne, at first glance it appears that they can be satisfied by the qualifying conditions for the Canadian UGC exception which specifies that 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, including that the new work or other subject matter is not a substitute for the existing one. Nevertheless, Dr. Ficsor considered that the Canadian UGC exception overlooked the requirement that the three-step test was applied having regard to the overall effects on the actual or potential markets for a work. He noted that the exception did not consider the overall actual or potential impacts on the market for a work when the acts were multiplied, or take into account the effect on the actual or potential market for derivative works of the

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16 Please see paragraph 51 of Comments on the UGC provisions in the Canadian Bill C-32: potential dangers for unintended consequences in the light of the international norms on copyright and related rights by Dr. Mihaly Ficsor (November 2012). (http://www.copyrightseesaw.net/archive/?sw_10_item=31)
existing work. As such, Dr. Ficsor expressed reservations on whether the Canadian UGC exception complied with the 2nd step of the three-step test.

(c) “Not unreasonably prejudice the legitimate interests of the copyright owner/author” (the third step)

8. There are subtle differences between the 3rd steps under TRIPS and Berne respectively. “Interests” in the context of the 3rd step of the three-step test under Berne refer to those of the “author” (but not of the “right holder” as under TRIPS) and would cover those of both a pecuniary and non-pecuniary kind. The discussion in paragraph 7 on “not conflicting with a normal exploitation of the work” is relevant to the consideration of whether the Canadian UGC exception complies with the 3rd step under TRIPS as it will have a direct bearing on whether the UGC exception will unreasonably prejudice the legitimate interests of the copyright owner.

9. In respect of the 3rd step under Berne, Dr. Ficsor noted that “interests” would include the moral rights of the author as well as the author’s legitimate interests in controlling the adaptations and future uses of his or her work. The Canadian UGC exception seems to have removed the safeguard guaranteed for the respect of the moral right of integrity by the indirect control through the exercise of the relevant economic rights\(^\text{17}\), and this may have a bearing on the overall assessment of whether the legitimate interests of the author are unreasonably prejudiced. According to Dr. Ficsor, the opening of the door to any kinds of free alterations of protected works might inevitably involve uncontrolled alterations that might violate the integrity of the works concerned. Dr. Ficsor also commented that the exception did not protect the reasonable interests of authors in being able to authorise the creation and dissemination of adaptations which they might find objectionable on literary, artistic, moral, political, or other grounds, or the juxtaposition of their works or adapted works with other works or new works, or causes which they might find objectionable on any number of grounds.\(^\text{18}\) Hence it was his view that the Canadian UGC exception would not pass the 3rd step of the three-step test under Berne.

10. In overall terms, Dr Ficsor opined that the Canadian provision on copyright exception for UGC may lead to unintended consequences, which include possible conflicts with certain provision of the Berne Convention and also the

\(^{17}\) Please see paragraphs 62 to 63 of Comments on the UGC provisions in the Canadian Bill C-32: potential dangers for unintended consequences in the light of the international norms on copyright and related rights by Dr. Mihaly Ficsor (November 2012). Footnote 16 above.

\(^{18}\) Please see paragraphs 62 to 63 of Comments on the UGC provisions in the Canadian Bill C-32: potential dangers for unintended consequences in the light of the international norms on copyright and related rights by Dr. Mihaly Ficsor (November 2012). Footnote 16 above.
TRIPS Agreement and WIPO Copyright Treaty. He opposed the inclusion of the broad general provision on UGC and considered that parody and satire are special categories of UGC which are truly justified for copyright exception. As for UGC that is not qualifying as parody or satire, Dr. Ficsor suggested leaving them for voluntary, cross-industry agreements to solve the issue in a well-balanced and user-friendly way without unjustified limitation of the relevant exclusive rights of authors and copyright owners.

**Other discussions**

11. Apart from Dr. Ficsor, there have been extensive discussions in Canada about the UGC exception. In October 2013, a renowned law school in Canada hosted a symposium on the UGC exception. Mr. Barry Sookman, who is one of Canada’s foremost authorities in the area of information technology and intellectual property law and Professor Joost Blom of the University of British Columbia’s Faculty of Law both delivered presentations at the final panel session on the international context of the Canadian UGC. Both speakers suggested the UGC exception will face limits and restrictions at the international level.

12. Focusing his talk on whether or not the Canadian UGC exception complies with international obligations, in particular under Berne and TRIPS, Mr. Sookman mentioned that by creating “an unprecedented breadth” of new exceptions in its Copyright Modernization Act, Canada could run afoul of its international obligations. He argued that the UGC exception, which applies to all works and subject matters so long as it is used in a non-commercial context, did not qualify as a “special case”, nor was it “certain”. Moreover, in addressing the economic impact of the UGC on rights holders, it uses the terminology “does not have a substantial adverse effect” rather than “does not conflict with the normal exploitation of the work” which may have created a higher burden for rights holders than that expressed under Berne and TRIPS.

13. Prof. Blom further raised an issue which could be problematic to Canadian users when relying on the UGC exception. Given that there is no corresponding UGC exception to copyright infringement in other jurisdictions, a broad UGC exception in Canada could only provide limited protection to users when the UGC work is disseminated on the Internet as the UGC exception would be ineffective against proceedings for copyright infringement brought outside Canada. As such, Canadian users may be exposed to the risks of potential copyright infringement.

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19 Osgoode Hall Law School of Canada.

infringement when they communicate the UGC on the Internet.

14. On the other hand, there are academic views that the Canadian UGC exception complies with the three-step test as the issue had come up during the legislative process. Professor Peter Yu of the United States suggested that after multi-year deliberations of the bills, Canadian law and policy makers 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”, would ensure that the Canadian UGC provision passed the three-step test.21

15. In his article, Prof. Peter Yu further pointed out that many commentators were of the view that the Canadian UGC exception provided a much more limited exception than the fair use provision in the United States, which allowed for the transformative use of copyright works for commercial purposes. It was suggested that if the US “fair use” provision passed the three-step test, a narrow form of the US fair use provision, such as the Canadian UGC exception, would not fail that same test.

Hong Kong’s Position

16. During the consultation on parody, the Copyright and Derivative Works Alliance, which is active on the Internet championing “secondary creations”, advocates (in addition to accepting various fair dealing exceptions proposed by Government) introducing a copyright exception for non-profit making UGC or UGC not disseminated in the course of trade. It proposed that the UGC exception might be embodied in a new section 39B of the Copyright Ordinance primarily based on section 29.21 of the Canadian Copyright Act.

21 Please see p.27 of Professor Peter Yu’s article on “Digital Copyright and the Parody Exception in Hong Kong: Accommodating the Needs and Interests of Internet Users”, as a submission on behalf of the Journalism of Media Studies Centre, University of Hong Kong in the consultation exercise on parody. See also his latest article on “Can the Canadian UGC Exception Be Transplanted Abroad?” (Intellectual Property Journal, Vol. 27, March 2014). Professor Yu is Kern Family Chair in Intellectual Property Law, Drake University Law School in the United States.
17. Main features of the proposal from the Copyright and Derivative Works Alliance as compared with the Canadian provision are set out as follows -

<table>
<thead>
<tr>
<th>UGC as proposed by the Alliance</th>
<th>UGC in the Canadian provision</th>
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<tr>
<td>A new work, a work of joint authorship or a work with transformative purposes, in which copyright subsists (i.e. the work does not have to be transformative).</td>
<td>A new work where copyright subsists (i.e. the work must be transformative).</td>
</tr>
<tr>
<td>At the time of the use or the authorisation to disseminate, the new work or work of joint authorship is done mainly for non-profit making purposes or not in the course of business.</td>
<td>The use or the authorisation to disseminate the work is solely for non-commercial purposes.</td>
</tr>
<tr>
<td>Acknowledgement of the source of the existing work (if it is reasonable in the circumstances to do so) is one of the factors for the court to determine whether it is reasonable to believe that the existing work was not infringing.</td>
<td>Acknowledgement of the source of the existing work (if it is reasonable in the circumstances to do so) is one of the qualifying conditions for invoking the exception; 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.</td>
</tr>
<tr>
<td>The act does not have a substantial adverse financial effect on the exploitation or market for the existing work to the extent that the work substitutes for the existing work.</td>
<td>The act does not have a substantial adverse effect, financial or otherwise, on the exploitation or potential exploitation of the existing work or on an existing or potential market for it, including that the new work is not a substitute for the existing one.</td>
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In both the Canadian provision and the Alliance’s proposal, it is not an infringement of copyright for an individual to use a UGC work or to authorise an
intermediary to disseminate it.

18. It is apparent from the above that the UGC exception proposal is primarily a watered-down version of section 29.21 of the Canadian Copyright Act with even less safeguards. We have reservation in adopting a generic concept of UGC as a subject matter for copyright exception in this round of update for the following reasons -

(a) the concept of UGC is vague and undefined. There is no widely accepted definition of UGC at the international level. The concept appears to be evolving alongside technological developments. We note that there is doubt on whether an UGC exception might meet the three-step test enshrined in the TRIPS Agreement, in particular the first criterion i.e. any limitation or exception should be confined to a certain special case;

(b) it is not clear what additional problems a UGC provision may be able to address, given the enlarged scope of permitted acts. In theory, this may be able to benefit some acts outside the enlarged scope. But this still begs the question why such acts are justified to be excepted from copyright protection; and

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22 According to an Organisation for Economic Co-operation and Development study (“Participative Web and User-Created Content: Web 2.0, Wikis and Social Networking” (2007)) which the US quoted in its latest Green Paper (released in July 2013) and the ALRC quoted in its Final Report (submitted to the Australian Government in November 2013), UGC is defined as: (i) content made publicly available over the Internet, (ii) which reflects a certain amount of creative effort, and (iii) which is created outside of professional routines and practices. On the other hand, according to the EU (in its consultation document of December 2013), UGC can cover the modification of pre-existing works even if the newly-generated/"uploaded" work does not necessarily require a creative effort, and results from merely adding, subtracting or associating some pre-existing content with other pre-existing content.

23 The Copyright (Amendment) Bill 2014 proposes to enlarge the existing scope of fair dealing copyright exceptions for a number of uses including-

(a) parody, satire, caricature and pastiche;
(b) commenting on current events; and
(c) quotation.

24 Example may be the online posting of earnest performance of copyright works, for example, song singing with or without rewriting the lyrics based on the original melodies. If it is without any parodic or like elements or any quotation purposes, nor is it related to any current events, it may be more akin to a mere expression of feelings or showing of talent, which can hardly provide sufficient public policy grounds to justify special treatment. We understand that some copyright owners and collecting societies have entered into royalty payment agreements with online media sharing platforms to allow users to upload works which involve earnest performances. If covered by such an arrangement, users will not attract legal liability. Another example is the unauthorised posting of translation and adaptation works. Again, if such works are devoid of any parodic or like elements or any quotation purposes, nor are they related to any current events, the mere fact that they might contain certain originality elements or even be transformative in effect could hardly provide sufficient public policy grounds to justify special treatment. It is also doubtful if excluding translation and adaptation as a class from copyright protection would be in compliance with our international obligation.
(c) the concept is unsettled and developing. Only Canada has adopted the concept in legislation. Although the Copyright Review Committee of Ireland recommended the Government to follow suit, the Irish Government has yet to make any legislative decision. Australia has rejected the idea, while the US and the EU are looking into it as part of a new round of consultation on various copyright issues. The UK does not find a case for regulatory intervention. Hong Kong should remain vigilant about mainstream international development in future.

19. We lately note that in an article commenting on Hong Kong’s Copyright (Amendment) Bill 2014, Dr. Ficsor lists seven reasons supporting our approach in following the judicious European approach rather than rushing to legislate on UGC as a generic concept. In short, he is of the view that the Copyright (Amendment) Bill 2014 does address the issue of UGC where it is necessary for establishing due balance of interests, for guaranteeing freedom of expression and for providing an adequate legislative basis for flourishing creativity of online users by providing a number of copyright exceptions. The Bill contains provisions on parody, which is a typical form of UGC creation and should not be subjected to authorisation by the authors of the “targeted” works. Dr. Ficsor concludes that implementation of a broad UGC exception by Hong Kong would be “unwise, unnecessary and inconsistent with the WIPO system’s rules.”

20. We also note that in an article published by Ming Pao on 25 October 2014, Professor Peter Yu offers some different views from Dr. Ficsor’s. Professor Yu opines that Dr. Ficsor only has a few severe criticisms on the UGC provision proposed by users. He cited some other academics’ views to support that most UGC do not directly compete with the market of the original work and the “three-step test” provides flexibility for introducing new copyright exceptions. He considers that the different views on the application of the “three-step test” should not preclude the introduction of the UGC exception.

21. The latest conflicting views cited above further illustrate the controversial and unsettled nature of UGC in relation to the “three-step test” in the international community. It remains prudent for Hong Kong to focus on essential updates of our copyright regime to catch up with mainstream overseas developments in this round of legislative amendments. The many copyright exceptions proposed in the 2014 Bill generally follow overseas precedents and have been subject to robust

25 The Article was published in the August issue of “Hong Kong Lawyer” with its Chinese version published in “Ming Pao” on 15 August 2014, and was attached in a submission from Hong Kong Copyright Alliance dated 5 September 2014 (CB(4)1077/13-14(01)).

26 Such as Kimberlee Weatherall, Associate Professor of Sydney Law School and Professor Dr. Martin Senftleben of VU University Amsterdam.
assessment with reference to the three-step test.\textsuperscript{27}

22. In our considered view, the existing copyright exceptions together with new ones proposed in the 2014 Bill would cover a great many UGC commonly seen on Internet today.\textsuperscript{28} It is highly unlikely that any remaining UGC which does not amount to a substitute for the original copyright work will be caught by the criminal net. The position will be made clear with clarification of the criminal liability of the existing distribution and proposed communication offences.\textsuperscript{29}

23. The remaining thrust of the UGC proponents’ argument is that without such a UGC provision to except civil liability generally, the UGC works (if not covered by the existing and new copyright exceptions) would be subject to frequent taking down by copyright owners who may liberally serve an infringement notice with the intermediaries. There is also a fear that the threat of civil litigation by resourceful owners would create a chilling effect dampening creativity of individual users and parodists many of whom are lack of means. We do not think this is necessarily the case, given the operation of the proposed safe harbour provisions and the principles governing civil liability. There should be reasonable safeguards to minimise abuses or frivolous or vexatious civil litigations.\textsuperscript{30}

**Presentation**

24. Members are invited to note the information provided in this paper.

Commerce and Economic Development Bureau  
Intellectual Property Department  
October 2014

\textsuperscript{27} See Annex E to the Legislative Council Brief on the 2014 Bill (Ref. CITB 07/09/17).

\textsuperscript{28} See Annex D to the Legislative Council Brief on the 2014 Bill (Ref. CITB 07/09/17).

\textsuperscript{29} The 2014 Bill proposes to clarify the criminal liability of the existing prejudicial distribution and the proposed prejudicial communication offences under the Copyright Ordinance. The legislation will provide that the court will examine all the circumstances of a case and in particular the economic prejudice, having regard to whether the infringing copy amounts to a substitution for the work.

\textsuperscript{30} See details in paragraphs 15-18 of the Legislative Council Brief on the 2014 Bill (Ref. CITB 07/09/17).