TOWARD THE DEVELOPMENT OF A USER-FRIENDLY COPYRIGHT REGIME

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ABSTRACT

In recent years, Australia, Canada, the United States, Ireland, the United Kingdom and other members of the European Union have been busy exploring ways to modernize their copyright laws. In many of these jurisdictions, new copyright exceptions have been introduced or proposed to promote internet users’ access to digital content. Meanwhile, the copyright industries have uniformly opposed the introduction of these exceptions. This Occasional Paper brings together three recent articles examining issues raised by digital copyright reform.

“Can the Canadian UGC Exception Be Transplanted Abroad?” was published in the Intellectual Property Journal Symposium on “User-Generated Content under Canadian Copyright Law.” It discusses the efforts by the Hong Kong government to transplant copyright laws from abroad and its recent public consultation on the treatment of parody under the copyright regime. The article specifically discusses the exception for predominantly noncommercial user-generated content (UGC) the Author proposed to the Hong Kong government based on the Canadian model. It also identifies several key objections to the transplant of the Canadian UGC exception to Hong Kong, in particular those relating to the compliance with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. The article concludes by outlining seven ways to reformulate the proposal to alleviate these international compliance concerns.

The second article, “The Confuzzling Rhetoric Against New Copyright Exceptions,” is forthcoming from the inaugural issue of Kritika. It scrutinizes seven arguments that the copyright industries have widely used in their opposition to the introduction of new copyright exceptions. Drawing on examples from digital copyright reform in Hong Kong and other jurisdictions, this article explains why the industries’ arguments have thus far been unconvincing. It further calls on policymakers and legislators to critically evaluate these arguments, lest they lead to wrong policy choices that harm internet users and the public at large.

The final article, “Digital Copyright Enforcement Measures and Their Human Rights Threats,” was commissioned for a research handbook on human rights and intellectual property, edited by Christophe Geiger. Forthcoming from Edward Elgar Publishing, this book chapter examines the

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human rights threats posed by those digital copyright enforcement measures that have been incorporated into both domestic laws and international agreements. In addition to providing an overview of the various human rights implicated by these measures, the chapter briefly discusses those specific measures that have been deemed highly threatening from a human rights standpoint. It concludes with two case studies—one on the graduated response system and the other on the Anti-Counterfeiting Trade Agreement.

The spellings in these three articles have been Americanized, and the present version omits all the original footnotes.
CAN THE CANADIAN UGC EXCEPTION BE TRANSPLANTED ABROAD?

INTRODUCTION

In recent years, countries have been busy exploring the treatment of user-generated content (UGC) in copyright law. For example, in its *Green Paper on Copyright in the Knowledge Economy*, the European Union explored whether a special UGC exception should be added to the EU Information Society Directive. Published in 2008, this *Green Paper* was recently followed by a new consultation on the modernization of the EU copyright regime, which examined issues such as copyright limitations and exceptions in the digital age. Across the Atlantic a few months earlier, the Internet Policy Task Force of the U.S. Department of Commerce also 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.”

As of this writing, Australia is still debating whether to replace its existing close-ended, purpose-based fair dealing regime with an open-ended, flexible fair use regime, which the Australian Law Reform Commission argued would be better suited to the digital environment. The Commission also explored the need to introduce a standalone copyright exception for transformative use outside the fair use regime, even though it eventually declined to do so and recommended instead that such use be considered within that regime. Meanwhile, the Irish Copyright Review Committee proposed the creation of a new copyright exception for innovation, thereby allowing for greater transformative or innovative use of copyright works in Ireland.

The new UGC exception in Canadian copyright law, which is codified at section 29.21 of the Copyright Modernization Act, provides a useful starting point for exploring how copyright law could accommodate the needs and interests of Internet users in their efforts to create UGC. Although the definition of this type of content remains elusive, and the entertainment industries continue to dismiss its importance, such content is now widely found on YouTube and other Internet and social media platforms. Examples of such content include remixes, mash-ups, cut-ups, spoofs, parodies, satires, caricatures, pastiches and machinimas.

In this Symposium [on “User-Generated Content under Canadian Copyright Law”], commentators such as Joost Blom and Barry Sookman have examined the international law aspects of the new Canadian UGC exception, including its compliance with the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization (WTO). One issue that has not
been considered much is whether this exception would serve as an ideal model for other jurisdictions that are undertaking digital copyright reform, similar to the notion of “users’ rights” developed by the Canadian Supreme Court. Using Hong Kong as a case study, this article argues that the Canadian UGC exception, with appropriate modifications, can be—and should be—transplanted abroad.

Part 2 provides the background of digital copyright reform in Hong Kong, focusing on the region’s efforts to transplant copyright laws from abroad and its recent public consultation on the treatment of parody under the copyright regime. Part 3 examines the benefits and drawbacks of legal transplants. Using the U.S. Digital Millennium Copyright Act of 1998 (DMCA) as a point of comparison, this Part argues that the Canadian UGC exception would provide a timely and attractive model for legal transplant. Part 4 draws on the UGC exception proposal I submitted to the Hong Kong government based on the Canadian model. This Part discusses two key aspects of legal transplant: modeling and adaptation. Part 5 identifies the key objections to the transplant of the Canadian UGC exception to Hong Kong, in particular those relating to the compliance with the TRIPS Agreement. Part 6 recounts the Hong Kong government’s report on the recent consultation, including its preliminary analysis of introducing a UGC exception into the Copyright Ordinance. Although the article strongly disagrees with this analysis, this Part takes seriously the government’s international compliance concerns and offers seven additional modifications to further adapt the proposed transplant.

DIGITAL COPYRIGHT REFORM IN HONG KONG

The initial public consultation on digital copyright reform was launched in Hong Kong in December 2006. This reform sought to update the copyright regime in Hong Kong in light of the many changes in the digital environment, including challenges posed by online file-sharing activities. The consultation focused on six distinct areas: (1) legal liability for unauthorized uploading and downloading of copyright works; (2) protection of copyright works transmitted to the public via all forms of communication technology; (3) the role of online service providers (OSPs) in combating Internet piracy; (4) facilitation of civil actions against online copyright infringement; (5) statutory damages for copyright infringement; and (6) copyright exemption for temporary reproduction of copyright works.

Of particular concern to Internet users is the proposed amendment to section 118 of the Hong Kong Copyright Ordinance, which seeks to introduce a new right to communicate a copyright work to the public. Covering all modes of electronic transmission, and featuring both criminal sanctions and civil remedies, this amendment focuses on two specific types of activities: (1) infringements in the business context; and (2) upstream infringements. The first type concerns the communication to the public of a
copyright work “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 to the public of a copyright work “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.

To seek guidance on developing this new right, the Hong Kong government drew on the legislative experiences of Australia, Canada, New Zealand, the United Kingdom and the United States. This referential approach is both common and understandable. Hong Kong had been a British colony for more than 150 years before China resumed sovereignty. Despite the handover, this special administrative region retains its common law legal tradition, similar to what is found in Commonwealth jurisdictions. Moreover, as the government rightly noted in its consultation paper: “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.”

After two rounds of public consultation, the government submitted to the Legislative Council (LegCo) the Copyright (Amendment) Bill 2011, which introduced into Hong Kong digital copyright standards from other common law jurisdictions. During the Bill’s deliberation, questions were raised over the treatment of parodies, satires and other so-called “secondary creations.” For example, policymakers, civil liberties groups, the Internet user community and the public at large were concerned that the proposed legislation would cast the criminal net wider than was needed to protect the interests of copyright holders. They also feared that the legislation would adversely impact on the protection of free speech, free press, privacy and other civil liberties.

Nicknamed “Internet Article 23,” the legislation has been analogized to the highly draconian and subsequently abandoned public security legislation that sought to implement article 23 of the Hong Kong Basic Law. Article 23 of the Hong Kong Basic Law requires the region to

- enact laws on its own to prohibit any act of treason, secession, sedition, subversion against the Central People’s Government,
- or theft of state secrets, to prohibit foreign political organizations or bodies from conducting political activities in the Region, and to prohibit political organizations or bodies of the Region from establishing ties with foreign political organizations or bodies.

Owing to other pressing legislative matters toward the end of the LegCo term, the second reading of the Copyright (Amendment) Bill 2011 did not resume before the term expired in July 2012. As a result, the government now has to introduce a new bill to the legislature. In preparation for this Bill, the government launched a public consultation in July 2013 on the treatment
of parody under the copyright regime. The consultation was initially held for three months, but the deadline was eventually extended to mid-November. At the conclusion of this consultation, the government collected close to 2,500 submissions from individuals and other parties—about 40 times the number of submissions from the previous consultation.

Included in the new consultation were three specific legislative options. The first clarified the threshold for criminal copyright infringement under section 118 of the Hong Kong Copyright Ordinance. The second option introduced a criminal exemption for parody, satire, caricature, pastiche or similar work. The final option introduced a fair dealing exception for these works. Although each of these options serves an important purpose and has varied strengths, none of them fully accommodates the needs and interests of Internet users, in particular their need to develop UGC.

Consider, for example, the uploading of a home video showing a teenager’s performance of a Canto-pop or Mando-pop song. Under the government’s existing proposals, such uploading would open that performer to both civil and criminal liability for copyright infringement. To be certain, the teenager performed the song, and no sound recording had been used. However, the underlying song was protected by copyright. Since this performance was not intended to be a parody or a satire, the dissemination of the home video via the Internet would infringe on the proposed right of communication to the public regardless of whether an exception for parody or satire is to be introduced.

Given the inadequate protection the government’s proposals provide to Internet users, a large volume of the comments collected in the consultation called for the adoption of a copyright exception for UGC, an option that the government’s consultation paper did not even identify. For example, in a position paper submitted on behalf of the Journalism and Media Studies Centre of the University of Hong Kong, I advocated the introduction of an exception for predominantly non-commercial user-generated content (PNCUGC), which will be discussed in detail below. In another submission, the Copyright and Derivative Works Alliance (CDWA), formed out of the Concern Group of Rights of Derivative Works and Keyboard Frontline, argued for the establishment of an exception for “non-profit making user-generated contents or user-generated contents not in the course of business [or trade].” In addition, both Amnesty International (Hong Kong) and the Hong Kong Civil Liberties Union called for the creation of a copyright exception for noncommercial or non-profit-making UGC. Because many of these proposals were modeled after section 29.21 of the Canadian Copyright Modernization Act, they have raised interesting and important questions about legal transplants—similar to the proposals the Hong Kong government advanced in its consultation documents.
Legal transplants are very common in the intellectual property arena. From the Berne Convention to the TRIPS Agreement to the 1996 Internet Treaties of the World Intellectual Property Organization (WIPO), international intellectual property agreements are filled with standards that are transplanted from major intellectual property-exporting countries. Although developing countries fought hard to retain their sovereignty, autonomy and limited policy space, developed countries pushed aggressively for the much higher standards of protection and enforcement found in their own countries, thereby overwhelming the negotiations and the resulting agreements. In the end, the weaker and poorer countries are often forced to transplant laws from abroad regardless of whether those laws match their local needs, interests, conditions or priorities.

In view of these inequitable conditions, intellectual property commentators have always been wary about legal transplants. As they rightly point out, hastily transplanted laws can be both ineffective and insensitive to local conditions. They can also stifle local development while upsetting the existing local tradition. In addition, they may bring problems from abroad, thus exacerbating the problems the transplanted laws seek to address.

A case in point was the government’s proposal to transplant U.S.-style statutory damages to Hong Kong copyright law. As shown by comments collected in the initial consultation, these proposed damages would upset the longstanding local legal tradition, which has had no precedent of using this type of damages in tort actions. They would also have had “far-reaching implications on other civil proceedings,” thus creating unintended spillover effects. In the end, the government wisely rejected the statutory damages proposal and recommended instead the introduction of factors to determine whether additional damages should be awarded—an approach that is more consistent with the local legal tradition.

Notwithstanding their many shortcomings, legal transplants can sometimes be beneficial, especially if they are carefully selected and appropriately customized. In an earlier article, I noted the following benefits of legal transplants:

[L]egal transplantation allows countries, especially those with limited resources, to take a free ride on the legislative efforts of other, usually more economically developed, countries. The process also provides laws that have served as time-tested solutions to similar problems, drawing on lessons learned from the experiences in the source countries—both positive and negative. Transplants may even help provide preemptory defenses to countries that face repeated and intense pressure from their more powerful trading partners, not to mention the strong likelihood that the laws in these powerful countries will...
eventually become international standards by virtue of the source countries’ sheer economic and political might.

Because legal transplants have both strengths and drawbacks, whether they will become effective and successful will depend on the process by which they are transplanted. Before transplant, policymakers should identify what they seek to achieve through law reform. They should not just transplant laws for the sake of transplantation, or even harmonization. Instead, they should evaluate local conditions and select a model that would best fit these conditions. They should further explore whether adaptations are needed to make the transplanted law effective. Finally, after the law’s adoption, they should determine if further adjustments are needed at the implementation stage to assimilate the law to local conditions. After all, “like the transplant of plants or human organs, the process requires a careful process of evaluation, selection, adaptation, and assimilation.”

For illustrative purposes, consider the significant differences between the DMCA and the Canadian UGC exception. Although the DMCA has its strengths—such as the safe harbors for OSPs, the “notice and take down” procedure, the put-back requirement and a special provision against misrepresentation—many legal commentators have questioned its viability as a model for legal transplant. To begin with, the law has been heavily criticized not only in the source country, but also across the world when the United States sought to transplant the DMCA through bilateral, plurilateral and regional trade agreements. Among the key concerns is the mismatch between the transplanted law and the drastically different local conditions in the recipient countries.

Even worse, the DMCA was drafted more than 15 years ago before the emergence of peer-to-peer file-sharing technologies. As the U.S. Court of Appeals for the District of Columbia Circuit reminded us in *Recording Industry Association of America v. Verizon Internet Services, Inc.*, “P2P software was ‘not even a glimmer in anyone’s eye when the DMCA was enacted.’” If the law was already outdated by the early 2000s, one can imagine how unsuitable it is for today’s smartphone-based communication environment and the many then-non-existent Internet and social media platforms, such as Facebook, Twitter and Tumblr.

As if these problems were not challenging enough, the DMCA also represented a legislative settlement carefully negotiated in a multi-year process by industries whose scale and operation are quite different in the recipient countries. When industry-based settlements are transplanted abroad, they are particularly dangerous because they bring along business and regulatory models that foreign beneficiaries prefer and that may not exist on local soil. Legislation that is keyed to industry-based models also tends to be ineffective, if not inappropriate. Because digital copyright reform takes place at a time when many of these models are undergoing paradigm shifts,
legislation that seeks to lock in models preferred by the incumbent industries are highly undesirable.

Compared with the DMCA, the Canadian UGC exception provides a much more attractive model for legal transplant. To begin with, the exception responds to the needs, interests and concerns of Internet users, a constituency that has a direct counterpart in virtually all recipient countries. The exception is also not a negotiated legislative settlement among industries that have no direct counterparts in these countries. Even better, the exception is one of the most recent legislative proposals advanced in digital copyright reforms from across the world. The exception not only was designed with the present state of technology in mind, but also anticipated future technological developments that utilize smartphones and the Internet.

In sum, if laws are to be transplanted, the recently adopted Canadian UGC exception would provide a much more appealing model than the heavily criticized and largely outdated DMCA. Even if the transplant of the DMCA is unavoidable, due perhaps to the considerable pressure from U.S. rights holders and their supportive government, the additional transplant of the UGC exception could help maintain some balance within the copyright system. To some extent, the transplant could serve as a defensive tool as was commonly found in the “yi yi zhi yi” policy in Imperial China. Although this policy was often translated to as “using foreigner barbarians to control foreigner barbarians,” here it could be described as “using foreign transplants to balance other foreign transplants.”

**The Transplant Proposal**

In the position paper submitted to the Hong Kong government, I recommended the introduction of a new copyright exception for PNCUGC, which is modeled after section 29.21 of the Canadian Copyright Modernization Act. Drafted as a new section 39B of the Hong Kong Copyright Ordinance, this proposal reads:

**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;

(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.

As mentioned earlier, similar proposals have also been advanced by Internet user, human rights and civil liberties groups in Hong Kong. Because the proposals contain somewhat different language, this article focuses on only the proposal I submitted to the government. For purposes of differentiation, this article will refer to the submitted proposal as the “PNCUGC Proposal.” Nonetheless, the discussion in this article is likely to apply well to other proposals to transplant the Canadian UGC exception abroad, including many of the UGC-related proposals submitted to the Hong Kong government.

**Modeling**

Although the PNCUGC Proposal draws its inspiration and model from the Canadian Copyright Modernization Act, it is not supported by Canadian law alone. Rather, the proposal is also strongly supported by the transformative use doctrine in the United States. Fuelling innovation in the information technology sector, which ranges from search engines to mass digitization projects, the transformative use doctrine remains one of the more attractive and valuable features in U.S. copyright law. Indeed, the Canadian and U.S. models are so closely related that policymakers and commentators, including those in the Australian Law Reform Commission, have considered the Canadian UGC exception a form of the transformative use exception.

Across the Atlantic, the PNCUGC Proposal is also consistent with the highly influential Gowers Review of Intellectual Property (Gowers Review), which the U.K. government published in 2006. 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.” Given the longstanding ties between Hong Kong and U.K. legal traditions, this recommendation deserves considerable policy attention.

The comparative analysis in the previous Part already explained why the Canadian UGC exception provides a timely and attractive model for legal transplant. Focusing on Hong Kong’s local conditions, this section identifies seven additional reasons. First, from Bill C-60 to Bill C-61 to Bill C-32 to finally Bill C-11, Canada adopted section 29.21 after significant lobbying by the various stakeholders of the copyright regime and years of review and deliberation. Although the provision started in Bill C-61 as a mere exception for reproduction onto another medium or device, it ended as a non-commercial UGC exception in Bills C-32 and C-11. To a large extent, this provision approximates a well negotiated bargain struck after a multi-year negotiation process that took into account the interests of copyright holders, OSPs and Internet users. While one can disagree over the merits of this exception, nobody can argue that the exception was hastily adopted without much review or debate.

Second, Hong Kong has been the subject of intense scrutiny and pressure from foreign rights holders and their supportive governments, due in part to the widespread piracy and counterfeiting problems in China and in part to Hong Kong’s strategic location as a gateway to the mainland. To ensure that the model stands up to international scrutiny and to avoid international isolation, the PNCUGC Proposal draws heavily on both Canadian and U.S. copyright laws as well as Recommendation 11 of the Gowers Review. Because any question concerning the appropriateness of the proposed exception will inevitably implicate the laws of these other major economies, Hong Kong will be less likely to be isolated in the international copyright community.

At the moment, it is hard to imagine any country willing to challenge the U.S. fair use provision, including its transformative use doctrine, before the WTO Dispute Settlement Body. Nor is it likely that the Body would strike down that provision. It is worth recalling that “[t]he compatibility of the fair use doctrine with the United States’ obligations under the Berne Convention was not formally questioned or disputed” when the United States acceded to the Berne Convention. The United States also supported the inclusion of the three-step test into the WIPO Internet Treaties, making clear that “it was essential that the [Treaties] permit the application of the evolving doctrine of ‘fair use.’” In the future, challenges will become even less likely as more countries embrace the fair use regime—by switching over from a close-ended, purpose-based fair dealing regime, perhaps. Thus, even though some commentators, especially those in the European Union, still question whether the U.S. fair use provision complies with the Berne Convention and
the TRIPS Agreement, the Berne compliance question has become increasingly academic.

Third, there is limited case law development in the intellectual property area in Hong Kong. An exception that is modeled after Canadian and U.S. copyright laws therefore could provide the much-needed experience for both implementation and future development. Such modeling would not only provide certainty and predictability, but also enable Hong Kong to draw on important lessons from source countries that have similar legal traditions—a key strength of legal transplants. The ability to draw on these lessons was indeed a key reason why the PNCUGC Proposal retains the three qualifying conditions in section 29.21, namely, “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.”

Fourth, the Canadian UGC exception was designed to provide balance within a comprehensive package of copyright legislation. Specifically, the exception emerged when this package was transformed from Bill C-61 to Bill C-32. It has never been easy to strike a balance in a legislative package, even in areas that are not as complex and contentious as digital copyright reform. Thus, if other jurisdictions have provisions that seek to provide this hard-to-strike balance, those provisions deserve considerable attention from policymakers undertaking similar reforms.

Fifth, as shown in previous public consultation documents and the Copyright (Amendment) Bill 2011, the Hong Kong government has already decided to transplant laws from abroad. Thus, the debate is no longer about whether legal transplants are good or bad—an important question no less. Instead, the debate should focus on which transplanted laws will be suitable to local needs, interests, conditions and priorities. For example, should Hong Kong transplant the outdated DMCA? The more recent Canadian UGC exception? Or both?

Sixth, the Canadian UGC exception has emerged at a time when many countries are busy exploring how to address UGC-related copyright issues. By transplanting this law with the appropriate adaptations, Hong Kong would be able to provide leadership in digital copyright reform in both the Asia-Pacific region and at the global level. As Alan Watson, father of the study of legal transplants, reminded us, “a time of transplant is often a moment when reforms can be introduced.” Given the Hong Kong government’s eagerness to attract international attention by having the world’s first-ever criminal prosecution against BitTorrent users, it is ironic that the government has remained timid in leading the way in an important area of reform affecting both Hong Kong citizens and netizens from abroad.

Finally, the proposed PNCUGC exception would help launch the debate on how to better accommodate UGC in the copyright regime. Such a debate is worthwhile even if the proposed exception is ultimately rejected at this stage of digital copyright reform. After all, legal reform is a continuous
process. Until a vibrant debate on UGC exists, it would be hard to convince policymakers and rights holders of the importance of this new type of content and the need for a copyright exception to facilitate its development.

Moreover, this debate cannot be viewed in clinical isolation from similar debates in other parts of the world. From the widespread street protests in major European cities against the Anti-Counterfeiting Trade Agreement (ACTA) to the massive service blackout launched by Wikipedia, Reddit, WordPress and other Internet companies, digital copyright reform debates are interconnected at the global level. The proposed transplant of the Canadian UGC exception would bring not only the legal language adopted by the Canadian Parliament, but also the lobbying experience that led to the ultimate adoption of this exception. Such experience is important to help Internet user groups in Hong Kong to better understand how to successfully mobilize for greater UGC reforms.

In sum, there are many reasons why the Canadian UGC exception—and, to some extent, the U.S. transformative use doctrine and Recommendation 11 of the Gowers Review—provides ideal models for legal transplant. For reasons ranging from shared legislative experiences to protection against international isolation, I have modeled the PNCUGC Proposal as close to section 29.21 as possible. Nevertheless, the proposal includes a key substantive change, which will be discussed and justified below.

**Adaptation**

The only substantive change I made to the proposal is the replacement of the word “solely” with “predominantly” in the qualifying condition concerning noncommercial purposes. This change broadens the exception to cover a wider array of UGC works. It is particularly important in light of the increasing opportunities in “a digital environment that monetises social relations, friendships and social interactions.” By changing a single word, the PNCUGC Proposal would clarify the law in situations where the UGC in question may not be considered “solely for non-commercial purposes”—for example, when the UGC developer receives inconsequential advertising revenue from an Internet or social media platform.

Determining what constitutes a non-commercial activity is actually much harder than what the Canadian UGC exception would suggest. As shown in a Creative Commons study, the Internet user community has wide disagreement over what constitutes “non-commercial use.” If this community could not even achieve consensus, one can imagine how much harder it would be when the copyright holders’ views and interests are taken into consideration. To avoid difficult situations, the PNCUGC Proposal therefore replaces the word “solely” with “predominantly.” To a large
extent, this change seeks to clarify a grey area, as opposed to expanding the scope of the exception.

Notwithstanding this improvement, other grey areas could still exist. For example, there may be questions concerning what the word “predominantly” means—similar to the disagreement between developed and developing countries over the word’s meaning in article 31(f) of the TRIPS Agreement. Does this word mean 1 per cent or 49.9 per cent? There may also be questions concerning the exception’s continued applicability when the covered content begins to attract revenue via advertising, digital download or merchandise sale. Even with the present proposed language, such revenue-generating activities would slowly convert the UGC in question from predominantly non-commercial to commercial. Such conversion would indeed make a strong case for the development of a profit-sharing arrangement between the copyright holder of the underlying work and the author of the derivative creation.

Finally, although copyright holders may remain concerned that the word “predominantly” would broaden the Canadian UGC exception too much to create a major loophole for commercial pirates, it should be noted that this exception does not affect the government’s proposed legislation on civil and criminal liability for copyright infringement in the business context—that is, the communication to the public of a copyright work “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.” Once adopted, that provision will target commercial pirates. Thus, the proposed PNCUGC exception is subject to a built-in qualification that the excepted use would not be “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 be certain, the PNCUGC Proposal may not achieve as much as what Internet users in Hong Kong would have preferred. For example, it does not exempt the non-commercial transformative use of the underlying work when such use would not create “a new work or other subject-matter in which copyright subsists.” As a point of comparison, the CDWA’s proposal has gone further than the PNCUGC proposal to support the non-profit-making transformative use of the underlying work. That proposal’s focus on profit-making could also lead to greater exemption of commercial activities that my proposal does not currently cover.

Nevertheless, in the position paper submitted to the Hong Kong government, which advanced the PNCUGC Proposal, I clearly stated 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.” That submission also included a separate section calling for the introduction of a fair use regime to replace the much narrower and rather inflexible fair dealing exceptions found in Hong Kong copyright law. Under the current Copyright Ordinance, fair dealing exceptions are
available in only four areas: (1) research and private study (section 38); criticism, review and news reporting (section 39); giving or receiving instruction (section 41A); and public administration (section 54A). If a U.S.-style fair use regime is introduced, it will likely protect both transformative works and transformative uses. As Pamela Samuelson has shown, the transformative use doctrine in U.S. copyright law has now evolved to cover three different types of derivative uses: transformative uses, productive uses and orthogonal uses. Indeed, productive and orthogonal uses are allowed even if such uses do not result in the creation of any transformative works.

KEY OBJECTIONS

Since Internet users and their supportive groups have called for introducing a UGC exception into Hong Kong copyright law, copyright holders and policymakers expressed concern about the expediency and viability of this type of exception. For example, they questioned whether a UGC exception would comply with articles 13 and 61 of the TRIPS Agreement. They also noted the lack of case law concerning the Canadian UGC exception, its potential complications for rights in underlying works, and the loophole it would create for commercial pirates. Responding to each of these concerns is important. Nevertheless, since I have already provided detailed responses in my submission to the Hong Kong government, this Part focuses only on TRIPS-related questions—questions that are likely to be raised in other jurisdictions seeking to introduce a UGC exception.

TRIPS Article 61

The first TRIPS-related concern is whether the proposed PNCUGC exception would comply with article 61 of the TRIPS Agreement, which 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.” Although issues concerning compliance with this provision have sparked a WTO dispute between China and the United States, it is important to remember that the United States failed to challenge China’s provisions on intellectual property crimes, notwithstanding the latter’s massive piracy and counterfeiting problems. Such a reminder is important because many of the arguments copyright holders and their supportive policymakers have advanced to challenge the proposed PNCUGC exception were made as if the WTO panel had decided in favour of the United States.

In China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights, the WTO panel clearly stated that article 61 of the TRIPS Agreement does not require WTO members to provide for criminal procedures and penalties in cases other than of willful copyright piracy on a commercial scale. In the copyright context, the three elements required to sustain an article 61 claim are: (1) piracy (as opposed to mere
copyright infringement); (2) willful acts; and (3) “on a commercial scale” (as opposed to mere commercial impact or commercial purposes). Given the specific TRIPS language, it is virtually impossible to argue the provision of criminal procedures or penalties is required in cases of PNCUGC, since these cases are clearly not “cases of wilful copyright piracy on a commercial scale” within the meaning of the TRIPS Agreement.

Indeed, the European Union and the United States are well aware of the limitation of article 61. That is the reason why they actively use bilateral, plurilateral and regional trade agreements to broaden the definition of “commercial scale.” For example, article 17.1.26(a) of the United States-Australia Free Trade Agreement defines “wilful copyright piracy on a commercial scale” to include “(i) significant wilful infringements of copyright, that have no direct or indirect motivation of financial gain; and (ii) wilful infringements for the purposes of commercial advantage or financial gain.” Article 23.1 of ACTA also states that “acts carried out on a commercial scale include at least those carried out as commercial activities for direct or indirect economic or commercial advantage.”

Although one could question whether the proposed PNCUGC exception could be included within these broader definitions, it is important to recall that the WTO panel did not interpret article 61 based on these new definitions in subsequent agreements. Instead, the panel reminded the United States that “its own Copyright Law was only amended in 1997 [that is, after the TRIPS negotiations] to deal with the problem of massive infringement, such as via the Internet, even if the infringing activity is not necessarily pursued for financial gain.” The panel also refrained from taking “any view as to whether the obligation in the first sentence of Article 61 of the TRIPS Agreement applies to acts of counterfeiting and piracy committed without any purpose of financial gain.”

The panel’s cautious approach is understandable. The WTO includes 159 members, with economies ranging from Britain to Bulgaria to Burkina Faso. The deals it struck also involve considerable bargaining across trade sectors—for example, intellectual property for textiles and agriculture. Thus, what seems obvious to copyright holders in Hong Kong—or, for that matter, the United States or other developed countries—may not always be supported by the heavily bargained-for language in the WTO. Although I was one of the very few U.S. legal commentators questioning the wisdom and viability of the United States’ challenge to China’s provisions on intellectual property crimes, many policymakers, copyright holders and their industry groups believed the United States had a strong case against China.

In the end, the WTO panel found that the United States had failed to substantiate its claim, even though it did not state whether China had satisfied its TRIPS obligations.

In sum, article 61 of the TRIPS Agreement requires the provision of criminal procedures or penalties in only “cases of wilful copyright piracy on
a commercial scale.” The provision, however, does not require the provision of similar procedures or penalties in cases of PNCUGC, which clearly lie outside the scope of the provision. The proposed PNCUGC exception would therefore not affect Hong Kong’s ability to discharge its article 61 obligations.

Three-Step Test

The second, and arguably more challenging, TRIPS-related concern focuses on whether the proposed PNCUGC exception meets 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 similar language.

The question of whether section 29.21 of the Canadian Copyright Modernization Act would pass the three-step test arose during the multi-year deliberations of Bills C-32 and C-11. That question sparked a sharply critical comment from Mihály Ficsor, a leading copyright commentator who has been both a WTO panelist and a former assistant WIPO director general. In his view, the proposed legislation would not only fail the three-step test, but also pose conflicts with the Berne Convention, the TRIPS Agreement and the WIPO Copyright Treaty. Notwithstanding this highly critical comment, Canadian policymakers were confident that the significant qualifying conditions of the exception would ensure that it passed the three-step test.

Many commentators also 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 U.S. Copyright Act passes the three-step test, a narrower form of the U.S. fair use provision, such as section 29.21 or the proposed PNCUGC exception, clearly will not fail that same test. Even if one wonders whether the U.S. fair use provision would pass the three-step test, the fact that the United States, Israel, the Philippines, Singapore and South Korea also have a fair use regime and that Australia, Ireland, Japan and potentially other countries are now considering the adoption of that regime strongly suggests that the proposed PNCUGC exception is unlikely to be challenged before the WTO Dispute Settlement Body.

The first step of the three-step test is that the exception needs to be confined to “certain special cases.” With respect to the word “certain,” the WTO panel declared: “[A]n exception or limitation in national legislation must be clearly defined. However, there is no need to identify explicitly each
and every possible situation to which the exception could apply, provided that the scope of the exception is known and particularised.” The goal of the present language is to “guarantee a sufficient degree of legal certainty.” With respect to the word “special,” the panel further stated: “[A]n exception or limitation must be limited in its field of application or exceptional in its scope … [I]t should be the opposite of a non-special, i.e., a normal case.”

Taking these definitions into consideration, the “certain special cases” here are those involving the use of copyright works in the creation of new, predominantly non-commercial works that meet three additional, close-ended 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 actual or potential exploitation of the underlying work. Because the proposed exception does not cover all forms of UGC, but only UGC of a predominantly noncommercial nature that satisfies three additional requirements, it should be considered “clearly defined and … narrow in its scope and reach.” Moreover, regardless of one’s interpretation of the words “certain” and “special,” the proposed exception is more clearly defined (i.e., certain) and narrower in scope and reach (i.e., special) than the fair use provision in the United States and other jurisdictions.

In regard to the first step, copyright holders and commentators have also expressed concern that the term “UGC” does not have a universal definition. Despite this understandable concern, the lack of such a definition 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 United States—Section 110(5) of the US Copyright Act, for example, the WTO panel had to carefully define a large number of terms before applying the three-step test. These terms included “certain,” “special,” “case,” “normal,” “exploitation,” “unreasonable,” “prejudice,” “legitimate” and “interests.”

More importantly, even though the term “UGC” is used in the subheading of both the proposed PNCUGC exception and section 29.21 of the Canadian Copyright Modernization Act, the term is not included in the statutory language. Instead, the proposed exception states what an individual can do—that is, to use an existing work or a copy of it in the creation of a new work in which copyright subsists, to use the new work that he or she creates, or to authorize an intermediary to disseminate the created work. Because the term “UGC” is not even mentioned in the statutory language, the criticism over the lack of a clear definition of the term is more a distraction than a direct challenge to the proposal.

In determining whether the proposed PNCUGC exception passes the first step of the three-step test, it is also important not to over-analyze the
relevant language. As Daniel Gervais, who worked in the WTO secretariat at the time of the TRIPS negotiations, reminded us, the last two steps of the test, which affect the copyright holders’ exploitation of the underlying work, deserve much more focus and attention than the first step. Such a view is strongly supported by the records of the Main Committee I at the Intellectual Property Conference of Stockholm in 1967, which was charged with the revision of the Berne Convention and which eventually adopted the three-step test.

On his proposal for the three-step test, Eugen Ulmer, the Committee’s chair and a highly distinguished commentator, actually placed the third step before the second step. This order reflected his view that “the normal exploitation of the work [was] the first essential of the three-step test while … the question of prejudicing the legitimate interests of the author constituted merely a secondary one.” Ulmer’s view is documented in the records of his Committee, which clarified that the conditions in the three-step test had been reversed to “afford a more logical order for the interpretation of the rule.” As these records declared:

If it is considered that reproduction conflicts with the normal exploitation of the work, reproduction is not permitted at all. If it is considered that reproduction does not conflict with the normal exploitation of the work, the next step would be to consider whether it does not unreasonably prejudice the legitimate interests of the author. Only if such is not the case would it be possible in certain special cases to introduce a compulsory license, or to provide for use without payment. A practical example might be photocopying for various purposes. If it consists of producing a very large number of copies, it may not be permitted, as it conflicts with a normal exploitation of the work. If it implies a rather large number of copies for use in industrial undertakings, it may not unreasonably prejudice the legitimate interests of the author, provided that, according to national legislation, an equitable remuneration is paid. If a small number of copies is made, photocopying may be permitted without payment, particularly for individual or scientific use.

The second step of the three-step test 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 under three conditions: (1) if the excepted use creates a substantial adverse impact on the exploitation or potential exploitation of the underlying work (the final qualifying condition); (2) if the UGC in question is not predominantly non-commercial; and (3) if the UGC in question involves copyright infringement in the business context (liability covered in a different provision). Taken together, these three conditions would ensure that the proposed PNCUGC exception does not result in a “form[] of exploitation which, with a certain
degree of likelihood and plausibility, could acquire considerable economic or practical importance.”

Moreover, when technological and market developments are taken into consideration, copyright holders do not ordinarily expect to receive any conceivable compensation from Internet users who directly benefit from their creative activities and online service providers. Nor do copyright holders always have the right to tax third parties who indirectly benefit from the related user activities (think manufacturers of photocopying machines). Although it would make good business practice for copyright holders to demand licenses from any conceivable party, this business-oriented position does not always translate into strong legal arguments.

Copyright holders have expressed concern that the benefits provided by the proposed PNCUGC exception to OSPs and other third parties would make the exception suspect under the three-step test. However, if their argument were valid, that same argument would also undermine the four existing fair dealing exceptions in the Hong Kong Copyright Ordinance—or, for that matter, other limitations and exceptions in copyright laws throughout the world. After all, third parties rarely compensate copyright holders for the benefits they derive from these limitations and exceptions. That is indeed why the relevant provisions are called limitations or exceptions. There is also no categorical distinction between third-party benefits derived from the proposed PNCUGC exception and those derived from these other provisions.

It is worth remembering that the 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.” To avoid this untenable interpretation, the panel focused instead 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.”

The panel’s resounding rejection of “full use” is an important reminder that the copyright regime was not designed to enable copyright holders to capture whatever benefits they could obtain—or, in economic terms, the full social value of their output. 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.

The third step of the three-step test 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 final qualifying condition), the excepted use will not prejudice the copyright holders’ 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.” Even if the prejudice of legitimate interests is to exist, such prejudice will not automatically 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, or any conceivable interest, of the copyright holder, but only the unreasonable prejudice of its legitimate interests.

In sum, the proposed PNCUGC exception passes every single step of the three-step test. Because the second and third steps clearly favour the exception, the analysis would be even more favorable should the “[t]he three steps [be] … considered together and as a whole in a comprehensive overall assessment,” as recommended in the Max Planck Declaration on a Balanced Interpretation of the “Three-Step Test” in Copyright Law. The exception is also consistent with article 10 of the WIPO Copyright Treaty, which, as stated in the Agreed Statement, “permit Contracting Parties to carry forward and appropriately extend [limitations and exceptions] into the digital environment.”

THE HONG KONG GOVERNMENT’S REPORT

Preliminary Analysis

In December 2013, the government released its report on the public consultation on the treatment of parody under the copyright regime. This 84-page report is comprehensive, thoughtful and even-handed. It covers both the strengths and weaknesses of the various legislative options, including those not identified by the government. It also stated the government’s intention to further “engage stakeholders to exchange thoughts on how best
to consolidate and reconcile ideas” before introducing a new copyright amendment bill.

In addition, the report offered a preliminary analysis of introducing a UGC exception into Hong Kong copyright law. It expressed concern that this type of exception might not meet international standards, in particular the three-step test. Although the government’s analysis focused on CDWA’s somewhat broader proposal, which supports non-profit-making transformative uses, the analysis does indicate the government’s lukewarm initial reaction, if not outright opposition to, introducing a UGC exception into the Copyright Ordinance.

The government’s position is disappointing but defensible. Although Canadian legislators and many established legal scholars consider this exception compliant with international standards, copyright holders and their industry groups have their doubts. To some extent, these disagreements have shown how polarized the current debate on digital copyright reform has become. Moreover, as Laurence Helfer reminded us, “[t]he precise meaning of article 13 [of the TRIPS Agreement 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.” It is therefore no surprise that policymakers and commentators disagree over whether a specific exception would pass the three-step test.

Nevertheless, the government’s discussion of international compliance issues is somewhat problematic. Although it rarely criticized the intellectual property laws of other countries on record, its preliminary analysis suggested that Canada might have violated its international obligations under the TRIPS Agreement—or at least, that prominent copyright experts have provided sufficient evidence that Canada had violated those obligations.

Such an observation is problematic not only from a diplomatic standpoint but also from a legal standpoint. After all, both Canada and Hong Kong are WTO members. If the Canadian UGC exception is inconsistent with the TRIPS Agreement and such inconsistency has impaired trade benefits, Hong Kong can always initiate a complaint against Canada through the WTO dispute settlement process. One therefore has to wonder what it means when a WTO member noted on record the potential inconsistencies between the TRIPS Agreement and the law of another member.

More importantly for our discussion, the fact that Hong Kong has chosen not to take any WTO-related action may indicate that the analysis is actually more complicated than the government’s preliminary analysis has suggested. In fact, the lack of action against Canada on the part of Hong Kong and other WTO members suggests at least three possible scenarios. First, the exception’s inconsistency with the TRIPS Agreement is not as clear-cut as the government’s preliminary analysis suggests. Second, the
costs and challenges of mounting a WTO complaint in this area would be considerable—for example, such a complaint might also raise questions about the consistency of the transformative use doctrine, leading the United States and other WTO members to intervene as third parties. Third, the benefits of bringing such a complaint would not compensate for its costs, even if those costs are not prohibitive. Taken together, all these scenarios show that a WTO complaint is very unlikely to be filed against Hong Kong for introducing the proposed PNCUGC exception.

Moreover, if the Hong Kong government is seriously concerned about international compliance, it cannot focus just on WTO obligations. Human rights bodies in the United Nations have repeatedly noted the tensions and conflicts between trade-based intellectual property standards and international human rights obligations. Hong Kong is a party to more than a dozen international human rights treaties, and its human rights records remain subject to heavy media scrutiny. If reports from the mainstream media provide any guidance, Hong Kong thus far has received significantly more international attention in the human rights area than in the intellectual property area—due in large part to its transition from a British colony to a special administrative region of China.

Further Adaptations

As important as they are, issues concerning the compliance with international standards should not distract policymakers from debating how the copyright regime could better accommodate the needs and interests of Internet users. The important policy debate here should not be on whether a UGC exception, as drafted in the proposals or as adopted by the Canadian Parliament, meets the three-step test. If the government is uncomfortable with the proposed language, it can always redraft the provision to ensure compliance with international standards. Although this article strongly disagrees with the government’s preliminary analysis of the proposed PNCUGC exception, and considers such an exception compliant with the TRIPS Agreement, this section will show the existence of at least seven different ways to reformulate the proposed PNCUGC exception.

First, the government could incorporate the three-step test directly into the proposed PNCUGC exception, similar to sections 36(4), 37(3), 167(3), 168(7), 240(2) and 252 of the Hong Kong Copyright Ordinance. For example, the government could add to the exception 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.” One could even argue that adding this phrase is unnecessary considering that section 37 already provides the introductory provisions concerning “acts which may be done in relation to copyright works notwithstanding the subsistence of copyright.”
Incorporating the three-step test directly into the proposed exception is a common approach used around the world. For example, South Korea recently took that approach when it introduced a new fair use regime. That approach has also been used in developing article 21 of the Implementing Regulations of the Chinese Copyright Law and the draft Third Amendment to the Chinese Copyright Law. If these examples are not enough, Recommendation 11 of the Gowers Review 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.” The use of the phrase “within the parameters of the Berne Three Step Test” clearly reflects the anticipation that relevant parameters can be set.

If the government remains concerned that the use in the proposed PNCUGC exception would be too broad and vague to pass the first step, in view of the fact that the proposed added phrase includes only the last two steps, it could insert the following language:

In determining whether an act specified in this provision may be done in relation to a copyright work notwithstanding the subsistence of copyright, the primary consideration is that the act meets the three-step test laid out in the Berne Convention for the Protection of Literary and Artistic Works, the Agreement on Trade-Related Aspects of Intellectual Property Rights of the World Trade Organization, the WIPO Copyright Treaty, and the WIPO Performances and Phonograms Treaty. This provision should remove any remaining international compliance concerns under the three-step test. As a matter of logic, an exception that incorporates the three-step test can never fail that test.

Second, instead of the proposed PNCUGC exception, the government could introduce a fair dealing exception for PNCUGC. For example, the government could introduce an exception for the fair dealing of a copyright work for the purposes of creating PNCUGC, making a transformative use of a copyright work (as supported by Internet user groups), or both. They could also include in the fair dealing exception for PNCUGC the four “fairness factors” listed in sections 38 and 41A of the Hong Kong Copyright Ordinance, factors that are similar to those found in the U.S. fair use provision. If the government takes the position that fair dealing exceptions—or, for that matter, fair use exceptions—meet international standards, a fair dealing exception for PNCUGC will necessarily meet these standards. The latter is a subset of the former. If the former is compliant with international standards, the latter must be as well.

Third, the government could introduce a quid pro quo arrangement that allows copyright holders and Internet users to use each other’s works for predominantly non-commercial purposes. The government could also include authors in the arrangement, as authors and copyright holders are not
always identical parties. Although such an arrangement may not always support the commercial goals of the music, movie and software industries, the arrangement would be fair and beneficial to both authors and future authors. It is important to remember that the primary beneficiaries of copyright law should be authors and future authors, not their investors.

Fourth, if the government fears that the “predominantly” language in the PNCUGC Proposal would create a loophole for commercial pirates, it could allow for only trivial economic or commercial advantage. For example, the provision could define “non-commercial” to include “direct or indirect economic or commercial advantage that does not cause more than trivial economic prejudice to the copyright owner.” Such language would be consistent with the distinction between trivial and “more than trivial” economic prejudice that the government made in its effort to clarify the threshold for criminal copyright infringement. The “more than trivial” language would also meet the needs and interests of Internet users, as it would prevent the receipt of only one cent from PayPal from suddenly converting a non-commercial use into commercial.

Fifth, if “more than trivial” economic or commercial advantage is involved, the government could introduce a profit-sharing arrangement that requires users and intermediaries to provide equitable remuneration to copyright holders. As Neil Netanel recommended, “secondary authors should … be required to disgorge to the copyright holder the proportionate share of their profits attributable to using the underlying work.” Levy systems have been widely practiced in Canada, Europe, the United States and other parts of the world. The extension of these systems to the Internet context has also earned the support of leading intellectual property commentators. A levy of HK$4 per month from the 2 million existing Internet households in Hong Kong, for example, would easily create a highly attractive annual pool of close to HK$100 million for authors, copyright holders and other parties.

Sixth, if the government hesitates to provide a permanent PNCUGC exception in light of the rapidly changing licensing environment, it could provide a temporary exception with a sunset period—for example, the exception will expire in five years. After the expiration of this period, the government could decide whether the exception should be renewed, modified or eliminated based on an impact assessment, an additional round of public consultation, or both. This option is particularly attractive in light of the recent pledges made by the International Federation of the Phonographic Industry (IFPI) and the European Grouping of Societies of Authors and Composers (GESAC) in the “Licences for Europe” stakeholder dialogue to “make small-scale licences available in all EU countries, e.g. for background music on websites and small-scale web/podcasting.” Although these pledges have not yet been realized in that region—or, for that matter, be extended to Asia and other parts of the world—it would be fair to consider adjustments to
the proposed PNCUGC exception in the event that user-friendly and reasonably priced micro-licensing schemes become available to Internet users in Hong Kong. What the government should avoid, however, is the creation of civil and criminal liability on the part of these users while waiting for copyright holders to figure out how to realize those pledges—or worse, waiting for them to decide whether to do so.

Finally, and perhaps least preferable, if policymakers remained concerned about legalizing the creation of PNCUGC, in light of the ongoing, unsettled international copyright policy debate, they could provide a moratorium on the initiation of civil or criminal actions in cases of copyright infringement relating to PNCUGC. A case in point is section 1008 of the U.S. Copyright Act, which states:

No action may be brought under this title alleging infringement of copyright based on the manufacture, importation, or distribution of a digital audio recording device, a digital audio recording medium, an analog recording device, or an analog recording medium, or based on the noncommercial use by a consumer of such a device or medium for making digital musical recordings or analog musical recordings.

This provision does not speak to the legality of the act in question. Instead, it provides a moratorium on lawsuits.

If this moratorium is to be provided to only Internet users, but not OSPs and other third parties, the outcome would not be ideal. After all, liability on OSPs could ultimately affect the Internet users’ ability to disseminate information via websites, Internet services and social media platforms. Nevertheless, OSPs are in a better position than users to protect or negotiate for themselves. The proposed safe harbors and code of practice under the ongoing reform could also provide OSPs with some protection. Moreover, a moratorium on user-related lawsuits could provide at least some protection to Internet users in an area where determining legality with limited copyright expertise is highly difficult. Such a moratorium is especially important when a large gap still exists between legal and social norms.

In sum, although this article strongly disagrees with the government’s preliminary analysis of the proposed PNCUGC exception, in particular its highly restrictive interpretation of the three-step test, it shows seven different ways to address the government’s international compliance concerns. It also reminds us to separate drafting problems from modeling problems. A good model of legal transplant should not be abandoned when adaptations can be made to improve the transplanted law.

Thus, if the government is willing to keep an open mind, as it has repeatedly stated during and after the public consultation, it should incorporate a UGC exception into the copyright amendment bill—whether based on the proposed PNCUGC exception or in other forms. It should not return to only those options the government listed in the consultation
document, given the reservation already expressed by Hong Kong citizens. After all, introducing a UGC exception into Hong Kong copyright law has been the legislative choice overwhelmingly supported by Internet users and their supportive groups. These constituencies accounted for more than 97 per cent of the close to 2,500 total consultation submissions received by the Hong Kong government.

**CONCLUSION**

This article has shown both the benefits and challenges of transplanting the Canadian UGC exception abroad. Whether such a transplant would be effective depends on whether the transplanting jurisdiction could successfully evaluate, adapt and assimilate the provision to local conditions. If Hong Kong succeeds in adapting the Canadian UGC exception to its local conditions, this transplanted exception will bring important benefits to the region. Thus, in examining whether to introduce a UGC exception into copyright law, policymakers and commentators should not stop at evaluating whether the Canadian UGC exception can be transplanted abroad. They should also examine what adaptations they need to make to offer Internet users the much-needed protection in the UGC area.
THE CONFUZZLING RHETORIC
AGAINST NEW COPYRIGHT EXCEPTIONS

INTRODUCTION

In recent years, countries across the world have been busy exploring ways to modernize their copyright laws. In June 2012, Canada adopted the Copyright Modernization Act, which brought interesting ideas to promote internet users’ access to digital content. Most recently, the United Kingdom also adopted a wide array of permitted acts that seek to facilitate the more flexible use of copyrighted works. In addition, the Australia Law Reform Commission and the Irish Copyright Review Committee both published the final reports of their copyright reform consultations.

As of this writing, the European Union and the United States are in the process of completing their own copyright reform consultations. Issues covered in these consultations range from the treatment of orphan works and user-generated content (UGC), to the updating of doctrines concerning public performance and exhaustion of rights, to the strengthening of copyright enforcement in the digital environment.

Thus far, these ongoing reform and consultation efforts have generated many proposals to advance the internet users’ interests. These proposals include the exception for non-commercial UGC in Canada and the exception for innovation in Ireland. Nevertheless, the copyright industries remain adamant in their opposition to introducing new exceptions into copyright law. Their position is understandable in view of the adverse impact these exceptions may have on their revenue streams and business models. Their position is also disturbing considering their highly vocal demands for extensive copyright reform.

As important as copyright is, its levels of protection and enforcement cannot continue to ratchet upwards without due regard to the balance of the entire system. If these levels are to be strengthened in response to industry demands, policymakers and legislators also need to consider introducing corresponding safeguards, flexibilities, limitations and exceptions to maintain the system’s traditional balance.

A very instructive example is the recent effort on digital copyright reform in Hong Kong, with which I have firsthand experience. Since December 2006, the government has been working tirelessly to update the Hong Kong Copyright Ordinance to meet the different needs and demands in the digital environment. Although the government submitted a bill to the Legislative Council in 2011, other pressing legislative matters caused that bill to be shelved at the end of the Council’s term in July 2012.

Among the criticisms at that time was the bill’s failure to take into account the internet users’ need to use copyrighted works to develop parodies, satires and other so-called “secondary creations.” Specifically, policymakers,
civil liberties groups, the internet user community and the public at large were concerned that the proposed legislation would cast the criminal net wider than was needed to protect the interests of copyright holders. They also feared that the legislation would adversely impact on the protection of free speech, free press, privacy, due process and other civil liberties.

To address these concerns and prepare for a new bill, the government conducted a public consultation on the treatment of parody under the copyright regime in fall 2013. Less than a year later, the government submitted a new copyright amendment bill to the Legislative Council. This bill retained many of the less controversial aspects of the old bill, such as a new right of communication to the public, civil and criminal remedies for violating this right, additional factors for assessing copyright damages, a new code of practice for online service providers (OSPs) and a fair dealing exception for media-shifting purposes. Also included are new fair dealing exceptions for parody, satire, caricature, pastiche, quotation and commenting on current events. Drawing on the nearly 2,500 comments the government received through the 2013 consultation, these exceptions seek to strike a more appropriate balance between copyright holders and internet users than the bill’s predecessor.

It remains unclear how the current bill will be amended during the legislative debate—or even whether the bill will be adopted at all. Nevertheless, it is timely to review some of the objections the copyright industries have raised thus far in regard to the introduction of new exceptions for parody, satire, caricature and pastiche. Although these objections were raised during the 2013 consultation and in the run-up to the drafting of the current bill, they are not limited to the consulted exceptions.

Generic by nature, the industries’ arguments can be easily recycled for use in other efforts to oppose the introduction of new copyright exceptions—in both Hong Kong and elsewhere. Thus, the review of the industries’ objections will provide useful information to policymakers and legislators in Hong Kong (as they consider the current bill). It will also inform policymakers, legislators, commentators and activists from around the world (as they push for reforms that seek to meet the needs and interests of internet users).

This article focuses on seven generic arguments that the copyright industries have advanced thus far in their opposition to the introduction of new copyright exceptions. In an earlier article published a few years ago, I highlighted the “confuzzling rhetoric” used by both the supporters and critics of reforms that seek to strengthen copyright protection and enforcement. This article will continue this line of criticism by scrutinizing the copyright industries’ arguments. Although the length and scope of this article do not allow me to scrutinize the arguments made by other major parties in the copyright reform process, it is worth keeping in mind that these industries are not alone in making confuzzling arguments.
ARGUMENT 1: NEW COPYRIGHT EXCEPTIONS ARE UNNECESSARY BECAUSE THE EXISTING EXCEPTIONS ARE ADEQUATE AND NO NEW PROBLEM HAS ARISEN YET.

In criticizing the introduction of new copyright exceptions, the copyright industries have insisted that the existing exceptions are already sufficient to accommodate the needs and interests of internet users. In Hong Kong, for instance, the industries pointed to the existence of the idea-expression distinction, the substantiality threshold for copyright infringement and the fair dealing exception for criticism, review and news reporting. They also claimed that no new problem had arisen to justify the introduction of new copyright exceptions, thereby encouraging the government and the legislature to take a wait-and-see attitude.

To put the copyright industries’ argument in perspective, it is important to recall that many of the proposed exceptions were introduced primarily as preemptory measures to balance the industries’ demand for stronger—and often untested—levels of copyright protection and enforcement. It is therefore disingenuous for the copyright industries to claim that no problem has arisen yet, considering that the current bill is likely to bring forth many new problems and unintended consequences. Had the levels of protection and enforcement remained unchanged, the industries’ arguments would have been much more convincing. But this is clearly not the case.

Consider, for example, the controversial effort to transplant provisions from the U.S. Digital Millennium Copyright Act (DMCA) to Hong Kong. To be certain, this statute has its strengths, such as the safe harbors for OSPs, the notice-and-take-down procedure, the put-back requirement and a special provision against misrepresentation. Nevertheless, the statute was adopted more than 15 years ago; it was drafted before even the emergence of peer-to-peer file-sharing technologies. As the U.S. Court of Appeals for the District of Columbia Circuit readily admitted in the 2003 case of Recording Industry Association of America v. Verizon Internet Services, Inc., “P2P software was ‘not even a glimmer in anyone’s eye when the DMCA was enacted.’” If the DMCA was already outdated by the early 2000s, one can imagine how unsuitable it is for today’s communication environment, which features smartphones, tablet computers, unlimited cloud storage, and many then non-existent social media platforms such as Facebook, Twitter, Tumblr and WhatsApp.

Even worse, commentators in the United States and elsewhere have widely documented the problems brought about by this ill-advised statute. As Jessica Litman lamented:

The DMCA is long, internally inconsistent, difficult even for copyright experts to parse and harder still to explain. Most importantly, it seeks for the first time to impose liability on
ordinary citizens for violation of provisions that they have no reason to suspect are part of the law, and to make noncommercial and noninfringing behavior illegal on the theory that that will help to prevent piracy.

In addition, the DMCA represents a legislative settlement carefully negotiated in a multi-year process by U.S. industries, whose scale and operation are noticeably different from those of Hong Kong. Should the U.S. statute be transplanted abroad without sufficient adaptation, it likely will bring along business and regulatory models that are not tailored to local needs, interests, conditions and priorities. The transplanted law may also entrench models preferred by the incumbent industries while at the same time ignoring the paradigm shifts many of these models are now undergoing.

To complicate matters, the past decade of aggressive private copyright enforcement in both the United States and elsewhere has undermined the public confidence over the entertainment industries’ ability to exercise restraint in using the rights and enforcement tools provided by the copyright regime. Commentators already documented the highly troubling cases of false positives brought by the overzealous protection of copyrighted works. Also criticized were the perverse incentives copyright holders provide to their agents for filing “takedown notices” to remove potentially infringing copyrighted materials.

As if these developments were not disturbing enough, I still remember vividly the public outrage when the Recording Industry Association of America (RIAA) sued individual users en masse in the mid-2000s. In only a few years, the RIAA filed lawsuits against more than 35,000 individuals. Such efforts not only failed to develop respect for the copyright system, but made the public at large more cynical and skeptical about the copyright regime. Even worse, the en masse lawsuits became a public relations disaster that hurt artists and copyright holders alike. These lawsuits were so unsuccessful that the industry eventually abandoned them, preferring greater cooperation with OSPs instead.

To be certain, copyright protection is needed to ensure the continued creation of works for public enjoyment. Such protection is also needed to encourage investors to provide financial support to ensure that these works will be created and disseminated in the first place. In addition, the decline in sales of copyrighted works has been sharp and alarming. In the music industry, for instance, such decline has resulted in the closure of record stores and the reduction of investment in new artists.

Nevertheless, as problematic as it is, the decline in music sales in the 2000s can be attributed to many different factors. Indeed, it remains debatable how much of this decline was caused by inadequate copyright protection. It is also unclear whether such inadequacy, if existed, originated from “law in books” or “law in action.” This distinction is important because the policy and legislative responses needed to address the two are quite
different. If the problem lies in inadequate enforcement of existing copyright law, introducing stronger rights and penalties on the books may not be an effective solution.

More importantly, there remains a dearth of evidence that strengthening copyright protection and enforcement would necessarily address the copyright industries’ plight. If developments in the United States provide any guide, tighter protection did not stop the tides of massive online copyright infringement. Rather, it was the copyright industries’ willingness to embrace new business models that met consumer needs and demands. Models that immediately come to mind are iTunes, Hulu, Netflix, Pandora and Vevo.

As William Patry rightly reminded us, “the best way to prevent the sale of unauthorized goods is to flood the market with authorized goods.” Likewise, the highly influential Hargreaves Review of Intellectual Property and Growth declared: “Where enforcement and education alone have so far struggled to make an impact on levels of copyright infringement, there has been more evidence of success where creative businesses have responded to illegal services by making available lower priced legal products in a form consumers want.”

ARGUMENT 2: NEW COPYRIGHT EXCEPTIONS ARE UNNECESSARY BECAUSE LICENSED INTERNET PLATFORMS ALREADY EXIST.

Another argument against the introduction of new copyright exceptions is that YouTube and other internet platforms have already entered into licensing arrangements that allow for the more flexible use of copyrighted works. Commentators have widely noted the high transaction costs involved in obtaining permission to create UGC. These costs, the industries argue, have now been greatly reduced by the voluntary licenses they grant to intermediaries, which in turn enable internet users to develop UGC on licensed platforms. Without market failure, policy and legislative intervention are therefore no longer needed.

Although this argument makes sense from an economic standpoint, it ignores the fact that many platforms do not have the resources or leverage needed to negotiate for the appropriate licenses from the copyright industries. What works for Google or Facebook does not always work for other smaller intermediaries. From both competition and free speech standpoints, it also seems wrong to force internet users to create UGC on only those platforms provided by large intermediaries.

Even worse, it remains unclear whether the licenses these intermediaries obtained will allow internet users to conduct all the activities covered by the new copyright exceptions. There is a tendency to assume that copyright holders own all the rights in creative works, but this is far from the case. As I noted earlier in the context of peer-to-peer sharing of music files:
Record companies may not have the rights to release all the content they want on the Internet. For example, they may have only the copyright in the sound recording but not the one in the underlying composition, even though they may obtain a statutory license to use the composition. They may have the right to release a song on a compact disc or a cassette tape, but not in digital format online.

Copyright agreements are especially complex, and some authors do manage to retain rights—to the point that even the most powerful rights holders do not have the ability to grant UGC licenses. A good example is an agreement prohibiting the copyright holder from making any alteration to the work—similar to the one litigated in Gilliam v. American Broadcasting Companies, which involved the unauthorized edits of Monty Python’s televised performances. This type of agreement would not enable the copyright holder to grant any license for developing remixes, mash-ups, cut-ups or other forms of UGC.

In addition, there remain valid questions concerning licensing costs and the efficiency of right-recognition and licensing mechanisms. Ultimately, whether the licenses granted by the copyright industries will remove the market failure present in the current digital environment will depend on the actual licensing arrangement. If the asking price is too high for most intermediaries to pay, or if the mechanisms are too burdensome on either intermediaries or internet users, intervention such as the introduction of new copyright exceptions will be needed—at least until license fees have been appropriately reduced and better right-recognition and licensing mechanisms have become available.

From a legal standpoint, however, the argument that the copyright industries have advanced in relation to licensed platforms faces the same circularity problem noted in American Geophysical Union v. Texaco Inc., a widely taught U.S. appellate court case concerning the unauthorized reproduction of copyrighted articles in a scientific journal. The issue relevant to our discussion is whether the licensing arrangement (and the loss of license fees) can be used to determine the legality of the defendant’s photocopying activities.

Writing for the majority, noted copyright jurist Judge Jon Newman welcomed the mechanism the Copyright Clearance Center provided for licensing photocopying. Taking note of the efficiency generated by this new mechanism, Judge Newman stated that the loss of license fees should be taken into account when determining the effect of the defendant’s photocopying activities on the potential market for or value of the copyrighted journal articles.

Although Judge Newman’s decision made a lot of sense, especially from a law-and-economics perspective, Judge Jacobs successfully poked
holes in the logic of the majority decision. As he noted in a well-reasoned dissent:

There is a circularity to the problem: the market will not crystallize unless courts reject the fair use argument that Texaco presents; but, under the statutory test, we cannot declare a use to be an infringement unless (assuming other factors also weigh in favor of the secondary user) there is a market to be harmed.

In Judge Jacobs’ view, the majority’s reasoning was circular because whether the defendant needed to obtain a license would depend on whether the law required it to do so in the first place. Yet, that requirement was the very question at trial in this case.

In the end, Judge Newman acknowledged the potential for circularity, but clarified that such a problem did not exist in this particular case. According to him, “The vice of circular reasoning arises only if the availability of payment is conclusive against fair use.” Because the loss of license fees was not outcome-determinative, Judge Newman considered it appropriate for the court to consider the loss of those fees in analyzing fair use. After all, “the effect of the use upon the potential market for or value of the copyrighted work” is only one of the four factors listed in the fair use provision.

This circularity problem is important because it is hard to determine what the law requires, or what it should be, based solely on an examination of available licensing arrangements (as the copyright industries now argue). Indeed, it is not uncommon for major businesses and other resourceful entities to hedge risks by playing both sides of the copyright game. A case in point is the Aeolian Company, the predominant manufacturer of pianolas and other roll-operated music instruments at the turn of the 20th century. Even though this company “had [already] bought much of the soon-to-be-created mechanical recording rights from America’s principal music publishers,” it still financed the lawsuit in *White-Smith Music Publishing Co. v. Apollo Co.* to get the Supreme Court to determine whether authorization was required to manufacture player piano rolls.

The logic behind Aeolian’s involvement in *White-Smith Music Publishing* is rather clear. If the defendant Apollo, a competing manufacturer of player pianos and piano rolls, prevailed in the lawsuit, Aeolian could stop paying license fees to music publishers. That decision might further influence the then incomplete drafting of the 1909 Copyright Act, in particular the provisions concerning mechanical royalties. But if music publishers prevailed, the licensing arrangement would have already been in place for Aeolian to continue to produce player piano rolls. To a large extent, Aeolian’s licensing arrangement spoke more to its business acumen and sound legal advice than to its tacit admission that authorization was legally required.
ARGUMENT 3: THE INTRODUCTION OF NEW COPYRIGHT EXCEPTIONS WOULD VIOLATE THE THREE-STEP TEST.

The three-step test laid out in the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention), the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization and the 1996 Internet Treaties of the World Intellectual Property Organization (WIPO) has been widely used to persuade governments and legislatures away from introducing new exceptions into copyright law. 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 similar language. Examples of exceptions that can be scrutinized under the three-step test are the exception for non-commercial UGC in Canada, the proposed exception for innovation in Ireland and other exceptions that are modeled after the U.S. transformative use doctrine.

In jurisdictions that do not have much geopolitical or economic strength—and, by extension, legal resources and capabilities—the three-step test has provided the copyright industries with an exceedingly powerful weapon. To begin with, government officials in these jurisdictions are often compliance-oriented. The mention of potential non-compliance with international treaty obligations therefore holds particular sway. Moreover, the TRIPS Agreement allows WTO members to bring complaints before the WTO Dispute Settlement Body. In view of the governments’ eagerness to avoid costly disputes before this adjudicative body—not to mention the attendant reputational harm—the mention of the three-step test in relation to the WTO dispute settlement process has greatly worried governments and legislatures.

While these worries are understandable, especially when most policymakers and legislators do not have wide expertise in international trade law, it is important to remember that the copyright industries’ interpretation of the three-step test is not always the same as the WTO panels’ interpretation. The WTO includes 159 members, with economies ranging from Britain to Bulgaria to Burkina Faso. The deals it struck also involve considerable bargaining across trade sectors—for example, stronger intellectual property protection in exchange for concessions in textiles and agriculture. Thus, what seems obvious to the copyright industries in the developed world may not always be supported by the heavily bargained-for language in the WTO.

It is also not to be forgotten that the three-step test was historically introduced as an enabling tool rather than a constraining tool. As Christophe
Geiger, Daniel Gervais and Martin Senftleben rightly reminded us in a recent article: “From the perspective of national legislation, it would seem more logical to interpret the three-step test as not designed exclusively for restricting new use privileges, but also as enabling them…. Many use privileges that have become widespread at the national level are directly based on the international three-step test.”

At least three reasons exist to support the interpretation of these noted copyright scholars. First, the test was created when the reproduction right was formalized in the Berne Convention. Instead of creating a large number of specific exceptions to accommodate the different approaches taken by the then Berne members, the drafters came up with a flexible test to ensure that members could introduce minor exceptions without waiting for the Berne Convention to be revised, as long as these exceptions pass the test.

Second, the three-step test was introduced in the same Stockholm Intellectual Property Conference that brought to the world the Protocol Regarding Developing Countries. At that time, the Berne members were trying very hard to accommodate the needs of newly independent, and most certainly developing, countries. As Barbara Ringer, the former U.S. Register of Copyrights, recounted, “There was obviously a fear that … Berne would become a moribund old gentlemen’s club.” There was also a great concern “that there would be a mass exodus of developing countries from Berne and into the [Universal Copyright Convention].” The latter convention was created as an alternative with lower protection standards to entice the United States to join the international copyright family. Although the United States had been a member of the Universal Copyright Convention since September 1955, it did not join the Berne Convention until March 1989.

Third, even though analysis in the three-step test often begins with the first step, the three steps were laid out in a very different order when Eugen Ulmer proposed the test. Ulmer was the chair of Main Committee I at the Stockholm Intellectual Property Conference, which was charged with the revision of the Berne Convention. As noted in the records of this committee, the three steps had been reversed to “afford a more logical order for the interpretation of the rule.”

According to Ulmer, “the normal exploitation of the work [was] the first essential of the three-step test while … the question of prejudicing the legitimate interests of the author constituted merely a secondary one.” As he stated in the records:

If it is considered that reproduction conflicts with the normal exploitation of the work, reproduction is not permitted at all. If it is considered that reproduction does not conflict with the normal exploitation of the work, the next step would be to consider whether it does not unreasonably prejudice the legitimate interests of the author. Only if such is not the case would it be possible in certain special cases to introduce a
compulsory license, or to provide for use without payment. A practical example might be photocopying for various purposes. If it consists of producing a very large number of copies, it may not be permitted, as it conflicts with a normal exploitation of the work. If it implies a rather large number of copies for use in industrial undertakings, it may not unreasonably prejudice the legitimate interests of the author, provided that, according to national legislation, an equitable remuneration is paid. If a small number of copies is made, photocopying may be permitted without payment, particularly for individual or scientific use.

It is therefore no surprise that Daniel Gervais, who worked in the WTO secretariat at the time of the TRIPS negotiations, stated that the last two steps of the three-step test, which affect the copyright holders’ exploitation of the underlying work, deserve much more focus and attention than the first step.

Consider, for instance, the exception for non-profit-making or non-commercial UGC in Hong Kong, which internet users and their supporters proposed based on section 29.21 of the Canadian Copyright Modernization Act. In response to this proposal, the copyright industries claimed that “many prominent copyright experts argue that the Canadian UGC exception is unlikely to comply with the three-step test.” In a recent article, along with a position paper submitted to the Hong Kong government during the 2013 consultation, I already explained in detail why the proposed noncommercial UGC exception would pass this test. I also noted that the Canadian provision “approximates a well negotiated bargain struck after a multi-year negotiation process that took into account the interests of copyright holders, OSPs and Internet users.” Thus, instead of rehashing arguments made earlier, this section will only collect the opinions of leading commentators that the copyright industries and the Hong Kong government have conveniently ignored.

For example, Kimberlee Weatherall, a professor in Australia and a close observer of bilateral, plurilateral and regional trade agreements, declared: “[M]any instances of UGC are so distant from markets for the original copyright work that they are unlikely to compete directly with copyright holders: it is hard to believe … that the three-step test would require any UGC exception be limited to solely non-commercial activities.” Likewise, Martin Senftleben, a professor in the Netherlands and the author of a book-length treatment of the three-step test, observed:

[T]he three-step test would have to be perceived and used as a flexible balancing tool that can be employed to broaden existing limitations and introduce new use privileges. In this way, an appropriate limitation infrastructure could be established, for instance, to support advanced search engine services, the digitization of cultural material, and online platforms for user-generated content.
Professor Samuel Trosow and his colleagues at the University of Western Ontario in Canada also wrote:

Although UGC is an important source of economic growth, innovation and cultural expression, policy-makers have been slow to react and begin dismantling the barriers which prevent an environment where UGC can flourish. A degree of inaction on the part of policy-makers stems from the fact that most countries’ ability to create new limitations and exceptions to copyright infringement are constrained by international copyright agreements…. Given the broad and open-ended character of fair use in the U.S. Act, which predates the TRIPS Agreement, we do not consider the spectre of the three-part test to be legitimate concern.

Even in Singapore, a frequent point of comparison for policymakers and legislators in Hong Kong, Warren Chik maintained: “Although there are various applications of [the three-step] test, that divergence should not be an impediment to the enactment of a UGC limitation ….”

Apart from these individual experts, the Max Planck Institute for Intellectual Property and Competition Law released the Declaration on a Balanced Interpretation of the “Three-Step Test” in Copyright Law in July 2008. Paragraph 3 of the Declaration stated: “The Three-Step Test’s restriction of limitations and exceptions to exclusive rights to certain special cases does not prevent … legislatures from introducing open ended limitations and exceptions, so long as the scope of such limitations and exceptions is reasonably foreseeable ….” Since its adoption, this declaration has been signed by leading intellectual property scholars from such reputable institutions as Cambridge, Duke, Edinburgh, Max Planck and Queen Mary, London.

When all of these scholarly opinions are taken together, it is quite clear that the proposed noncommercial UGC exception is not as problematic as the copyright industries and the government have suggested. In fact, the opinions quoted above suggested that intellectual property experts in Asia, Australia, Europe and North America either had endorsed or would endorse this exception. The number of experts listed in this section already far exceeds the three prominent experts cited in the documents released by the Hong Kong government.

While the quoted opinions speak for themselves, the aim of this section is not to show which group of experts has better analyses of the three-step test, or which group has more credibility in the copyright field. Each group comprises experts in their own right. Rather, the aim is to remind policymakers and legislators of the highly polarized nature of the current debate on digital copyright reform. The debate is so polarized today that it is virtually impossible to find a proposal that all parties would accept,
especially when one takes into account the high social, economic and cultural stakes involved.

The three-step test was proposed in the 1960s to enable the development of minor copyright exceptions. Sadly, this test has now been widely used by the copyright industries as a lobbying tool against the introduction of new copyright exceptions. In the end, the rights these industries demand will be introduced, even if they are highly controversial. Meanwhile, those corresponding exceptions that are needed to maintain the traditional balance of the copyright system will have to overcome a major hurdle in the form of the three-step test.

ARGUMENT 4: NEW COPYRIGHT EXCEPTIONS DO NOT EVEN NEED TO BE CONSIDERED BECAUSE OF THE POTENTIAL PROBLEMS WITH THE THREE-STEP TEST.

This argument continues the discussion in the previous section, but it shows a different aspect of the confuzzling rhetoric advanced by the copyright industries. In the industries’ view, when an exception may fail the three-step test as interpreted by them, there is no need to consider that exception regardless of its inherent merits. This position is rather peculiar, considering that governments and legislatures rarely abandon legislative proposals based on the mere possibility of their failing a single test. If the proposals have inherent merits, these institutions often will explore further whether adjustments can be made to ensure that the proposals pass the test. Balancing is indeed what governments and legislatures do when confronted with difficult policy choices.

To flesh out the copyright industries’ flawed logic, let us apply the same logic to the proposals they have repeatedly demanded in Hong Kong—the proposal to introduce a broad right of communication to the public. Clearly, having this right and the attendant criminal and civil penalties would affect internet users, especially in regard to their ability to express themselves, participate in the creative process and engage in the political debate. However, if these users argue that the Hong Kong government or the Legislative Council should immediately abandon the introduction of this right simply because it could cause harm or raise problems concerning the compliance with international human rights treaties, the copyright industries will find the argument laughable. Given the industries’ refusal to apply the same logic to their own proposals, one has to wonder how convincing it is for them to ask the government or the legislature to abandon the new copyright exceptions simply because of the potential problems with the three-step test.

When international compliance problems arise, the proper approach for governments and legislatures is to first evaluate the need for introducing the proposed right or exception and then to consider how the relevant provisions can be drafted. This is the approach taken by the Hong Kong
government in regard to the right of communication to the public as well as other legislative proposals that seek to strengthen copyright protection and enforcement. It is also the legislative approach that, I suspect, the copyright industries would endorse—at least in relation to their preferred proposals.

Given the likely agreement between the government and the copyright industries over the proper legislative approach, why would it be inappropriate to apply that same approach to the noncommercial UGC exception proposed by internet user groups? After all, what works for the goose should work for the gander. If the proposed exception—or, for that matter, other copyright exceptions—is needed but may violate the three-step test, the question that logically follows should be how the potentially incompatible exception can be drafted to ensure that it passes the test.

To be certain, it is not always easy to predict whether an exception would pass the three-step test, considering the insufficient “case law” developed by the WTO Dispute Settlement Body. Nevertheless, most commentators do anticipate the ability to create an exception that passes this test. In the Gowers Review of Intellectual Property, for example, 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.” The use of the phrase “within the parameters of the Berne Three Step Test” clearly reflects the anticipation that relevant parameters can be set.

Moreover, if the Hong Kong government or the Legislative Council fears that the exceptions as proposed by internet user groups may not safely pass the test, it can always redraft the legislation by writing into it all three steps of the test. As a matter of logic, any exception incorporating the three-step test can never fail that test. Indeed, incorporating the three-step test, or a majority of it, directly into the proposed statute has been a common approach used around the world. For instance, South Korea recently took that approach when introducing a new fair use regime. That approach has also been used in article 21 of the Implementing Regulations of the Chinese Copyright Law and the draft Third Amendment to the Chinese Copyright Law. Even the Hong Kong Copyright Ordinance has a number of provisions incorporating the second and third steps of the three-step test.

**ARGUMENT 5: NEW COPYRIGHT EXCEPTIONS SHOULD BE ABANDONED BECAUSE THEY FAIL TO STRIKE THE BALANCE BETWEEN HUMAN RIGHTS AND ECONOMIC RIGHTS.**

In anticipation of arguments raised by internet users and their supporters over the need to protect free speech, free press, privacy, due process and other civil liberties, the copyright industries have argued that governments and legislatures should strike the proper balance between human rights and economic rights when considering proposals for new copyright exceptions.
While this argument makes business sense, especially in light of the adverse impact these exceptions may have on the industries’ revenue streams and business models, the agreement is odd from a human rights standpoint.

In the past decade, U.N. bodies have widely criticized the negative impact of intellectual property regulations on the protection of human rights. For example, in Resolution 2000/7, the U.N. Sub-Commission on the Promotion and Protection of Human Rights reminded governments “of the primacy of human rights obligations over economic policies and agreements.” That resolution specifically called on “governments and national, regional and international economic policy forums to take international human rights obligations and principles fully into account in international economic policy formulation.”

In June 2001, Mary Robinson, the U.N. High Commissioner for Human Rights, also released a report highly critical of the TRIPS Agreement. As the report declared:

[T]he overall thrust of the TRIPS Agreement is the promotion of innovation through the provision of commercial incentives. The various links with the subject matter of human rights—the promotion of public health, nutrition, environment and development—are generally expressed in terms of exceptions to the rule rather than the guiding principles themselves and are made subject to the provisions of the Agreement.

In addition, the report lamented the agreement’s failure to provide guidance on how to achieve the balance between rights and obligations. It also deplored the considerable enclosure of the WTO members’ policy space to “promote and protect human rights, including the right to development.” Finally, the report highlighted the growing concerns about the use of trade pressure to impose TRIPS-plus legislation that could result in the development of “IP systems that are inconsistent with States’ responsibilities under human rights law.” Although the High Commissioner’s report was published more than a decade ago, it remains timely today.

To be certain, some economic rights have attained human rights status. The distinction between economic rights and human rights is therefore not a simple dichotomy. It is also not uncommon to find the copyright industries lobbying to protect their own human rights. In the intellectual property area, for instance, article 15(1)(c) of the International Covenant on Economic, Social and Cultural Rights (ICESCR) recognizes the right “[t]o benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he [or she] is the author.”

Nevertheless, one should not forget that human rights are for humans. As such, these rights do not always extend to rights owned by corporations. Most of those copyright holders who lobby heavily against the introduction of new copyright exceptions tend to fit within the non-human, corporate
category. As a result, their arguments are rather weak from a human rights standpoint.

More importantly, human rights treaties do not impose obligations requiring very high levels of protection and enforcement. As the U.N. Committee on Economic, Social and Cultural Rights stated in *General Comment No. 17*, its authoritative interpretation of article 15(1)(c) of the ICESCR, the right to the protection of interests in intellectual creations was created primarily to protect those “basic material interests which are necessary to enable authors to enjoy an adequate standard of living.” Likewise, I noted in an earlier article that this right “was not designed to protect the unqualified property-based interests in intellectual creations, but rather to protect the narrow interest of just remuneration for intellectual labor.”

Thus, even if we focus on the human rights of individual authors, it is very unlikely that international human rights treaties would guarantee the ever-increasing levels of protection and enforcement the copyright industries now demand. It is also quite possible that human rights bodies would find their demands not required by international human rights obligations. After all, the existing levels of protection and enforcement of intellectual property rights may have already been high enough to “enable authors to enjoy an adequate standard of living.” It is therefore no surprise that *General Comment No. 17* cautioned us “not to equate intellectual property rights with the human right recognized in article 15, paragraph 1(c).”

There is no denying that the copyright industries are frustrated by the human rights arguments advanced by internet users and their supporters. It is also not uncommon to find industry representatives lamenting how the protection of human rights has stifled efforts to strengthen copyright protection and enforcement. To a large extent, this frustration has been equally shared by those involved in law enforcement and public administration. The protection of human rights has indeed made it more difficult for the police to do their job and for the government to control its citizens.

Ultimately, however, we just have to ask ourselves what type of society we want to live in. Do we want a society that respects human rights? Or do we want one that prioritizes economic rights, or considers them as fundamental as human rights? Given that many jurisdictions—including Hong Kong—have already chosen the former over the latter, this important choice should guide the evaluation on the need to introduce new copyright exceptions. Because human rights will have priority over economic rights, except for those that have achieved human rights status, human rights will also have priority over those intellectual property rights that have not yet achieved human rights status.
ARGUMENT 6: WORRIES ABOUT THE FREE SPEECH IMPLICATIONS OF STRENGTHENING COPYRIGHT PROTECTION AND ENFORCEMENT ARE UNJUSTIFIED BECAUSE U.S. COURTS HAVE ALREADY SHOWN THAT NO CONFLICT EXISTS BETWEEN COPYRIGHT AND FREE SPEECH.

The copyright industries utilize the law of the United States and other major developed countries to support their positions. In addressing human rights concerns raised by increased copyright protection, for example, they have relied heavily on U.S. Supreme Court cases to illustrate the lack of a conflict between copyright and free speech, even though the Court of Appeal of England and Wales did declare in Ashdown v. Telegraph Group Ltd. that “rare circumstances can arise where the right of freedom of expression will come into conflict with the protection afforded by the Copyright Act, notwithstanding the express exceptions to be found in the Act.”

In Harper & Row, Publishers, Inc. v. Nation Enterprises, a case involving the unauthorized publication of carefully chosen quotations from President Gerald Ford’s unpublished memoirs, Justice Sandra Day O’Connor declared, “[I]t should not be forgotten that the Framers [of the U.S. Constitution] intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas.”

In Eldred v. Ashcroft, a case challenging the constitutionality of the Sonny Bono Copyright Term Extension Act of 1998, Justice Ruth Bader Ginsburg also rejected the petitioner’s First Amendment arguments. She noted the “built-in First Amendment accommodations” within copyright law, such as the idea-expression dichotomy, the fair use defense and other exceptions specifically included in the challenged statute. She also declared, “The First Amendment securely protects the freedom to make—or decline to make—one’s own speech; it bears less heavily when speakers assert the right to make other people’s speeches.”

As influential as they are, U.S. Supreme Court precedents are not binding outside the United States. Policymakers, legislators and judges in Hong Kong and other jurisdictions can therefore ignore these decisions. The important point here, however, is not whether U.S. courts have extraterritorial influence. Rather, it is to show that the cited judicial decisions do not say what the copyright industries have claimed. Those cases therefore do not support the industries’ arguments against the introduction of new copyright exceptions.

In Harper & Row, Justice O’Connor did not state that the copyright system always serves as an “engine of free expression.” Nor did she look into whether the existing laws have ensured that the system serves its intended role. Rather, she focused on the Framers’ intent: “[I]t should not be forgotten that [they] intended copyright itself to be the engine of free expression.” Sadly, what the Framers intended in the 18th century was quite
different from what we have today. Given these significant differences, the current copyright system deserves more scrutiny from a human rights standpoint, not less.

Moreover, as Justice William Brennan rightly observed in his oft-overlooked dissent, “The copyright laws serve as the ‘engine of free expression’ only when the statutory monopoly does not choke off multifarious indirect uses and consequent broad dissemination of information and ideas.” Because the current copyright system and the ever-increasing push for even stronger laws and enforcement tools threaten to choke off these uses and stifle the dissemination of information and ideas, they do not enable the system to serve as the “engine of free expression” as the Framers intended.

Thus, even if policymakers, legislators and judges in other jurisdictions agree that Harper & Row is instructive on the debate on copyright and free speech, they still need to explore whether existing law, along with the upward adjustments now demanded by the copyright industries, would fulfill the historical intent of those creating the copyright system. They may also need to evaluate whether such law and the proposed upward adjustments would “choke off multifarious indirect uses and consequent broad dissemination of information and ideas”—a key concern of Justice Brennan. To argue that the copyright system serves as an “engine of freedom of expression” regardless of the levels of protection and enforcement the current system offers is a gross misreading of Justice O’Connor’s important decision.

In Eldred, Justice Ginsburg made the distinction between “the freedom to make—or decline to make—one’s own speech” and “the right to make other people’s speeches.” However, she did not stop there. Instead, she continued to declare, “To the extent such assertions raise First Amendment concerns, copyright’s built-in free speech safeguards are generally adequate to address them.” Justice Ginsburg’s focus on these safeguards is of crucial importance, considering that similar safeguards such as fair use may not exist in other jurisdictions. She also recognized that the lower appellate court had “spoke[n] too broadly when it declared copyrights ‘categorically immune from challenges under the First Amendment.’” In her view, copyright is not categorically immune from free speech challenges. Later in the opinion, she further stated, “When … Congress has not altered the traditional contours of copyright protection, further First Amendment scrutiny is unnecessary.” Thus, her decision paved the way for future Supreme Court challenges in situations where Congress may have “altered the traditional contours of copyright protection”—Golan v. Holder, for example.

Although the copyright industries have widely repeated Justice Ginsburg’s emphasis on the different treatment of “the right to make other people’s speeches,” it cannot be overlooked that her statement was mere
*obiter dictum.* Quite a number of commentators have already questioned the accuracy and desirability of this rather controversial statement. For instance, Rebecca Tushnet, who was highly critical of the *Eldred* decision, wrote:

As a matter of doctrine, this [statement] is false. The *New York Times* is one of the most securely protected speakers imaginable, even when it prints other people’s words on its op-ed pages and in its letters section. It was not the author of the *Pentagon Papers*, but that mattered not a whit when the government (which was the author) sought to prohibit publication. That the *New York Times* adopts other people’s words as its own makes it just like Eric Eldred choosing a public domain work to publish, or a judge accepting a draft of an opinion by a clerk, or a bookstore selling *Ulysses*, or a senator quoting the Bible in a debate; the question is precisely what “one’s own speech” is.

As Professor Tushnet explained: “[C]opying is of value to audiences who have access through copying to otherwise unavailable speech. It also enhances copiers’ ability to express themselves; to persuade others; and to participate in cultural, religious, and political institutions.” In her view, “[w]hen words are tools, the speaker’s creativity may be less important than her words’ suitability for the task at hand.”

Jennifer Rothman likewise observed:

Although the Supreme Court has concluded in the context of copyright law that the First Amendment does not bear heavily on the “right to make other people’s speeches,” a liberty analysis demonstrates that one should have a right to use someone else’s copyrighted work to engage with one’s own-lived experiences. Such an approach is justified not by the furtherance of a political, democratic dialogue (the most common First Amendment approach in copyright cases) or even by broad speech-based rights of self-expression, but instead as a fundamental and specific component of who one is.

In Professor Rothman’s view, “copyright law should be limited when it interferes with the sacred space constitutionally reserved for individuals to define and construct themselves.” In the event of a conflict between copyright protection and an individual user’s liberty interest, that interest “will most often outweigh countervailing public-policy justifications for protecting copyrighted works as well as the interests of individual copyright holders and creators.”

Moreover, what Justice Ginsburg said with respect to U.S. free speech jurisprudence may not be easily exported abroad. The First Amendment specifically states: “[C]ongress shall make no law … abridging the freedom of speech, or of the press ….” With a focus on Congress—and, by extension, state and local legislatures in the United States—the provision is structurally very different from, say, Article 19 of the Universal Declaration of Human Rights. The latter provision stipulates: “Everyone
has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.” In light of this key structural difference, the First Amendment may have lent itself to a unique, and often path-dependent, analysis that cannot be easily replicated abroad. After all, Justice Ginsburg’s focus in *Eldred* was not on the right to freedom of opinion and expression per se, but U.S. free speech law as decided in accordance with the First Amendment to the U.S. Constitution.

Even if we ignore the complications generated by U.S. First Amendment jurisprudence, it is important to recall that Justice Ginsburg relied on the fair use defense, along with the idea-expression dichotomy, to illustrate how the U.S. copyright system has provided “built-in First Amendment accommodations.” As she noted, this defense “allows the public to use not only facts and ideas contained in a copyrighted work, but also expression itself in certain circumstances.” Given the fact that most jurisdictions, including Hong Kong, do not have a similarly robust fair use regime, one has to wonder whether the failure to introduce this important safeguard would make Justice Ginsburg’s analysis inapposite.

One question that is hard to ignore in relation to the copyright industries’ repeated reliance on U.S. case law to explain away the problems in the new copyright amendment bill in Hong Kong is that, if these industries do find the U.S. model appealing, why do they strongly oppose the proposal for introducing a U.S.-style fair use regime in Hong Kong? That proposal has been repeatedly pushed by both internet users and OSPs. Had the fair use regime been introduced, the government might not even need to introduce so many new copyright exceptions. Moreover, the copyright industries’ repeated reliance on Justice Ginsburg’s *Eldred* opinion while conveniently ignoring her view that fair use is of crucial importance strongly suggests that these industries are simply picking and choosing the part of the U.S. copyright system that favour their revenue streams and business models.

Or worse, as revealed in a recent exchange between U.S. and other government officials during the negotiation of the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled, some policymakers and industry leaders have taken the view that foreign countries are incapable of using the fair use regime properly. If these views were indeed valid, their colonial overtone aside, why would these officials be so confident that the newly strengthened protections and enforcement tools in the copyright regime would not be abused? (Did these officials take the self-interested position that, even if those rights were to be abused, the benefits would have inured to the copyright industries residing in their own countries?) More directly related to the internet users’ concerns, why would it be unwise for governments and legislatures to introduce protective safeguards in the forms
of new copyright exceptions if foreign countries were indeed incapable of making proper use of the transplanted laws?

It has only been a few years since the New York Times published detailed reports on the complaints by an outspoken Siberian environmental activist group about how Russian authorities had confiscated their computers (as well as those of other advocacy groups and opposition newspapers) in the name of protecting Microsoft’s copyrighted software. There is also an emerging discussion about how the increased push for stronger copyright enforcement and internet intermediary liability has forced OSPs to assume the role of private “proxy censors.” As complaints about the abuse of the copyright system continue to grow, it is increasingly difficult to accept the bald claim that no apparent conflict exists between copyright and free speech, U.S. Supreme Court cases notwithstanding. It is even harder when those cases that have been cited as support for the copyright industries’ claim have been clearly misread.

ARGUMENT 7: THE INTRODUCTION OF NEW COPYRIGHT EXCEPTIONS WILL CAUSE FINANCIAL DAMAGE TO COPYRIGHT HOLDERS.

The final claim is that the introduction of new copyright exceptions will result in financial damage to copyright holders. This claim is hard to deny. In fact, the goal of an exception is to reduce the rights of copyright holders. With reduced protection, they will certainly have a weaker ability to commercially exploit those rights. For instance, an exception for research, private study or giving or receiving instruction will take away the opportunity for copyright holders to demand license fees from individual researchers, schools, universities and other educational institutions. An exception for news reporting will take away the opportunity to earn fees from news and broadcasting organizations, and an exception for public administration will have similar adverse effects in regard to revenues from government agencies—or, by extension, taxpayers.

Indeed, the copyright industries are merely belaboring the obvious. What they have stated is exactly how copyright exceptions are supposed to operate. As Ronan Deazley wrote:

[It is axiomatic that the introduction of any new exception will, in theory, impact negatively upon the opportunity for rightsholders to generate licensing revenue from their work.... Indeed, any statutorily-defined permitted use that renders redundant the prior authorization of the rightsholder implicitly anticipates the loss of a potential revenue stream for the rightsholder. That in itself is not an argument for refusing to introduce the exception.

The important policy question here should not be whether the introduction of new copyright exceptions would take away the copyright holders’ opportunity to earn more licensing revenue (which most certainly
will happen), but whether these rights holders deserve to have that opportunity in the first place. Just because one could lose money does not mean that one has the right to earn that amount. If the copyright industries want to justify their right to do so, they need to rely on arguments other than their potential to lose license fees.

When difficult policy choices are to be made, it is important to explore whether the costs to copyright holders would outweigh the benefits to the public at large. As Professor Deazley elaborated:

Securing financial remuneration for the rightsholder to the extent that it might incentivise the creation and dissemination of new work is an important factor to bear in mind when determining what is in the public interest, but it should not be regarded as the determinative factor. Other relevant considerations will include, for example, the extent to which an exception ... might allow for and incentivise the creation of new work, the free speech interests of the parodist, and so on.

To illustrate how governments and legislatures should explore these difficult policy questions, let us recall the copyright industries’ favorite three-step test. The second step of this test does not ask whether the law in question affects any of the rights holders’ ability to exploit copyrighted works. Instead, it focuses specifically on their normal exploitation of those works. As the WTO panel rightly reminded us in United States—Section 110(5) of the US Copyright Act: “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.”

Likewise, the third step does not concern whether the law in question prejudices any of the copyright holders’ interests. Rather, it focuses first on the rights holders’ legitimate interests and then on whether the prejudice in question is reasonable. As the WTO panel declared, the legitimacy of the implicated copyright interests will be determined both from a legal positivist perspective and based on “justif[i]cations in the light of the objectives that underlie the protection of exclusive rights.”

When these two steps are considered together, the three-step test provides a resounding reminder about the need to separate those copyright interests that are protected under current laws or treaties from those that are not. After all, the copyright system was not designed to enable copyright holders to capture whatever benefits they could obtain. In the words of Professor Deazley:

The copyright regime has never been—nor should it be—solely concerned with securing any and all potential revenue streams for rightsholders. When determining the circumstances in which copyright-protected material might be used without the need for authorisation, it is paramount that government policy
is shaped by what is considered to be in the public interest broadly defined rather than what is in the best financial interests of the rightsholder.

Drawing on economic theory, Mark Lemley also observed:

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.

When considering new copyright exceptions that favor internet users or the public at large, policymakers and legislators will inevitably be confronted with some hard choices. Those choices are hard because internet users or members of the public will always outnumber copyright holders. These choices have become even harder when the views of authors do not always align with those of copyright holders.

The copyright industries have a penchant for complaining about how the introduction of new copyright exceptions would harm authors. Yet, if they are so concerned about authors, why did they oppose laws seeking to strengthen the protection of moral rights—that is, laws that would allow authors to sue copyright holders for harming their reputation by misattributing or distorting their work? Why did they lobby in the United States for legislation that would have reduced artistic expressions in sound recordings to “works made for hire”—provisions that would have maximized the industry’s benefits at the expense of authors? Are the copyright industries really concerned about authors? Or are they merely using them to advance arguments to protect their own revenue streams and business models?

As I noted in the past, many of us who work in the copyright field are sympathetic to the needs of authors even while we are advocating on behalf of internet users and the public at large. Nevertheless, we are less eager to protect financiers, especially when they do not treat authors fairly. As Paul Goldstein rightly reminded us, “Public respect for the rights of entertainment companies cannot be separated from the public’s perception of the respect these companies pay to the rights of the authors and artists who are the source of their products.”

Given the repeated complaints about the copyright industries’ unfair treatment of authors, and the unsettling news about the large settlements the music and publishing industries made in price-fixing lawsuits, it is about time governments and legislatures stop using copyright holders’ interests as a proxy for authors’ interests. If the policy focus is creativity and authors, as
opposed to investment and copyright holders, these institutions should start asking what authors actually want. They should not just lump authors’ interests together with those of copyright holders.

CONCLUSION

In recent years, copyright exceptions have been proposed in many different jurisdictions and at both the domestic and international levels. These exceptions carry a diversity of ideas about how the copyright system can be modernized to enable individual users to use the internet and new communications technologies effectively to fulfill their full potential. Interestingly, the copyright industries’ objections to these exceptions have been fairly uniform. The arguments they make across jurisdictions have also been quite similar. In one fell swoop, this article challenges seven of the copyright industries’ most widely used arguments against the introduction of new copyright exceptions. It also calls on policymakers and legislators to critically evaluate these arguments, lest they lead to wrong policy choices that harm internet users and the public at large.
DIGITAL COPYRIGHT ENFORCEMENT MEASURES
AND THEIR HUMAN RIGHTS THREATS

INTRODUCTION

In an essay published in The New Yorker in May 1960, A.J. Liebling reminded us that “[f]reedom of the press is guaranteed only to those who own one.” A few years later, the internet as we know it began to develop. With the arrival of the World Wide Web in the late 1980s and the rapid proliferation of new communications technologies in the following two decades, most people now enjoy the freedom that comes with owning a printing press. Sadly, the advent of these technologies has also led copyright holders and their supportive governments to push for higher standards of protection and enforcement at both the domestic and international levels. Failing to strike the appropriate balance between proprietary interests and public access needs, these standards have now threatened the protection of free speech, free press, privacy, due process and other human rights.

To combat the challenges posed by peer-to-peer file-sharing technologies, the entertainment industry began deploying aggressive tactics toward individual end-users, online service providers (OSPs) and other third parties at the turn of this millennium. They have also lobbied heavily for new digital copyright enforcement measures ranging from heavy criminal penalties to online filtering and surveillance measures to internet disconnection. Thus far, the industry’s efforts have had only mixed results and have been heavily criticized by policymakers, academic commentators, consumer advocates, civil liberties groups and internet user communities.

This chapter examines the human rights threats posed by those digital copyright enforcement measures that have been incorporated into both domestic laws and international agreements. It begins by providing an overview of the various human rights that have been implicated by these measures. The chapter then briefly discusses those specific measures that have been deemed highly threatening from a human rights standpoint. Although these measures were drawn largely from international agreements, most notably the Anti-Counterfeiting Trade Agreement (ACTA), many of them originate in domestic laws in either the European Union or the United States.

This chapter concludes with two case studies. The first study focuses on the so-called “graduated response” system, which has been introduced in Chile, France, Ireland, South Korea, Taiwan and the United States and explored in New Zealand and the United Kingdom. This study illustrates the specific challenges brought about by one of the most draconian copyright enforcement measures ever created for the internet. The second study focuses on the active push by copyright holders and their supportive governments for provisions in ACTA that promote greater enforcement of
intellectual property rights in the digital environment. This study highlights the systemic human rights challenges posed by non-multilateral trade agreements.

**LEFT-HAND COLUMN: HUMAN RIGHTS**

Out of all the internationally recognized human rights, the right to freedom of opinion and expression is most threatened by digital copyright enforcement measures. Article 19 of the Universal Declaration of Human Rights (UDHR) provides: “Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.” Building on this language, Article 19 of the International Covenant on Civil and Political Rights (ICCPR) provides more detailed stipulations in enforceable terms.

In the digital age, access to the internet is paramount to the enjoyment and exercise of this core human right. As a U.S. district court judge recognized in the seminal case of *Reno v. American Civil Liberties Union* in the mid 1990s, the internet is “the most participatory form of mass speech yet developed,” and its content “is as diverse as human thought.” Likewise, Frank La Rue, the Special Rapporteur on the Promotion and Protection of the Right to Freedom of Opinion and Expression (Special Rapporteur) declared:

> [T]he Internet is one of the most powerful instruments of the 21st century for increasing transparency in the conduct of the powerful, access to information, and for facilitating active citizen participation in building democratic societies. Indeed, the recent wave of demonstrations in countries across the Middle East and North African region has shown the key role that the Internet can play in mobilizing the population to call for justice, equality, accountability and better respect for human rights.

Although commentators have widely debated over how much of this right has been extended to the internet—in particular, whether a human right to the internet exists—U.N. human rights bodies and most academic commentators have taken the position that the right to freedom of opinion and expression directly applies to the internet. As stated in *General Comment No. 34*, the Human Rights Committee’s authoritative interpretation of Article 19 of the ICCPR:

> States parties should take account of the extent to which developments in information and communication technologies, such as internet and mobile based electronic information dissemination systems, have substantially changed communication practices around the world. There is now a global network for exchanging ideas and opinions that does not
necessarily rely on the traditional mass media intermediaries. States parties should take all necessary steps to foster the independence of these new media and to ensure access of individuals thereto.

In a recent article, Molly Land also noted that “the human rights protections that apply generally to all restrictions on freedom of expression and information apply equally to communication and the exchange of information online.” In addition, some countries such as Costa Rica, France and Greece have recognized the right to the internet as a fundamental right. Finland and Spain have gone even further to mandate universal broadband access.

Apart from the right to freedom of opinion and expression, digital copyright enforcement measures implicate other rights protected in the UDHR, the ICCPR, the International Covenant on Economic, Social and Cultural Rights (ICESCR) and other international and regional human rights instruments. Consider the UDHR for example. Article 11 states that “[e]veryone charged with a penal offence has the right to be presumed innocent until proved guilty according to law in a public trial at which he has had all the guarantees necessary for his defence.” Article 12 stipulates that “[n]o one shall be subjected to arbitrary interference with his privacy.” Article 18 recognizes “the right to freedom of thought.” Article 21 provides for “the right to freedom of peaceful assembly and association.” Article 26 covers the right to education. Article 27(1) provides: “Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.”

To complicate matters even further, because human rights are interdependent and mutually reinforcing and have an enabling or empowerment function, any intrusion on one human right could easily affect another. As the Special Rapporteur recently observed:

The right to freedom of opinion and expression is as much a fundamental right on its own accord as it is an “enabler” of other rights, including economic, social and cultural rights, such as the right to education and the right to take part in cultural life and to enjoy the benefits of scientific progress and its applications, as well as civil and political rights, such as the rights to freedom of association and assembly. Thus, by acting as a catalyst for individuals to exercise their right to freedom of opinion and expression, the Internet also facilitates the realization of a range of other human rights.

In an age where digital literacy is highly important, users who cannot exercise their right to freedom of opinion and expression are unlikely to be able to function effectively in the digital environment. It is therefore no surprise that U.N. bodies and developing country governments have expressed grave concern that the growing global digital divide could cause
many individuals and developing countries to lose out on the unprecedented opportunities generated by the information revolution. Such impeded access would make it difficult for individuals to fully realize themselves and to develop the human capabilities identified by Martha Nussbaum and Amartya Sen.

When access to information on the internet is discussed, the focus tends to fall on textual content, such as e-mail, e-books, websites, newsgroups, blogs, social media, and other online and electronic media. In recent years, however, greater attention has been paid to non-textual forms of creative or media content. As Lawrence Lessig eloquently declared:

> 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.

Because images, audio files and video clips are now highly important to communication in the digital environment, the tensions and conflicts raised by digital copyright enforcement measures have greatly escalated. For many internet users, the reuse of copyrighted contents is badly needed if they are to actively participate in the online communities or to produce what is generally referred to as “user-generated content.”

In sum, the threats posed by digital copyright enforcement measures could spark a vicious cycle that harms individual human rights. This cycle goes as follows: The lack of access to information on the internet affects the enjoyment and exercise of the right to freedom of opinion and expression in the digital environment. The impediments to this right, in turn, undermine an individual’s ability to enjoy the right to education. Because human rights have an enabling or empowerment function, this individual also loses his or her ability to enjoy other human rights. In the end, the harms caused by digital copyright enforcement measures have greatly reduced this individual’s ability to maintain human dignity and respect in today’s digital age.

**RIGHT-HAND COLUMN: INTELLECTUAL PROPERTY RIGHTS**

Although many international organizations, policymakers, activists and commentators have highlighted the tensions and conflicts between human rights and intellectual property rights, the texts of international and regional human rights instruments recognize that *some* aspects of intellectual property rights are protected as human rights—rights that “derive[] from the inherent dignity and worth of all persons.” Thus, if we are to faithfully interpret these instruments, we need to cover both the left-hand column (human rights that
are used to balance against intellectual property rights) and the right-hand column (the human rights aspects of intellectual property rights).

Article 27(2) of the UDHR provides: “Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he [or she] is the author.” Article 15(1)(c) of the ICESCR also requires state parties to “recognize the right of everyone […] [t]o benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he [or she] is the author.” Because human rights are “universal, indivisible and interdependent and interrelated,” as stated in the Vienna Declaration and Programme of Action, the right to the protection of interests in intellectual creations should be treated just like any other human rights. Although the name of this right sounds clumsy in comparison to such shorthand titles as “the right to intellectual property,” this chapter will use the term throughout to avoid confusion with what we generally describe as “intellectual property rights.”

Notwithstanding the recognition of the right to the protection of interests in intellectual creations in the UDHR, the ICESCR and other international and regional instruments, such as the American Declaration on the Rights and Duties of Man, it is important to recognize that this right does not extend to all forms of intellectual property rights as currently enshrined in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization (WTO) and TRIPS-plus bilateral, plurilateral and regional trade, investment and intellectual property agreements.

In General Comment No. 17, the authoritative interpretation of Article 15(1)(c) of the ICESCR, the Committee on Economic, Social and Cultural Rights reminded us of the importance of “not […] equat[ing] intellectual property rights with the human right recognized in article 15, paragraph 1(c).” As the Committee explained:

Human rights are fundamental as they are inherent to the human person as such, whereas intellectual property rights are first and foremost means by which States seek to provide incentives for inventiveness and creativity, encourage the dissemination of creative and innovative productions, as well as the development of cultural identities, and preserve the integrity of scientific, literary and artistic productions for the benefit of society as a whole.

In contrast to human rights, intellectual property rights are generally of a temporary nature, and can be revoked, licensed or assigned to someone else. While under most intellectual property systems, intellectual property rights, often with the exception of moral rights, may be allocated, limited in time and scope, traded, amended and even forfeited, human rights are timeless expressions of fundamental entitlements of
the human person. Whereas the human right to benefit from the protection of the moral and material interests resulting from one’s scientific, literary and artistic productions safeguards the personal link between authors and their creations and between peoples, communities, or other groups and their collective cultural heritage, as well as their basic material interests which are necessary to enable authors to enjoy an adequate standard of living, intellectual property regimes primarily protect business and corporate interests and investments. Moreover, the scope of protection of the moral and material interests of the author provided for by article 15, paragraph 1(c), does not necessarily coincide with what is referred to as intellectual property rights under national legislation or international agreements.

Although this chapter does not allow me to provide an in-depth discussion of how to resolve the tensions and conflicts between the human rights mentioned earlier in the left-hand column and the human rights aspects of intellectual property rights in the right-hand column, it may be useful to recall three complementary approaches I have developed to address these tensions and conflicts. The just remuneration approach is ideal for situations involving an inevitable conflict between two human rights—for example, between the right to freedom of opinion and expression and the right to the protection of interests in intellectual creations. Under this approach, authors and inventors hold a right to remuneration (rather than exclusive control) while individuals obtain a human rights-based compulsory license (as opposed to a free license). The core minimum approach provides guidance on the minimum essential levels of protection a State has to offer to comply with its human rights obligations. This approach seeks to balance the State’s obligations against the inevitable constraints created by a scarcity of natural and economic resources. Finally, the progressive realization approach offers insight into the non-competing relationship amongst the different rights protected in international or regional human rights instruments. This final approach is important, because human rights are not only universal entitlements but also empowerment rights.

In addition, in Resolution 2000/7 on Intellectual Property Rights and Human Rights, the U.N. Sub-Commission on the Promotion and Protection of Human Rights reminded governments “of the primacy of human rights obligations over economic policies and agreements.” This principle of human rights primacy comes in handy in situations where conflicts arise between human rights and the non-human rights aspects of intellectual property rights. It is, however, of limited use in situations involving the human rights aspects of intellectual property rights. To anticipate and minimize tensions and conflicts between the proposed legislation and international human rights obligations, a growing number of governments, intergovernmental and nongovernmental organizations, policymakers and
academic commentators have also embraced the use of human rights impact assessments and monitoring mechanisms.

Apart from engaging in a proper analysis of the conflicts between intellectual property rights and the non-human rights aspects of intellectual property rights, it will be useful to examine the limits in the human rights aspects of intellectual property rights, just like the limitations and exceptions in the intellectual property system. As shown in General Comment No. 17, the right to the protection of interests in intellectual creations was created primarily to protect those “basic material interests which are necessary to enable authors to enjoy an adequate standard of living.” Likewise, I have noted that this right “was not designed to protect the unqualified property-based interests in intellectual creations, but rather to protect the narrow interest of just remuneration for intellectual labor.” Thus, even if one subscribes to the view that strong property rights are the best means to protect these “basic material interests,” one still has to determine how strong and broad those property rights should be in order to “enable authors to enjoy an adequate standard of living.” After all, authors only have a human rights-based entitlement to the just remuneration of their intellectual labor, not full remuneration.

Not all forms or aspects of intellectual property rights are protected as human rights. For example, the right to the protection of interests in intellectual creations is unlikely to be found in corporate trademarks and trade secrets, works made for hire, employee inventions, neighboring rights for broadcasters and phonogram producers, database protection, protection for clinical trial data, and other rights that primarily protect the economic investments of institutional authors and inventors. As Maria Green recounted, “the drafters [of the ICESCR] do not seem to have been thinking in terms of the corporation-held patent, or the situation where the creator is simply an employee of the entity that holds the patent or the copyright.” Likewise, Audrey Chapman stated that there is no “basis in human rights to justify using intellectual property instruments as a means to protect economic investments.”

Finally, the ability to create user-generated content on the internet has raised a new set of complicated issues involving the human rights of two different groups of authors: the authors of the underlying works and the authors of derivative creations. To some extent, the arrival of this latter group of authors and the growing universality of human rights protection in intellectual creations have addressed the concerns raised by some UDHR drafters. During the drafting process, delegates questioned whether Article 27 belonged to the UDHR. For example, British delegate F. Corbet reminded her fellow drafters that “the declaration of human rights should be universal in nature and only recognize general principles that were valid for all men [and women].” Australian delegate Alan Watt also noted that “the indisputable rights of the intellectual worker could not appear beside
fundamental rights of a more general nature, such as freedom of thought, religious freedom or the right to work.” In addition, delegates from India and the United Kingdom “felt that no special group should be singled out for attention.”

Thanks to new technology and increased digital literacy, the ability to create today is no longer limited to a small subclass of “intellectual workers” or “creative labourers.” Instead, most individuals now have the ability to exploit the rights to the protection of the interests in intellectual creations. As this community of creative individuals grows, this right will become even more universal in nature. To a large extent, the internet and the digital revolution have rendered irrelevant the once-heated debate about the appropriateness of including Article 27 in the UDHR.

In sum, in examining the tensions and conflicts between human rights and intellectual property rights, it is important to recognize that not all forms or aspects of intellectual property rights are protected as human rights. It is also important to keep in mind the needed balance between those human rights in the left-hand column and the human rights aspects of intellectual property rights in the right-hand column.

**DIGITAL COPYRIGHT ENFORCEMENT MEASURES**

Since the early 2000s, developed countries such as EU members and the United States have actively negotiated bilateral and regional free trade and economic partnership agreements. In recent years, they have also pushed for plurilateral agreements that were negotiated under the heavily-criticized “country club” model, such as ACTA and the Trans-Pacific Partnership (TPP) Agreement. Because these agreements were negotiated in a non-transparent environment involving significant disparity in bargaining power, they have raised considerable human rights concerns.

These concerns are ironical because the European Union and the United States offer much stronger human rights protection than many other signatories of either ACTA or the TPP. These countries have also undertaken admirable efforts to champion such protection throughout the world. Sadly, their desperate need to liberalize trade and to protect intellectual property rights abroad have generated a blind spot that lead their negotiators to focus solely or primarily on the international trade bottom line. As a result, these negotiators fail to provide the much-needed responses to growing human rights concerns.

This section focuses on the digital copyright enforcement measures found in domestic laws and international agreements. Although the latter are used as the starting point, it is worth noting that most of the measures covered in these agreements originate as standards in either the European Union or the United States. While the EU Information Society and E-Commerce Directives and the U.S. Digital Millennium Copyright Act
(DMCA) have served as convenient templates for drafting these agreements, provisions relating to the graduated response system owe its origin to French laws.

**OSP liability** emerged in the early days of the World Wide Web, but remains unsettled even today. Such liability targets OSPs that have knowledge of the infringing activities, that have materially contributed to those activities and/or that have received direct or indirect financial benefits. Although some international agreements have introduced safe harbors to curtail OSP liability, how these safe harbors operate depends on the attached specific conditions. Because OSPs may be held liable for infringing activities conducted by internet users, they are eager to take down information that in their view is potentially infringing. Even if they are unsure about its legality, they may err on the side of caution by over-censoring.

The **notice-and-takedown procedure** is a key innovation provided by the DMCA. Under section 512(c) of the U.S. Copyright Act, an OSP, upon notification, knowledge or awareness of copyright infringement, needs to “respond[] expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.” To notify the OSP, the copyright holder needs to identify the allegedly infringed copyrighted work, provide information about the location of the infringing material and declare the copyright holder’s good-faith belief that infringement has occurred. While the notice-and-takedown procedure seems to have provided a good compromise between OSPs and copyright holders, it has generated false positives that eventually led to information being wrongfully taken down. Even worse, because OSP contracts often include immunity clauses to prevent indemnification, many internet users do not have any recourse unless they are in a jurisdiction where OSPs are required to restore information that has been wrongfully taken down.

The **subpoena procedure** requires OSPs to turn over information concerning internet users. This procedure was needed because the anonymous nature of internet communication has made it difficult for copyright holders to identify potential infringers for the purpose of issuing warnings or taking copyright infringement actions. Article 27(4) of ACTA, for example, encourages the development of a procedure that will allow an OSP to disclose expeditiously to a right holder information sufficient to identify a subscriber whose account was allegedly used for infringement, where that right holder has filed a legally sufficient claim of trademark or copyright or related rights infringement, and where such information is being sought for the purpose of protecting or enforcing those rights.

Although this streamlined procedure seems reasonable, it raises human rights concerns when the infringers’ information has been used to induce them to
remove otherwise legitimate information. These concerns become even graver when the procedure has been used as a fishing expedition to target whistle blowers or internet dissidents or when private rights holders seek to obtain investigative or surveillance powers not granted by existing law.

**Online filtering and surveillance measures** are some of the “cooperative” measures that copyright holders have increasingly demanded from OSPs as part of their effort to combat massive online copyright infringements. Such measures are highly attractive to rights holders, because they not only help facilitate copyright infringement actions, but also shift the costs and burdens of enforcement on to OSPs. Although online filtering and surveillance measures generally do not fit well within the traditional picture of censorship, due in large part to the lack of government involvement, they have raised serious human rights concerns when they force OSPs to take on the role of private “proxy censors.” Online surveillance measures have also become highly intrusive on individual privacy when they seek to collect data concerning user activities and retain these data for an extended period of time. It is therefore no surprise that the Court of Justice of the European Union (CJEU) recently struck down orders requiring an internet service provider (ISP) and a social networking platform to install filtering systems.

**Pre-established or statutory damages** are instituted to provide the remedies needed in situations where proving actual damages is difficult or costly. They also provide a strong deterrent in egregious cases, such as commercial piracy and willful copyright infringements. While it is understandable why pre-established damages are needed to target commercial piracy, they become highly problematic when applied to internet users. Oftentimes, pre-established damages have been used as a convenient threat, such as when they were explicitly mentioned in the cease-and-desist letters that the recording industry sent out en masse to internet users. The repeated requests to courts for an award of pre-established damages have also led to excessively high damage awards against individual file-sharers that were highly disproportional to their offences. A case in point is *Capitol Records v. Thomas-Rasset*, in which the defendant was found liable for as high as $1.92 million for making available only 24 songs for unauthorized downloading.

**Criminal enforcement of intellectual property rights** is among some of the more controversial digital copyright enforcement measures ever negotiated at the international level. It was also the subject of a recent WTO dispute between China and the United States. While criminal intellectual property enforcement existed long before the recent push for non-multilateral trade agreements, the criminal provisions found in these agreements have raised the standards to the detriment of human rights protection. Although Article 61 of the TRIPS 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,” Article
23(1) of ACTA seeks to rewrite this minimum standard by stating that “acts carried out on a commercial scale include at least those carried out as commercial activities for direct or indirect economic or commercial advantage.” Article 23(2) further extends the criminal enforcement obligation to “cases of wilful importation and domestic use, in the course of trade and on a commercial scale, of labels or packaging.” In addition, Article 23(3) facilitates the introduction of anti-camcording laws, while Article 23(4) introduces “criminal liability for aiding and abetting” intellectual property infringement.

Anticircumvention protection emerged close to two decades ago with the arrival of the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Adopted in 1996, these two treaties require member states to “provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures” that are needed to protect creative works. Although the treaties leave considerable discretion to member states over how they discharge their obligations, the United States has gone beyond the minimum requirements to prohibit the circumvention of any technological measure that effectively controls access to, or use of, a copyrighted work. The DMCA also prohibits the manufacture, importation or distribution of any technology or device that is primarily designed, produced or knowingly marketed for the purpose of circumventing such a measure or that does not have any commercially significant purpose other than to circumvent the measure. The statute therefore impedes access to information that is otherwise accessible, including information residing in the public domain.

The graduated response system, which will be discussed in greater detail below, is a new digital copyright enforcement measure that was introduced only a few years ago to target massive online copyright infringements. Referred to as the “three strikes” rule or the “notice and termination” procedure sometimes, this system enables ISPs to take a wide array of sanctions after giving users warnings about their potentially infringing online activities. These sanctions include suspension and termination of service, capping of bandwidth, and blocking of sites, portals and protocols. Thus far, policymakers and commentators have criticized internet disconnection as one of the most draconian sanctions ever created for the internet. They have also questioned its effectiveness in curtailing massive online copyright infringements.

Internet border control measures were the latest measures introduced to target so-called “rogue sites” on the internet. In the past decade, downloading services, cyberlockers, online auction sites, trading platforms, bulletin boards, warez groups and underground networks have created significant challenges for copyright holders. Owing to the internet’s borderless environment and the territorial nature of intellectual property laws, rights holders insist that they could not effectively respond to these...
challenges without ISPs’ assistance in blocking access to blatantly infringing websites. Among the internet sites that the U.S. Trade Representative listed in 2014 for their notoriety in massive copyright piracy were KickassTorrents.com, Share-rapid.cz, ThePirateBay.se and vKontakte.com. In addition to considering website-blocking legislation, countries such as the United States have also begun actively seizing internet domain names that are tied to piratical and counterfeiting activities. While such seizures could help protect the interests of copyright holders, they could also take away information that is legally posted on to a website that contains infringing materials. As Laurence Tribe cautioned us in his criticism of the U.S. Stop Online Piracy Act (SOPA), “Conceivably, an entire website containing tens of thousands of pages could be targeted if only a single page were accused of infringement.”

Cyberattacks have been launched by repressive governments, political parties, groups and individuals to disrupt, undermine or exploit computer networks. As the Special Rapporteur explained:

[These attacks] include measures such as hacking into accounts or computer networks […] and often take the form of distributed denial of service […] attacks. During such attacks, a group of computers is used to inundate a web server where the targeted website is hosted with requests, and as a result, the targeted website crashes and becomes inaccessible for a certain period of time.

Although most policymakers find cyberattacks on individual computers unacceptable, a few U.S. lawmakers have expressed support for allowing copyright holders to use hacking as a self-help measure. In July 2002, for example, U.S. Congressman Howard Berman introduced the Peer to Peer Piracy Prevention Act, which would have allowed movie and record companies to hack into personal computers and peer-to-peer networks when they suspected that infringing materials were being circulated. At a 2003 Senate Judiciary Committee hearing, U.S. Senator Orrin Hatch also reportedly “favored developing new technology to remotely destroy the computers of people who illegally download music from the Internet.” If cyberattacks are allowed to be launched against “rogue sites” and egregious offenders, the human rights threats they pose will be quite similar to those posed by either internet disconnection or internet border control.

In sum, a wide and diverse array of digital copyright enforcement measures has been introduced at both the domestic and international levels. These measures have posed serious threats to the human rights of internet users and future authors. As copyright holders and their supportive governments continue to wage “war” on digital copyright piracy, new enforcement measures will be developed, and new human rights concerns or threats will arise.
The first case study focuses on the graduated response system briefly discussed above. This study is important because the system is one of the most draconian copyright enforcement measures ever created for the internet. Although internet disconnection is only one of the many sanctions available in the system, it is the system’s endgame and provides an excellent illustration of the significant threats the system has posed to human rights protection.

The graduated response system emerged when France adopted the Loi favorisant la diffusion et la protection de la creation sur internet in May 2009. The law established a new administrative body called HADOPI, charging it with the suspension or termination of internet service, among other duties. Although the French Constitutional Council struck down part of the law as unconstitutional shortly after its adoption, the legislature quickly adopted a replacement law that introduced an additional judicial process. By July 2013, HADOPI had issued more than two million “first strike” notices and more than 200,000 “second strike” notices. It has also undertaken more than 700 investigations to determine whether it should refer a user who has received the “third strike” to a prosecutor. In that month, a new decree was promulgated to remove the suspension or termination option, following a change in the French government. The decree nonetheless left intact the less threatening parts of the graduated response system.

Apart from France, Chile, South Korea and Taiwan adopted similar laws and policies. New Zealand and the United Kingdom also adopted legislation facilitating the development of such a system, although implementation has yet to take place. In addition, graduated response systems were introduced in Ireland and the United States through private ordering. For example, the largest internet service provider in Ireland, Eircom, agreed to introduce the system as part of its settlement of a copyright infringement lawsuit with the Irish Recorded Music Association. In the United States, the Copyright Alert System, which allows for six “strikes” instead of three, was also recently established through a memorandum of understanding between copyright holders and major ISPs.

The graduated response system is problematic from a human rights standpoint because it not only chills speech but also takes away the essential tool internet users need to provide and access information. As noted earlier, access to the internet is paramount to the exercise and enjoyment of the right to freedom of opinion and expression in the digital age. Through the internet, people can converse with others via e-mail and online chats, look up information in virtual libraries, increase knowledge by taking distance-learning courses, publish social commentaries on their own websites and develop social communities in the virtual world.
In recent years, governments have also relied heavily on the internet to disseminate information and to provide public services, such as voting registration, license plate renewal, tax filing and insurance enrolment. Thus, internet usage is not only for entertainment but also for communications, healthcare, education, career development, commerce and online banking. As the Special Rapporteur observed, the internet “has become an indispensable tool for full participation in political, cultural, social and economic life.” Individuals who lose internet access will therefore have a very difficult time functioning well in today’s society.

Indeed, internet access is so important that Alain Strowel defended the graduated response system by noting the availability of alternative access to users whose internet service has been suspended. As he wrote:

[T]he French graduated response largely targets Internet access at home. A person will thus be able to use other access points, whether at work, in internet coffee shops, through relatives, or by using devices other than a home computer such as mobile devices with email and browsing capabilities.

In a recent article, I also included reasonable alternative access as one of the seven basic principles that should be built into a graduated response system to strike the proper balance among the interests of copyright holders, ISPs and internet users.

Apart from chilling speech and impeding access to information, the graduated response system raises three additional human rights concerns. First, it denies individual users due process by subjecting them to unverified suspicion of infringing activities. As William Patry observed:

[Thus far, n]otices of alleged infringement [have been] generated automatically by the millions, by third-party companies hired by copyright owners. This process, which involves indirect detection of alleged unauthorized activity, relies on automated webcrawler technology and databases of digital fingerprints. The process has been notoriously inaccurate, leading to lawsuits against people who don’t even have computers or who are dead, as well as takedown notices sent to individuals claiming that wholly original videos created by those individuals are infringing.

Even worse, these third-party firms “have a direct financial incentive to send out as many notices as possible.” In view of this perverse incentive, it is therefore no surprise that they have repeatedly overlooked the important due process and human rights interests of internet users.

Second, the graduated response system has raised considerable privacy concerns when it tracks user activities as part of its effort to determine whether repeat infringement has occurred. As Peter Hustinx, the European Data Protection Supervisor, lamented:
Three strikes Internet disconnection policies are highly invasive in the individuals’ private sphere. They entail the generalised monitoring of Internet users’ activities, including perfectly lawful ones. They affect millions of law-abiding Internet users, including many children and adolescents. They are carried out by private parties, not by law enforcement authorities.

Moreover, if ISPs start retaining data about subscribers and their activities, they may be required to turn over such information to government authorities, which, in turn, may use the information to reconstruct the users’ activities. As a result, internet users may become reluctant to freely discuss matters, especially political ones, on the internet.

Finally, the penalties handed down by the graduated response system are grossly disproportional to the offence. As I noted in an earlier article:

[I]t is worth comparing the disconnection initiated by the graduated response system against the limited Internet access still enjoyed by prisoners and parolees. For many of these people, including those who have committed Internet and Internet-related crimes, Internet disconnection is not the preferred punishment. Nor is disconnection an absolute ban, devoid of built-in discretion from the authorities, such as probation officers. Under most circumstances, the draconian sanction of Internet disconnection is often replaced by monitored access, filtering, site blocking, unannounced manual inspection, or a combination of these options.

Given the courts’ reluctance to cut off internet access of criminal convicts, one has to wonder what justification can there be to support internet disconnection based on mere alleged repeat copyright infringement. Such a sanction is particularly troubling, considering that it has been universally accepted that individuals have the right to be presumed innocent until proven guilty. Moreover, in today’s digital age, if these alleged repeat infringers no longer have access to the internet, international human rights obligations may require governments to provide some form of reasonable alternative access to ensure the respect, protection and fulfillment of their free speech and other internet-implicated human rights.

When all of these concerns are taken together, the graduated response system has posed significant threats to human rights protection. It is therefore no surprise that the Special Rapporteur has been highly critical of the system. As he wrote in his 2011 report:

The Special Rapporteur considers cutting off users from Internet access, regardless of the justification provided, including on the grounds of violating intellectual property rights law, to be disproportionate and thus a violation of Article 19, paragraph 3, of the International Covenant on Civil and Political Rights.
The Special Rapporteur [further] calls upon all States to ensure that Internet access is maintained at all times [...]. In particular, the Special Rapporteur urges States to repeal or amend existing intellectual copyright laws which permit users to be disconnected from Internet access, and to refrain from adopting such laws.

The Special Rapporteur’s concerns and requests are understandable. After all, repressive governments have recruited ISPs to serve as gatekeepers to help censor digital content and restrict information flows. While the graduated response system protects intellectual property rights holders, as opposed to governments, its impact on individual freedom of expression is not that different from the impact of government censorship. As Rebecca MacKinnon lamented, “In countries such as China, [intermediary liability] is precisely the legal mechanism that enables an unaccountable government to delegate the bulk of censorship and surveillance to the private sector.”

In sum, the graduated response system has raised both direct and indirect threats to the interests recognized by international and regional human rights instruments. It is therefore no surprise that the French law that launched the whole system has now been repealed to the extent that internet disconnection is no longer available as a possible sanction. It is also understandable why the American “six strikes” system has chosen not to include internet disconnection as its ultimate sanction.

CASE STUDY 2: ANTI-COUNTERFEITING TRADE AGREEMENT

The second case study focuses on ACTA. In October 2007, Japan, the United States, the European Union, Switzerland and other developed and like-minded countries launched the negotiations to set higher standards for the protection and enforcement of intellectual property rights. After close to three years of negotiation, the Agreement was finally adopted on 15 April 2011. Thus far, all 11 negotiating parties except the European Union and Switzerland have signed the Agreement. As of this writing, ACTA is still awaiting ratification and has not yet entered into force. Japan, which serves as the Agreement’s depositary, remains the only country to have ratified ACTA.

Out of the six chapters and 45 articles in the Agreement, Article 27 is the only provision laying out the framework for enforcing intellectual property rights in the digital environment. As far as human rights protection is concerned, each of ACTA’s digital copyright enforcement measures deserves a separate analysis. What is true for one measure often is not true for another, especially in view of the potentially different implementation of each measure and the various safeguards and optional provisions that have been built into the provision or the larger Agreement.
Because the two previous sections already cover the direct impediments created by specific digital copyright enforcement measures, including those in ACTA, this case study will explore the systemic tensions and conflicts this highly controversial Agreement has created within the international human rights system. Specifically, the study explores the four indirect ways that ACTA as a whole could undermine the protection of international human rights. Although this section focuses on only ACTA, it applies equally well to the TPP and other plurilateral trade agreements.

The first threat ACTA poses is its ability to distort the work of the international human rights system by creating an undue emphasis on trade and economic partnerships. Similar criticisms have been made with respect to the TRIPS Agreement and TRIPS-plus non-multilateral trade agreements. As Mary Robinson, the former U.N. High Commissioner for Human Rights, lamented in her report:

[T]he overall thrust of the TRIPS Agreement is the promotion of innovation through the provision of commercial incentives. The various links with the subject matter of human rights—the promotion of public health, nutrition, environment and development—are generally expressed in terms of exceptions to the rule rather than the guiding principles themselves and are made subject to the provisions of the Agreement.

Putting such a heavy trade gloss on intellectual property provisions is highly problematic because the human rights system has a distinctively different culture, language, mandate, negotiation behavior and conflict resolution approaches. The trade-based—and at times, trade-only—approach developed through the TRIPS Agreement and TRIPS-plus non-multilateral trade agreements has also led to the creation of high standards of protection and enforcement that are not tailored to local needs, interests, conditions or priorities. By shifting the costs and burdens of enforcement from private rights holders to national governments, ACTA has also threatened to divert scarce public resources from other important needs—needs that are required to fulfill international human rights obligations.

The second threat ACTA poses is its ability to undermine the multilateral negotiation process that is essential to the further development of international human rights protection. ACTA is not a typical multilateral agreement. While the TRIPS Agreement admittedly has posed problems to developing countries, it was still negotiated under a fairly transparent process involving all WTO members. ACTA, by contrast, was a “country club” agreement that was negotiated among like-minded countries in a highly non-transparent, undemocratic and unaccountable process. By going outside the multilateral system, the negotiation of this plurilateral agreement has greatly undermined the existing multilateral approach to international norm-setting in both the intellectual property and human rights arenas.
As commentators have widely recognized, the development of ACTA is not only an effort to strengthen the protection and enforcement of intellectual property rights, but also an indictment of the deficiencies in the TRIPS Agreement and the multilateral approach used to complete the WTO rounds of trade negotiations. By changing national preferences for multilateral approaches, the establishment of non-multilateral agreements has therefore posed significant challenges to the stability of the international trading and human rights systems. The non-multilateral negotiations may further alienate a country’s trading partners, making it more difficult for countries to undertake multilateral discussions in the future.

The third threat ACTA poses is its ability to force countries to divert scarce time, resources, energy and attention away from other international intergovernmental initiatives, including the development of the international human rights system. In addition to undermining the multilateral negotiation process, plurilateral agreements like ACTA have greatly fragmented the international regulatory system, creating what Jagdish Bhagwati, the Asia Development Bank and other commentators described as the “spaghetti bowl” or the “noodle bowl.” In a heavily fragmented environment where agreements are being negotiated left and right, many developing countries understandably do not have the needed resources and capabilities to undertake discussions in a multitude of fora—in this case, in both intellectual property and human rights fora and in both multilateral and non-multilateral fora.

Moreover, as Eyal Benvenisti and George Downs insightfully observed, the growing proliferation of international regulatory institutions with overlapping jurisdictions and ambiguous boundaries could help powerful countries preserve their dominance in the international arena. The growing complexities could also result in what Kal Raustiala described as “strategic inconsistencies,” which help alter, undermine or put pressure on unfavorable norms in the international human rights system. Such complexities could further upset the existing coalition dynamics between international actors and institutions, thereby threatening to reduce the bargaining power and influence developing countries have obtained through past coalition-building initiatives.

The final threat ACTA poses is its ability to undermine the longstanding interests of the United States and other signatories in promoting human rights and civil liberties throughout the world. As I noted in a previous article, these agreements “could provide repressive governments with an internationally acceptable blueprint for developing Internet censorship regulations.” Even worse, the need to strengthen intellectual property protection in the image of ACTA is likely to prevent human rights and civil liberties groups from criticizing governments for their repressive actions. One need only recall the challenge of criticizing the Russian
authorities for confiscating computers of outspoken activist groups in Siberia under the pretext of protecting Microsoft’s copyrighted software.

To some extent, the ACTA’s push for higher intellectual property standards at the expense of human rights protection reminds us of the conflicts between the U.S. intellectual property and human rights policies toward China more than two decades ago. As William Alford observed at that time:

It is no wonder that stories are now circulating among well-informed observers in China that some of the more staunchly authoritarian of the PRC’s leaders were only too happy to satisfy Washington’s latest demands to crack down on printing houses and producers of films and CDs, as it provided a convenient legitimization for repressive measures they intended to take in any event while simultaneously constraining America’s capacity to complain about such actions.

Highlighting the copyright system’s democracy-inducing potential, Neil Netanel also expressed concern that “imposing copyright protection for foreign works in the authoritarian state […] would […] give dictatorial authorities an internationally acceptable justification for suppressing the works’ dissemination.”

In sum, ACTA has greatly undermined human rights protection in both direct and indirect ways. Directly, it includes most of the digital copyright enforcement measures that this chapter has criticized. Had provisions on the graduated response system not been removed in the middle of the negotiations, the Agreement would have posed far greater human rights threats than it does today. Indirectly, the Agreement has put a heavy trade gloss on international intellectual property standards, undermined the multilateral negotiation process and curtailed the further development of the international human rights system. The Agreement has also provided an “internationally acceptable blueprint for developing Internet censorship regulations.”

CONCLUSION

When the copyright system is discussed in relation to free speech interests, judges, policymakers and commentators, especially those in the United States, often deflate concerns by noting that the copyright system serves as an “engine of free expression.” As Justice Sandra Day O’Connor reminded us in the famous U.S. Supreme Court case of Harper & Row, Publishers, Inc. v. Nation Enterprises, “it should not be forgotten that the Framers [of the U.S. Constitution] intended copyright itself to be the engine of free expression.”

When one scrutinizes Justice O’Connor’s opinion, however, the picture is very different. In that case, she did not state that the current copyright laws and international treaties—including the digital copyright
enforcement measures discussed in this chapter—have enabled the copyright system to serve as an engine of free expression. Rather, she focused on the Framers’ intent. Sadly, what the Framers intended in the 18th century is actually quite different from what we have today.

Moreover, as Justice William Brennan rightly observed in his oft-overlooked dissent, “The copyright laws serve as the ‘engine of free expression’ only when the statutory monopoly does not choke off multifarious indirect uses and consequent broad dissemination of information and ideas.” Because the current copyright laws and international agreements threaten to choke off these uses and stifle the dissemination of information and ideas, they do not enable the copyright system to serve as an engine of free expression. Thus, if the United States is to develop the copyright system based on the Framers’ intent—a key focus of Justice O’Connor—that system deserves more scrutiny from a human rights standpoint, not less.

Although Harper & Row concerned only the U.S. copyright system, the lessons regarding the case’s misreading are instructive at the global level. Many digital copyright enforcement measures included in the TRIPS Agreement and TRIPS-plus non-multilateral trade agreements originate in the United States. The lessons we learn here will be useful for analyzing measures that are now being transplanted abroad. Moreover, policymakers and judges in other jurisdictions have also used similar arguments to push for stronger protection and enforcement of intellectual property rights. A proper reading of Harper & Row would therefore call into question their ill-advised presumption that the copyright system has already adequately accommodated human rights interests through exceptions and limitations.

The advent of the World Wide Web, electronic commerce and other digital communications technologies has posed considerable challenges to copyright holders. While it is understandable why the entertainment industry has actively demanded the strengthening of digital copyright enforcement at both the domestic and international levels, policymakers should not ignore the important human rights interests involved. If they have to decide whether human rights or intellectual property rights should be protected, the principle of human rights primacy would dictate the former. Even when the human rights aspects of intellectual property rights are involved, policymakers should use their best efforts to minimize the internal tensions and conflicts within the human rights system. After all, without adequate protection of human rights and the dignity that comes with such protection, a vibrant creative sector would not have existed in the first place.
ABOUT THE CENTER

The Intellectual Property Law Center at Drake University Law School was founded in fall 2007 to promote global, interdisciplinary understanding of intellectual property law and policy. The Center was established with the generous support of a $1.5 million gift from Wayne (‘72) and Donna Kern of Dallas, Texas, which endowed the Kern Family Chair in Intellectual Property Law, and a $750,000 leadership commitment from DuPont Pioneer. For six years in a row, peer surveys conducted by U.S. News and World Report have ranked the Center among the top 25 intellectual property law programs in the United States.

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