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### The Three-Step Test Revisited: How to Use the Test's Flexibility in National Copyright Law

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## The Three-Step Test Revisited: How to Use the Test's Flexibility in National Copyright Law

### **Abstract**

The first version of the three-step test emerged at the 1967 Stockholm Conference for the Revision of the Berne Convention. With the inclusion of versions of the test in the TRIPS Agreement of April 1994, the two WIPO "Internet" treaties of December 1996, the more recent Beijing Treaty on Audiovisual Performances of June 24, 2012, and the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (VIP Treaty) of June 27, 2013, the test has taken on the central function of allowing and enabling tailor-made solutions at the national level.

The three rather abstract criteria of the test offer room for different interpretations. Various alternative approaches have been developed in the legal literature and applied by national courts, including an understanding of the test's factors as elements of a global balancing exercise; and a reverse reading of the test starting with the last, most flexible criterion. There are also parallels between factors in Anglo-American fair use and fair dealing legislation and the three step test.

The study herein concludes that the three-step test in international copyright law does not preclude flexible national legislation allowing the courts to identify

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individual use privileges case-by-case and that the three-step test can serve as a source of inspiration for national law makers seeking to institute flexible exceptions and limitations at the domestic level.

## The Three-Step Test Revisited: How to Use the Test's Flexibility in National Copyright Law<sup>4</sup>

In the current debate on flexibility in the area of copyright limitations and exceptions (E&Ls), the three-step test is sometimes presented as an obstacle to the adoption of open-ended, flexible provisions at the national level. A flexible domestic provision on E&Ls, so runs the argument, is incompatible with the requirement of “certain special cases” contained in some versions of the three-step test. A closer analysis of the drafting history and policy considerations underlying the test, however, shows that flexible lawmaking in the field of E&Ls does not necessarily justify this concern about a conflict with international law. We proceed as follows to explain the test and how it can be used to enable open-ended E&Ls. In Part I, we consider the drafting history of the international three-step test and demonstrate that it was intended to serve as a flexible balancing tool offering national policy makers sufficient breathing space to satisfy economic, social and cultural needs. In Part II, we unpack the abstract criteria of the three-step test to show that they can be interpreted flexibly. In Part III, we argue that, because the international three-step test was designed to accommodate multiple legal systems, including the common law copyright tradition, it would be inconsistent to assume that flexible open ended national provisions on E&Ls, such as fair dealing or fair use, are per se impermissible under the test. In Part IV, we suggest that national legislation can preserve the flexibility of the international three-step test by allowing the courts to identify new use privileges on the basis of the test's abstract criteria. Finally, in Part V we bring together the strands of the analysis to suggest that open-ended E&Ls at the national level do not run counter to the international three-step test and that, on

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<sup>4</sup> An early draft of this report was presented in 2012 at a meeting organized by American University Washington College of Law's Program on Information Justice and Intellectual Property (PIJIP). The Authors wish to thank participants for their helpful comments, especially Professors Peter Jaszi, Michael Carroll and Sean Flynn.

the contrary, the international three-step test can serve as a resource for national lawmakers seeking to establish a flexible system of E&Ls domestically.

## **Part I – The Emergence of the Three-Step Test**

### **A. The three-step test in the Berne Convention**

The first three-step test in international copyright law emerged as article 9(2) of the Berne Convention. It served as a counterweight to the formal recognition of a general right of reproduction at the 1967 Stockholm Revision Conference. The right of reproduction was not added to the Berne Convention only at the Stockholm Conference; it was already there in various forms.<sup>5</sup> It is true, however, that an “omnibus” right of reproduction was recognized at the Stockholm

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<sup>5</sup> In the earliest official document, the circular sent by the Swiss government on December 3, 1883, to the “governments of all civilized countries” it wrote: “It would certainly be a great advantage if a general understanding could be achieved at the outset whereby that exalted principle, that principle so to speak of natural law, were proclaimed that the author of a literary or artistic work, whatever his nationality and the place of reproduction, must be protected everywhere on the same footing as the citizens of every nation.” Berne Convention Centenary 1886-1986 (Geneva: WIPO, 1986), at 84. The Berlin Act (1908) contained several “reproduction rights” or, more precisely perhaps, versions of a more general right of reproduction subsumed under those special mentions. Article 9: “Serial stories, tales, and all other works, whether literary, scientific, or artistic, whatever their object, published in the newspapers or periodicals of one of the countries of the Union may not be reproduced in the other countries without the consent of the authors.” Article 12: “The following shall be especially included among the unlawful reproductions to which the present Convention applies...”; and Article 14: “authors of literary, scientific or artistic works shall have the exclusive right of authorizing the reproduction and public representation of their works by cinematography.” (Id., at 229) Some of those versions of the right were inherently limited. For example, article 12 – quoted from above – which dealt with what we would call the right of adaptation, only applied if the adaptation was “only the reproduction of [the original] work, in the same form or in another form without essential alterations, additions, or abridgments, and do not present the character of a new original work.” (id., at 229).

Conference, and with it, the need for a general clause regulating E&Ls to the reproduction right. Many options were considered before countries agreed on the three-step test as a compromise solution. Civil law countries were more comfortable with a list of specific, named exceptions, as they are found today in the laws of countries like France, Germany or the Netherlands to name just three.

Other countries (India and Romania in particular) had proposed compulsory licenses for reproduction. Those proposals were not accepted but another diplomatic conference was organized four years later in Paris (1971) which adopted the Appendix to the Convention. That Appendix specifically provides for certain compulsory licenses that can be issued by developing countries mostly for the reproduction and translation of books. There was some discussion of a proposed text for a more open-ended test. The initial version of the test read “in certain *particular* cases where the reproduction *is not contrary to* the legitimate interests of the author.” It was replaced by: “in certain *special* cases where the reproduction *does not unreasonably prejudice* the legitimate interests of the authors.” An interesting linguistic twist must then be noted. Still today, the official text of the Berne Convention, in case of discrepancy between linguistic versions, is the French version.<sup>6</sup> However, the three-step test, in particular the third step, is based on language submitted (in English) by the UK, translated into (official) French and now retranslated into English versions of the Convention. The Stockholm report notes the difficulty of translating the phrase “does not unreasonably prejudice” in French. They opted for “*ne cause pas un préjudice injustifié*,” which changes the meaning slightly because it seems to affirm that some degree of prejudice is justified. Put differently, the English (original) version imposes a test of *reasonableness* while the French (official) text (which, however, must guide the interpreter in case of discrepancy) imposes a test of *justification*. This potentially matters a great deal: reasonableness could be interpreted quantitatively and imply that compensation can reduce the prejudice to a reasonable level, while justification seems to require a valid normative

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<sup>6</sup> Berne Convention (1971), art. 37(1)(c).

grounding, something closer to a qualitative test based on the policies underlying the adoption of an E&L.

The next question is whether the three steps are *separate* tests. The answer to this question should be informed by but cannot be entirely deduced from its drafting history. That history is often understood to be limited to the following passages in the conference records, in which the steps were considered sequentially:

The Committee also adopted a proposal by the Drafting Committee that the second condition should be placed before the first, as this would afford a more logical order for the interpretation of the rule. 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.<sup>7</sup>

A more thorough analysis suggests, however, that a distinction can be drawn between the *analytical process* suggested by this paragraph and the *normative context*. While the steps can be considered sequentially--and presumably some will apply more directly in one case than another--it should not be overlooked that the test constitutes a single analytical whole and serves the ultimate goal to strike an appropriate balance. For example, the prima facie unreasonableness of prejudice to rights holders can be negated by compensation in appropriate cases. Hence, a sequential application does not mean that the third step should not to

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<sup>7</sup> See WIPO, *Records of the Intellectual Property Conference of Stockholm June 11 to July 14, 1967*, Geneva: WIPO 1971, Report on the Work of Main Committee I, p. 1145-1146.

be considered if the second step is not met.<sup>8</sup> We come back to this in Part II below.

Another feature of the test as it emerged in 1967 was that it was meant as a *guide to national legislators*. This issue, namely the *locus* of the test, is essential to its interpretation. The notion of “special case,” if considered as a directive to national legislators, means that a *rule* concerning an E&L must be special, which one could define as limited in scope, or as having a special purpose.<sup>9</sup> The test is thus meant to judge the exception *as a rule*, not its application in a specific case to a given author, work and user.

The rest of the test’s development in international intellectual property law is rather well-known by now. It was adopted in four provisions of the TRIPS Agreement (articles 9, 13, 26.2 and 30) and inspired the drafters of article 17.<sup>10</sup> It has also been incorporated in arts. 10(1) and (2) of the WIPO Copyright Treaty (Dec. 20, 1996); art. 16(2) of the WIPO Performances and Phonograms Treaty (Dec. 20, 1996); art. 13(2) of the Beijing Treaty on Audiovisual Performances (June 24, 2012); and art. 11 of the Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or Otherwise Print Disabled (June 27, 2013). It has also been used in several EU directives<sup>11</sup>, a number of trade agreements and also incorporated in a number of national laws.

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<sup>8</sup> Even if the drafting history of Berne may support sequential steps, such a reading of the test would be mandatory only in the context of the Berne three-step test and not in the context of any of the subsequent versions in other Agreements which follow other rationales and have other histories (see below Part II B).

<sup>9</sup> The former view was adopted by two WTO dispute-settlement panels as we will see in part II, *infra*. The latter view had been defended by Professor Sam Ricketson in his first book on the Convention, though the second edition (coauthored with Professor Jane Ginsburg) takes a different approach. S. Ricketson and J.C. Ginsburg, *International Copyright and Neighbouring Rights: The Berne Convention and Beyond* (Oxford Univ. Press, 2006), vol. 1 at 764.

<sup>10</sup> Dealing with the incorporation of the Berne Convention, and exceptions to copyright, to designs and patent rights, respectively. Article 17 limits certain exceptions to trademark rights.

<sup>11</sup> See for example Article 5.5 of the Directive of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society; Article 9.3 of the Directive of 14 May 1991 on the legal protection of computer programs and Article 6.3 of the Directive of 11 March 1996 on the legal protection of databases; Recital 20 of the Directive of 25 October 2012 on certain permitted uses of orphan works.

Concerns follow from the fact that the language of the test changes, sometimes significantly, each time it appears somewhere new. In TRIPS arts. 26.2 and 30, for instance, “special” was replaced by “limited,” and in art. 13, “author” was replaced by “right holder” (as if media companies exploiting works of authors always had interests coextensive with those of authors). In two instantiations of the test in TRIPS (26.2 and 30), the legitimate interests *of third parties* were added to the third step, a significant change to be sure. As noted in WTO dispute-settlement panel reports dealing with the three-step test,<sup>12</sup> this seems to change the normative equation of the third step because users’ interests may not be of the same *nature* as those of right holders. It also raises the question what role if any third party interests should play in copyright (art. 13 of TRIPS and 9(2) of Berne as incorporated into TRIPS) where those interests are not mentioned.<sup>13</sup> These essentially unexplained drafting changes (variations on the original, 1967 version are rarely well explained or documented) are something that policy makers, dispute-settlement entities and legislators must bear in mind.

Another word on the transposition of the Berne test in TRIPS may be in order. The Berne test *qua* Berne still applies because Berne, including its article 9(2), was incorporated into TRIPS. In the Authors’ view, the system of E&Ls *as it exists in Berne* was not modified by TRIPS. This means that an exception permitted by another provision of Berne need not pass the test *as an additional condition*. For

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<sup>12</sup> For an overview of related WTO Dispute Settlement cases, see D. Gervais, *The TRIPS Agreement: Drafting History and Analysis*, 4<sup>th</sup> ed., London: Sweet & Maxwell 2012, p. 274-279; C.M. Correa, *Trade-Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement*, Oxford: Oxford University Press 2007; M.R.F. Senftleben, “Towards a Horizontal Standard for Limiting Intellectual Property Rights? – WTO Panel Reports Shed Light on the Three-Step Test in Copyright Law and Related Tests in Patent and Trademark Law”, *International Review of Intellectual Property and Competition Law* 37 (2006), p. 407; M. Ficsor, “How Much of What? The Three-Step Test and Its Application in Two Recent WTO Dispute Settlement Cases”, *RIDA* 192 (2002), p. 111; J. Oliver, “Copyright in the WTO: The Panel Decision on the Three-Step Test”, *Columbia Journal of Law & the Arts* 25 (2002), p. 119; D.J. Brennan, “The Three-Step Test Frenzy: Why the TRIPS Panel Decision might be considered Per Incuriam”, *Intellectual Property Quarterly* 2002, p. 213; J.C. Ginsburg, “Toward Supranational Copyright Law? The WTO Panel Decision and the ‘Three-Step Test’ for Copyright Exceptions”, *RIDA* 2001, p. 13; P.B. Hugenholtz, “De wettelijke beperkingen beperkt. De WTO geeft de driestappentoets tanden”, *Tijdschrift voor auteurs-, media- en informatierecht* 2000, p. 197; C. Geiger, “The Role of the Three-Step Test in the Adaptation of Copyright Law to the Information Society”, *e-Copyright Bulletin* January-March 2007.

<sup>13</sup> Of course, E&Ls tend to be established for the benefit of users in the first place.

example, some E&Ls in the field of cable distribution (e.g. compulsory licensing under article 11*bis*(2)) and sound recordings (Berne article 13(1)) are self-contained. This would be true of other E&Ls as well, such as the exception for reporting of current events (Berne article 10(2)), which is subject to its own internal test, namely “to the extent justified by the informatory purpose.” Some Berne E&Ls already incorporate a standard or limit, such as the need to show compatibility with “fair practice.”<sup>14</sup> Put differently, in the Authors’ view the TRIPS version of the test applies to new rights (e.g. the rental right in TRIPS articles 11 and 14.4), and to rights for which no specific E&L is provided in the Convention, such as the so-called small exceptions.<sup>15</sup> Another question is the interpretation of the test in TRIPS, because TRIPS has its own trade-based context, as we discuss in Part II.

## B. The three-step test in the WIPO Copyright Treaty

The preamble of the WCT supports this analysis. It stresses the necessity

...to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information, as reflected in the Berne Convention.<sup>16</sup>

The understanding of the three step test as a flexible framework for the adoption of E&Ls at the national level emerges quite clearly in the WIPO “Internet

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<sup>14</sup> Berne Convention, art. 10(1).

<sup>15</sup> See D. Gervais, *The TRIPS Agreement; Drafting History and Analysis*, 4<sup>th</sup> ed., London: Sweet & Maxwell 2012, at 280-282.

<sup>16</sup> See the preamble of the WCT. The WPPT contains a similar formulation in its preamble. The issue had already been addressed in the basic proposal for the later WCT. See WIPO Doc. CRNR/DC/4, § 12.09. Moreover, it was raised in the course of the deliberations of Main Committee I. See WIPO Doc. CRNR/DC/102, 72 and 74. Cf. as to the reference to the Berne Convention (‘as reflected in the Berne Convention’), A. Françon, “La conférence diplomatique sur certaines questions de droit d’auteur et de droits voisins”, *Revue Internationale du Droit d’Auteur* 1997, p. 3 (9); S. Ricketson, “The Boundaries of Copyright: Its Proper E&Ls : International Conventions and Treaties”, *Intellectual Property Quarterly* 1999, p. 56 (61); H. Cohen Jehoram, “Some Principles of Exceptions to Copyright”, in: P. Ganeva/C. Heath/G. Schricker (eds.), *Urheberrecht Gestern – Heute – Morgen, Festschrift für Adolf Dietz zum 65. Geburtstag*, München: C.H. Beck 2001, p. 382.

treaties,<sup>17</sup> and specifically in the Agreed Statement concerning Article 10 WCT, which announces:

It is understood that the provisions of Article 10 permit Contracting Parties to carry forward and appropriately extend into the digital environment limitations and exceptions in their national laws which have been considered acceptable under the Berne Convention. Similarly, these provisions should be understood to permit Contracting Parties to devise new exceptions and limitations that are appropriate in the digital network environment. It is also understood that Article 10(2) neither reduces nor extends the scope of applicability of the limitations and exceptions permitted by the Berne Convention.

The expressed concern of the international community of preserving the relevance of limitations and exceptions in a changing technological environment may be considered evidence of a shared recognition of the value of flexibility in crafting appropriate E&Ls. Indeed, the basic proposal for the WCT already noted in that regard that,

...when a high level of protection is proposed, there is reason to balance such protection against other important values in society. Among these values are the interests of education, scientific research, the need of the general public for information to be available in libraries and the interests of persons with a handicap that prevents them from using ordinary sources of information.<sup>18</sup>

The Minutes of Main Committee I in its deliberations concerning E&Ls in the WCT/WPPT context mirror this determination to shelter a number of key use privileges. The United States delegation, for example, sought to safeguard the fair use doctrine.<sup>19</sup> Denmark feared that the new rules under discussion could become “a ‘straight jacket’ for existing exceptions in areas that were essential for

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<sup>17</sup> The WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT),

<sup>18</sup> See WIPO Doc. CRNR/DC/4, § 12.09.

<sup>19</sup> See WIPO Doc. CRNR/DC/102, § 488.

society.”<sup>20</sup> Many delegations opposed a version of Article 10(2) WCT that would have subjected extant E&Ls under the Berne Convention to the three-step test potentially in a new way.<sup>21</sup> Korea unequivocally suggested the deletion of paragraph 2<sup>22</sup> – a proposal that was approved by a number of other delegations.<sup>23</sup> Singapore, for instance, elaborated that the second paragraph was

...inconsistent with the commitment to balance copyright laws, where E&Ls adopted by the Conference were narrowed, and protection was made broader.<sup>24</sup>

Hence, the Agreed Statement concerning Article 10 can be viewed as the outcome of an international debate during which the need to maintain an appropriate balance in copyright law was clearly articulated. Against this background, the three-step test contained in Article 10 WCT can be seen as a guideline for the future extension of existing E&Ls, and also as enabling new exemptions in the digital environment ([Article 10] “should be understood to permit Contracting Parties to devise new exceptions and limitations that are appropriate in the digital network environment.”) The Agreed Statement also maintains the legality of Berne-compatible E&Ls without changing the role of the test in that context.<sup>25</sup>

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<sup>20</sup> See WIPO Doc. CRNR/DC/102, § 489.

<sup>21</sup> See, for instance, the statements made by the delegations of Denmark, WIPO Doc. CRNR/DC/102, § 489, New Zealand, *ibid.*, § 495, and Sweden, *ibid.*, § 497. See for the text of the draft provision the end of the previous subsection.

<sup>22</sup> See WIPO Doc. CRNR/DC/102, § 491.

<sup>23</sup> See, for instance, the statements made by the delegations of Hungary, WIPO Doc. CRNR/DC/102, § 493, and China, *ibid.*, § 500.

<sup>24</sup> See WIPO Doc. CRNR/DC/102, § 492.

<sup>25</sup> The *Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled* (VIP Treaty) signed on 27 June, 2013, is important because it explicitly refers to the different versions of the “three-step test” in international copyright law. Article 11 of the treaty makes it clear that there are many versions and that an E&L authorized under the treaty must comply with all versions by which a country is bound i.e. under the Berne Convention, the TRIPS Agreement and the WIPO Copyright Treaty, including their interpretative agreements. This arguably supports interpretations of the test(s) in TRIPS, for example, that differ at least somewhat from earlier interpretations of the test under Berne, even though it is to be taken into account that the WIPO Copyright Treaty, according to its Article 1(1), is a special agreement within the meaning of Article 20 of Berne, and that WTO panels may rely on the Berne *acquis* when it comes to the interpretation of the three-step test in Article 13 TRIPS. This approach has been taken by the WTO panel dealing with Section 110(5) of the US

## Part II – Interpretation of the Three-Step Test

Considering the historical background to the introduction of the three-step test at the international level, it becomes apparent that it is precisely the broad and relatively vague formulation of the provision that ensured its success during the Berne, TRIPS and WCT/WPPT negotiations. At the time of the negotiations of each instrument, there were some countries, like the U.S., in which the balance achieved in the copyright system was promoted in large part through an open general clause permitting uses to be considered “fair” subject to a balancing test. Other countries, including many in the civil law tradition but not confined to such countries, promoted balance through closed lists of specific E&Ls. The open-ended wording of the three-step test allowed settling the sensitive question of E&Ls in a way that countries of both the open clause and closed list traditions could accept.

For quite some time after the inclusion in various international treaties, the three-step test did not receive much attention. Its full impact on national legislation remained mostly speculative. That changed on 15 June 2000<sup>26</sup>, when a WTO dispute-settlement panel found that Section 110(5)(B) of the US Copyright Act, which exonerates certain commercial establishments such as bars or restaurants that use non-dramatic musical works from copyright royalty payments, particularly when using only “homestyle” audio equipment, violated all three steps of the test as incorporated into Article 13 TRIPS.<sup>27</sup> It became clear

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Copyright Act. In its Report of the Panel, WTO Document WT/DS160/R, available at [www.wto.org](http://www.wto.org), para. 6.62, the panel explicitly held that the inclusion of Berne provisions by virtue of Article 9.1 TRIPS included the Berne acquis: “If that incorporation should have covered only the text of Articles 1–21 of the Berne Convention (1971), but not the entire Berne acquis relating to these articles, Article 9.1 of the TRIPS Agreement would have explicitly so provided.”

<sup>26</sup> Panel Rep. of 15 June 2000, United States-Article 110 (5) of the US Copyright Act, WT/DS160/R.

<sup>27</sup> Concerning this decision, see e.g., M.R.F. Senftleben, “Towards a Horizontal Standard for Limiting Intellectual Property Rights? WTO Panel Reports Shed Light on the Three-Step Test in Copyright Law and Related Tests in Patent and Trademark Law”, *International Review of Intellectual Property and Competition Law* 37 (2006), p. 407; J.C. Ginsburg, “Towards

then that the three-step test had to be taken seriously. In fact, suddenly, due to this interpretation of the panel, the three-step test became one of the main, if not *the main* issue, when trying to find a fair balance of interest in copyright law and policy.

While we do not wish to reexamine the panel's report in detail here, it is essential to indicate how the policy space of national legislators could be unduly curtailed if some of the approach taken by the panel in that dispute was applied too mechanically in future cases. We will show that a different result can be reached by choosing a different interpretation of the requirements laid down in the three-step test.

#### A. The Interpretation of the test by the WTO Panel in the 110(5) case

According to the dispute-settlement panel, the first condition of the test (namely the requirement of a "certain special case" or that an exception be "limited"<sup>28</sup>), implies that "an exception or limitation in national legislation must be clearly defined" (which corresponds to the requirement of a "certain" case) and then that it has "an individual or limited application or purpose" (which corresponds to the requirement of a "special" case). The WTO panel drew a significant distinction between the words "certain" and "special". It interpreted the term "certain" to mean that an E&L had to be clearly defined, though there was no

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supranational copyright law? The WTO Panel decision and the 'three-step test' for copyright exceptions", 187 *RIDA* 2 (2001); A. Lucas, "Le 'triple test' de l'article 13 de l'Accord ADPIC à la lumière du rapport du Groupe spécial de l'OMC 'Etats-Unis Article 110 (5) de la Loi sur le droit d'auteur'", in: P. Ganea, C. Heath, G. Schriker (eds.), *Urheberrecht, Gestern – Heute – Morgen, Mélanges A. Dietz*, 423 (Beck, Munich 2001); B.C. Goldmann, "Victory for Songwriters in WTO Music-Royalties Dispute Between US and EU - Background of the Conflict Over the Extension of Copyright Homestyle Exemption", *International Review of Intellectual Property and Competition Law* 32 (2001), p. 412; D.J. Brennan, "The Three-Step Test Frenzy-Why the TRIPS Panel Decision might be considered Per Incuriam", 2 *Intellectual Property Quarterly* 212 (2002); P.B. Hugenholtz, "De wettelijke beperkingen beperkt. De WTO geeft de driestappentoets tanden", 2000 *Tijdschrift voor auteurs-, media- en informatierecht* 10; J. Oliver, "Copyright in the WTO: The Panel Decision on the Three-Step Test", 25 *Columbia Journal of Law & the Arts* 119 (2002); M. Ficsor, "How much of what? The 'three-step test' and its application in two recent WTO dispute settlement cases", 192 *RIDA* 111 (2002); Y. Gaubiac, "Les exceptions au droit d'auteur : un nouvel avenir, l'OMC statue sur les exceptions au droit d'auteur", June 2001 *Comm. com. électr.* 12.; A. Kur, "Of Oceans, Islands, and Inland Water- How much Room for Exceptions and Limitations under the Three-step Test?", *Richmond Journal of Global Law and Business* 8 (2009), p. 287.

<sup>28</sup> "Certain special cases" is used in Berne article 9(2) and TRIPS article 13; "limited" is used instead in TRIPS articles 17, 26.2 and 30.

need “to identify explicitly each and every possible situation to which the exception could apply, provided that the scope of the exception was known and particularised.”<sup>29</sup> On its merits, the panel thus regarded the word “certain” as a guarantee of a sufficient degree of legal certainty.<sup>30</sup>

From the term “special”, the panel derived the additional requirement that an E&L should be *narrow in a quantitative as well as a qualitative sense*.<sup>31</sup> It summarized this twofold requirement as narrowness in “scope and reach”.<sup>32</sup> Its application to the business exemption and the homestyle exemption of section 110(5) shows that, pursuant to the panel’s conception, it is particularly the number of potential beneficiaries that must be sufficiently limited in order to comply with the quantitative aspect of specialness.<sup>33</sup> As to the qualitative aspect, the panel eschewed an inquiry into the legitimacy of the public policy purpose underlying the adoption of the E&L at hand.<sup>34</sup> In the panel’s view, the qualitative aspect of the specialness requirement did not mean that an E&L must necessarily serve a special purpose under article 13 TRIPS.<sup>35</sup> Instead, the panel raised conceptual qualitative issues such as the categories of works affected by an E&L and the circumstances under which it may be invoked.

The second step of the test has the potential to restrict the freedom of national legislation to enact new E&Ls considerably more. That step is the prohibition of a conflict with a “normal exploitation” of the work. In the panel’s report in the

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<sup>29</sup> See Report of the Panel, 15 June 2000, WTO Document WT/DS160/R, online available at [www.wto.org](http://www.wto.org), para. 6.108.

<sup>30</sup> The panel held, for instance, that the term “homestyle equipment” was sufficiently clear and that detailed technical specifications were not necessary. See WTO Panel, *ibid.*, para. 6.145.

<sup>31</sup> See WTO Panel, *ibid.*, para. 6.109. Cf. A. Lucas, “Le ‘triple test’ de l’article 13 de l’Accord ADPIC à la lumière du rapport du Groupe spécial de l’OMC ‘Etats-Unis – Article 110 (5) de la loi sur le droit d’auteur’”, in: Ganea/Heath/Schricker (eds.), *Urheberrecht Gestern – Heute – Morgen, Festschrift für Adolf Dietz zum 65. Geburtstag*, München 2001, 423 (430), who insists on the combination of both aspects of speciality to ensure a sufficiently rigid standard of control.

<sup>32</sup> See WTO Panel, *ibid.*, para. 6.112.

<sup>33</sup> See WTO Panel, *ibid.*, para. 6.127 and 6.143.

<sup>34</sup> See WTO Panel, *ibid.*, para. 6.111.

<sup>35</sup> See WTO Panel, *ibid.*, para. 6.112. Cf. J.C. Ginsburg, “Toward Supranational Copyright Law? The WTO Panel Decision and the ‘Three-Step Test’ for Copyright Exceptions”, *RIDA* 2001, p. 13; S. Ricketson, “The three-step test, deemed quantities, libraries and closed exceptions”, Centre for Copyright Studies, Strawberry Hills NSW 2002, p. 31.

110(5) case, the criterion of normal exploitation was deemed to involve consideration of the forms of exploitation that *currently generate income* for the right holder as well as those which, in all probability, *are likely to be of considerable importance* in the future.<sup>36</sup> While this interpretation is understandable, it implies certain risks. On the one hand, it could impose a *status quo* and prevent any extension of extant E&Ls to new situations unforeseen by the letter of the text, but which could be derived from its spirit. On the other hand, any reference to future forms of exploitation runs the risk of restricting policy space for exceptions every time a technical evolution allows control of previously uncontrollable uses and thus creates new possibilities for exploitation.<sup>37</sup> Bearing in mind the possibilities for right holders to control the uses of their works through technical measures, in the long run, this could even significantly restrict E&Ls in the digital environment.<sup>38</sup>

The third step of the test, by contrast, offers considerable flexibility for the balancing of competing interests. It asks whether an E&L “unreasonably prejudices legitimate interests of the author” (Berne Convention and WCT) or “copyright holder” (TRIPS). Under this final step, not each and every potential interest of authors and right holders are relevant. Only *legitimate* interests are to be factored into the equation. Such legitimacy is context-dependent. Furthermore, not each and every prejudice to legitimate interests is relevant. Only *unreasonable* prejudices are unacceptable. The third step, therefore, offers several filters that transform it into a refined proportionality test: the legitimacy

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<sup>36</sup> WTO Panel, *ibid.*, para. 6.180.

<sup>37</sup> In this sense also M. Buydens and S. Dusollier, “Les exceptions au droit d’auteur : évolutions dangereuses”, *Comm. com. électr.* Sept. 2001, at 13; J.C. Ginsburg, “Toward Supranational Copyright Law? The WTO Panel Decision and the ‘Three-Step Test’ for Copyright Exceptions”, *RIDA* 2001, at 48, underlining the risk that “the traditionally free uses, such as for training purposes or parody, be considered as normal exploitations, supposing that right holders manage to implement a profitable collecting system”.

<sup>38</sup> See also M. Buydens and S. Dusollier, “Les exceptions au droit d’auteur: évolutions dangereuses”, *Comm. com. électr.* Sept. 2001, at 12; C. Geiger, “Droit d’auteur et droit du public à l’information, approche de droit compare”, (Paris, Litec, 2004) at 357. See C. Geiger, J. Griffiths and R.M. Hilty, “Towards a Balanced Interpretation of the ‘Three-step test’ in Copyright Law”, *2008 European Intellectual Property Review* 489, stating that under the interpretation of the WTO Panel, “the second step of the ‘test’ becomes a form of ‘show-stopper’, precluding law-makers from taking into account any interests other than the private economic interests of right-holders”.

of the interests invoked by authors and right holders are to be weighed against the reasons justifying the use privilege. As the above-cited example of copying for various purposes given at the 1967 Stockholm Conference shows, the payment of equitable remuneration further enhances the space for refined solutions in this context.

In the 110(5) case, the flexibility inherent in the third step did not come to the fore clearly. The panel noted that the term “legitimate” related not only to “lawfulness from a legal positivist perspective” but also to “legitimacy from a more normative perspective.”<sup>39</sup> In its own analysis, however, the panel contented itself with “one – albeit arguably incomplete– way of looking at legitimate interests” in terms of “the economic value of the exclusive rights conferred by copyright on their holders.”<sup>40</sup> The panel clarified, however, that this did not mean “to say that legitimate interests are necessarily limited to this economic value”, thereby referring to a prior patent report in which another WTO panel had developed the formula of the justification of interests in the light of “public policies or other social norms”.<sup>41</sup>

The panel in the 110(5) case may have believed that its focus on the economic value of copyrights was a facet of the broader normative concept adopted by the patent panel but then chose not to discuss these conceptual questions in more detail because its analysis was confined to the interest in the economic value of the rights. In the absence of any objections raised by the parties, this interest could readily be qualified as “legitimate” and the panel may have felt that it needed go no further for the purposes of that dispute.<sup>42</sup>

With regard to the question of the not unreasonable nature of the prejudice, the panel in the same case noted that “a certain amount of prejudice has to be

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<sup>39</sup> See WTO Panel – Copyright, fn. 2, para. 6.224.

<sup>40</sup> See WTO Panel – Copyright, fn. 2, para. 6.227. Cf. HEIDE, *The Berne Three-Step Test and the Proposed Copyright Directive*, EIPR 1999, 105 (107), who warns of the reduction of the three-step test to an “economic prejudice test”. For an analysis of the Berne negotiating history forming the background to the panel’s approach focusing on legal interests, see FICSOR, fn. 2, 141-147.

<sup>41</sup> See WTO Panel – Copyright, fn. 2, para. 6.227 together with footnote 202. Cf. WTO Panel – Patents, fn. 1, para. 7.69.

<sup>42</sup> See WTO Panel – Copyright, fn. 2, para. 6.226.

presumed justified as ‘not unreasonable’.”<sup>43</sup> It concluded that “prejudice to the legitimate interests of right holders reaches an unreasonable level if an exception or limitation causes or has the potential to cause an unreasonable loss of income to the copyright owner.”<sup>44</sup> The starting point for scrutinizing Section 110(5) of the US Copyright Act was thus similar to the theoretical basis on which the panel had already conducted its analysis of normal exploitation.<sup>45</sup> In these circumstances, the flexibility of the third step – its full potential to serve as a proportionality test – remained unexplored by the panel to a significant degree.

## B. Possible Alternative Approaches

The predominantly economic interpretation chosen by the WTO panel in the 110(5) case was criticized for not taking sufficiently into account the diverse social, economic and cultural policy objectives of WTO Members.<sup>46</sup> A more policy-based reading of the second step was proposed by a number of scholars and commentators.<sup>47</sup> In the specific context of the TRIPS Agreement, such a normative interpretation may rely on the objectives and principles laid down in the Agreement’s preamble and in arts. 7 and 8.<sup>48</sup> In the context of public

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<sup>43</sup> See WTO Panel – Copyright, fn. 2, para. 6.229.

<sup>44</sup> See WTO Panel – Copyright, fn. 2, para. 6.229.

<sup>45</sup> See WTO Panel – Copyright, fn. 2, para. 6.265 and 6.272.

<sup>46</sup> For a normative approach of the second step, see also J.C. Ginsburg, “Toward Supranational Copyright Law? The WTO Panel Decision and the ‘Three-Step Test’ for Copyright Exceptions”, *RIDA* 2001, at 23; S. Ricketson and J.C. Ginsburg, “International Copyright and Neighbouring Rights- The Berne Convention and Beyond”, 2<sup>nd</sup> ed., Oxford, Oxford University Press, 2006, § 13.21, stating that the second step requires to take into account “non-economic as well as economic normative considerations”.

<sup>47</sup> According to Christophe Geiger, this normative approach could also be derived from fundamental rights obligations resulting from international law. For example, the socio-cultural dimension of copyright law, predominant in Article 27 UDHR and Article 15 ICESCR, should be reflected in the interpretation of the international three step test (see C. Geiger, “Exploring the Flexibilities of the TRIPS Agreement Provisions on Limitations and Exceptions”, in: A. Kur et V. Mizaras (eds.), *The Structure of Intellectual Property Law- Can One Size Fit All?*, Cheltenham, UK/Northampton, MA, Edward Elgar, 2011, at 287 sq.); C. Geiger, “The Social Function of Intellectual Property Rights, Or how Ethics can Influence the Shape and Use of IP law”, Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 13-06, forthcoming in: G.B. Dinwoodie (ed.), *Intellectual Property Law: Methods and Perspectives*, Cheltenham, UK/Northampton, MA, Edward Elgar, 2014). More detailed on this issue, see *infra*.

<sup>48</sup> H. Grosse Ruse-Khan, “Proportionality and Balancing within the Objectives for Intellectual Property Protection”, in: P. Torremans (ed), “Intellectual Property and Human Rights”, 161 (Austin/Boston/Chicago/New York/ The Netherlands, Kluwer law International, 2008), at 162. This author lists the concept of “normal exploitation” among the open provisions to be

international law, this approach is fully consistent with Article 31(1) of the Vienna Convention on the Law of Treaties, stating that “a treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its *object and purpose*” (emphasis added).<sup>49</sup>

Article 7 of TRIPS lays down a principle of balance between rights and obligations and emphasizes that the Agreement has the goal of fostering not only economic development, but also social welfare. This means that while interpreting the provisions of TRIPS, a pure economic perspective should not be followed to the exclusion of other values and objectives.<sup>50</sup> Article 8 TRIPS goes in the same direction, as it allows Members to adopt measures for the promotion of “the public interest in sectors of vital importance to their socio-economic and technological development”. Then, the preamble to the TRIPS Agreement refers not only to the objective of promoting adequate protection mechanisms. It also recognizes the “underlying public policy objectives of national systems” and,

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interpreted in the light of the TRIPS objectives specified in Article 7 and 8 of the Agreement. See also in this sense C. Geiger, “Exploring the Flexibilities of the TRIPS Agreement Provisions on Limitations and Exceptions”, in: A. Kur et V. Mizaras (eds.), *The Structure of Intellectual Property Law- Can One Size Fit All?*, Cheltenham, UK/Northampton, MA, Edward Elgar, 2011. More generally on this issue, see P.K. Yu, “The Objectives and Principles of the TRIPS Agreement”, 46 *Houston Law Review* 979 sq. (2009).

<sup>49</sup> See detailed on this issue S. Frankel, “WTO Application of ‘the Customary Rules of Interpretation of Public International Law’ to Intellectual Property”, 46 *Virginia Journal of International Law* 365 (2006). See also the Doha declaration on the TRIPS Agreement and Public Health adopted by the Ministerial conference (WT/Min (01)/DEC/2, 20 November 2001), where it is explicitly stated that “in applying the customary rules of interpretation of international law, each provision of the TRIPS Agreement shall be read in the light of the object and purpose of the Agreement as expressed, in particular, in its objectives and principles” (art. 5 a).

<sup>50</sup> See more detailed H. Grosse Ruse-Khan, “A Comparative Analysis of Policy Space in WTO Law” (November 26, 2008), Max Planck Institute for Intellectual Property, Competition & Tax Law Research Paper Series No. 08-02 (published under the title “Assessing the needs for a public interest exception in the TRIPS Agreement”, in: A. Kur and M. Levin (eds.), “Intellectual Property in a Fair World Trade System – Proposals for reforming TRIPS”, 167 (Cheltenham, UK/Northampton, MA: Edward Elgar, 2011); P. K. Yu, “The Objectives and Principles of the TRIPS Agreement”, 46 *Houston Law Review* 979 sq. (2009), stating that the TRIPS Agreement “includes a number of flexibilities to facilitate development and to protect the public interest. To safeguard these flexibilities, Article 7 and 8 provide explicit and important objectives and principles that play important roles in the interpretation and the implementation of the Agreement”. He also points out, following other commentators, that article 7 is a “should” provision and is contained in the text of the Agreement and not in the Preamble, what gives it a higher weight in the process of interpretation (see also in this sense UNCTAD-ICTDS, *Resource Book on TRIPS and Development*, Cambridge, Cambridge University Press, 2005, at 123).

with regard to least-developed countries, the needs “in respect of maximum flexibility in the domestic implementation”.<sup>51</sup> Henning Grosse Ruse-Khan has also argued that there is a principle of proportionality in international trade law that has to be respected while interpreting TRIPS.<sup>52</sup> “Proportionality” is a notion mostly used in the context of issues of fundamental rights, especially as a method to solve conflicts between different values at stake.<sup>53</sup>

One may find some support for this approach in the field of patent law. The WTO panel dealing with the protection of pharmaceutical products in Canada noted in its report that “both the goals and the limitations stated in Articles 7 and 8.1 must obviously be borne in mind when (examining the wording of the provision) as well as those of other provisions in the TRIPS Agreement which indicate its object and purposes”<sup>54</sup>. In the Canada-Pharmaceuticals case, the WTO panel thus seemed to adhere to a more normative, policy-based approach in interpreting article 30 TRIPS – the three-step test version applicable to exceptions to patent rights.<sup>55</sup> According to the report, “exploitation” should be considered “normal”

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<sup>51</sup> More detailed on the preamble and its impact on the interpretation of the Agreement, see D. Gervais, *The TRIPS Agreement: Drafting History and Analysis*, 4<sup>th</sup> ed., 159-164 (Sweet and Maxwell, London 2012).

<sup>52</sup> H. Grosse Ruse-Khan, “Proportionality and Balancing within the Objectives for Intellectual Property Protection”, in: P. Torremans (ed), “Intellectual Property and Human Rights”, 161 (Austin/Boston/Chicago/New York/ The Netherlands, Kluwer law International, 2008). See also M. Andenas and S. Zleptnig, “Proportionality and Balancing in WTO Law: A Comparative perspective”, *Cambridge Review of International Affairs* 2007, Vol. 20, Issue 1, 71 sq, discussing the concepts of proportionality, necessity and balancing in the World Trade Organization (WTO) legal framework; A. Kur, “Of Oceans, Islands, and Inland Water- How much Room for Exceptions and Limitations under the Three-step Test?”, *Richmond Journal of Global Law and Business* 8 (2009), p. 287, stating with reference to Art. XX GATT that “the need to interpret the three-step test in the light of proportionality considerations cannot be emphasized enough”.

<sup>53</sup> C. Geiger, “‘Constitutionalizing’ Intellectual Property Law, The Influence of Fundamental Rights on Intellectual Property in Europe”, *International Review of Intellectual Property and Competition Law* 37 (2006), p. 371; “Copyright’s Fundamental Rights Dimension at EU Level”, in: E. Derclaye (ed), “Research Handbook on the Future of EU Copyright”, 27 (Cheltenham, UK/Northampton, MA, Edward Elgar, 2009); “Fundamental Rights as Common Principles of European (and International) Intellectual Property Law”, in: A. Ohly (ed.), “Common Principles of European Intellectual Property Law”, 223 (Mohr Siebeck, Tübingen, 2012); “‘Humanising’ the Intellectual Property System - Securing a Fair Balance of Interests through Fundamental Rights at European and International Level”, *The Quarterly Review of Corporation Law and Society* (Waseda University), Sept. 2012, Issue 33, 291.

<sup>54</sup> WTO Panel Report of March 17, 2000, Canada - Patent Protection of Pharmaceutical Products, WT/DS114/R, §7.26.

<sup>55</sup> Article 30 TRIPS: “Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal

when it is “essential to the achievement of the goals of patent policy.”<sup>56</sup> That formulation remains somewhat vague, but it seems to provide the possibility for the legislature to take relevant policy considerations into account instead of confining the analysis to a strictly economic approach<sup>57</sup>.

Admittedly, the wording of the second step (in the version contained in TRIPS article 30) is different from the parallel criterion in the copyright provision set forth in article 13 of TRIPS or 9(2) of the Berne Convention. It seems to suggest more clearly that a conflict with a normal exploitation can be justified under a policy-based approach. Under Article 30, “exceptions must not *unreasonably* conflict with a normal exploitation of the patent”. Similarly, according to Article 26.2 TRIPS, “members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not *unreasonably* conflict with the normal exploitation of protected industrial designs” (emphasis added). The explicit reference to a notion such as the “reasonableness” of the second step restriction allows more easily the factoring in of interests beyond those of right holders<sup>58</sup>. Article 26.2 and 30 of TRIPS thus seem to allow a more flexible application of the test. However, there is no stated reason in TRIPS to explain why restrictions to the rights of the owner of a patent or of an industrial design should be treated differently from those of the owner of authors’ rights/copyright.<sup>59</sup>

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exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.”

<sup>56</sup> WTO Panel Report of 17 March 2000, *supra*, § 7.58. On this report, see M.R.F. Senftleben, “Towards a Horizontal Standard for Limiting Intellectual Property Rights? WTO Panel Reports Shed Light on the Three-Step Test in Copyright Law and Related Tests in Patent and Trademark Law”, *International Review of Intellectual Property and Competition Law* 37 (2006), p. 407.

<sup>57</sup> More generally, for an analysis of exclusions to Patent Law provisions in TRIPS from an international Human Rights perspective, see H. M. Haugen, “Human Rights and TRIPS Exclusion and Exception Provisions”, 5/6 *Journal of World Intellectual Property* 345 (2009).

<sup>58</sup> See Part I.

<sup>59</sup> As A. Kur, “Of Oceans, Islands, and Inland Water- How much Room for Exceptions and Limitations under the Three-step Test?”, *Richmond Journal of Global Law and Business* 8 (2009), p. 287, interestingly points out, the drafting history of the TRIPS agreement also does not offer an explanation as to why these differences in wording occurred and whether they were intended to have a special meaning.

Future WTO panels dealing with the three-step test are not formally bound by the approach taken in the report on Section 110(5) of the US Copyright Act, for there is no formal principle of *stare decisis* in WTO law.<sup>60</sup> That said, a kind of “WTO jurisprudence” is emerging. Understandably, dispute-settlement panels strive to maintain consistency with previous reports and frequently refer in great detail to findings of prior panels.<sup>61</sup> Yet, as pointed out by Professor Jackson, there are “several specific instances in the GATT jurisprudence, where panels have consciously decided to depart from the results of a prior panel.”<sup>62</sup> Therefore, it cannot be assumed that the panel report on Section 110(5) poses an insurmountable hurdle for future panels seeking to recalibrate the three-step test as interpreted in 2000 in the 110(5) case. Future panel reports may wish to identify which features of the interpretation by that panel are lasting and which may not be, and which principles should be identified as established rules of interpretation. A report by the Appellate Body of course, due to its heightened position in the WTO hierarchy, could truly proceed *de novo* on the issue.

A future panel or the Appellate Body, should they wish to refine the approach developed in the report on Section 110(5) of the US Copyright Act, could rely on the alternative approaches suggested since 2000 in in-depth analyses of the nature and function of the three-step test in international copyright law. Article 31(3) (c) of the Vienna Convention on the Law of Treaties<sup>63</sup>, requires that “any relevant rules of international law applicable in the relations between the parties” should be taken into account.<sup>64</sup> A more flexible, normative approach to

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<sup>60</sup> See in general I. Brownlie, *Principles of Public International Law*, Oxford: Clarendon Press 1998, at 19-22. Cf. J.H. Jackson, *The Jurisprudence of GATT and the WTO – Insights on Treaty Law and Economic Relations*, Cambridge: Cambridge University Press 2000, at 127; P.E. Geller,

<sup>60</sup>“Geistiges Eigentum auf dem Weltmarkt: Welche Bedeutung hat die Streitbeilegung nach TRIPS?”, *Gewerblicher Rechtsschutz und Urheberrecht Internationaler Teil* 1995, 935 (943).

<sup>61</sup> Panel reports might refer to so-called “dispute settlement practice”. See for instance WTO Panel – Copyright 2000, §§ 6.13, 6.111, 6.162, 6.185, 6.231.

<sup>62</sup> See J.H. Jackson, *The Jurisprudence of GATT and the WTO – Insights on Treaty Law and Economic Relations*, Cambridge: Cambridge University Press 2000, at 127.

<sup>63</sup> United Nations, Treaty Series, Vol. 1155, 331. However, it is true that some important WTO members such as the USA have not ratified the Vienna convention.

<sup>64</sup> See S. Frankel, “WTO Application of ‘the Customary Rules of Interpretation of Public International Law’ to Intellectual Property”, 46 *Virginia Journal of International Law* 365 (2006),

the three-step test might also be illuminated by international obligations resulting from treaties protecting human rights and fundamental rights.<sup>65</sup> International obligations can result, for example, from the Universal Declaration of Human Rights (UDHR) of 1948 and the International Covenant on Economic, Social and Cultural Rights (ICESCR) of 19 December 1966. Both may be seen as providing guidelines for the interpretation of the TRIPS Agreement, and therefore also of the three-step test.<sup>66</sup> Given the ethical questions involved in at least some E&Ls, it is hard to completely exclude the relevance of the Universal Declaration on Human Rights, for example. Indeed, while the exact interaction of the TRIPS Agreement and the UDHR is unclear, a number of scholars have gone so far as to argue that there is primacy of international human rights acts over trade liberalization rules that makes it mandatory that trade rules be interpreted in the light of the UDHR.<sup>67</sup> Furthermore, the UN Sub-Commission on Human

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at 420, underlining that “Art. 31 (3)(c) is not limited to rules in relation to intellectual property law, but all rules of international law” and that therefore the “open-textured nature of some TRIPS Agreement carve-outs may call for other areas of international law to be treated as part of the context for interpretation”.

<sup>65</sup> On the interaction between IP and international human rights provisions see L.R. Helfer and G. Austin, *Human Rights and Intellectual Property, Mapping the Global interface*, Cambridge, CUP, 2011; L.R. Helfer, “Three Approaches for Reconciling Human Rights and Intellectual Property Rights”, in: ALADDA (ed.), “Copyright and Freedom of Expression, ALAI Study Days 2006”, ALADDA, Barcelona, 2008, at 116. According to this author, it is certain “that the rules, institutions, and discourse of international human rights are now increasingly relevant to intellectual property law and policy and that the two fields, once isolated from each other, are becoming ever more closely intertwined”. See also in this sense from the same author: “Towards A Human Rights Framework for Intellectual Property”, *U.C. Davis Law Review* 2007, Vol. 40, 971 and P. K. Yu, “Reconceptualizing Intellectual Property Interests in a Human Rights Framework”, *U.C. Davis Law Review* 2007, Vol. 40, 1039); “Ten Common Questions About Intellectual Property and Human Rights”, *Georgia State University Law Review* 2007, Vol. 23, No. 4, p. 709; N. Bronzo, “Propriété intellectuelle et droits fondamentaux” (L’Harmattan, Paris 2007); C. Geiger, “The Constitutional Dimension of Intellectual Property”, in: P. Torremans (ed.), “Intellectual Property and Human Rights”, 101 (Austin/Boston/Chicago/New York, The Netherlands, Kluwer Law International, 2008); C. Geiger (ed.), “Research Handbook on Human Rights and Intellectual Property”, (Cheltenham, UK/Northampton, MA, Edward Elgar, forthcoming 2014).

<sup>66</sup> See S. Frankel, “WTO Application of ‘the Customary Rules of Interpretation of Public International Law’ to Intellectual Property”, 46 *Virginia Journal of International Law* 365 (2006), at 420, underlining that “Art. 31 (3)(c) is not limited to rules in relation to intellectual property law, but all rules of international law” and that therefore the “open-textured nature of some TRIPS Agreement carve-outs may call for other areas of international law to be treated as part of the context for interpretation”.

<sup>67</sup> See e.g. the article of G. Marceau, Counselor for the Legal Affairs Division of the WTO Secretariat: “WTO Dispute Settlement and Human Rights”, 13 *European Journal of International Law* 753 sq. (2002), and from the same author: “The WTO Dispute Settlement and Human Rights”, in: F.M. Abbott, C. Breining-Kaufmann & T. Cottier (eds.), “International Trade and Human Rights: Foundations and Conceptual Issues”, World Trade Forum, Vol. 5 (Ann Arbor, University of Michigan Press, 2005), chapter 10; R. Howse and M. Mutua, “Protecting Human Rights in a Global

Rights in its resolutions has, on several occasions, urged the World Trade Organization in general, and the Council on TRIPS during its ongoing review of the TRIPS Agreement in particular, “to take fully into account the existing State obligations under international human rights instruments” (emphasis added).<sup>68</sup>

We should note before moving to the third step that some scholars have proposed to adopt, in addition to a policy-based approach, a restrictive approach to the notion of ‘normal exploitation of a work’ [in the second step], in order to avoid depriving national legislatures and judges of the policy space necessary to strike a proper balance between copyright protection and competing social, cultural and economic needs<sup>69</sup>. They have argued that a restrictive reading of the

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Economy: Challenges for the World Trade Organization”, Executive summary (Montreal, Rights & Democracy, International Centre for Human Rights and Democratic Development 2000), arguing “that trade and human rights regimes need not be in conflict, so long as the trade regime is interpreted and applied in a manner consistent with the human rights obligations of states. This interpretation respects the hierarchy of norms in international law, where human rights, to the extent that they have the status of custom in international law, and certainly where they have the status of preemptory norms, will normally prevail over specific, conflicting provisions of any treaties including trade agreements”. Arguing in favor of prioritized value of the human right to health, see L. Forman, “An Elementary Consideration of Humanity? Linking Trade-Related Intellectual Property Rights to the Human Right to Health in International Law”, *Journal of World Intellectual Property* 2011, Vol. 14, No. 2, 155.

<sup>68</sup> Resolution 2000/7 of the UN Sub-Commission on Human Rights, 17 August 2000, on “Intellectual Property Rights and Human Rights” (E/CN.4/SUB.2/RES/2000/7). See also in this sense Resolution 2001/21 of the UN Sub-Commission on Human Rights, 16 August 2001 (E/CN.4/SUB.2/RES/2001/21).

<sup>69</sup> According to Martin Senftleben, conflict with normal exploitation should occur only if “the author is deprived from a current or potential market of considerable economic and practical importance” (M.R.F. Senftleben, *Copyright, Limitations and the Three-Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law*, The Hague/London/New York: Kluwer Law International 2004, at 193). The notion of normal exploitation would then cover, as rightly underlined by Séverine Dusollier, only “the main avenues of the exploitation of the work, i.e. those which constitute the author’s major sources of income” (S. Dusollier, *Droit d’auteur et protection des œuvres dans l’univers numérique*, Larcier: Bruxelles 2005, p. 220). This author adds that “to reason otherwise would make the exceptions lose their meaning and gradually disappear.” See also in this sense A. Lucas, “For a Reasonable Interpretation of the Three-Step Test”, *European Intellectual Property Review* 2010, p. 278 sq, stating that the definition of the normal exploitation should take into account “the potential effect of the exception only if these effects are suited to deprive the right owners of *substantial* gains” (emphasis added); J. Griffiths, “The ‘Three-step test’ in European Copyright Law - Problems and Solutions”, 2009 *Intellectual Property Quarterly* at 457, according to whom “there is strong arguments that a conflict with a normal exploitation of the work should only be regarded as arising where an author or copyright owner is deprived of an extensive share of his or her potential market”. He concludes that the test should only be considered “as a form of long-stop, a loose constraint prohibiting only exceptions that would generally be acknowledged to be unjustifiable”.

second step is particularly necessary if a sequential (or “step-by-step”) approach is followed.<sup>70</sup>

This takes us to the third step of the test, which some see as the most important one because it requires an examination of the justification that underlies the E&L at issue. Under the third step, copyright E&Ls must be prevented from causing an *unreasonable* prejudice to the legitimate interests of the right holder.<sup>71</sup> This language indicates that the right holder is not intended to have the power to control *all* uses of her works, as some degree of prejudice may be justified in light of values deemed superior to or balanced against legitimate interests of the right holder.<sup>72</sup> It also suggests that some interests may not be legitimate in this context. Given those safeguards, the formulation of the third step allows WTO Members to use *a proportionality test*,<sup>73</sup> as is often done to settle conflicts between fundamental rights.<sup>74</sup> A legislature or judge applying the test must consider the justification behind the E&L and come to a differentiated analysis in light of the many interests at stake.

Those who support a reading of the three-step test that departs from the 110(5) panel report often point to the fact that national courts have started to interpret the test in a more liberal manner than the WTO panel, sometimes insisting on the

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<sup>70</sup> Although, as we will show below, we don't think that such an approach is dictated by the international three-step test, at least clearly not in its post Berne context.

<sup>71</sup> According to its authoritative French version, the term “unreasonable” would have to be read as “unjustified” at least in the context of the Berne Convention where, as we have seen above in Part I, the French version of the text prevails.

<sup>72</sup> Reasoning on the basis of conflicting fundamental rights, the German Constitutional Court specified this very clearly in its “School Book” decisions of 7 July 1971, *GRUR* 1972, 481.

<sup>73</sup> M.R.F. Senftleben, *Copyright, Limitations and the Three-Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law*, The Hague/London/New York: Kluwer Law International 2004, at 226; S. Dusollier, *Droit d'auteur et protection des œuvres dans l'univers numérique*, Larcier: Bruxelles 2005, p. 221. See also D. Gervais, “Towards a New Core International Copyright Norm: The Reverse Three-Step Test”, 9 *Marquette Intellectual Property Law Review* 1 *sq.* (2005), stating “that the inclusion of a reasonableness/justifiability criterion is a key that allows legislators to establish a balance between on the one hand, the rights of authors and copyright holders, and the needs and interests of users, on the other hand”; C. Geiger, “The Three-Step Test, A Threat to a Balanced Copyright Law?”, *International Review of Intellectual Property and Competition Law* 37 (2006), p. 683 (696).

<sup>74</sup> C. Geiger, “The Role of the Three-Step Test in the Adaptation of Copyright Law to the Information Society”, *e-Copyright Bulletin* January-March 2007, at 18; “Fundamental Rights, a

potential of the three test criteria to serve – in an enabling sense – as a basis for the adoption of national E&Ls.<sup>75</sup> Some of these decisions are discussed in Part IV below.

A number of doctrinal proposals to “rethink” the three-step test more holistically along those lines have been put forward. It was proposed, for example, when evaluating the compatibility of an E&L with the test, to examine it in reverse, that is, to start with the third step, the second step being examined afterwards as a corrective measure to eliminate abusive conflicts with the exploitation of the work.<sup>76</sup> It has been argued that the comparison of the wording of article 13 TRIPS with other TRIPS provisions modeled on the three-step test suggests that the “third step” could be considered as the most important one. Article 17 (trademarks) for example provides for only one main criterion, namely to “take account of the legitimate interests of the owner of the trademark and of third parties”<sup>77</sup>. The ‘psychological’ effect of a reverse reading of the steps of the test is not negligible: after having balanced the different interests involved, a court or

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Safeguard for the Coherence of Intellectual Property Law?”, *International Review of Intellectual Property and Competition Law* 2004, p. 277.

<sup>75</sup> See e.g. the decision of the Swiss Supreme Court, 1<sup>st</sup> Civil Division, 26 June 2007, *International Review of Intellectual Property and Competition Law* 39 (2008), p. 990. For a comment see C. Geiger, “Rethinking Copyright Limitations in the Information Society: The Swiss Supreme Court Leads the Way”, *International Review of Intellectual Property and Competition Law* 39 (2008), p. 943; Court of Appeal of Barcelona (SAP), 17 September 2008. Commenting on recent cases in Spain related to the test, one scholar even notes that “Spanish case law proves that the test can be used by courts not to further ‘restrict’ the scope of a statutory exception but to provide for some well-needed room to ‘manoeuvre’ in applying the exceptions to specific cases and scenarios” (R. Xalabarder, “Fair Use in Spain. The EUCD Aftermath”, in: G. Ghidini and L.M. Genovesi (eds.), “Intellectual Property and Market Power” 811 (Buenos Aires, EUDEBA, 2008). For a discussion of many national court decisions on the three-step test, see J. Griffiths, “The ‘Three-Step Test’ in European Copyright Law: Problems and Solutions”, *Intellectual Property Quarterly* 2009, p. 489. For a discussion of the three-step test as a basis for flexible fair use legislation, see M.R.F. Senftleben, “The International Three-Step Test: A Model Provision for EC Fair Use Legislation”, *Journal of Intellectual Property, Information Technology and E-Commerce Law* 1 (2010), p. 67, available at <http://ssrn.com/abstract=1723867>.

<sup>76</sup> See C. Geiger, “Right to Copy v. Three-Step Test, The Future of the Private Copy Exception in the Digital Environment”, 2005 *Computer Law Review international* (CRI) 12; “The Three-Step Test, a Threat to a Balanced Copyright Law?”, *International Review of Intellectual Property and Competition Law* 37 (2006), p. 683 (696); “The Role of the Three-Step Test in the Adaptation of Copyright Law to the Information Society”, *e-Copyright Bulletin* January-March 2007.

<sup>77</sup> The full wording of Article 17 TRIPS is: “Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties”. The first “step” is therefore still present through the reference to the need of providing only “limited” exceptions. Anyhow, it has to be noted that no reference to the normal exploitation can be found.

tribunal may be less inclined to prohibit the exception or E&L in question by adopting a purely economic approach.

Another interpretation that has been proposed is to read the test as stating a number of factors that need to be considered by the judge, based on the model of the American fair use doctrine.<sup>78</sup> Those who support this approach draw a parallel with the fourth factor contained in Article 107 of the US Copyright Act, which codified the doctrine elaborated by US courts since the 19<sup>th</sup> century. According to this fourth factor, the *effect of the use on the potential market* for or value of the copyrighted work must be taken into account in determining whether a particular use is fair. Similarly, one could say that the second step (impact on normal exploitation of the work) is *one of the criteria* to take into account during the analysis of the application of an exception or E&L, but not the only one. Under this type of approach, the three-step test could be renamed the “three-factor test”.

Whatever path is chosen to interpret the test, most observers agree that, normatively, a just balance of the different interests involved should be achieved.<sup>79</sup> This is especially true because, today, the test affects all debates concerning the future of E&Ls to copyright.<sup>80</sup>

### C. The Declaration on a Balanced Interpretation

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<sup>78</sup> K.J. Koelman, “Fixing the Three- Step Test”, *European Intellectual Property Review* 2006, p. 407; M.R.F. Senftleben, “L’application du triple test: vers un système de fair use européen”, 2007 *Propr. Intell.* 453, and from the same author: “Fair Use in the Netherlands - A Renaissance?”, 2009 *Tijdschrift voor auteurs-, media- en informatierecht* 1: “The adoption of a fair use system that rests on the flexible, open criteria of a conflict with a normal exploitation and an unreasonable prejudice to the legitimate interests would pave the way for this more flexible and balanced application of the test” (at 7).

<sup>79</sup> C. Geiger, “From Berne to National Law, via the Copyright Directive: The Dangerous Mutations of the Three-Step Test”, *European Intellectual Property Review* 2007, p. 486; “The Role of the Three-Step Test in the Adaptation of Copyright Law to the Information Society”, *e-Copyright Bulletin* January-March 2007.

<sup>80</sup> See the Green Paper “Copyright in the Knowledge Economy” of the Commission of the European Communities, COM(2008) 466/3, p. 5, stating that the three-step test “has become a benchmark for all copyright limitations”. See further, in the EU context, C. Geiger and F. Schön herr, “Defining the Scope of Protection of Copyright in the EU: The Need to Reconsider the *Acquis* regarding Limitations and Exceptions”, in: T.-E. Synodinou (ed.), *Codification of European Copyright Law, Challenges and Perspectives*, Alphen aan den Rijn (NL), Kluwer Law International, 2012, p. 133.

One can set against the background of possible alternative approaches the joint project by the Max Planck Institute for Intellectual Property, Competition and Tax Law and Queen Mary, University of London. The project brought together a group of experts who elaborated a “declaration” aiming at securing a balanced interpretation of the three-step test in copyright law<sup>81</sup>. The aim of this declaration was “to restore the ‘three-step test’ to its original role as a relatively flexible standard precluding clearly unreasonable encroachments upon an author’s rights without interfering unduly with the ability of legislators and courts to respond to the challenges presented by shifting commercial and technological contexts in a fair and balanced manner”<sup>82</sup>.

The declaration starts by suggesting that the three-step test constitutes an indivisible entirety and that the three steps are to be considered together and as a whole in a comprehensive overall assessment (Article 1). It clarifies that the requirement of a “certain special case” does not prevent legislators from introducing open-ended E&Ls, so long as the scope of such E&Ls is reasonably foreseeable (Article 3). It also proposes to adopt a normative understanding of the concept of normal exploitation in taking into account the justification of the E&L as well as the payment of an adequate compensation for the use of the work (Article 4). Finally, it states that interests deriving from human rights and fundamental freedoms, as well as interests in competition and other public interests (scientific progress, cultural, social, or economic development) must be taken into account when interpreting the three step test (Article 6). Since the publication of this text, a number of additional interpretations have been

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<sup>81</sup> Declaration on a balanced interpretation of the Three-Step Test in Copyright Law, *International Review of Intellectual Property and Competition Law* 2008, p. 707. On this declaration, see C. Geiger, J. Griffiths and R.M. Hilty, “Towards a Balanced Interpretation of the ‘Three-step test’ in Copyright Law”, *European Intellectual Property Review* 2008, p. 489. The declaration was published in the Netherlands (*Tijdschrift voor auteurs-, media- en informatierecht* 2009, p. 8), in Germany (*GRUR International* 2008, 822), in France (*Propr. intell.* 2008, 399), in Belgium (*Auteurs et Médias* 2008, 516), in Spain (*Actas de derecho industrial y derecho de autor* 2007-2008, Vol. 28, 1509), in Italy (*Diritto informazione e informatica* 2009, 159), in Portugal (*Direito da Sociedade da Informação* 2009, Vol. 8, 471), in Brazil (*Revista Trimestral de Direito Civil* July-September 2008, Vol. 35, 239), in Japan (*Digital Content Association of Japan (DCAJ)*, “Research on the introduction of fair-use provisions into Japanese copyright law”, Annual Report of the Digital Content Association of Japan 2009, 69) and in Canada (*Cahiers de Propriété Intellectuelle* 2012, Vol. 24, No. 1, 147).

proposed in the specific context of the TRIPS Agreement, in part to extend this balancing exercise in all areas of intellectual property<sup>83</sup>.

The Declaration has also been subject to some critiques. It was asserted that the proposed interpretation gave too much weight to the “public interest” and too little to the interests of right holders and, therefore, was too far removed from the original rationale underlying the test.<sup>84</sup> Another line of criticism was that the overall assessment proposed by the Declaration was contrary both to the wording and history of the test, which they saw as requiring a sequential approach. As we noted in Part I, a more dynamic interpretation of the test may be required now that the test has become an anchor for almost all TRIPS-compatible E&Ls in the fields of copyright, designs and patents (arts. 13, 26.2 and 30, respectively), bearing in mind of course the textual differences among the various versions.

According to one scholar, “it is sufficient to recall that the order of conditions (of the two last conditions) was discussed at Stockholm and that the drafters have explicitly indicated that one must not examine the third condition if the second one is not fulfilled”.<sup>85</sup> This position is based on a reported statement of the chairman of Main Committee I at the 1967 Stockholm Conference, Professor Eugen Ulmer. He regarded the normal exploitation of the work as the first essential of the three-step test while, from his point of view, the question of prejudicing the legitimate interests of the author constituted merely a secondary

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<sup>82</sup> C. Geiger, J. Griffiths and R.M. Hilty, “Towards a Balanced Interpretation of the ‘Three-step test’ in Copyright Law”, *European Intellectual Property Review* 2008, p. 489.

<sup>83</sup> See A. Kur, “Of Oceans, Islands, and Inland Water- How much Room for Exceptions and Limitations under the Three-step Test?”, *Richmond Journal of Global Law and Business* 8 (2009), p. 287. Another reading has been also proposed by H. He, “Seeking a Balanced Interpretation for the Three-Step Test: an Adjusted Structure in View of Divergent Approaches”, *International Review of Intellectual Property and Competition Law* 40 (2009), p. 274; R. Wright, “The ‘Three-Step Test’ and the Wider Public Interest: Towards a More Inclusive Interpretation”, *2009 Journal of World Intellectual Property* 600.

<sup>84</sup> A. Lucas, “For a Reasonable Interpretation of the Three-Step Test”, *European Intellectual Property Review* 2010, p. 277 (278).

<sup>85</sup> See A. Lucas, “For a Reasonable Interpretation of the Three-Step Test”, *European Intellectual Property Review* 2010, p. 277 (281); M.J. Ficsor, “‘Munich Declaration’ on the three-step test- Respectable objective; wrong way to try to achieve it”, available [http://www.copyrightseesaw.net/archive/?sw\\_10\\_item=15](http://www.copyrightseesaw.net/archive/?sw_10_item=15).

one.<sup>86</sup> The report on the work of Main Committee I noted in this vein that the conditions were reversed to “afford a more logical order for the interpretation of the rule”.<sup>87</sup> This explanation is followed by the practical example of photocopying for various purposes cited above in Part I.

These statements made at the 1967 Stockholm Conference undoubtedly form part of the drafting history underlying the adoption of the first three-step test in international copyright law. However, they do not fully answer all questions concerning the test. Put differently, one cannot derive the entire interpretation from these statements. In the context of TRIPS, as was explained in the 110(5) and Canada-Pharmaceuticals panel dispute-settlement reports, the Berne *acquis* was incorporated in the Agreement with the consequence that the Berne drafting history impacts the understanding of the three-step test. However, the TRIPS Agreement has also its own objectives and principles that have to be taken into account when interpreting its provisions, thus potentially leading to a more nuanced reading. Moreover, a mechanical “step-by-step” approach is also difficult to reconcile with the Agreed Statement in the context of the WIPO copyright treaties of 1996 if the second step is used as a “show-stopper” for any extension of E&Ls in the digital environment.<sup>88</sup>

In our submission, the adoption with changes of the text in TRIPS, and the Agreed Statement Concerning Article 10 WCT, suggest that a more flexible approach is desirable. Regardless of the position taken on sequentiality or holism, sequentiality must not be applied too rigidly, meaning that any miss (even minor) at any of the steps means the E&L fails. A more integrated approach should be followed that does not disregard the connection between the three criteria. In other words, even if one decides to apply each step independently and/or sequentially, the steps should not be treated as completely

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<sup>86</sup> See WIPO, *Records of the Intellectual Property Conference of Stockholm June 11 to July 14, 1967*, Geneva: WIPO 1971, Minutes of Main Committee I, p. 885, and Doc. S/238, p. 720.

<sup>87</sup> See WIPO, *Records of the Intellectual Property Conference of Stockholm June 11 to July 14, 1967*, Geneva: WIPO 1971, Report on the Work of Main Committee I, p. 1145.

<sup>88</sup> This was the case in a highly problematic decision of the French Supreme Court of 28 February 2006 (Cass. 1<sup>st</sup> Civil Division, 28 February 2006, IIC 37 (2006), p. 760) where the Court simply stopped the analysis of the test after concluding abstractly that the private copy of a DVD conflicts with the normal

separate. Instead, the answer provided under each step even in a distinct analysis should be combined in the final result.

Operationally, if a challenged E&L easily passes two of the steps but is slightly below the threshold for the third, then the E&L could be said to pass the test, bearing in mind that, analytically, there is some degree of overlap between the steps. What may be a small potential miss on one of the steps may thus be compensated by demonstrating that an impugned E&L is clearly valid under the other two. E&Ls for access by visually-impaired users are both “special” under the first step and strongly supported at the normative level, which is mostly relevant under the third step but should also influence the assessment under the second step. Even if some have argued that there might be interference with some commercial exploitation of Braille copies of books, the encroachment seems fairly limited and does not vitiate the “core” exploitation of books by authors and publishers. To take another example, an E&L for a specific purpose such as limited copying to increase access to books in schools would likely pass the first and third step. Consideration under the second and third step could be given to whether the books at issue are designed for schools (where the case for interference and prejudice may be much stronger) as opposed to material designed for other markets, for which a fine-grained analysis of the evidence would be required.

The WTO disputes-settlement panels have not had to deal with such a fact pattern (the US E&L under attack in the 110(5) case was deemed to fail on all three steps). In fact, the Canada-Pharmaceuticals panel did not exclude that the steps could overlap.<sup>89</sup> This approach might pave the way for a future panel or the Appellate Body to refine its approach in a closer case.

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exploitation of the work and thus violate the second step. On this decision, *see* C. Geiger, ‘The Three-Step Test, A Threat to a Balanced Copyright Law?’, IIC 37 (2006), p. 683,

<sup>89</sup> Canada-Pharmaceuticals, *loc. cit.* para 7.76.

### Part III – Room for open ended E&Ls

As demonstrated in Part II, the open-ended wording of the three-step test supports flexible approaches seeking to strike an appropriate balance in copyright law, such as allowing for “fair uses”. Restrictive interpretations of the test, however, have cast doubt upon the compliance with the test of open-ended national doctrines such as US-style fair use, as well as with more open and flexible versions of “fair dealing” standards in place in a number of common law jurisdictions. It has been asserted, for instance, that fair use and fair dealing systems did not qualify as “certain special cases.”<sup>90</sup> Insofar as this line of reasoning aims to discredit the mechanism traditionally used to delineate exclusive rights in “open clause”-countries – that is, court determinations *case by case* based upon a set of principles and/or rules –, the possibility of a conflict between the open clause law approach and the three-step test must be examined closely, especially in light of the drafting history described in Part I.

There are at least three elements to consider in that context. First, the three-step test itself is an open-ended norm. Like the US fair use doctrine codified in section 107 of the US Copyright Act, it establishes a set of abstract criteria. Second, parallels between the criteria of the three-step test and the factors to be found in fair use can be drawn. As noted above, the prohibition of a conflict with a normal exploitation parallels the fourth factor of the US fair use’s “effect of the use upon

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<sup>90</sup> As to the debate on the impact of the three-step test on open-ended limitations, such as the US fair use doctrine, cf. A. Förster, *Fair Use*, Tübingen: Mohr Siebeck 2008, p. 191-201; M.R.F. Senftleben, *Copyright, Limitations and the Three-Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law*, The Hague/London/New York: Kluwer Law International 2004, p. 133-137 and 162-168; J. Bornkamm, “Der Dreistufentest als urheberrechtliche Schrankenbestimmung – Karriere eines Begriffs”, in: H.-J. Ahrens/J. Bornkamm/W. Gloy/J. Starck/J. von Ungern-Sternberg, *Festschrift für Willi Erdmann zum 65. Geburtstag*, Köln/Berlin/Bonn/München: Carl Heymanns 2002, p. 45-46; H. Cohen Jehoram, “Restrictions on Copyright and their Abuse”, *European Intellectual Property Review* 2005, p. 359; S. Ricketson, “The three-step test, deemed quantities, libraries and closed exceptions”, Centre for Copyright Studies, Strawberry Hills NSW 2002, p. 147-154; M. Leaffer, The Uncertain Future of Fair Use in a Global Information Marketplace, *Ohio State Law Journal* 62 (2001), p. 849; R. Okediji, “Toward an International Fair Use Doctrine”, *Columbia Journal of Transnational Law* 39 (2000), p. 75 (116-130); J.E. Cohen, “WIPO Copyright Treaty Implementation in the United States: Will Fair Use Survive?”, *European Intellectual Property Review* 1999, p. 236; T. Newby, “What’s Fair Here is not

the potential market for or value of the copyrighted work.” Third, at the 1967 Stockholm Conference, it was the UK delegation, which itself had fair dealing exceptions in its national law, which proposed the adoption of an abstract formula rather than a detailed list of specific exceptions. It may thus be better to see the test as an important link between continental European and Anglo-American copyright systems than as a prohibition of domestic open-ended exceptions. Finally, the WTO panel on Section 110(5) of the US Copyright Act did not endorse the view that fair use, by definition, was incompatible with the requirement of “certain special cases”. Instead, the panel adopted a cautious approach:

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. This guarantees a sufficient degree of legal certainty.<sup>91</sup>

The panel thus left room for national legislators to provide for open-ended E&Ls allowing their courts to make case-by-case determinations that ensure a sufficient degree of legal certainty.<sup>92</sup>

In all legal systems, the role of defining and implementing legal norms is divided between lawmakers and judges. In what one might call “open clause systems,” such as fair use, the judge is called upon to explicitly balance abstract criteria as applied to specific cases. Some might argue that such a system is better to adapt E&Ls to new and specifically online uses. Others may argue that it is more unpredictable than specific E&Ls, and that this unpredictability has a cost to both right holders and users. It is important to recognize, however, that judicial

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Fair Everywhere: Does the American Fair Use Doctrine Violate International Copyright Law?”, *Stanford Law Review* 1999, p. 1633.

<sup>91</sup> See WTO Document WT/DS160/R, online available at [www.wto.org](http://www.wto.org), para. 6.108. See D. Gervais. *The TRIPS Agreement; Drafting History and Analysis*, 4<sup>th</sup> ed., London: Sweet & Maxwell 2012, at 280-283.

<sup>92</sup> Legal certainty is not necessarily the exclusive task of the legislator. Courts for example may add or reduce uncertainty.

interpretation and implementation occur in closed list systems as well. No E&L is drafted so specifically as to be free from the need for interpretation or to be devoid of ambiguity as applied in the specific case.

In all systems, even in those who do not recognize the development of binding precedent, jurisprudence in the form of accepted and repeated official practice by judges or administrators can become known and works to increase the degree of legal certainty in the system as a whole. In other words, open factors such as those in the US fair use doctrine allow courts to determine “certain special cases” of permissible unauthorized use in the light of the individual circumstances of a given case, just as must occur to some degree in closed list systems. With every court decision, a further “special case” becomes known, particularized and thus “certain” in the sense of the three-step test. A sufficient degree of legal certainty thus may follow from established case law as well as in detailed legislation.<sup>93</sup> In sum, while it is conceivable that a court decision might apply fair use in a specific case in a way that contravenes the test, open-ended rules such as US fair use are not *per se* incompatible with the test.

We cannot leave this topic without noting that the US was not obliged to amend its fair use doctrine when adhering to the 1971 Paris Act of the Berne Convention in 1989 or to the TRIPS Agreement (via its ratification of the WTO Agreement) in 1995. Was it understood that the doctrine complies with the three-step test laid down in Berne Article 9(2)?<sup>94</sup> One can perhaps find an answer at the 1996 Diplomatic Conference which adopted the WIPO “Internet” treaties, at which the US delegation underscored that

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<sup>93</sup> In this sense already M.R.F. Senftleben, *Copyright, Limitations and the Three-Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law*, The Hague/London/New York: Kluwer Law International 2004, p. 162-168. As to the current state of the US fair use doctrine, see B. Beebe, “An Empirical Study of U.S. Copyright Fair Use Opinions, 1978-2005”, *University of Pennsylvania Law Review* 156 (2008), p. 549; M. Sag, “Predicting Fair Use”, *Ohio State Law Journal* 73 (2012), p. 47; P. Samuelson, “Unbundling Fair Uses”, *Fordham Law Review* 77 (2009), p. 2537. However, see also the critical comments by A. Förster, *Fair Use*, Tübingen: Mohr Siebeck 2008, p. 197-201, on the unrestricted openness of the US system. With regard to the predictability of fair use decisions, see also D. Nimmer, “‘Fairest of Them All’ and Other Fairy Tales of Fair Use”, *Law and Contemporary Problems* 66 (2003), p. 263.

<sup>94</sup> Cf. P. Samuelson, “Challenges for the World Intellectual Property Organization and the Trade-related Aspects of Intellectual Property Rights Council in Regulating Intellectual Property Rights in the Information Age”, *European Intellectual Property Review* 1999, 578 (582-583); C.A.

*it was essential that the [WIPO “Internet” treaties] permit the application of the evolving doctrine of “fair use”, which was recognized in the laws of the United States of America, and which was also applicable in the digital environment.*<sup>95</sup>

The delegation went on to stress that the three-step test “should be understood to permit Contracting Parties to carry forward, and appropriately extend into the digital environment, limitations and exceptions in their national laws which were considered acceptable under the Berne Convention.”<sup>96</sup> We found no objection in the Conference’s record. In fact, as explained in Part I, this language finally made its way into the Agreed Statement which accompanies the three-step tests of Article 10 WCT.<sup>97</sup>

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Alberdingk Thijm, “Fair use: het auteursrechtelijk evenwicht hersteld”, *Tijdschrift voor auteurs-, media- en informatierecht* 1998, 145 (152-153).

<sup>95</sup> See Minutes of Main Committee I, WIPO Doc. CRNR/DC/102, 70.

<sup>96</sup> See Minutes of Main Committee I, WIPO Doc. CRNR/DC/102, 70.

<sup>97</sup> For the full text of the agreed statement concerning article 10 WCT, see subsection 3.3.2.

## **Part IV – The Enabling Function of the Three-Step Test**

### **A. The three step test and the enablement of national legislation**

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. As we explained in Part I above, the first version of the three-step test was devised as a flexible framework at the 1967 Stockholm Conference on the revision of the Berne Convention, within which national legislators would enjoy the freedom of safeguarding national E&Ls and satisfying domestic social, cultural, and economic needs.<sup>98</sup> The provision was intended to serve as a basis of national E&Ls to the reproduction right. Accordingly, Article 9(2) is intended to offer national lawmakers the freedom:

...to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

Many use privileges that have become widespread at the national level are directly based on the international three-step test. A provision that permits the introduction of national exemptions for private copying, for instance, is not expressly provided in international copyright law. It is the international three-step test that creates breathing space for the adoption of this type of E&L at the national level. Many other examples of national E&Ls resting on the international three-step test can easily be found in the copyright laws of Berne Union Members, for example reproduction for research or teaching purposes; the privilege of libraries, archives and museums to make copies to preserve cultural

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<sup>98</sup> See WIPO, *Records of the Intellectual Property Conference of Stockholm June 11 to July 14, 1967*, Geneva: WIPO 1971, Doc. S/1, p. 81. For a discussion of the breathing space offered by the three-step test, A. Kur, "Of Oceans, Islands, and Inland Water – How Much Room for Exceptions and Limitations Under the Three-Step Test?", *Richmond Journal of Global Law and Business* 8 (2009), p. 287; M.R.F. Senftleben, "Grundprobleme des urheberrechtlichen Dreistufentests", *Gewerblicher Rechtsschutz und Urheberrecht International* 2004, p. 200 (206-207). For a proposal to use the three-step test as an instrument to delineate the exclusive rights of copyright owners, see D.

material; and the exemption of reproduction required for administrative, parliamentary or judicial proceedings. The three-step test of Article 9(2), therefore, has the function of creating space for the introduction of E&Ls at the national level.

This understanding made its way into Article 13 TRIPS and played a decisive role during the negotiations of the WIPO Internet treaties.<sup>99</sup> In Article 10(1) WCT, it paved the way for an agreement on E&Ls of the rights granted under that treaty, including the right of making available.<sup>100</sup> As pointed out in Part 1 above, the Agreed Statement concerning Article 10 WCT confirms that the test is intended to serve as a basis for the further development of existing and the creation of new E&Ls in the digital environment.

Finally, it is important to note that, while the three-step test can be interpreted as a flexible policy instrument, the *transposition of the international three-step test into national law can fundamentally modify its operation*. Specifically, when the three-step test is implemented in national law as an *additional* control mechanism with regard to E&Ls that have already been defined narrowly, the test is no longer performing the enabling function it has at the international level. Instead, it serves as a *further restriction* imposed on national E&Ls.<sup>101</sup>

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Gervais, "Toward a New Core International Copyright Norm: The Reverse Three-Step Test", *Marquette Intellectual Property Law Review* 9 (2005), p. 1.

<sup>99</sup> With regard to the evolution of this "family" of copyright three-step tests in international copyright law, see M.R.F. Senftleben, *Copyright, Limitations and the Three-Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law*, The Hague/London/New York: Kluwer Law International 2004, p. 43-98; N. Dittrich, "Der Dreistufentest", in: N. Dittrich (ed.), *Beiträge zum Urheberrecht VIII*, Wien 2005, p. 63; J. Bornkamm, "Der Dreistufentest als urheberrechtliche Schrankenbestimmung – Karriere eines Begriffs", in: H.-J. Ahrens/J. Bornkamm/W. Gloy/J. Starck/J. von Ungern-Sternberg, *Festschrift für Willi Erdmann zum 65. Geburtstag*, Köln/Berlin/Bonn/München: Carl Heymanns 2002, p. 29.

<sup>100</sup> As to the debate in the context of the WIPO "Internet" Treaties, see M.R.F. Senftleben, *Copyright, Limitations and the Three-Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law*, The Hague/London/New York: Kluwer Law International 2004, p. 96-98; M. Ficsor, *The Law of Copyright and the Internet: The 1996 WIPO Treaties, their Interpretation and Implementation*, Oxford: Oxford University Press 2002; J. Reinbothe/S. Von Lewinski, *The WIPO Treaties 1996: Commentary and Legal Analysis*, Butterworths 2002.

<sup>101</sup> For a more detailed discussion of this problem, see M.R.F. Senftleben, "The International Three-Step Test: A Model Provision for EC Fair Use Legislation", *Journal of Intellectual Property, Information Technology and E-Commerce Law* 1 (2010), p. 67; C. Geiger, "From Berne to National Law, via the Copyright Directive: The Dangerous Mutations of the Three-Step Test", *European Intellectual Property Review* 2007, p. 486.

## B. Illustrative Cases

Confirming the test's role in creating sufficient room for social, cultural and economic interests that have to be balanced against the rationales of copyright protection, the test has been used in an enabling sense in several court decisions.

For instance, the German Federal Court of Justice underlined the public interest in unhindered access to information in a 1999 decision concerning the Technical Information Library Hannover. It offered support for the Library's practice of copying and dispatching scientific articles on request by single persons and industrial undertakings.<sup>102</sup> The legal basis of this practice was the statutory E&L for personal use in § 53 of the German Copyright Act. Under this provision, the authorized user need not necessarily produce the copy herself but is free to ask a third party to make the reproduction on her behalf. The Court admitted that the dispatch of copies came close to a publisher's activity.<sup>103</sup> Nonetheless, it refrained from putting an end to the library's practice as conflicting with a work's normal exploitation. Instead, the Court deduced an obligation to pay equitable remuneration from the three-step test as compensation to copyright holders, and enabled the continuation of the information service in this way.<sup>104</sup>

In a 2002 decision concerning the scanning and storing of press articles for internal e-mail communication within a private company, the German Federal Court of Justice gave a further example of its flexible approach to the three-step test. It held that digital press reviews had to be deemed permissible under §

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<sup>102</sup> See Bundesgerichtshof, February 25, 1999, case I ZR 118/96, *Juristenzeitung* 1999, p. 1000, with case comment by H. Schack. For an English description of the case, see M.R.F. Senftleben, *Copyright, Limitations and the Three-Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law*, The Hague/London/New York: Kluwer Law International 2004, p. 206-208.

<sup>103</sup> See Bundesgerichtshof, February 25, 1999, case I ZR 118/96, *Juristenzeitung* 1999, p. 1004.

<sup>104</sup> See Bundesgerichtshof, February 25, 1999, case I ZR 118/96, *Juristenzeitung* 1999, p. 1005-1007. Cf. P. Baronikians, "Kopienversand durch Bibliotheken – rechtliche Beurteilung und Vorschläge zur Regelung", *Zeitschrift für Urheber- und Medienrecht* 1999, p. 126. In the course of subsequent amendments to the Copyright Act, the German legislator modeled a new copyright E&L on the Court's decision. § 53a of the German Copyright Act goes beyond the court decision by including the dispatch of digital copies in graphical format.

49(1) of the German Copyright Act just like their analog counterparts if the digital version – in terms of its functioning and potential for use – essentially corresponded to traditional analog products.<sup>105</sup> To overcome the problem of an outdated wording of § 49(1) that seemed to indicate the E&L’s confinement to press reviews on paper,<sup>106</sup> the Court stated that, in view of new technical developments, a copyright E&L could be interpreted more liberally.<sup>107</sup> The Court arrived at the conclusion that digital press reviews were permissible if articles were included in graphical format without offering additional functions, such as a text collection and an index. This extension of the analog press review exception to the digital environment, the Court maintained, was in line with the three-step test as incorporated in the EU Information Society Directive 2001/29.<sup>108</sup>

Similarly, in a decision dated 26 June 2007, the Swiss Supreme Court used the three step test to propose an extensive and liberal interpretation of the private use exception included in Article 19(1)c of the Swiss Copyright Act<sup>109</sup>, in order to legitimize the use of press articles by specialized commercial services providing electronic press reviews upon demand to enterprises<sup>110</sup>. The court held that in order to guarantee the diversity of opinion needed for the free processes of democracy and to permit the development of a true information society, there

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<sup>105</sup> See Bundesgerichtshof, July 11, 2002, case I ZR 255/00, *Gewerblicher Rechtsschutz und Urheberrecht* 2002, p. 963; *Juristenzeitung* 2003, p. 473, with case comment by Th. Dreier. Cf. Th. Hoeren, “Pressespiegel und das Urheberrecht”, *Gewerblicher Rechtsschutz und Urheberrecht* 2002, p. 1022.

<sup>106</sup> § 49(1) of the German Copyright Act, as in force at that time, referred to “Informationsblätter.”

<sup>107</sup> See Bundesgerichtshof, July 11, 2002, case I ZR 255/00, *Gewerblicher Rechtsschutz und Urheberrecht* 2002, p. 966-966.

<sup>108</sup> See Bundesgerichtshof, July 11, 2002, case I ZR 255/00, *Gewerblicher Rechtsschutz und Urheberrecht* 2002, p. 966-967. The Court referred to the three-step test of Article 5(5) of the EC Copyright Directive 2001/29. The EC three-step test enshrined in this provision, however, does not deviate from the international three-step test.

<sup>109</sup> According to Article 19(1)c, private use is understood to mean the reproduction of copies of works within enterprises, public administrations, institutions, commissions and similar organizations for internal information or documentation purposes.

<sup>110</sup> Swiss Supreme Court, 1<sup>st</sup> Civil Division, 26 June 2007, *International Review of Intellectual Property and Competition Law* 39 (2008), p. 990. For a comment see C. Geiger, “Rethinking Copyright Limitations in the Information Society: The Swiss Supreme Court Leads the Way”, *39 International Review of Intellectual Property and Competition Law* 2008, p. 943.

was a public interest in facilitating the making and offering of press reviews by commercial services without having to obtain the authorization of each publisher. The judges then went on to consider that even if the text of the law had been drafted with analogue reproduction in mind, its application had to be extended to the digital world in order to achieve its objectives. The Court then examined in detail the solution adopted in the light of the three-step test. After having recalled the content of the different steps, the Supreme Court held that the third step of the test was worded differently in the different international documents and it was not obvious what interests were to be taken into account in this step. While in the Berne Convention and the WIPO Treaty the exceptions and limits must not cause “an unjustified prejudice to the legitimate interest of the author”, the TRIPS Agreement addresses “the legitimate interests of the rightholder.” As the interests of the authors and those of other rightholders are not always identical, it follows, according to the Court, that the three-step test serves to protect the author's interests at least as much as those of the exploiters in receiving remuneration for its use.

In a 2008 decision, the Supreme Court of Colombia referred to the three step test (as included in Article 21 of Decision 351 of the Andean Community) in carving out a new exception to criminal liability for private non-commercial format shifting. Using the three-step test as an overarching principle, the Court held that there was no fundamental encroachment upon the exclusive rights of the copyright owner where the use did not conflict with a normal exploitation of the work and did not unreasonably prejudice the legitimate interests of the copyright holder. The criteria of the test were thus used to create an *additional* hurdle to be surmounted for a finding of criminal liability. The Court concluded that in order to establish a criminal offence, it was necessary to ascertain whether the allegedly punishable act was carried out with a profit motive and the intention to harm the work or the economic interests of the copyright owner.

In the light of this standard, the Court clarified that format shifting for the purpose of private study and enjoyment did not constitute a criminal offence.<sup>111</sup>

Despite the risks already noted of incorporating the three step test into domestic legislation as a standard to be applied in individual cases, courts in jurisdictions where this has occurred have sometimes taken advantage of the presence of the three step test in order to expand the effective scope of limitations. An example can be found in Spain where the Supreme Court, in an attempt to safeguard search engine and caching services, resorted to general principles of the law, such as the social function of property, the exercise of rights in good faith and the prohibition of abuse of rights in its interpretation and application of the three-step test. In *Megakini.com/Google Spain*, Google had been sued for copyright infringement on the grounds that its search service involved the reproduction and display of fragments of copyrighted website content, and the accompanying cache service led to the reproduction and making available of entire web pages. The Court concluded that there were no exceptions available under Spanish copyright legislation to defend the unauthorized use of copyrighted material but was also seeking to create policy space for these search services.<sup>112</sup> The Court found that the three-step test in the Spanish Copyright Act did not only have a “negative” meaning (in the sense of setting forth the limits of permissible exceptions), but also a “positive” meaning in the sense of reflecting the need to set aside copyright protection in certain cases.<sup>113</sup>

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<sup>111</sup> Supreme Court of Colombia, 30 April 2008, case Casación 29188, “Guillermo Luis Vélez Murillo”, available at [http://www.karisma.org.co/carolina\\_publico/Sentencia%20CSJ.rtf](http://www.karisma.org.co/carolina_publico/Sentencia%20CSJ.rtf). For a case comment, see J.A. Pabón Cadavid/C. Botero Cabrera, “Colombian Ruling on Copyright: Without Profit There is no Criminal Offence”, available at <http://archive.iccommons.org/articles/colombian-ruling-on-copyright-without-profit-there-is-no-criminal-offence/>.

<sup>112</sup> Spanish Supreme Court, 3 April 2012, judgment 172/2012 (*Megakini.com v. Google Spain*), part 5, para. 5. For a short description and discussion of the judgment in English, see R. Xalabarder, ‘Spanish Supreme Court rules in favour of Google search engine’, *Kluwer Copyright Blog*, 15 June 2012, online available at <http://kluwercopyrightblog.com/2012/06/15/spanish-supreme-court-rules-in-favor-of-google-search-engine/>.

<sup>113</sup> Spanish Supreme Court, 3 April 2012, judgment 172/2012 (*Megakini.com v. Google Spain*), part 5, para. 5.

The Court ascertained whether in the individual circumstances of the case, the copyright owners experienced any real prejudice to their legitimate interests or faced an encroachment upon the normal exploitation of the work.<sup>114</sup> The Court apparently saw the copyright claim as an attempt to receive damages for an unauthorized use which, in fact, could be deemed beneficial for the claimant because it facilitated access to his web pages and provided information about his website. The Court rejected the copyright claim because it amounted to an abuse (indeed, and “antisocial” exercise) of rights.<sup>115</sup> It found that, in the absence of any real prejudice, the protection of copyright may not be misused to harm another party on the basis of what it considered unfounded allegations.<sup>116</sup>

Flexible E&Ls in national legislation enabled by the three-step test go beyond the court decisions just described. The main point here, however, is that lawmakers may use the three step test either to make specific lists of exceptions or to create open ended exceptions reflecting the test’s abstract criteria. Fair use and fair dealing legislation, which may be seen as compatible with and enabled by the three-step test<sup>117</sup>, provide good examples of this type of flexible law making. Besides the well-known fair use doctrine codified in US legislation in 1976,<sup>118</sup>

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<sup>114</sup> Spanish Supreme Court, 3 April 2012, judgment 172/2012 (*Megakini.com v. Google Spain*), part 5, para. 5. For an earlier proposal to use the three-step test as an instrument to delineate the exclusive rights of copyright owners, see Daniel Gervais, *Towards a New Core International Copyright Norm: The Reverse Three-Step Test*, MARQUETTE INTELL PROP L REV 9 (2005), p. 1.

<sup>115</sup> Spanish Supreme Court, 3 April 2012, judgment 172/2012 (*Megakini.com v. Google Spain*), part 5, para. 5, para. 6. More generally on the social function of copyright and its consequences see C. Geiger, “The Social Function of Intellectual Property Rights, Or how Ethics can Influence the Shape and Use of IP law”, Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 13-06, forthcoming in: G.B. Dinwoodie (ed.), *Intellectual Property Law: Methods and Perspectives*, Cheltenham, UK/Northampton, MA, Edward Elgar, 2014

<sup>116</sup> Spanish Supreme Court, 3 April 2012, judgment 172/2012 (*Megakini.com v. Google Spain*), part 5, para. 5, para. 8.

<sup>117</sup> Naturally both UK fair dealing and US fair use (as judge made law) predate the 1967 test.

<sup>118</sup> The codification was not intended to change the open-ended character of the fair use doctrine. See Senate and House Committee Reports, as quoted by L.E. Seltzer, *Exemptions and Fair Use in Copyright – The Exclusive Rights Tensions in the 1976 Copyright Act*, Cambridge (Massachusetts)/London: Harvard University Press 1978, p. 19-20: “...since the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts... The bill endorses the purpose and general scope of the judicial doctrine of fair use [...] but there is no disposition to freeze the doctrine in the statute... Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis.”

open-ended copyright E&Ls have now been adopted in a number of countries.<sup>119</sup> The 1997 Intellectual Property Code of the Philippines provides for a fair use factor analysis to be conducted with regard to the use of a copyrighted work for criticism, comment, news reporting, teaching, scholarship, research, and similar purposes.<sup>120</sup> In the framework of a 2006 amendment, Singapore adopted an open fair dealing provision that allows the identification of privileged uses on the basis of a catalogue of abstract factors.<sup>121</sup> The 2007 Copyright Act of Israel permits fair use for purposes such as private study, research, criticism, review, journalistic reporting, quotation, or instruction and examination by an educational institution.<sup>122</sup> A 2012 amendment to the Copyright Act of Malaysia resulted in a fair dealing provision for purposes including research, private study, criticism, review or the reporting of news or current events.<sup>123</sup> In its recent Copyright enactments, such as Bill C-20, as well as through decisions of the Supreme Court, Canada has significantly expanded the scope of fair dealing in that jurisdiction toward flexibility.<sup>124</sup> The 2013 Copyright Act of Korea exempts fair use, among other things, for reporting, criticism, education, and research.<sup>125</sup>

In consultations on new copyright legislation, open-ended copyright E&Ls have also been proposed in Australia, Ireland and the UK.<sup>126</sup> An open clause in the

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<sup>119</sup> See also J. Band and J. Gerafi, “The Fair Use/Fair Dealing Handbook”, policy bandwidth March 2013, available at <http://infojustice.org/wp-content/uploads/2013/03/band-and-gerafi-2013.pdf>, reproducing the fair use and fair dealing statutes of 40 countries.

<sup>120</sup> Section 185.1 of the Intellectual Property Code of the Philippines.

<sup>121</sup> Sections 35 and 36 of the Copyright Act of Singapore.

<sup>122</sup> Article 19 of the Copyright Act of Israel. Cf. O. Fischman Afori, “An Open Standard “Fair Use” Doctrine: A Welcome Israeli Initiative”, *European Intellectual Property Review* 2008, p. 85; G. Pessach, “The New Israeli Copyright Act: A Case-Study in Reverse Comparative Law”, *International Review of Intellectual Property and Competition Law* 41 (2010), p. 187 (189-193).

<sup>123</sup> Section 13(2)(a) of the Copyright Act of Malaysia.

<sup>124</sup> See Michael Geist, *Fairness Found: How Canada Quietly Shifted from Fair Dealing to Fair Use*, in *THE COPYRIGHT PENTALOGY: HOW THE SUPREME COURT OF CANADA SHOOK THE FOUNDATION OF CANADIAN COPYRIGHT LAW* (M. Geist, ed.), 157 (2013). Court made law to that extent on fair dealing is somewhat unusual, however. Professor d’Agostino noted in that respect that this “Canadian interventionism is set against other higher courts that rarely rehear fair dealing cases. ...It seems that when common law courts outside Canada do hear fair dealing cases, they are contained to their role of judicial interpretation and do not overreach into law and policy making.” Giuseppina d’Agostino, *The Arithmetic of Fair Dealing at the Supreme Court of Canada*, in *id.* 187, 201.

<sup>125</sup> Article 35-3 of the Copyright Act of the Republic of Korea.

<sup>126</sup> I. Hargreaves, *Digital opportunity. A Review of Intellectual Property and Growth*, May 2011, p. 5, available at <http://www.ipso.gov.uk/ipreview-finalreport.pdf>; Copyright Review Committee, *Copyright and Innovation – A Consultation Paper*, Dublin: Department of Jobs, Enterprise and

catalogue of use privileges has been recommended in the Model European Copyright Code, which is the result of the Wittem Project of copyright scholars across the EU concerned with the future development of EU copyright law.<sup>127</sup> Likewise, a Global Network on Copyright Users Rights composed of copyright experts from closed list as well as open clause systems crafted a model open flexible E&L that was “designed to be adaptable in general form to most copyright laws – including those in common and civil law systems.”<sup>128</sup>

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Innovation 2012, p. 111-123; Australian Law Reform Commission, *Copyright and the Digital Economy*, Discussion Paper 79, Sydney: ALRC 2013, p. 59-98.

<sup>127</sup> The proposed European Copyright Code of the Wittem Project is available at [www.copyrightcode.eu](http://www.copyrightcode.eu). See Article 5.5. On the Code and its provision on E&Ls, see T. Dreier, “The Wittem Project of a European Copyright Code”, in: C. Geiger (ed), *Constructing European Intellectual Property: Achievements and New Perspectives*, Edward Elgar, Cheltenham, UK/Northampton, MA, 2013, p. 292. As to the need for flexible fair use solutions in the EU, see P.B. Hugenholtz, M.R.F. Senftleben, *Fair Use in Europe. In Search of Flexibilities*, Amsterdam: Institute for Information Law/VU Centre for Law and Governance 2011, p. 17-18, available at <http://ssrn.com/abstract=1959554>; M.R.F. Senftleben, “Bridging the Differences between Copyright’s Legal Traditions – The Emerging EC Fair Use Doctrine”, *Journal of the Copyright Society of the U.S.A.* 57 (2010), p. 521; C. Geiger, “Effectivité et flexibilité: deux impératifs de l’adaptation du droit des ‘exceptions’”, *Revue Lamy Droit de l’Immatériel* 2013, Special issue, No. 94, 41.

<sup>128</sup> For further information on this Global Network, see <http://infojustice.org/flexible-use>.

## **Part V – Conclusion**

The three-step test in international copyright law constitutes a flexible balancing tool that offers national policy makers breathing space for the creation of an appropriate system of copyright E&Ls at the national level. At the 1967 Stockholm Conference for the Revision of the Berne Convention, the first three-step test in international copyright law was devised as a flexible framework, within which national legislators would enjoy the freedom of adopting national E&Ls to satisfy domestic social, cultural and economic needs. With the inclusion of the test in the TRIPS Agreement, the WIPO “Internet” treaties and the VIP Treaty, it has not lost this function of enabling tailor-made solutions at the national level. The WIPO “Internet” treaties confirmed that the three-step test allows the extension of traditional copyright E&Ls into the digital environment and the development of appropriate new E&Ls.

The abstract criteria of the three-step test offer room for different interpretations. The approach taken by a WTO panel in the case concerning section 110(5) of the US Copyright Act should not be seen as the final word on the test’s interpretation. Various alternative approaches have been developed in literature and applied by national courts, including an understanding of the three-step test as a refined proportionality test, the use of its abstract criteria as factors to be weighed in a global balancing exercise and a reverse reading of the test starting with the last, most flexible criterion. In light of the need to balance copyright against competing interests, in particular freedom of expression and information, these flexible interpretations may prevail in the future.