

2014

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

Christophe Geiger

Daniel J. Gervais

Martin Senffleben

Follow this and additional works at: <http://digitalcommons.wcl.american.edu/auilr>



Part of the [International Law Commons](#)

---

### Recommended Citation

Geige, Christophe, Daniel J. Gervais, and Martin Senffleben. "The Three-Step-Test Revisited: How to Use the Test's Flexibility in National Copyright Law." *American University International Law Review* 29 no. 3 (2014):581-626.

This Article is brought to you for free and open access by the Washington College of Law Journals & Law Reviews at Digital Commons @ American University Washington College of Law. It has been accepted for inclusion in *American University International Law Review* by an authorized administrator of Digital Commons @ American University Washington College of Law. For more information, please contact [fbrown@wcl.american.edu](mailto:fbrown@wcl.american.edu).

---

---

# THE THREE-STEP TEST REVISITED: HOW TO USE THE TEST'S FLEXIBILITY IN NATIONAL COPYRIGHT LAW\*

CHRISTOPHE GEIGER\*\*

DANIEL GERVAIS\*\*\*

MARTIN SENFTLEBEN\*\*\*\*

I. THE EMERGENCE OF THE THREE-STEP TEST .....	583
A. THE THREE-STEP TEST IN THE BERNE CONVENTION .....	583
B. THE THREE-STEP TEST IN THE WIPO COPYRIGHT TREATY (“WCT”) .....	588
II. INTERPRETATION OF THE THREE-STEP TEST .....	591
A. THE INTERPRETATION OF THE TEST BY THE WTO PANEL IN THE 110(5) CASE .....	593
B. POSSIBLE ALTERNATIVE APPROACHES .....	597
C. THE DECLARATION ON A BALANCED INTERPRETATION .....	607
III. ROOM FOR OPEN-ENDED E&LS .....	612
IV. THE ENABLING FUNCTION OF THE THREE-STEP TEST .....	616
A. THE THREE-STEP TEST AND THE ENABLEMENT OF	

---

\* An early draft of this article 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.

\*\* Associate Professor, Director General and Director of the Research Department of the Centre for International Intellectual Property Studies (“CEIPI”), University of Strasbourg; Affiliated Senior Researcher, Max Planck Institute for Innovation and Competition, Munich.

\*\*\* Professor of Law, Vanderbilt University Law School; Director, Vanderbilt Intellectual Property Program.

\*\*\*\* Professor of Intellectual Property, VU University Amsterdam; Of Counsel, Bird & Bird, The Hague.

NATIONAL LEGISLATION .....	616
B. ILLUSTRATIVE CASES.....	618
V. CONCLUSION.....	625

In the current debate on flexibility in the area of copyright exceptions and limitations (“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 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.

## 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>1</sup> It is true, however, that an “omnibus” right of reproduction was recognized at the Stockholm Conference,<sup>2</sup> 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

---

1. 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.*” WORLD INTELLECTUAL PROP. ORG., BERNE CONVENTION CENTENARY 1886-1986, 83, 84 (1986) [hereinafter BERNE CONVENTION CENTENARY] (emphasis added); *see also* Berne Convention for the Protection of Literary and Artistic Works art. 9, July 14, 1967, 11850 U.N.T.S. 828 [hereinafter Berne Convention] (enumerating several “reproduction rights” or, more precisely perhaps, versions of a more general right of reproduction subsumed under those special mentions, including “[s]erial 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”); *id.* art. 12 (“The following shall be especially included among the unlawful reproductions to which the present Convention applies: Unauthorized indirect appropriations of a literary or artistic work . . . into a drama piece and *vice versa* . . . when they are only the reproduction of that work . . . without essential alterations, additions, or abridgements, and do not present the character of a new original work.”); *id.* art. 14 (stating “authors of literary, scientific or artistic works shall have the exclusive right of authorizing the reproduction and public representation of their works by cinematography”).

2. *See* RECORDS OF THE INTELLECTUAL PROPERTY CONFERENCE OF STOCKHOLM: JUNE 11 TO JULY 14, 1967 (1971) [hereinafter STOCKHOLM CONFERENCE] (detailing past regulations regarding reproduction rights and putting forth its own declarations).

three.<sup>3</sup>

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.<sup>4</sup> 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 “reproduction is not contrary to the legitimate interests of the author.”<sup>5</sup> It was replaced by “in certain special cases” where the “reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the authors.”<sup>6</sup> 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>7</sup> However, the three-step test, in particular the third step, is based on language submitted in English by the UK, translated into the 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.<sup>8</sup> The drafters 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 original English version imposes a test of *reasonableness* while the official French text (which must guide the interpreter in case of discrepancy) imposes a test of *justification*. This distinction 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 grounding, something closer to a qualitative test based on the policies underlying the adoption of an

---

3. *Id.* at 1144 (listing exceptions proposed by several countries).

4. *See* Berne Convention, *supra* note 1, app., art. II(1).

5. STOCKHOLM CONFERENCE, *supra* note 2, at 112.

6. Berne Convention, *supra* note 1, art. 9(2).

7. *See id.* art. 37(1)(c).

8. *See* STOCKHOLM CONFERENCE, *supra* note 2, at 1145 (deciding to use the expression “*ne cause pas un préjudice injustifié*”).

E&L.

The next question is whether the three steps are in fact *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>9</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*. Sequentiality and separateness are not synonymous in this 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 be considered if the second step is not met.<sup>10</sup>

---

9. *Id.* at 1145–46.

10. See discussion *infra* Part II.B (explaining that the drafting history of the Berne Convention is only one source for the interpretation of the test and that the context of any of the subsequent versions in other Agreements, which follow other

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>11</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 Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”) (Articles 9, 13, 26.2, and 30)<sup>12</sup> and inspired the drafters of Article 17.<sup>13</sup> It has also been incorporated in Articles 10(1) and (2) of the World Intellectual Property Organization (“WIPO”) Copyright Treaty (December 20, 1996); Article 16(2) of the WIPO Performances and Phonograms Treaty (December 20, 1996); Article 13(2) of the Beijing Treaty on Audiovisual Performances (June 24, 2012); and Article 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>14</sup> a number of trade agreements and also incorporated in a number of national laws.<sup>15</sup>

---

rationales and have other histories, must be considered as well).

11. *Compare id.* (noting that two WTO dispute-settlement panels have adopted the former view), *with* SAM RICKETSON & JANE GINSBURG, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND 764 (2006) [hereinafter RICKETSON & GINSBURG, INTERNATIONAL COPYRIGHT] (defending the latter view in an earlier edition, though this one takes a different approach).

12. Agreement on Trade-Related Aspects of Intellectual Property Rights, arts. 9, 13, 26.2, 30, Apr. 15, 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

13. *See* Berne Convention, *supra* note 1, arts. 9, 13, 26.2, 27, 30.

14. *See, e.g.*, Council Directive 2012/28, 2012 O.J. (L 299) 20 (EU) (noting that exceptions and limitations shall only be applied in “certain special cases which do not conflict with a normal exploitation of the work”); *accord* Council Directive 2001/29, art. 5, 2001 O.J. (L 167) 17 (EC); Council Directive 96/9, art. 6.3, 1996 O.J. (L 77) (EC) (utilizing similar language); Council Directive 91/250, art. 9.1, 1991 O.J. (L 122) (EEC).

15. *See, e.g.*, *Copyright Amendment Act 1968* (Cth) sch 6, pt 3, 200AB(1)(d) (Austl.) (precluding copyright infringement if “the use does not unreasonably

Concerns follow from the fact that the language of the test changes, sometimes significantly, each time it appears somewhere new. In TRIPS Articles 26.2 and 30, for instance, “special” is replaced by “limited,” and in Article 13, “author” is replaced by “right holder” (as if media companies exploiting works of authors always have interests coextensive with those of authors). In two instantiations of the test in TRIPS (Articles 26.2 and 30),<sup>16</sup> 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>17</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

---

prejudice the legitimate interests of the owner of the copyright”); Free Trade Agreement, Department of Foreign Affairs and Trade, U.S.-Austl., art. 17.4(10)(a), Nov. 6, 2004, available at [http://www.dfat.gov.au/fta/ausfta/final-text/chapter\\_17.html](http://www.dfat.gov.au/fta/ausfta/final-text/chapter_17.html) (allowing for limited exceptions).

16. See TRIPS Agreement, art. 26.2 (providing limited exceptions to protect industrial designs while considering legitimate interests of third parties); *id.* art. 30 (providing limited exceptions to the exclusive rights conferred by a patent while considering legitimate interests of third parties).

17. See generally DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* 274–79 (4th ed. 2012) [hereinafter GERVAIS, *THE TRIPS AGREEMENT*] (outlining related WTO Dispute Settlement cases); CARLOS M. CORREA, *TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS: A COMMENTARY ON THE TRIPS AGREEMENT* 146–53 (2007); Martin 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*, 37 INT’L REV. INTELL. PROP. & COMPETITION L. 407, 407–08, 413–35 (2006) [hereinafter Senftleben, *Towards a Horizontal Standard*]; Mihály Ficsor, *How Much of What? The Three-Step Test and Its Application in Two Recent WTO Dispute Settlement Cases*, REVUE INTERNATIONALE DU DROIT D’AUTEUR 111, 171–75 (2002) [hereinafter Ficsor, *How Much of What?*]; Jo Oliver, *Copyright in the WTO: The Panel Decision on the Three-Step Test*, 25 COLUM. J.L. & ARTS 119, 147–69 (2002); David J. Brennan, *The Three-Step Test Frenzy: Why the TRIPS Panel Decision Might Be Considered Per Incuriam*, INTELL. PROP. Q. 212, 212–20 (2002); Jane Ginsburg, *Toward Supranational Copyright Law? The WTO Panel Decision and the “Three-Step Test” for Copyright Exceptions*, REVUE INTERNATIONALE DU DROIT D’AUTEUR 3, 7–33 (Jan. 2001) [hereinafter Ginsburg, *Toward Supranational Copyright Law?*]; P. Bernt Hugenholtz, *De Wettelijke Beperkingen Beperkt. De WTO Geeft de Driestappentoets Tanden*, AMI: TIJDSCHRIFT VOOR AUTEURS 49 (2000) [hereinafter Hugenholtz, *De Wettelijke Beperkingen Beperkt*]; Christophe Geiger, *The Role of the Three-Step Test in the Adaptation of Copyright Law to the Information Society*, E-COPYRIGHT BULLETIN (Jan.–Mar. 2007) [hereinafter Geiger, *The Role of the Three-Step Test*].

question what role, if any, third party interests should play in copyright where those interests are not mentioned.<sup>18</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* the Berne Convention still applies because the Berne Convention, 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 example, some E&Ls in the field of cable distribution (for example, compulsory licensing under Berne 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*bis* (2)), which is subject to its own internal test, namely "to the extent justified by the informatory purpose."<sup>19</sup> Some Berne E&Ls already incorporate a standard or limit, such as the need to show compatibility with "fair practice."<sup>20</sup> Put differently, in the authors' view the TRIPS version of the test applies to new rights (for example, 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>21</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 ("WCT")

The preamble of the WCT supports this analysis. It stresses the necessity "to Maintain a Balance Between the Rights of Authors and

---

18. Of course, E&Ls tend to be established for the benefit of users in the first place.

19. Berne Convention, *supra* note 1, art. 10*bis*(2).

20. *Id.* art. 10(1) (allowing for free use of works that comply with fair practice).

21. See generally GERVAIS, THE TRIPS AGREEMENT, *supra* note 17, at 280–86 (discussing the application of the Berne Convention to the TRIPS Agreement).

the Larger Public Interest, Particularly Education, Research and Access to Information, as Reflected in the Berne Convention.”<sup>22</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 Treaties,<sup>23</sup> and specifically in the Agreed Statement concerning Article 10 of the 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.<sup>24</sup>

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.

---

22. WIPO Copyright Treaty, pmbl., Dec. 20, 1996, 2186 U.N.T.S. 121, 36 I.L.M. 65; *see also* WIPO Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, Geneva, Dec. 2–20, 1996, *Basic Proposal for the Substantive Provisions of the Treaty on Intellectual Property in Respect of Databases to Be Considered by the Diplomatic Conference*, art. 12 n.12.09, WIPO Doc. CRNR/DC/4 (Aug. 30, 1996) [hereinafter WIPO Diplomatic Conference, *Basic Proposal*] (discussing the need for balance in similar language as the preamble); H. Herman Jehoram, *Some Principles of Exceptions to Copyright*, in *ÜRHEBERRECHT GESTERN – HEUTE – MORGEN, FESTSCHRIFT FÜR ADOLF DIETZ ZUM 65. GEBURTSTAG, MÜNCHEN* 382 (2001) (analyzing the framework for exceptions and limitations on copyrights); *accord* Sam Ricketson, *The Boundaries of Copyright: Its Proper E&Ls International Conventions and Treaties*, INTELL. PROP. Q. 56, 61 (1999) [hereinafter Ricketson, *The Boundaries of Copyright*]; *see also* André Françon, *La Conférence Diplomatique sur Certaines Question de Droit d’Auteur et de Droits Voisins*, 172 REVUE INTERNATIONALE DU DROIT D’AUTEUR 1, 2–3 (1997) (discussing two new multilateral treaties aiming to protect literary and artistic works and the works of performers and producers adopted at the 1996 WIPO Diplomatic Conference).

23. *See* WIPO Copyright Treaty, *supra* note 22, at 153 (“Recognizing the Need to Maintain a Balance Between the Rights of Authors and the Larger Public Interest.”); *see also* World Intellectual Property Organization Performances and Phonograms Treaty pmbl., Dec. 20, 1996, S. TREATY DOC. No. 105-17, 2186 U.N.T.S. 203 (1997).

24. WIPO Copyright Treaty, *supra* note 22, pmbl.

Indeed, in that regard the basic proposal for the WCT already noted 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>25</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 U.S. delegation, for example, sought to safeguard the fair use doctrine.<sup>26</sup> Denmark feared that the new rules under discussion could become “a ‘straight jacket’ for existing exceptions in areas that were essential for society.”<sup>27</sup> Many delegations opposed a version of Article 10(2) of the WCT that would have subjected extant E&Ls under the Berne Convention to the three-step test potentially in a new way.<sup>28</sup> Korea unequivocally suggested the deletion of Paragraph 2<sup>29</sup>—a proposal that was approved by a number of other delegations.<sup>30</sup> Singapore, for instance, elaborated that the second paragraph was “inconsistent with the commitment to balance copyright laws, where exceptions and limitations adopted by the Conference were narrowed, and protection was made broader.”<sup>31</sup>

Hence, the Agreed Statement concerning Article 10 can be viewed as the outcome of an international debate during which the need to

---

25. WIPO Diplomatic Conference, *Basic Proposal*, *supra* note 22, art. 12 n.12.09.

26. See WIPO Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, Geneva, Dec. 2–20, 1996, *Summary Minutes, Main Committee I*, para. 488, WIPO Doc. CRNR/DC/102 (Aug. 26, 1997) [hereinafter WIPO Diplomatic Conference, Aug. 26, 1997] (requesting these minor changes in the Draft Treaties to protect the applicability of the doctrine in a digital context).

27. See *id.* para. 489 (explaining the necessity for exceptions for education, research, library activities, and persons with handicaps, which could be undermined by the three-step test in a digital context).

28. See, e.g., *id.* (Denmark); *id.* para. 495 (New Zealand); *id.* para. 497 (Sweden).

29. See *id.* para. 491 (arguing that Paragraph 2 is redundant and would overly burden contracting states).

30. See, e.g., *id.* para. 493 (Hungary); *id.* para. 500 (China).

31. See *id.* para. 492.

maintain an appropriate balance in copyright law was clearly articulated. Against this background, the three-step test contained in Article 10 of the 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”).<sup>32</sup> The Agreed Statement also maintains the legality of Berne-compatible E&Ls without changing the role of the test in that context.<sup>33</sup>

## 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 United States, 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, 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 June 15, 2000,<sup>34</sup> when a WTO dispute-settlement panel

---

32. WIPO Copyright Treaty, *supra* note 22, at 161.

33. See Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled art. 11, Jun. 27, 2013, VIP/DC/8 Rev. (maintaining E&Ls already provided for in the Berne Convention, TRIPS Agreement, and WIPO Copyright Treaty, including their interpretative agreements); WIPO Copyright Treaty, *supra* note 22, art. 1(1) (noting WTC is a “special agreement” within the context of Article 20 of the Berne Convention); see also Report of the Panel, *United States – Section 110(5) of the US Copyright Act*, para. 6.62, WT/DS160/R (June 15, 2000) [hereinafter Report of the Panel, *United States – Section 110(5)*] (holding that the inclusion of Berne provisions by virtue of TRIPS Article 9.1 encompassed the Berne *acquis*).

34. See Report of the Panel, *United States – Section 110(5)*, *supra* note 33.

found that Section 110(5)(B) of the U.S. 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 of TRIPS.<sup>35</sup> It became clear 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. This article will show that a different result can be reached by choosing a different interpretation of the requirements laid down in the three-step test.

---

35. See, e.g., Senfleben, *Towards a Horizontal Standard*, *supra* note 17, at 413 (claiming Article 13 leaves room to strike a proper balance between rights and limitations in copyright law); Ginsburg, *Toward Supranational Copyright Law?*, *supra* note 17, at 3–4 (explaining how the “Fairness in Music Licensing Act,” which provided retail and restaurant establishments an exemption, failed to comport with the three-step test); André 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 URHEBERRECHT: GESTERN – HEUTE – MORGEN, FESTSCHRIFT FÜR ADOLF DIETZ ZUM 65. GEBURSTSTAG 423, 423–24 (Peter Ganeva et al. eds., 2001) [hereinafter Lucas, *Le “Triple Test” de l’Article 13 de l’Accord ADPIC*] (setting forth the types of communications exempted by Article 110(5)(A) and (B) from exclusive rights and summarizing the panel’s findings); Bettina Goldmann, *Victory for Songwriters in WTO: Music Royalties Dispute Between US and EU – Background of the Conflict Over the Extension of Copyright Homestyle Exemption*, 32 INT’L REV. INTELL. PROP. & COMPETITION L. 412, 412–13, 426–27 (2001) (explaining the Panel Report); accord Brennan, *supra* note 17, at 216; Hugenholtz, *De Wettelijke Beperkingen Beperkt*, *supra* note 17; Oliver, *supra* note 17, at 119, 139–69; see also Ficsor, *How Much of What?*, *supra* note 17, at 114 (examining the scope of the TRIPS Agreement). See generally Yves Gaubiac, *Les Exceptions au Droit d’Auteur: Un Nouvel Avenir*, COMMUNICATION COMMERCE ELECTRONIQUE, June 2001, at 1 (discussing the conclusions of the panel and the implications of their recommendations); Annette Kur, *Of Oceans, Islands, and Inland Water – How Much Room for Exceptions and Limitations Under the Three-Step Test?*, 8 RICH. J. GLOBAL L. & BUS. 287 (2009) (suggesting a more flexible interpretation of 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>36</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).<sup>37</sup> 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 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>38</sup> On its merits, the panel thus regarded the word “certain” as a guarantee of a sufficient degree of legal certainty.<sup>39</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>40</sup> It summarized this twofold requirement as narrowness in “scope and reach.”<sup>41</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>42</sup> As to the

---

36. Compare Berne Convention, *supra* note 1, art. 9(2) (using the term “certain”), and TRIPS Agreement, art. 13 (same), with *id.* art. 17 (employing the term “limited” instead of “certain”), and *id.* art. 26(2) (same), and *id.* art. 30 (same).

37. Report of the Panel, *United States – Section 110(5)*, *supra* note 33, para. 6.108.

38. *Id.*

39. See *id.* para. 6.145 (holding, for example, that the term “homestyle equipment” was sufficiently clear and that detailed technical specifications were not necessary).

40. *Id.* para. 6.109; see also Lucas, *Le “Triple Test” de l’Article 13 de l’Accord*, *supra* note 35, at 430 (insisting on the combination of both aspects of speciality to ensure a sufficiently rigid standard of control).

41. See Report of the Panel, *United States – Section 110(5)*, *supra* note 33, para. 6.112.

42. See *id.* paras. 6.127, 6.143 (considering U.S. concerns pertaining to restaurants but determining the limitation has a net positive impact).

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>43</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 of TRIPS.<sup>44</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 considerably increase restrictions on national legislation to enact new E&Ls. That step is the prohibition of a conflict with a "normal exploitation" of the work. In the panel's report in the Section 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>45</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>46</sup> Bearing in mind the possibilities for right holders to

---

43. See *id.* para. 6.111 (rejecting an inquiry into the subjective purpose of national legislation).

44. See *id.* para. 6.112 ("[A] limitation or exception may be compatible with the first condition even if it pursues a special purpose whose underlying legitimacy in a normative sense cannot be discerned."); see also Ginsburg, *Toward Supranational Copyright Law?*, *supra* note 17, at 13 (noting the panel position that Article 13 clarifies rather than enlarges the exceptions under the Berne Convention); Ricketson, *The Boundaries of Copyright*, *supra* note 22, at 31 (interpreting Article 13 to not require a public policy justification).

45. See Report of the Panel, *United States – Section 110(5)*, *supra* note 33, para. 6.180.

46. See Mireille Buydens & Séverine Dusollier, *Les Exceptions au Droit d'Auteur dans l'Environnement Numérique: Évolutions Dangereuses*, 9 COMMUNICATION COMMERCE ÉLECTRONIQUE 10, 13 (2001) (arguing that based on the panel's interpretation of "normal exploitation," the mere possibility of new technical measures controlling certain uses could prohibit the creation of new exceptions); Ginsburg, *Toward Supranational Copyright Law?*, *supra* note 17, 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

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>47</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 prejudice[s] the legitimate interests of the author” (Berne Convention and WCT)<sup>48</sup> or “right holder” (TRIPS).<sup>49</sup> Under this final step, not every potential interest of authors and right holders is 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 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 WTO 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>50</sup> In its own analysis, however, the panel contented

---

holders manage to implement a profitable collecting system”).

47. See Buydens & Dusollier, *supra* note 46, at 12; Christophe Geiger, *Droit d’Auteur et Droit du Public à l’Information - Approche de Droit Comparé*, 25 LE DROIT DES AFFAIRES – PROPRIÉTÉ INTELLECTUELLE 1, 357 (2004) [hereinafter Geiger, *Droit d’Auteur*] (arguing that such an interpretation would prevent any flexibility in judicial interpretation of exceptions and limitations); Christophe Geiger et al., *Towards a Balanced Interpretation of the ‘Three-Step Test’ for Copyright Exceptions*, EUR. INTELL. PROP. REV. 489, 490 (2008) [hereinafter Geiger et al., *Towards a Balanced Interpretation*] (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”).

48. Berne Convention, *supra* note 1, art. 9(2); WIPO Copyright Treaty, *supra* note 22, art. 10(1).

49. TRIPS Agreement art. 13.

50. Report of the Panel, *United States – Section 110(5)*, *supra* note 33, para. 6.224.

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>51</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>52</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>53</sup>

With regard to the question of the prejudice not being of an unreasonable nature, the panel in the same case noted that “a certain amount of prejudice has to be presumed justified as ‘not unreasonable.’”<sup>54</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>55</sup> The starting point for scrutinizing Section 110(5) of the U.S. Copyright Act was thus similar to the theoretical basis on which the panel had already

---

51. *Id.* para. 6.227; see also Thomas Heide, *The Berne Three-Step Test and the Proposed Copyright Directive*, 21 EUR. INTELL. PROP. REV. 105, 107 (1999) (warning of the reduction of the three-step test to an “economic prejudice test”); Ficsor, *How Much of What?*, *supra* note 17, at 141–47 (analyzing the Berne negotiating history, providing context to the panel’s focus on “legal interests”).

52. See Report of the Panel, *United States – Section 110(5)*, *supra* note 33, para. 6.227; Report of the Panel, *Canada – Patent Protection of Pharmaceutical Products: Complaint by the European Communities and Their Member States*, para. 7.69, WT/DS114/R (Mar. 17, 2000) [hereinafter Report of the Panel, *Canada – Patent Protection*].

53. See Report of the Panel, *United States – Section 110(5)*, *supra* note 33, para. 6.226. (discussing the need to quantify legitimate interests before determining the reasonableness).

54. See *id.* para. 6.229.

55. See *id.*

conducted its analysis of normal exploitation.<sup>56</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>57</sup> A more policy-based reading of the second step was proposed by a number of scholars and commentators.<sup>58</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 Articles 7 and 8.<sup>59</sup> In the context of

---

56. See *id.* paras. 6.267–6.272 (finding that the homestyle exemption did not prejudice the legitimate interests of right holders).

57. See Ginsburg, *Toward Supranational Copyright Law?*, *supra* note 17, at 23 (using a normative approach for the second step); RICKETSON & GINSBURG, *INTERNATIONAL COPYRIGHT*, *supra* note 11, at 771–72 (stating that the second step requires to take into account “non-economic as well as economic normative considerations”).

58. See, e.g., Universal Declaration of Human Rights art. 27, G.A. Res. 217 (III) A, U.N. Doc. A/RES/217(III) (Dec. 10, 1948) [hereinafter UDHR] (accounting for the socio-cultural dimension of copyright law); *accord* International Covenant on Economic, Social and Cultural Rights art. 15, Dec. 16, 1966, 993 U.N.T.S. 3 [hereinafter ICESCR]. See generally Christophe Geiger, *Exploring the Flexibilities of the TRIPS Agreement Provisions on Limitations and Exceptions*, in *THE STRUCTURE OF INTELLECTUAL PROPERTY LAW: CAN ONE SIZE FIT ALL?* 287 (Annette Kur & Vytautas Mizaras eds., 2011) [hereinafter Geiger, *Exploring the Flexibilities of the TRIPS Agreement*]; Christophe 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) in *METHODS AND PERSPECTIVES IN INTELLECTUAL PROPERTY* 123 (Graeme B. Dinwoodie ed., 2013) [hereinafter Geiger, *The Social Function of Intellectual Property Rights*].

59. See TRIPS Agreement, pmb., arts. 7–8; Henning Ruse-Kahn, *Proportionality and Balancing Within the Objectives for Intellectual Property Protection*, in *INTELLECTUAL PROPERTY AND HUMAN RIGHTS* 161, 162 (Paul Torremans ed., 2008) [hereinafter Ruse-Kahn, *Proportionality and Balancing*] (listing the concept of “normal exploitation” among those provisions appropriately interpreted in the light of the TRIPS objectives); Geiger, *Exploring the Flexibilities of the TRIPS Agreement*, *supra* note 58, at 289 (noting the underlying object of social as well as economic welfare); *accord* Peter Yu, *The Objectives and Principles of the TRIPS Agreement*, 46 HOUS. L. REV. 979, 1000–21 (2009)

public 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*.”<sup>60</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>61</sup> Article 8 of 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.”<sup>62</sup> 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, with regard to

---

[hereinafter Yu, *The Objectives and Principles of the TRIPS Agreement*].

60. Vienna Convention on the Law of Treaties art. 31, May 23, 1969, 1155 U.N.T.S. 331, reprinted in 8 I.L.M. 679 (entered into force Jan. 27, 1980) [hereinafter Vienna Convention] (emphasis added). See generally Doha Declaration on the TRIPS Agreement and Public Health art. 5(a), WT/Min (01)/DEC/2 (No. 20, 2001) (“[I]n 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.”); Susy Frankel, *WTO Application of ‘the Customary Rules of Interpretation of Public International Law’ to Intellectual Property*, 46 VA. J. INT’L L. 365 (2006) (emphasizing this point).

61. TRIPS Agreement, art. 7; see Henning Ruse-Kahn, *Assessing the Need for a General Public Interest Exception in the TRIPS Agreement*, in INTELLECTUAL PROPERTY IN A FAIR WORLD TRADE SYSTEM – PROPOSALS FOR REFORMING TRIPS 167, 199–205 (Annette Kur & Marianne Levin eds., 2011) [hereinafter Ruse-Kahn, *A Comparative Analysis*] (explaining how noneconomic factors are incorporated into TRIPS); Yu, *The Objectives and Principles of the TRIPS Agreement*, *supra* note 59, at 981 (stating that the TRIPS Agreement “includes a number of flexibilities to facilitate development and to protect the public interest. To safeguard these flexibilities, articles 7 and 8 provide explicit and important objectives and principles that play important roles in the interpretation and the implementation of the Agreement”); *id.* at 1003 (following other commentators in noting that Article 7 contains permissive language and is contained in the body of the Agreement rather than the Preamble, ultimately signaling increased interpretive weight); see also UNCTAD-ICTDS, RESOURCE BOOK ON TRIPS AND DEVELOPMENT 123 (2005).

62. TRIPS Agreement art. 8.

least-developed countries, the needs “in respect of maximum flexibility in the domestic implementation.”<sup>63</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>64</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>65</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>66</sup> In the Canada-Pharmaceuticals case, the panel thus seemed to adhere to a more normative, policy-based approach in interpreting Article 30 of TRIPS—the three-step test version applicable to exceptions to patent rights.<sup>67</sup> According to the

---

63. *Id.* pmb.; see GERVAIS, *THE TRIPS AGREEMENT*, *supra* note 17, at 159–64 (explaining the Preamble’s impact on the interpretation of the Agreement).

64. See generally Ruse-Kahn, *Proportionality and Balancing*, *supra* note 59 (discussing the need for proportionality to legitimize public policy interests, as a standard for judicial review, and to help determine legal norms); Mads Andenas & Stefan Zleptnig, *Proportionality and Balancing in WTO Law: A Comparative Perspective*, 20 *CAMBRIDGE REV. INT’L AFF.* 371 (2007) (discussing concepts of proportionality, necessity, and balancing in the WTO framework); Kur, *supra* note 35, at 339 (noting the need to interpret the three-step test “in the light of proportionality considerations”).

65. See Christophe Geiger, ‘Constitutionalizing’ *Intellectual Property Law*, *The Influence of Fundamental Rights on Intellectual Property in Europe*, 37 *INT’L REV. INTELL. PROP. & COMPETITION* 371 (2006); Christophe Geiger, *Copyright’s Fundamental Rights Dimension at EU Level*, in *RESEARCH HANDBOOK ON THE FUTURE OF EU COPYRIGHT* 27, 48 (Estelle Derclaye ed., 2009) (concluding that in the interest of proportionality, artistic freedoms should be given weight); Christophe Geiger, *Fundamental Rights as Common Principles of European (and International) Intellectual Property Law*, in *COMMON PRINCIPLES OF EUROPEAN INTELLECTUAL PROPERTY LAW* 223, 225–26 (Ansgar Ohly ed., 2012) (explaining how the proportionality test has been adopted in civil law jurisdictions); Christophe Geiger, ‘Humanising’ the *Intellectual Property System – Securing a Fair Balance of Interests Through Fundamental Rights at European and International Level*, 33 *Q. REV. CORP. L. & SOC’Y* 291 (2012).

66. Report of the Panel, *Canada – Patent Protection*, *supra* note 52, para. 7.26.

67. See TRIPS Agreement art. 30 (“Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not

report, “exploitation” should be considered “normal” when it is “essential to the achievement of the goals of patent policy.”<sup>68</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>69</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 of TRIPS, “[M]embers 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.”<sup>70</sup> 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>71</sup> Articles 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 or copyright.<sup>72</sup>

Future WTO panels dealing with the three-step test are not formally bound by the approach taken in the report on Section 110(5)

---

unreasonably conflict with a normal 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.”).

68. Report of the Panel, *Canada – Patent Protection*, *supra* note 52, para. 7.58; *see also* Senfleben, *Towards a Horizontal Standard*, *supra* note 17 (extrapolating on the WTO Patent Protection Panel Report).

69. *See generally* Hans Haugen, *Human Rights and TRIPS Exclusion and Exception Provisions*, 11 J. WORLD INTELL. PROP. 5/6, 345 (2009) (analyzing patent exclusions in TRIPS from an international human rights perspective).

70. TRIPS Agreement art. 26.2 (emphasis added).

71. *See discussion supra* Part I (covering the role a reasonableness standard plays in the three-step test).

72. *See Kur, supra* note 35, at 290–93 (noting that the drafting history of TRIPS provides no explanation as to the rationale behind the differences in wording).

of the U.S. Copyright Act, for there is no formal principle of *stare decisis* in WTO law.<sup>73</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>74</sup> Yet, as pointed out by Professor John 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>75</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 U.S. 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 requires that “any relevant rules of international law applicable in the relations between the parties” should be taken into account.<sup>76</sup> A more flexible, normative approach to the three-step test might also be illuminated

---

73. See generally IAN BROWNLIE, PRINCIPLES OF PUBLIC INTERNATIONAL LAW 19–22 (1998) (noting the appropriate role of past international decisions as precedent); JOHN H. JACKSON, THE JURISPRUDENCE OF GATT AND THE WTO: INSIGHTS ON TREATY LAW AND ECONOMIC RELATIONS 126–27 (2000) (enumerating problems with relying on precedent).

74. See, e.g., Report of the Panel, *Canada – Patent Protection*, *supra* note 52, paras. 6.13, 6.185, 6.231 (referring to past “dispute settlement practice”).

75. JACKSON, *supra* note 73, at 127.

76. Cf. Frankel, *supra* note 60, at 420–21 (underlining that “[Article] 31 (3)(c) is not limited to rules in relation to intellectual property law, but all rules of international law” and that 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”). However, it is true that some important WTO members such as the United States have not ratified the Vienna convention. See Vienna Convention, *supra* note 60 (listing the states that have signed and/or ratified the treaty).

by international obligations resulting from treaties protecting human rights and fundamental rights.<sup>77</sup> International obligations can result, for example, from the Universal Declaration of Human Rights (“UDHR”) of 1948<sup>78</sup> and the International Covenant on Economic, Social and Cultural Rights (“ICESCR”) of December 19, 1966.<sup>79</sup> Both may be seen as providing guidelines for the interpretation of the TRIPS Agreement, and therefore also of the three-step test.<sup>80</sup> Given the ethical questions involved in at least some E&Ls, it is hard to completely exclude the relevance of the UDHR, 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>81</sup> Furthermore, the UN Sub-

---

77. See Laurence Helfer, *Three Approaches for Reconciling Human Rights and Intellectual Property Rights*, in COPYRIGHT AND FREEDOM OF EXPRESSION 116 (2008) (opining that 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 generally Nicolas Bronzo, PROPRIÉTÉ INTELLECTUELLE ET DROITS FONDAMENTAUX 103 (2007) (discussing the relationship between intellectual property and fundamental rights such as freedom of expression as protected by the European Convention on Human Rights); Christophe Geiger, *The Constitutional Dimension of Intellectual Property*, in INTELLECTUAL PROPERTY AND HUMAN RIGHTS 101, 111 (Paul L.C. Torremans ed., 2008) (asserting that the human rights framework can provide a basis for securing the legitimacy of intellectual property law); Laurence Helfer, *Toward a Human Rights Framework for Intellectual Property*, 40 U.C. DAVIS L. REV. 971, 977 (2007) (arguing that the relationship between human rights and intellectual property rights needs to be clarified in a “comprehensive and coherent ‘human rights framework’ for intellectual property law and policy”); Peter Yu, *Reconceptualizing Intellectual Property Interests in a Human Rights Framework*, 40 U.C. DAVIS L. REV. 1039, 1041 (2007) (observing that the human rights and intellectual property discourses were once distinct from each other, but are now “becoming increasingly intimate bedfellows”); Peter Yu, *Ten Common Questions About Intellectual Property and Human Rights*, 23 GA. ST. U. L. REV. 709, 711 (2007) (arguing that it is important to both recognize parallels between human rights and intellectual property rights, and distinguish areas of intellectual property law that lack a human rights component).

78. UDHR, *supra* note 58.

79. ICESCR, *supra* note 58.

80. See Frankel, *supra* note 60, at 421 (explaining that other areas of international law may be used in the interpretation of the TRIPS Agreement).

81. See, e.g., Gabrielle Marceau, *WTO Dispute Settlement and Human Rights*, 13 EUR. J. INT'L L. 753, 756 (2002) [hereinafter Marceau, *WTO Dispute II*]

Commission on Human Rights in its resolutions has, on several occasions, urged the WTO 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.”<sup>82</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, 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>83</sup> They have argued that a restrictive reading of the second

---

(expressing that although it would be a rare instance, “conflicts between WTO law and human rights, including jus cogens, are conceptually possible” and in most situations, there would be a “strong presumption” against any violation of jus cogens resulting in an interpretation of WTO law that avoids such a violation); Robert Howse & Makau Mutua, *Protecting Human Rights in a Global Economy Challenges for the World Trade Organization*, 2000 HUMAN RIGHTS DEVELOPMENT YEARBOOK 51, 56 (arguing “that trade and human rights regimes need not be in conflict, so long as the trade regime is applied and evolved in a manner that respects the hierarchy of norms in international law. Human rights, to the extent they are obligations *erga omnes*, or have the status of custom, or of general principles, will normally prevail over specific, conflicting provisions of treaties such as trade agreements”); cf. Lisa Forman, *An Elementary Consideration of Humanity? Linking Trade-Related Intellectual Property Rights to the Human Right to Health in International Law*, 14 JOURNAL OF WORLD INTELLECTUAL PROPERTY 155, 156 (2011) (advocating the prioritized value of the human right to health).

82. Draft Report of the Sub-Commission on the Promotion & Protection of Human Rights, 53d Sess., Aug. 16, 2001, at 12, U.N. Doc. E/CN4/Sub.2/2001/L.11/Add.2 (2001) (emphasis added) (noting the primacy of international human rights law and calling on states parties to the TRIPS agreement to abide by their obligations under key international human rights instruments, including the ICESCR).

83. See, e.g., Martin Senftleben, COPYRIGHT, LIMITATIONS AND THE THREE-STEP TEST 193 (2004) (arguing that conflict with normal exploitation should occur only if “the authors are deprived of an actual or potential market of considerable economic and practical importance”). The notion of normal exploitation would then cover only “the main avenues of the exploitation of the work, i.e. those which constitute the author’s major sources of income.” SÉVERINE DUSOLLIER, L’encadrement des exceptions au droit d’auteur par le test des trois étapes, I.R.D.I. 220 (2005). This author adds that “to reason otherwise would make the exceptions lose their meaning and gradually disappear.” *Id.*; see also Jonathan Griffiths, *The “Three-Step Test” in European Copyright Law: Problems and Solutions*, 2009 INTELLECTUAL PROPERTY QUARTERLY 428, 457 (opining that “there is . . . a strong argument that a conflict with a normal exploitation of a work should only be

step is particularly necessary if a sequential or step-by-step approach is followed.<sup>84</sup>

This takes us to the third step of the test, which some see as the most important 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>85</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>86</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>87</sup>

---

regarded as arising where an author or copyright owner is deprived of an extensive share of his or her potential market” and concluding 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”); Andre Lucas, *For a Reasonable Interpretation of the Three-Step Test*, 32 EUR. INTELL. PROP. REV. 277, 277 (2010) [hereinafter Lucas, *For a Reasonable Interpretation*] (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).

84. *But cf. infra* text accompanying note 108 (illustrating that such an approach is not dictated by the international three-step test, at least clearly not in its post-Berne context).

85. 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. *Accord Sur les Aspects des Droits de Propriété Intellectuelle qui Touchent au Commerce*, art. 30, Apr. 15, 1994, 1869 U.N.T.S. 299 (“Les Membres pourront prévoir des exceptions limitées aux droits exclusifs conférés par un brevet, à condition que celles-ci ne portent pas atteinte de manière *injustifiée* à l’exploitation normale du brevet.”) (emphasis added).

86. Reasoning on the basis of conflicting fundamental rights, the German Constitutional Court specified this very clearly in its “School Book” decisions. *See Bundesverfassungsgericht [BVerfG] [Federal Constitutional Court] July 7, 1971, GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT [GRUR] 481 (Ger.)*.

87. *See Dusollier, supra* note 89, at 221; Senftleben, *Towards a Horizontal Standard, supra* note 17, at 438 (noting that this test balances the legitimate interests of the author and the general public, and that only “unreasonable prejudice” to the former’s interests is proscribed); *see also* Christophe Geiger, *The Three-Step Test, a Threat to a Balanced Copyright Law?*, 37 INT’L REV. INTELL. PROP. & COMPETITION L. 683, 696 (2006) [hereinafter Geiger, *The Three-Step Test*] (highlighting that the third step in the three-step approach allows an exhaustive list of exceptions to copyright laws, while at the same time allowing

as is often done to settle conflicts between fundamental rights.<sup>88</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 potential of the three test criteria to serve—in an enabling sense—as a basis for the adoption of national E&Ls.<sup>89</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

---

flexibility for diverging interests); Daniel J. Gervais, *Towards a New Core International Copyright Norm: The Reverse Three-Step Test*, 9 MARQ. INTELL. PROP. L. REV. 1, 18–19 (2005) [hereinafter Gervais, *The Reverse Three-Step Test*] (“[T]he inclusion of a reasonableness or justifiability criterion is a key that allows legislators to establish a balance between, on the one hand, the rights of authors and other copyright holders and the needs and interests of users, on the other.”).

88. Geiger, *The Role of the Three-Step Test*, *supra* note 17, at 18; see Christophe Geiger, *Fundamental Rights: A Safeguard for the Coherence of Intellectual Property Law?*, INT’L REV. INTELL. PROP. & COMPETITION L., 268, 277 (2004).

89. See, e.g., *Copyright Law: Switzerland: ProLitteris v. Aargauer Zeitung, AG, et al.*, in 39 INT’L REV. INTELL. PROP. & COMPETITION L. 990, 990 (2008) (applying the three-step test, and holding that press cutting and documentation services that compile electronic press reviews for customers do not infringe on the copyrights of the authors of those newspapers and articles); see also S.A.P., Sept. 17, 2008 (R.A.J., No. 749/2007) (Spain); R. Xalabarder, *Fair Use in Spain: The EUCD Aftermath*, in INTELLECTUAL PROPERTY AND MARKET POWER 811 (G. Ghidini & L.M. Genovesi eds., 2008) (commenting on recent cases in Spain and noting 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”); Christophe Geiger, *Rethinking Copyright Limitations in the Information Society: The Swiss Supreme Court Leads the Way*, 39 INT’L REV. INTELL. PROP. & COMPETITION L. 943 (2008) [hereinafter Geiger, *Rethinking Copyright Limitations*]; cf. Griffiths, *supra* note 83, at 433–40 (discussing national court decisions that have either applied the three-step test restrictively or broadly); Senftleben, *Towards a Horizontal Standard*, *supra* note 17, at 67 (discussing the three-step test as a basis for flexible fair use legislation).

measure to eliminate abusive conflicts with the exploitation of the work.<sup>90</sup> It has been argued that the comparison of the wording of Article 13 of 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>91</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 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>92</sup> Those who support this approach draw a parallel with the fourth factor contained in Article 107 of the U.S. Copyright Act,<sup>93</sup> which codified the doctrine elaborated by U.S. courts since the nineteenth 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

---

90. See Christophe Geiger, *Right to Copy v. Three-Step Test: The Future of the Private Copy Exception in the Digital Environment*, COMPUTER L. REV. INT'L, 2005, at 12.

91. TRIPS Agreement art. 17 (“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.

92. Kamiel J. Koelman, *Fixing the Three Step Test*, 28 EUR. INTEL. PROP. REV. 407, 410 (2006); see Martin Senftleben, *Fair Use in the Netherlands – A Renaissance?*, 33 TIJDSCHRIFT VOOR AUTEURS, MEDIA EN INFORMATIERECHT (AMI) 1, 7 (2009) (“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 legitimate interests would pave the way for this more flexible and balanced application of the test.”); see also Martin Senftleben, *L’Application du Triple Test: Vers un Système de Fair Use Européen?*, 25 PROPRIÉTÉS INTELLECTUELLES 453, 457–59 (2007) (discussing how European judges have used the triple test to both expand and restrict exceptions).

93. 17 U.S.C.A. § 107(4) (“[T]he effect of the use upon the potential market for or value of the copyrighted work.”).

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>94</sup> This is especially true because today the test affects all debates concerning the future of E&Ls to copyright.<sup>95</sup>

### C. THE DECLARATION ON A BALANCED INTERPRETATION

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>96</sup> The aim of this

---

94. See Christophe Geiger, *From Berne to National Law, via the Copyright Directive: The Dangerous Mutations of the Three-Step Test*, 29 EUR. INTEL. PROP. REV. 486, 491 (2007) [hereinafter Geiger, *From Berne to National Law*] (arguing that judges should begin to interpret the three-step test with more flexibility); Geiger, *The Role of the Three-Step Test*, *supra* note 17, at 17 (asserting that judges need to “restore a fair balance between the interests at stake”).

95. See, e.g., Copyright in the Knowledge Economy 5 (Comm’n of the Eur. Communities Green Paper, COM (2008) 466/3) (stating that the three-step test “has become a benchmark for all copyright limitations”); see also Christophe Geiger, *Defining the Scope of Protection of Copyright in the EU: The Need to Reconsider the Aquis Regarding Limitations and Exceptions*, in CODIFICATION OF EUROPEAN COPYRIGHT LAW, CHALLENGES AND PERSPECTIVES 133 (Synodinou ed., 2012) (discussing the test’s application to E&Ls in copyright law in the EU context).

96. See generally Christophe Geiger et al., *Declaration: A Balanced Interpretation of the Three-Step Test in Copyright Law*, J. INT’L PROP. INFO. TECH. & E-COMMERCE L. 2010 [hereinafter Geiger et al., *Declaration*]; Geiger et al., *Towards a Balanced Interpretation*, *supra* note 47, at 489–91 (noting that the Declaration’s purpose is to revert the role of the three-step test back to a flexible standard). The declaration was published in the Netherlands (*Tijdschrift voor auteurs-, media- en informatierecht*, 8 (2009)); in France (*Propriété Intellectuelle*, 399 (2008)); in Germany (*GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT INTERNATIONALER TEIL [GRUR]* 822 (2008)); in Belgium (*AUTEURS ET MÉDIAS*, 516 (Larcier, 1st ed. 2008)); in Spain (*ACTAS DE DERECHO INDUSTRIAL Y DERECHO DE AUTOR* 1509 (2007–2008)); in Italy (*DIRITTO INFORMAZIONE E INFORMATICA* 159 (2009)); in Portugal (8 *DIREITO DA SOCIEDADE DA*

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>97</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).<sup>98</sup> 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).<sup>99</sup> 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).<sup>100</sup> 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).<sup>101</sup> Since the publication of this text, a number of additional interpretations have been proposed in the specific context of the TRIPS Agreement, in part to extend this

---

INFORMAÇÃO 471 (2009)); in Brazil (35 REVISTA TRIMESTRAL DE DIREITO CIVIL 239 (2008)); in Japan (Research on the Introduction of Fair-Use Provisions Into Japanese Copyright Law, in ANNUAL REPORT OF THE DIGITAL CONTENT ASSOCIATION OF JAPAN 69 (2009)); and in Canada (Christophe Geiger et al., Déclaration en Vue d’Une Interpretation du <<Test des Trois Étapes>> Respectant les Équilibres du Droit d’Auteur, 24 LES CAHIERS DE PROPRIÉTÉ INTELLECTUELLE 147 (2012)).

97. Geiger et al., *Towards a Balanced Interpretation*, *supra* note 47, at 491; see also Christophe Geiger & Franciska Schönherr, *Limitations to Copyright in the Digital Age*, in RESEARCH HANDBOOK ON EU INTERNET LAW (A. Savin & J. Trzaskowski eds.) (forthcoming 2014) (“[W]ith a view to evolving forms of use in the online environment, an open reading of the three-step-test may help adapt limitations alongside evolving exclusive rights”).

98. Geiger et al., *Declaration*, *supra* note 96, at 120.

99. *Id.* at 121.

100. *Id.*

101. *Id.*

balancing exercise in all areas of intellectual property.<sup>102</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>103</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 (Articles 13, 26.2, and 30, respectively), bearing in mind of course the textual differences among the various versions.

According to one scholar, “[I]t 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>104</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 one.<sup>105</sup> The report on the work of

---

102. See, e.g., Kur, *supra* note 35, at 350. See generally Huaiwen He, *Seeking a Balanced Interpretation for the Three-Step Test: An Adjusted Structure in View of Divergent Approaches*, 40 INT’L REV. INTELL. PROP. & COMPETITION L. 274, 275 (2009) (proposing a structure that “could integrate and further” the principles outlined in the Declaration); Robin Wright, *The ‘Three-Step Test’ and the Wider Public Interest: Towards a More Inclusive Interpretation*, 12 J. WORLD INTELL. PROP. 600, 609–10 (2009) (arguing that judges could adopt a more balanced result by ensuring that government policy interests are considered at each point in the three-step test).

103. See, e.g., Lucas, *For a Reasonable Interpretation*, *supra* note 83, at 277–78 (asserting that “it is not reasonable to establish the principle according to which the interest of the author always must be placed at the same level as that of his successor in title when applying the test”).

104. *Id.* at 281; see Mihály Ficsor, *Munich Declaration on the Three-Step Test – Respectable Objective, Wrong Way to Try to Achieve It* 5 (2012) (stating that the Declaration conflicts with the Stockholm Conference, where delegates agreed that the three-step test was sequential in nature).

105. See STOCKHOLM CONFERENCE, *supra* note 2, at 885.

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>106</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.<sup>107</sup> 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>108</sup>

In our submission, the adoption with changes of the text in TRIPS, and the Agreed Statement concerning Article 10 of WCT, suggests 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

---

106. *Id.* at 1145.

107. *See generally* Report of the Panel, *Canada – Patent Protection*, *supra* note 52.

108. This was the case in a highly problematic decision of the French Supreme Court. Cour de cassation [Cass.] [French Supreme Court] 28 Feb., 2006, I.L.C. 2006, 37, 760–61 (Fr.) (stopping the analysis upon concluding the private copy of a DVD conflicts with the normal exploitation of the work, and, thus, violates the second step); *see Geiger, The Three-Step Test*, *supra* note 87, at 683, 691 (arguing that the French Supreme Court misapplied the three-step test, having not defined “normal exploitation,” and using vague and seemingly arbitrary arguments to explain its rationale).

criteria. In other words, even if one decides to apply each step independently and/or sequentially, the steps should not be treated as completely 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 dispute-settlement panels have not had to deal with such a fact pattern (the U.S. E&L under attack in the 110(5) case was deemed to fail on all three steps).<sup>109</sup> In fact, the Canada-Pharmaceuticals panel did not exclude that the steps could overlap.<sup>110</sup> This approach might pave the way for a future panel or the Appellate Body to refine its approach in a closer case.

---

109. See generally Report of the Panel, *United States – Section 110(5)*, *supra* note 33.

110. See Report of the Panel, *Canada – Patent Protection*, *supra* note 52, ¶ 7.76 (explaining how the patent owners had a “legitimate” commercial interest in the patent under the third prong of the test that went “above and beyond ‘normal exploitation’” under the second prong).

### 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 U.S.-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>111</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 U.S. fair use

---

111. See Herman Jehoram, *Restrictions on Copyright and Their Abuse*, 27 EUR. INTELL. PROP. REV. 359, 360, 362 (2005) (arguing that the U.S. fair use doctrine “violates” the Berne Convention because it conflicts with the Convention’s restrictive understanding of copyrights, and fails to meet the certainty requirement for “certain special cases”); R. Okediji, *Toward an International Fair Use Doctrine*, 39 COLUM. J. TRANSNAT’L L. 75, 126–27 (2000) (stating that the fair use doctrine is not limited to certain “special” cases because it is overly broad and indeterminate); Sam Ricketson, *The Three-Step Test, Deemed Quantities, Libraries and Closed Exceptions* 74, 77 (Center for Copyright Studies 2002) (finding that fair dealing provision in the Australian Copyright Act does not satisfy the “certain special case” element because it lacks clarity and narrowness); cf. Julie Cohen, *WIPO Copyright Treaty Implementation in the United States: Will Fair Use Survive?*, 21 EUR. INTELL. PROP. REV. 236 (1999). But see Tyler G. Newby, *What’s Fair Here Is Not Fair Everywhere: Does the American Fair Use Doctrine Violate International Copyright Law?*, 51 STAN. L. REV. 1633, 1636–37 (arguing the Berne Convention and the TRIPS agreement can be read liberally to encompass such expansive exceptions to copyright as fair use); Senftleben, *Towards a Horizontal Standard*, *supra* note 17, at 162–68 (rejecting commentators who claim that the U.S. fair use doctrine is incompatible with the “certain special cases” requirement, opining that the three-step test can be interpreted as a flexible standard for E&Ls).

doctrine codified in Section 107 of the U.S. Copyright Act,<sup>112</sup> 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 U.S. fair use's "effect of the use upon the potential market for or value of the copyrighted work."<sup>113</sup> Third, at the 1967 Stockholm Conference, it was the UK delegation, which itself had fair dealing exceptions in its national law, that 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 rather than as a prohibition of domestic open-ended exceptions. Finally, the WTO panel on Section 110(5) of the U.S. 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>114</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>115</sup>

In all legal systems, the role of defining and implementing legal

---

112. 17 U.S.C. § 107(1)–(4) (enumerating four criteria to determine fair use: "(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work").

113. *Id.* § 107(4); *see supra* text accompanying note 91 (drawing parallels between Section 107(4) and the second prong of the three-step test).

114. Report of the Panel, *United States – Section 110(5)*, *supra* note 33, para. 6.108; *see* GERVAIS, *THE TRIPS AGREEMENT*, *supra* note 17, at 283 (highlighting that "certain special cases" must be confined to a "fairly well-delineated area").

115. Legal certainty is not necessarily the exclusive task of the legislator. Courts, for example, may add or reduce uncertainty. *See supra* text accompanying note 114 (highlighting that the precedents that judges set out in their decisions contribute to legal certainty, particularly in relation to "certain special cases" in that examples of "special cases" are accepted or rejected, thereby satisfying the certainty required under the three-step test).

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.<sup>116</sup> It is important to recognize, however, that judicial 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 U.S. 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>117</sup> In sum, while it is conceivable that a court

---

116. For examples of these different lines of argument, see Martin R.F. Senftleben, *Bridging the Difference Between Copyright's Legal Traditions – The Emerging EC Fair Use Doctrine*, 57 J. COPYRIGHT SOC'Y U.S.A. 521, 525–40 (2010) [hereinafter Senftleben, *Bridging the Difference*]; P. Bernt Hugenholtz & Martin R.F. Senftleben, *Fair Use in Europe: In Search of Flexibilities*, AMSTERDAM: INSTITUTE FOR INFORMATION LAW/VU CENTRE FOR LAW AND GOVERNANCE, 2011, at 6–9 (weighing the pros and cons of open clause systems and concluding that in the light of rapid technological change challenging the balance between rights and freedoms in copyright law, the advantages of open-ended lawmaking are considerable).

117. See Senftleben, *Towards a Horizontal Standard*, *supra* note 17, at 163–64 (arguing U.S. “fair use” jurisprudence contributes to certainty with regard to the “certain special cases” requirement); see also Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549 (2008) (discussing historical developments in certainty with respect to the fair use doctrine); Matthew Sag, *Predicting Fair Use*, 73 OHIO ST. L.J. 47 (2012) (assessing the U.S. fair use doctrine through empirical study to illustrate its

decision might apply fair use in a specific case in a way that contravenes the test, open-ended rules such as U.S. fair use are not *per se* incompatible with the test.

We cannot leave this topic without noting that the United States 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>118</sup> One can perhaps find an answer at the 1996 Diplomatic Conference which adopted the WIPO “Internet” treaties, at which the U.S. delegation underscored that “it was essential that the 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>119</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>120</sup> We found no objection in the

---

predictability, despite its flexible approach); Pamela Samuelson, *Unbundling Fair Uses*, 77 *FORDHAM L. REV.* 2537 (2009) (demonstrating the predictability of the U.S. fair use doctrine through “policy-relevant clusters” or “common patterns”). *But see* A. FÖRSTER, *FAIR USE* 197-201 (2008) (criticizing the unrestricted openness of the United States system); Davod Nimmer, “*Fairest of Them All*” and *Other Fairy Tales of Fair Use*, 66 *L. & CONTEMP. PROBS.* 263 (2003) (arguing that the fair use standard is too flexible because it can be interpreted to suit the interests of either party in a case, thereby providing little guidance on the proper application of the doctrine).

118. *See* Pamela 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*, *EUR. INTELL. PROP. REV.* 578, 582–83 (1999) (emphasizing that the United State’s accession to the Berne Convention was conditioned on the continued applicability of the fair use doctrine, and concluding that while the question has yet to be explicitly answered, WIPO guidelines to TRIPS implies that existing E&Ls were incorporated into that agreement); *cf.* C.A. Alberdingk Thijm, *Fair Use: Het Auteursrechtelijk Evenwicht Hersteld*, *AMI: TIJDSCHRIFT VOOR AUTEURS* 145, 152–53 (1998).

119. WIPO Diplomatic Conference, Aug. 26, 1997, *supra* note 26.

120. *Id.* at 70.

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 of WCT.<sup>121</sup>

#### 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>122</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.<sup>123</sup>

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

---

121. See *supra* text accompanying note 23 (quoting the Agreed Statement in relation to Article 10 of the WIPO Copyright Treaty in its entirety).

122. See STOCKHOLM CONFERENCE, *supra* note 2, at 80–82; see also Kur, *supra* note 35, at 334, 337 (discussing the breathing space offered by the three-step test, including its applicability to health concerns); Senftleben, *Towards a Horizontal Standard*, *supra* note 17, at 206–07; cf. Gervais, *The Reverse Three-Step Test*, *supra* note 87, at 28 (proposing to use the three-step test as an instrument to delineate the exclusive rights of copyright owners).

123. See STOCKHOLM CONFERENCE, *supra* note 2, at 1145.

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 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 of TRIPS and played a decisive role during the negotiations of the WIPO Internet Treaties.<sup>124</sup> In Article 10(1) of 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>125</sup> As pointed out in Part I above, the Agreed Statement concerning Article 10 of 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

---

124. See J. Bornkamm, Der Dreistufentest als Urheberrechtliche Schrankenbestimmung – Karriere eines Begriffs, in H.-J. Ahrens et. al., Festschrift für Willi Erdmann zum 65. Geburtstag 29 (2002); N. Dittrich, Der Dreistufentest, in N. Dittrich (ed.), Beiträge zum Urheberrecht VIII 63 (N. Dittrich, ed., 2005). See generally Senftleben, *Towards a Horizontal Standard*, supra note 17, at 43–98 (evaluating the evolution of this “family” of copyright three-step tests in international copyright law).

125. Cf. Senftleben, *Towards a Horizontal Standard*, supra note 17, at 96–98 (discussing the debate over the applicability of the three-step test in delineating new E&Ls in the context of the WIPO “Internet” Treaties). See generally MIHÁLY FICSOR, THE LAW OF COPYRIGHT AND THE INTERNET: THE 1996 WIPO TREATIES, THEIR INTERPRETATION AND IMPLEMENTATION (2002); J. Reinbothe & S. Von Lewinski, THE WIPO TREATIES 1996: COMMENTARY AND LEGAL ANALYSIS 118–34 (2002).

on national E&Ls.<sup>126</sup>

## 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>127</sup> The legal basis of this practice was the statutory E&L for personal use in Section 53 of the German Copyright Act.<sup>128</sup> 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>129</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>130</sup>

---

126. Martin Senftleben, *The International Three-Step Test: A Model Provision for EC Fair Use Legislation*, 1 J. INTEL. PROP. INFO. TECH. & E-COMMERCE L. 67, 67 (2010); see Geiger, *From Berne to National Law*, *supra* note 94, at 486, 490–91 (arguing that the three-step test performs both functions: the function of challenging overbroad exceptions to copyrights and the function of offering room for the introduction of appropriate exceptions to copyright).

127. See Bundesgerichtshof [BGH][Federal Court of Justice] Feb. 25, 1999, JURISTENZEITUNG [JZ] 1000, 1999 (Ger.) [hereinafter Bundesgerichtshof 1999]; see also Senftleben, *Towards a Horizontal Standard*, *supra* note 17, at 206–08 (describing the facts and holding of the case in English).

128. Gesetz über Urheberrecht und verwandte Schutzrechte [Urheberrechtsgesetz] [Copyright Act], Sept. 9, 1965, § 53 (Ger.) [hereinafter German Copyright Act].

129. See Bundesgerichtshof 1999, *supra* note 127, at 1004.

130. See *id.* at 1005–07; cf. P. Baronikians, *Kopienversand durch Bibliotheken – Rechtliche Beurteilung und Vorschläge zur Regelung*, ZEITSCHRIFT FÜR URHEBER- UND MEDIARECHT 126 (1999). In the course of subsequent amendments to the Copyright Act, the German legislators modeled a new copyright E&L on the

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 Section 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>131</sup> To overcome the problem of an outdated wording of Section 49(1) that seemed to indicate the E&L's confinement to press reviews on paper,<sup>132</sup> the Court stated that, in view of new technical developments, a copyright E&L could be interpreted more liberally.<sup>133</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>134</sup>

Similarly, in a decision dated June 26, 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

---

Court's decision. Section 53a of the German Copyright Act goes beyond the court decision by including the dispatch of digital copies in graphical format. German Copyright Act, *supra* note 128, § 53a.

131. See Bundesgerichtshof [BGH][Federal Court of Justice] July 11, 2002, GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT [GRUR] 963, 2002 (Ger.) [hereinafter Bundesgerichtshof 2002]; T. Dreier, *Urheberrecht und elektronische Pressespiegel*, 58 JURISTENZEITUNG 473, 473 (May 2003) (analyzing the facts and the outcome of the litigation); cf. Th. Hoeren, *Pressespiegel und das Urheberrecht*, GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT 1022 (2002).

132. Section 49(1) of the German Copyright Act, as in force at that time, referred to "Informationsblättern." German Copyright Act, *supra* note 128, § 49(1).

133. See Bundesgerichtshof 2002, *supra* note 131, at 966.

134. See *id.* at 966–67. The Court referred to the three-step test of Article 5(5) of the EC Copyright Directive 2001/29. See Council Directive 2001/29, art. 5.5, 2001 O.J. (L 167) 10, 17 (EC). The EC three-step test enshrined in this provision, however, does not deviate from the international three-step test.

19(1)(c) of the Swiss Copyright Act,<sup>135</sup> to legitimize the use of press articles by specialized commercial services providing electronic press reviews upon demand to enterprises.<sup>136</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 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.<sup>137</sup> 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 to achieve its objectives.<sup>138</sup> The Court then examined in detail the solution adopted in the light of the three-step test.<sup>139</sup> 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.<sup>140</sup> While in the Berne Convention and the WIPO Treaty the E&Ls must not cause “an unjustified prejudice to the legitimate interest of the author,” the TRIPS Agreement addresses “the legitimate interests of the rightholder.”<sup>141</sup> As the interests of the authors and those of other right holders 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

---

135. 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. URHEBERRECHTSGESETZ [URG], COPYRIGHT ACT Oct. 9, 1992, AS 1798 (1993), art. 19(1)(c) (Switz.).

136. *Copyright Law: Switzerland: ProLitteris v. Aargauer Zeitung, AG, et al.*, in 39 INT'L REV. INTELL. PROP. & COMPETITION L. 990, 991–98 (2008); cf. Geiger, *Rethinking Copyright Limitations*, supra note 89, at 943 (analyzing the Swiss Supreme Court’s decision and arguing that the court adopted an innovative interpretation of the three-step test).

137. *Copyright Law: Switzerland: ProLitteris v. Aargauer Zeitung, AG, et al.*, in 39 INT'L REV. INTELL. PROP. & COMPETITION L. 990, 991–98 (2008).

138. *Id.*

139. *Id.*

140. *Id.*

141. *Id.* at 998.

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.<sup>142</sup> 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.<sup>143</sup> 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.<sup>144</sup> 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>145</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 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*,<sup>146</sup> Google was 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

---

142. See Corte Suprema de Justicia [C.S.J.] [Supreme Court], Sala Casacion Penal abril 30, 2008, M.P: José Leonidas Bustos Martínez, Expediente 2008-29188, Gaceta Judicial [G.J.] (No. 105) (Colom.).

143. *Id.*

144. *Id.*

145. *Id.* See generally Johnny Antonio Pabón Cadavid & Carolina Botero Cabrera, *Colombian Ruling on Copyright: Without Profit There is no Criminal Offence*, ICOMMONS (May 15, 2008), <http://archive.icommons.org/articles/colombian-ruling-on-copyright-without-profit-there-is-no-criminal-offence>.

146. S.T.S., Apr. 3, 2012 (R.A.J., No. 172) (Spain).

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>147</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>148</sup>

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>149</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 (and “antisocial” exercise) of rights.<sup>150</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>151</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

---

147. *Id.* pt. 5, para. 5; see R. Xalabarder, *Spanish Supreme Court Rules in Favour of Google Search Engine*, KLUWER COPYRIGHT BLOG (June 15, 2012), <http://kluwercopyrightblog.com/2012/06/15/spanish-supreme-court-rules-in-favour-of-google-search-engine/> (describing the case and noting that the Court adopted a more flexible interpretation of the three-step test).

148. S.T.S., Apr. 3, 2012 (R.A.J., No. 172, p. 5, para. 5) (Spain).

149. *Id.*; see Gervais, *The Reverse Three-Step Test*, *supra* note 87 (proposing to use the three-step test as an instrument to delineate the exclusive rights of copyright owners before the Spanish court made a similar holding).

150. S.T.S., Apr. 3, 2012 (R.A.J., No. 172, p. 5, paras. 5, 6) (Spain). See generally Geiger, *The Social Function of Intellectual Property Rights*, *supra* note 58 (assessing the social function of intellectual property rights and its consequences in relation to the laws that govern those rights).

151. S.T.S., Apr. 3, 2012 (R.A.J., No. 172, pt. 5, paras. 5, 8) (Spain).

legislation, which may be seen as compatible with and enabled by the three-step test,<sup>152</sup> provide good examples of this type of flexible law making. Besides the well-known fair use doctrine codified in U.S. legislation in 1976,<sup>153</sup> open-ended copyright E&Ls have now been adopted in a number of countries.<sup>154</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>155</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>156</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>157</sup> A 2012 amendment to the Copyright Act of Malaysia resulted in a fair dealing provision for

---

152. Naturally, both UK fair dealing and U.S. fair use (as judge made law) predate the 1967 test. *Cf.* Senftleben, *Towards a Horizontal Standard*, *supra* note 17, at 163 (noting the fair use doctrine's "long tradition," and emphasizing that judges and scholars cite a case from 1841 as the basis for the doctrine).

153. The codification was not intended to change the open-ended character of the fair use doctrine. *See* Leon E. Seltzer, EXEMPTIONS AND FAIR USE IN COPYRIGHT: THE EXCLUSIVE RIGHTS TENSIONS IN THE 1976 COPYRIGHT ACT 19–20 (1978) (quoting the Senate and House Committee Reports as stating that "[t]he 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").

154. *See* Jonathan Band & Jonathan Gerafi, *The Fair Use/Fair Dealing Handbook*, POLICYBANDWIDTH (Mar. 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 forty countries).

155. INTELLECTUAL PROPERTY CODE, § 185.1, Rep. Act 8293 (Phil.).

156. Copyright Act, S 107/87, Apr. 10, 1987, §§ 35, 36 (Singapore).

157. Copyright Act, 5768-2007, 2007 LSI 34, art. 19 (2007) (Isr.); *cf.* Orit Fischman Afori, *An Open Standard "Fair Use" Doctrine: A Welcome Israeli Initiative*, EUR. INTELL. PROP. REV., 2008, at 85 (analyzing the Copyright Act of Israel and noting the shift from the more restrictive fair dealing principle to the broader fair use doctrine in the new legislation); Guy Pessach, *The New Israeli Copyright Act: A Case-Study in Reverse Comparative Law*, 41 INT'L REV. INTELL. PROP. & COMPETITION L. 187, 189–93 (2010) (comparing the fair use doctrine in the Copyright Act of Israel with that of the U.S. Copyright Act).

purposes including research, private study, criticism, review, or the reporting of news or current events.<sup>158</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>159</sup> The 2013 Copyright Act of Korea exempts fair use, among other things, for reporting, criticism, education, and research.<sup>160</sup>

In consultations on new copyright legislation, open-ended copyright E&Ls have also been proposed in Australia, Ireland, and the UK.<sup>161</sup> An open clause in the 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>162</sup>

---

158. Copyright Act, Act 332, Apr. 30, 1987, § 13(2)(a) (Malaysia).

159. 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 FOUNDATIONS OF CANADIAN COPYRIGHT LAW 157, 158–59 (Michael Geist ed., 2013) (highlighting the Canadian Supreme Court's more flexible understanding of fair dealing that focuses more on fairness rather than whether the intended use fits into one of the enumerated permitted uses). 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 THE COPYRIGHT PENTALOGY: HOW THE SUPREME COURT OF CANADA SHOOK THE FOUNDATIONS OF CANADIAN COPYRIGHT LAW 187, 201 (Michael Geist ed., 2013).

160. Copyright Act, Law No. 9625, Apr. 22, 2009, art. 28 (S. Kor.).

161. See *Copyright and the Digital Economy* 59–98 (Australian Law Reform Commission, Discussion Paper 79, 2013); *Copyright and Innovation: A Consultation Paper Prepared by the Copyright Review Committee for the Department of Jobs, Enterprise and Innovation* 111–23 (Copyright Review Committee Consultation Paper, 2012); Ian Hargreaves, *Digital Opportunity: A Review of Intellectual Property and Growth*, UNITED KINGDOM INTELLECTUAL PROPERTY OFFICE 44–52 (2011), available at <http://www.ipo.gov.uk/ipreview-finalreport.pdf>.

162. See *The Wittem Project: European Copyright Code*, EUROPEAN COPYRIGHT CODE art. 5.5, available at <http://www.copyrightcode.eu/index.php?websiteid=3> (Apr. 2010) (laying out the proposed European Copyright Code of the Wittem Project, and indicating that "[a]ny other use that is comparable to the uses enumerated in art. 5.1 to 5.4(1) is

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>163</sup>

## 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, including the option to adopt open-ended, flexible provisions regulating 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 itself 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

---

permitted provided that the corresponding requirements of the relevant limitation are met and the use does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author or rightholder, taking account of the legitimate interests of third parties”); *see also* Thomas Dreier, *The Witem Project of a European Copyright Code*, in *CONSTRUCTING EUROPEAN INTELLECTUAL PROPERTY: ACHIEVEMENTS AND NEW PERSPECTIVES* 292 (Christophe Geiger ed., 2013) (providing information on the Code and its provision on E&Ls); *cf.* Senftleben, *Bridging the Difference*, *supra* note 116, at 550 (arguing that while the EC adopts the three-step test, its application of that test restricts rather than broadens E&Ls, and proposing that the EC adopt the flexible fair use standards of the United States to address this issue); Hugenholtz & Senftleben, *supra* note 116, at 17–18 (proposing that national legislators in European states implement flexible measures that would incorporate the three-step test and fair use principles in its analysis of E&Ls in copyright law); Christophe Geiger, *Effectivité et Flexibilité: Deux Impératifs de l'Adaptation du Droit des "Exceptions"*, 94 *REVUE LAMY DROIT DE L'IMMATÉRIEL* (Supplement) 41, 44–45 (2013) (suggesting that France should use the three-step test as an opening and enabling clause to interpret E&Ls in order to better adapt to rapid technological and social changes).

163. *Global Network on Copyright Users' Rights: Model Flexible Copyright Exception*, INFO JUSTICE, available at <http://infojustice.org/flexible-use> (last visited Feb. 18, 2014).

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 U.S. 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.