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**Comment submitted by Professor Daniel Gervais (Vanderbilt University Law School)**

In response to the Copyright Office Notice of Inquiry and Request for Comments on the Topic of Facilitating Access to Copyrighted Works for the Blind or Other Persons With Disabilities

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**Introduction**

1. I submit this comment in response to the above-mentioned Notice of Inquiry (74 Fed. Reg. 196 (Oct. 13, 2009)).
2. I am Professor of Law and Co-Director of the Technology and Entertainment law Program at Vanderbilt University Law School. More information is available at [http://law.vanderbilt.edu/faculty/faculty-detail/index.aspx?faculty\\_id=226](http://law.vanderbilt.edu/faculty/faculty-detail/index.aspx?faculty_id=226)
3. I support the development of an international framework to facilitate the production of copies or versions of copyrighted works for access by the Blind and Other Persons with Disabilities.
4. In this comment, I discuss mostly the second subject of inquiry in the Notice of Inquiry, namely how the treaty proposal under consideration would interact with the international obligations of the United States. I will also offer comments on the third and fourth subjects of inquiry, namely the benefits or concerns would the treaty proposal create, and other possible courses of action that would facilitate access by “blind, visually impaired, and other reading disabled persons.”
5. My starting hypothesis is that most measures taken to facilitate access to copyrighted works by the Blind and Other Persons with Disabilities will entail the making of a reproduction and/or the preparation of a derivative work, both of which require the authorization of the copyright holder under 17 U.S.C. §106 unless an exception or limitation is applicable.
6. The right of reproduction is an exclusive right of copyright holder under Article 9(1) of the Berne Convention (1971). That Convention applies to the United States since March 1,

1989.<sup>1</sup> The right of adaptation, which overlaps in significant part the right to make derivative works, is an exclusive right of copyright holder under Article 12 of the Berne Convention.<sup>2</sup> Other countries also provide a right of rental and/or a right of public lending on books and other copyrighted material, which may be relevant in this context. The limited rental right in United States copyright law, which applies to sound recordings and computer software, would seem to have limited relevance in the context of exceptions and limitations for the Blind.

7. To be compatible with the international obligations of the United States, any exception or limitation to the right of reproduction must comply with the three-step test contained in Article 9(2) of the Berne Convention. The Berne Convention does not provide a specific test for exceptions to the right of adaptation.
8. Articles 9 and 12 of the Berne Convention are among those provisions of that Convention that were incorporated by reference into the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), which is administered by the World Trade Organization (WTO) and subject to the WTO dispute-settlement system.<sup>3</sup> Article 13 of the TRIPS Agreement allows WTO Members, including the United States, to provide exceptions and limitations to all copyright rights, including the rights of reproduction and adaptation. To be compatible with Article 13, such exceptions or limitations must comply with the three-step test.

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<sup>1</sup> Berne Convention For the Protection of Literary and Artistic Works, Sept. 9, 1886, 126 A.T.S. 1901; as last amended Sept. 29, 1979, S. Treaty Doc. No. 99-27, 1161 U.N.T.S. 18388. For application to the United States, see Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853.

<sup>2</sup> It includes the right to authorize "adaptations, arrangements and other alterations" of copyrighted works. See *id.*

<sup>3</sup> Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994). The Agreement was implemented by Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809.

## I. The rights of reproduction and adaptation in the Berne Convention

9. The right of reproduction applies to the making of a copy of a substantial part of a work. Transient copies may, however, be excluded, and they have been in a number of jurisdictions.
10. Because the exact boundaries of what constitutes a reproduction are somewhat unclear in international copyright law, specific rights were added to the Convention to allow copyright holder to control the making of certain derivatives of their copyrighted works, even though the making of those derivatives may also involve a reproduction. This is the case, for example, of translations or the making of a motion picture on the basis of a novel. The transformation of a copyrighted work into a format that is accessible to the Blind may involve the making of an adaptation.<sup>4</sup>
11. The Berne Convention<sup>5</sup> contains a definition and two sets of provisions that are relevant in this context. The definition is contained in Article 2(3) and reads as follows:  
“Translations, adaptations, arrangements of music and other alterations of a literary or artistic work shall be protected as original works without prejudice to the copyright in the original work.” The *WIPO Guide to the Berne Convention* notes: “This paragraph deals with what are often called derivative works, *i.e.*, those based on another, pre-existing, work.”<sup>6</sup> The *Guide* then explains that there are three types of derivative works: (a) *translations* which, while they are works in themselves, express another’s thoughts in a different language<sup>7</sup>; (b) *adaptations*, which may also be works in themselves but consist of adapting a work in a different format, for example a novel finding its way onto a stage or screen. An adaptation may of course also be a translation<sup>8</sup>; (c) finally, *musical arrangements* and “generally all other alterations of literary and artistic works.”<sup>9</sup>
12. The two sets of provisions are structured along the same line as the definitions above. The Convention contains, first, a right of translation and a number of rights related thereto.<sup>10</sup> Second, it provides for a right of adaptation, defined as the right of authorizing

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<sup>4</sup> And of a derivative work under US law. I will leave to other commentators to discuss whether the format change is transformative in a way that may qualify as fair use. See for example *Perfect 10, Inc. v. Amazon.com, Inc.* 487 F.3d 701 (9th Cir., 2007); and *Perfect 10, Inc. v. Visa Intern. Service Ass’n*, 83 U.S.P.Q. 1144.

<sup>5</sup> Berne Convention for the Protection of Literary and Artistic Works 9 September 1886, 828 UNTS 221, online: World Intellectual Property Organization (WIPO) <http://www.wipo.int/treaties/en/ip/berne/> [hereinafter “Berne Convention”].

<sup>6</sup> CLAUSE MASOUYÉ. WIPO GUIDE TO THE BERNE CONVENTION, 19 (1978) [hereinafter “Guide”].

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> Berne Convention, Articles 8, 11bis(2) and 11ter(2). The former provides that authors of dramatic and dramatic-musical works enjoy “the same rights with respect to translations thereof.” As the Guide to the Berne Convention explains, if a libretto

“adaptations, arrangements and other alterations of [authors’] works.”<sup>11</sup> The title given to this paragraph in the published text of the Convention is “derivative works,” the notion used in United States law. The notion of derivative works in the Berne Convention is arguably an umbrella notion that encompasses translations, adaptations (change of “format”), musical arrangements and other alterations.

13. The 1886 (original) text of the Convention already contained that distinction. It stated, first, that “lawful translations shall be protected as original works,” adding that “in the case of a work for which the translating right has fallen into the public domain, the translator cannot oppose the translation of the same work by other writers.”<sup>12</sup> Then, Article 10 included “among the unlawful reproductions to which this Convention applies,” the following: “unauthorized indirect appropriations of a literary or artistic work, of various kinds, such as adaptations, musical arrangements, etc.”<sup>13</sup> The notion of derivative work was thus subsumed under that of reproduction in the original text of the Convention; it seems to be based on the misappropriation of the first work by the author of the derivative one.
14. The 1896 Additional Act and Interpretative Protocol to the Convention,<sup>14</sup> added an exclusive right of translation for authors “throughout the term of their right in the original work,”<sup>15</sup> with an important caveat, however. That right ceased to exist if the author had not “availed himself of it during a term of ten years from the date of first publication of the original work, by publishing or causing to be published, in one of the countries of the Union, a translation in the language for which protection is claimed.”<sup>16</sup>
15. The 1908 (Berlin) Act of the Convention maintained the prohibition against “unauthorized indirect appropriations”<sup>17</sup> but it was still clear that only adaptations or translations *by reproduction* were intended to be covered.<sup>18</sup> Still, the 1908 Act made it clear that a translation had to be authorized but deleted the 1886 mention that only lawful translations were themselves protected works. One commentator noted that letting a

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is translated, Article 8 applies but if that translated libretto is publicly performed, then Article 11bis(2) applies. (at 65) Article 11ter(2) provides for a right to “recite” translations of literary works. Public recitation would be considered a public performance under U.S. law.

<sup>11</sup> *Id.* Article 12.

<sup>12</sup> Article 6. *See* BERNE CONVENTION CENTENARY: 1886-1986, 228 (1986). For dramatic works, the right extended to public performances of the translated work (Article 9(2)).

<sup>13</sup> *Id.*

<sup>14</sup> *See* BERNE CONVENTION CENTENARY, *supra* note 12, at 228.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.* the 10-year rule is still available under the most recent (1971) Act of the Convention but is subject to a declaration. Berne Convention (1971), Art. 30(2)(b).

<sup>17</sup> ANDRÉ PETIT. ÉTUDE SUR LA CONVENTION DE BERLIN DE 1908 POUR LA PROTECTION DES ŒUVRES LITTÉRAIRES ET ARTISTIQUES 28-29 (1911).

<sup>18</sup> GUIDE, 76.

translator enforce her rights on an unauthorized translation “pushed a little too far” the notion of authors’ rights.<sup>19</sup>

16. Reading Articles 2 and 12 of the 1908 Act in tandem, it becomes clear that the notion of adaptation in the Convention was understood (at the time) as follows: (a) adaptations could constitute original works; (b) the adaptation right was a subset of the right of reproduction. Article 12 *in fine* defined an *infringing* adaptation as a reproduction in the same form with non essential changes, or additions or deletions, which is not in itself an original work. This seems to imply that using a preexisting work to create a new, original one would not infringe.
17. The changes made to the Convention at the Brussels Revision Conference in 1948 reflected the belief that limiting infringement adaptation to reproductions was too narrow an approach: “[T]here are other ways of exploiting works. It *became common ground* that, in general, the author enjoyed the Convention’s right not only for his work in its original form but also for all transformations of it.”<sup>20</sup> The provision “refrains from laying down what constitutes adaptation, but *it is agreed* that this includes *any new form of the substance of the work*, marginal cases being left to the courts.”<sup>21</sup>
18. What the drafters envisaged was a broad *commercial exploitation right* for protected works. It showed a determined attempt to broaden the scope of protection. This notion of protected commercial exploitation also meshes well with the main exception test contained both in the Convention and the TRIPS Agreement,<sup>22</sup> known as the three-step test, which is discussed below. If one were to reconcile the right and the exception, the question could be put as follows: when is the substance of the original work taken, to a point that it substantially affects the market for that work?

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<sup>19</sup> ANDRÉ PETIT, *supra* note 17, at 27.

<sup>20</sup> GUIDE, at 76

<sup>21</sup> *Id.*, at 77 (emphasis added).

<sup>22</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, Annex IC to the Agreement Establishing the World Trade Organization, 15 April 1994, 33 ILM 1197 (entered into force 1 January 1996), online: [http://www.wto.org/english/docs\\_e/legal\\_e/27-trips\\_01\\_e.htm](http://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm).

## II. The Three Step Test

### A. *Historical background*

19. At the 1967 Stockholm Berne Convention Revision Conference, a general rule known as the “three-step test” was added to the Convention to limit exceptions to the right of reproduction—a right which was added to the Convention at the same Revision Conference.<sup>23</sup> According to the Study Group set up by BIRPI (WIPO’S predecessor) and the Swedish government to prepare the Conference, adding the right of reproduction to the Convention meant that a satisfactory formula had to be found for inevitable exceptions to that right.<sup>24</sup> The Study Group noted that, while:

“it was obvious that all forms of exploiting a work which had, or were likely to acquire, considerable economic or practical importance must in principle be reserved to the authors...it should not be forgotten that domestic laws already contained a series of exceptions in favor of various public and cultural interests and ... it would be vain to suppose that countries would be ready at this stage to abolish these exceptions to any appreciable extent.”<sup>25</sup>

20. The Study Group also recommended that exceptions should be “made for clearly specified purposes”<sup>26</sup> adding that a limitation on the exclusive right of the author “*should not enter into economic competition with*” protected works.<sup>27</sup> These considerations informed the work of the Conference and future interpretations of the three step test. The work of the Study Group was handed over at the Conference to a Working Group mandated to try to implement the findings of the Study Group in the text of the Convention. Initially, the Working Group proposed a text that would have allowed exceptions (a) for private use; (b) for judicial or administrative purposes; and (c) “in

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<sup>23</sup> It is untrue, however, to say that the original text did not at least implicitly recognize a right of reproduction. First in Article 12(1) the Convention previously referred to “infringing copies,” which were “liable to seizure on importation.” It also contained in Article 7 a right of reproduction for newspapers or periodicals but the right only applied if specifically asserted by the author.

<sup>24</sup> Quoted in MIHÁLY FICSOR, *THE LAW OF COPYRIGHT AND THE INTERNET* (2002), at §5.51.

<sup>25</sup> RECORDS OF THE DIPLOMATIC CONFERENCE HELD AT STOCKHOLM, 1967, at 111.

<sup>26</sup> *Id.*, at 112.

<sup>27</sup> *Id.*

certain particular cases where the reproduction is not contrary to the legitimate interests of the author and does not conflict with a normal exploitation of the work.”<sup>28</sup> The debates at the Conference initially focused on the merits of adding a list of well-delineated exceptions (which included (a) and (b), but not (c), above). However, because the outcome of the debate was progressively taking the form of a long “shopping list,” the Conference opted to follow a British proposal to take out (a) and (b) entirely and to replace both with a general provision along the lines of (c).<sup>29</sup>

21. The Conference also provided guidance on the interpretation of the test. It indicated that the first logical step (the Conference did not consider the “special case” requirement to be a separate step, a view with which I agree and to which I return below) was to determine whether there was a *conflict with normal commercial exploitation*. If not, then either a compulsory license or a full exception could be introduced in national law. The *compulsory license (with remuneration) would then counterbalance the level of prejudice* in the last step, *i.e.*, it would render such prejudice reasonable where this was necessary.<sup>30</sup>

22. The test adopted at the 1967 Convention was thus intended to guide national legislators to the proper scope of limitations and exceptions for the right of reproduction.<sup>31</sup>

### *B. Interpretation*

23. The test contained in Article 9(2) of the Berne Convention allows limitations and exceptions to the right of reproduction:

- in certain special cases;
- that do not conflict with the normal commercial exploitation of the work; and
- do not unreasonably prejudice the legitimate interests of the author.

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<sup>28</sup> *Id.*, at 113.

<sup>29</sup> M. FICSOR, *supra*, at §5.53.

<sup>30</sup> Paragraph 85 of the Report of Main Committee I, RECORDS OF THE DIPLOMATIC CONFERENCE HELD AT STOCKHOLM 1967.

<sup>31</sup> See Mihály Fisor, *How Much of What? The Three-Step Test and its Application in Two Recent WTO Dispute Settlement Cases*, (2002) 192 REVUE INTERNATIONALE DU DROIT D’AUTEUR (RIDA) 111, 231-242.

24. The test was relatively obscure until 1994 when, with the adoption of the TRIPS Agreement, it became the cornerstone for almost all limitations and exceptions to all intellectual property rights in international law. It is now used as the model for exceptions to *all copyright rights* in TRIPS (Article 13), to the rights created by the *WIPO Copyright Treaty*<sup>32</sup> (Article 10) and the *WIPO Performances and Phonograms Treaty* (Article 16). It is also the test for exceptions to industrial design protection (Article 26(2)) and patent rights (Article 30). There is, however, a difference in the case of patent rights, which may impact how the rule is interpreted when applied to copyright. The last (third) step of the test in Article 30 requires that exceptions do not unreasonably prejudice the legitimate interests of the patent owner, *taking account of the legitimate interests of third parties*.

i. Step 1: “Certain special cases”

25. There are two ways to interpret this first step. The first finds its origin in the history of the Convention. In the first edition of his seminal book on the Berne Convention,<sup>33</sup> Professor Sam Ricketson opined that “special” meant that the exception must have a purpose and be justified by public policy.<sup>34</sup> This purpose-oriented (or “teleological”) interpretation of the Convention is seemingly reinforced by the use of the phrase “to the extent justified by the purpose” in Articles 10(1) and 10(2) of the Convention (which allow exceptions to be made for quotation and teaching), and Article 10*bis*(2) (which allows reporting of current events). Public information/freedom of the press is the policy basis for the latter exception and for the possible exclusion from copyright of certain official texts.

26. A 2001 WTO panel decision, concerning section 110(5) of the US *Copyright Act*,<sup>35</sup> adopted a different approach to interpret the first step of the test. This was the first time

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<sup>32</sup> This treaty was implemented in the United States by the *Digital Millennium Copyright Act*, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (DMCA). The WIPO Copyright and Performances and Phonograms Treaties Implementation Act of 1998 is title I of the DMCA. The treaty has at least two interesting features for our purposes, namely the application of the three-step test in its Article 10 and the following declaration in its preamble: “Recognizing the need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information, as reflected in the Berne Convention.”

<sup>33</sup> SAM RICKETSON, *THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS, 1886-1986* (1987).

<sup>34</sup> *Id.* at 482.

<sup>35</sup> United-States – Section 110(5) of the US Copyright Act, WTO Document WT/DS160/R, June 15, 2000 (hereinafter *Panel Report*).

the test was interpreted by an international tribunal. The panel was aware of Professor Ricketson's view.<sup>36</sup> However, it opted to look at the *Oxford Dictionary*.<sup>37</sup>

“The term ‘special’ connotes ‘having an individual or limited application or purpose’, ‘containing details; precise, specific’, ‘exceptional in quality or degree; unusual; out of the ordinary’ or ‘distinctive in some way’.[here was a footnote referring to the Oxford dictionary] This term means that more is needed than a clear definition in order to meet the standard of the first condition. In addition, *an exception or limitation must be limited in its field of application or exceptional in its scope. In other words, an exception or limitation should be narrow in quantitative as well as a qualitative sense.*”<sup>38</sup> (Emphasis added)

27. The approach chosen by the panel is understandable. For valid normative reasons,<sup>39</sup> in previous decisions the WTO Appellate Body preferred to stick with the ordinary meaning of words, notably to avoid introducing “unbargained for” concessions in the WTO legal framework. This approach seems compatible with the Stockholm Study Group which had requested that any exception to the right of reproduction be “for clearly specified purposes.”
28. There has been criticism in academic journals about the panel's “dictionary approach” (that is, using the plain meaning of terms). However, it seems that with the WTO, as arbiter of international intellectual property disputes concerning both the TRIPS Agreement and the Berne Convention (as incorporated into TRIPS), the “dictionary approach,” which leads to a definition of the first step as requiring clarity of the boundaries of an exception, is here to stay.<sup>40</sup> That being said, the view that there is (also) a normative element to the first step, that requires the demonstration of the

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<sup>36</sup> *Id.* at note 114.

<sup>37</sup> *Id.* ¶¶ 6.108-6.110.

<sup>38</sup> *Id.* ¶ 6.109.

<sup>39</sup> Essentially, that trade agreements are bargained for and should not, therefore, be “completed” or amended by interpretation. *See, e.g., United States - Standards for Reformulated and Conventional Gasoline*, WTO document WT/DS2/AB/R, in which the Appellate Body stated that “applying the basic principle of interpretation that the words of a treaty, like the *General Agreement*, are to be given their ordinary meaning, in their context and in the light of the treaty's object and purpose.”

<sup>40</sup> In a second panel report dealing with Article 30 (another instantiation of the test) dealing with limitations contained in the Canadian Patent Act, the first step was interpreted as meaning “limited”(such as, for patents, limited to an area of technology). Those interpretations are more likely to guide future WTO panels called upon to apply the three-step test. *See Canada – Patent Protection of Pharmaceutical Products* case, WTO Document WT/DS114/R, March 17, 2000.

existence of a valid public policy, is not incompatible with the analysis of both panels, especially the *Canada Pharmaceuticals* panel report.<sup>41</sup>

29. Most purpose-specific exceptions would pass the first step of the test. An exception or limitation for the Blind would almost certainly be compatible with the first step of the test.

ii. Step 2: Interference with normal commercial exploitation

30. What is the meaning of “exploitation” in the context of the second step of the test? It seems fairly straightforward: any use of the work by which the copyright owner tries to extract/maximize the value of her right.<sup>42</sup> “Normal” is more troublesome. Does it refer to what is simply “common” or does it refer to a normative standard? The question is particularly relevant for new forms and emerging business models that have not, thus far, been common or “normal” in an empirical sense. As noted above, at the revision of the Berne Convention in Stockholm in 1967, the concept was used to refer to “all forms of exploiting a work which had, or were likely to acquire, considerable economic or practical importance.”<sup>43</sup>

31. The condition seems normative in nature: an exception is not allowed if it covers any form of exploitation which has, or is likely to acquire, considerable importance. In other words, if the exception is used to limit a commercially significant market or, *a fortiori*, to enter into competition with the copyright holder, the exception is prohibited.<sup>44</sup> Professor Mihály Ficsor and the WTO panel on the US 110(5) case agreed with this approach. The WTO panel concluded as follows:

“[...] it appears that one way of measuring the normative connotation of normal exploitation is to consider, in addition to those forms of exploitation that currently generate significant or tangible revenue, those forms of exploitation which, with a

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<sup>41</sup> Interestingly, Professor Ricketson agreed with this conclusion in the most recent edition of his commentary, authored jointly with Professor Jane Ginsburg. See 1 SAM RICKETSON AND JANE C. GINSBURG, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND* (2005) at 765-767.

<sup>42</sup> M. FICSOR, *supra*, at §5.56.

<sup>43</sup> *Records of the Stockholm Conference* at 112.

<sup>44</sup> One could see the scope of an exception based on non commercially significant use in H.R. 3261, 108<sup>th</sup> Cong. (2003), known as the *Act to Prohibit the Misappropriation of Certain Databases*, §4(b) of which would allow the “making available in commerce of a substantial part of a database by a nonprofit educational, scientific, and research institution, including an employee or agent of such institution acting within the scope of such employment or agency, for non-profit educational, scientific, and research purposes [...]if the court determines that the making available in commerce of the information in the database is reasonable under the circumstances, taking into consideration the customary practices associated with such uses of such database by nonprofit educational, scientific, or research institutions and other factors that the court determines relevant.”

certain degree of likelihood and plausibility, could acquire considerable economic or practical importance.”<sup>45</sup>

32. The impact of the second step on specific exception or limitation for the Blind is discussed below.

iii. Step 3: Unreasonable prejudice to legitimate interests of rights holder

33. The third step is perhaps the most difficult to interpret. What is an “unreasonable prejudice,” and what are “legitimate interests”? “Legitimate” can have at least two meanings: (a) conformable to, sanctioned or authorized by, law or principle; lawful, justifiable; proper; or (b) normal; regular; conformable to a recognized type. To put it differently, are legitimate interests in the third step only “legal interests”? If a broader view of the interests involved is preferred, the third step would then reflect the need to balance the rights of copyright holders and users.<sup>46</sup>

34. At the 1967 Stockholm Conference (Berne Convention Revision), the United Kingdom took the view that legitimate meant simply “sanctioned by law,” while other countries seems to take a broader view of the term as meaning “supported by social norms and relevant public policies.”<sup>47</sup> The WTO panel<sup>48</sup> on the US 110(5) case concluded that the combination of the notion of “prejudice” with that of “interests” pointed clearly towards a legal-normative approach. In other words, “legitimate interests” are those that are protected by law. The interpretation might have been different if the third step of the test had been formulated as “the reproduction not contrary to the legitimate interests of the author.” With the *unreasonable prejudice* element, however, the legitimate interests are almost by definition legal interests.

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<sup>45</sup> Panel Report, *supra* note 41, at ¶ 6.180.

<sup>46</sup> To the same effect, see MARTIN SENFTLEBEN, COPYRIGHT, LIMITATIONS AND THE THREE-STEP TEST, 226-7 (2004) (“...copyright law is centered round the delicate balance between rants and reservations. On one side of this balance, the economic and non-economic interests of authors of already existing works can be found. On the other side, the interests of users--a group encompassing authors wishing to build upon the work of their predecessors--are located. If a proper balance between the concerns of authors and users is to be struck, both sides must necessarily take a step towards the center. The two elements of the third criterion (legitimate interests and unreasonable prejudice) mirror these two steps. The authors cannot assert each and every concern. Instead, only legitimate interests are relevant. As a countermove, the users recognize that copyright limitations in their favor must keep within reasonable limits.”)

<sup>47</sup> See BERNE CONVENTION CENTENARY, *supra*.

<sup>48</sup> Panel Report, at paras. 6.223-6.229. At paragraph 6.224 the panel somehow tried to reconcile the two approaches: “the term relates to lawfulness from a legal positivist perspective, but it has also the connotation of legitimacy from a more normative perspective, in the context of calling for the protection of interests that are justifiable in the light of the objectives that underlie the protection of exclusive rights.”

35. This leaves open one key question: what is an “unreasonable” prejudice?<sup>49</sup> Clearly, the word “unreasonable” indicates that some level or degree of prejudice is justified. For example, while a country might exempt the making of a small number of private copies entirely, it may be required to impose a compensation scheme, such as a levy, when the prejudice level becomes unjustified.<sup>50</sup> The international consensus, though not one codified in a treaty, is that when a form of use becomes unstoppable (or should not be stopped for valid normative reasons), that is, when normal commercial exploitation is or becomes impossible, then a remuneration system may (some would say must<sup>51</sup>) be put in place. To buttress the view that some valid normative reasons may exist to limit the reach of exclusive rights, the French version of the Berne Convention, which governs in case of a discrepancy between the linguistic versions,<sup>52</sup> uses the expression “*préjudice injustifié*,” which one would translate literally as “unjustified prejudice.” The Convention translators opted instead for “not unreasonable.”<sup>53</sup> The inclusion of a reasonableness/justifiability criterion 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. In other words, there should be a public interest justification to limit copyright. Naturally, while the public interest may coincide with users’ interests, they are not synonymous. It is also in the public interest that there be a balanced protection for authors and other rights holders.
36. The above-mentioned WTO panel 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>54</sup> A public interest imperative may lead a government to impose an exception to copyright that may translate into a loss of revenue for copyright holders. It can nonetheless be “justified.” By focusing on economic harm, the panel may have considerably expanded the scope of exceptions: it is not the fact that a user obtained value that is determinative, but rather the fact that a right holder can show that it lost actual value (revenue), *i.e.*, the existence of a prejudice.

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<sup>49</sup> It is worth noting that “not unreasonable prejudice” is not quite the same as “reasonable prejudice.” “Not unreasonable” connotes a slightly stricter threshold (See Panel Report, at ¶ 6.225).

<sup>50</sup> REPORTS OF THE FIVE MAIN COMMITTEES OF THE INTELLECTUAL PROPERTY CONFERENCE OF STOCKHOLM 7, 26-27 (1967).

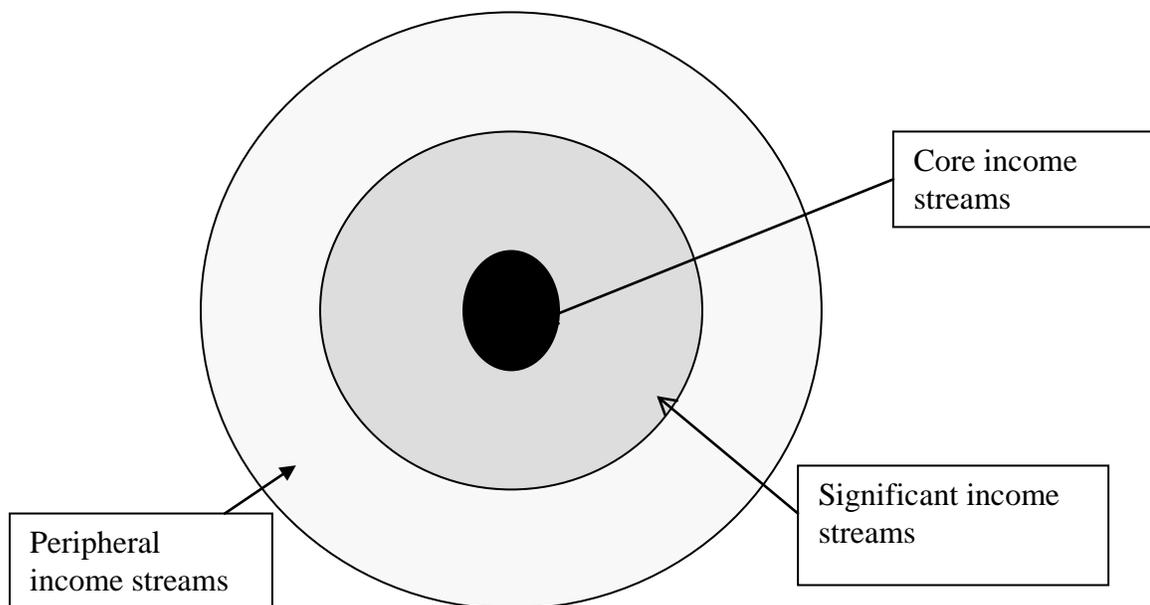
<sup>51</sup> SAM RICKETSON AND JANE C. GINSBURG, note 41 *supra*, at 317: “...remuneration for private copying...is a compulsory license for the exercise of the reproduction right.” See also *idem*, chapter 13.

<sup>52</sup> Berne Convention, at Art. 31.

<sup>53</sup> RECORDS OF THE STOCKHOLM CONFERENCE, at 1145 § 84.

<sup>54</sup> Panel Report, para. 6.229.

37. The net result of the WTO decisions is that any exception or limitation must be measured against any *demonstrable loss of income* for copyright holders. The policy tool that would seem best to embody this is to situate the exception on an income stream target. At the center of the target are core income streams. To translate this in commercial terms, would the exception significantly limit existing sales or licensing income or, under the second step, prevent the right holder to try to sell or license (*i.e.* the “trial and error” establishment of commercial exploitation)? Any exception that does is almost certainly incompatible with the second step of the test. Exceptions and limitations that demonstrably affect significant income streams are also interfering with normal commercial exploitation, unless no commercial transaction or license is possible under the circumstances. To pass the test, an exception must, therefore, be narrowly defined (the first step) and touch (at most) mostly peripheral income streams.



38. Could a public interest justification “compensate” for prima facie incompatibility? Under the third step, a limitation (with compensation negating the loss of income) would probably pass the third step of the test. The second step is more difficult. If a rights holder can show that the exception prevents him from exploiting a reasonably available “market,” then the normative basis for the justification may not be sufficient to compensate. However, public interest was used successfully as a defense in a few UK cases, but those cases dealt with particular works (e.g. a photograph of Princess Diana on the day of her accident or the text of a ministerial briefing note<sup>55</sup>) though not with classes of works or users. In addition, in those cases, users had a positive right to exercise against the copyright, namely freedom of speech and of the press. It would be theoretically possible to add a provision to the Copyright Act that allows courts to not enforce copyright when a countervailing public interest justification supports such a decision. Others might think this unnecessary because courts can (based on equitable rules) refuse certain remedies (e.g. injunctions).

*The importance of prospective markets*

39. How can a right holder demonstrate the existence of a market and thus be able to invoke incompatibility of a limitation or exception with the second step? If a market is already established in the United States for the form of exploitation concerned, then the burden of proof is easily met. If not, the right holder could possibly demonstrate the existence of a market in a relevant jurisdiction. For example, if a foreign right holder could show that she is successfully exploiting an important (existing) market in her country and a similar exploitation is prevented in the United States because of an exception or limitation, then *prima facie* incompatibility would arguably be established. A more difficult question is the impact on *prospective* markets. Interpreting the three-step test as applying only to well-established markets would stifle investment in new technology and new business models. Conversely, considering interference with *any* prospective market, no matter how remote, would render almost essentially all limitations and exceptions incompatible with the second step. Clearly, the test was not meant to go that far. First, the interference must affect an income stream (whether actual or prospective) that is

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<sup>55</sup> *Ashdown v. Telegraph Group, Ltd.*, [2002] R.P.C. 5 (C.A.) (Eng.); *Hyde Park Residence Limited v. Yelland et al.*, [2000] E.M.L.R. 363 (C.A.) (Eng.).

sufficiently close to the center of the target.<sup>56</sup> Second, the prospective market must be reasonably predictable.<sup>57</sup>

### C. Policy lessons

40. The first lesson to be drawn from the preceding analysis is that the three-step test is, in reality, a two-step test when the test is used as a guide in crafting national legislation-- because the “special case” nature of an exception is only an instruction *addressed to lawmakers* to provide reasonably narrow and well-defined exceptions (a quantitative component), with a (preferably stated) public interest justification (the normative/qualitative component). As noted above, an exception or limitation specifically designed for access by the Blind would easily pass the first step.
41. The second step of the test prohibits exceptions that interfere demonstrably with commercial exploitation. The focus here is akin to a finding of adverse trade impact in an antidumping case.<sup>58</sup> will the measure significantly prevent a rights holder from maximizing revenue? It is clear from available interpretations of the test that normalcy of exploitation modes is not a purely empirical (*i.e.*, in practice a mostly historical) notion. In other words, it is not simply a question of what modes are actively exploited *now* but also of what modes are likely to become significant income streams. To recall the Stockholm Conference’s phrase noted above, the test covers “all forms of exploiting a work which had, or were likely to acquire, considerable economic or practical importance.”
42. Determining what is likely to acquire importance is educated guesswork. However, courts have tended to look at market developments. They have asked rights holders to make at least a *prima facie* case of interference. Once the case has been made, however, it would seem that the burden shifts to the user to show that there is no demonstrable interference. This is true of most national court decisions, but also applies to lawmaking processes and in the aforementioned WTO panel reports.

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<sup>56</sup> That is, the figure on page 14 above.

<sup>57</sup> As was decided by the French Supreme Civil Court in 2006 (*Cour de cassation*): Cass. 1<sup>re</sup> civ. 28.2.06. JCP G2006, II, 10084, note A. Lucas; *Com.com. électr.* 2006, comm. 56, note Caron, A&M 2/2006, p. 177, note Dussolier, *Propri. Intell.* 2006, p. 179, obs. A. Lucas.

<sup>58</sup> I use this analogy because the incorporation of copyright rules in the WTO framework, where disputes are decided by trade experts, leads to a rapprochement of trade and intellectual rules.

43. The third step is a logical extension of the second. If there is no interference, because the rights holders mode(s) of commercial exploitation affected by the exception are not significantly impinged upon, then perhaps the rights holders can still show a substantial loss of income. If that loss of income is unreasonable, then financial compensation should be provided.
44. The application of the second step by national courts resembles the “Folsom test” (harm to plaintiff’s market), which is now codified as the fourth fair use factor in the United States, as we will see below. In *Folsom v. March*,<sup>59</sup> Judge Story had to decide whether a book by March for school libraries which quoted excerpts from letters (to and from) George Washington most of which had only been published by the plaintiff, Folsom, was an infringement of copyright. In a famous dictum, he wrote the following:

...we must often, in deciding questions of this sort, look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or *supersede the objects*, of the original work.<sup>60</sup> (emphasis added)

45. A major difference of course is that the fourth factor is precisely that, a factor in a more complex equation, whereas, in the three-step test failing the second step means the analysis stops and the exception does not conform.
46. The analysis above suggests that the appropriate locus of the *third* step is also as a guide to policy makers. It instructs them to provide a compensation mechanism (a limitation such as a statutory license with compensation) when an unreasonable loss of income would be caused by an exception.
47. Another lesson one may draw is that one effect of the incorporation of the three-step test in international copyright law by the TRIPS Agreement and, more broadly, the movement to a *trade-related right* may have made it *easier* to provide exceptions because the focus is not, or no longer, on theoretical interference with a quasi-property right (by analogy, there is no need to show actual damage to justify a cause of action of trespass to land), but rather a pragmatic approach on the *actual impact* on rights holders. Put differently, as a result of the paradigmatic nature of the three-step test, the policy focus is not whether a copy or adaptation has taken place, but on (a) whether reasonably expected exploitation income will (demonstrably) be lost by the copyright holder; and (b) whether

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<sup>59</sup> *Folsom v. Marsh*, 9 F. Cas. 342, No. 4901 (C.C.D. Mass. 1841).

<sup>60</sup> *Id.*, at 348.

the loss is proportionally justified on public policy grounds. Then, one can decide whether a compensation mechanism is called for.

48. Because the introduction of the test is very recent in those jurisdictions where it has been “translated” into national law (essentially Australia and Europe—see the Annex), there is little if any empirical data to show its effects when used directly in national law. It would be very difficult to parse the impact of the test globally on innovation or the copyright industries, as the growth (including slowing down or absence thereof) requires a multi-factorial analysis. Available regressions might show correlations but causation will be harder to prove. This, I would argue, will be the case with the adoption of any new standard. The farther the standard is to a known quantity, the higher the uncertainty and transaction costs that necessarily will follow from having to wait for clarification by courts. My point is simply that by adopting a standard in use in several like-minded jurisdictions means that the norm will be interpreted in those other jurisdictions and may provide accelerated guidance to other national courts, as well as copyright owners and users.
49. Adding to the value of the test is the fact that its dynamic nature, especially the second step’s reference to *normalcy* of commercial exploitation, allows courts to assess the seriousness of a copyright holder’s claim to a loss of market against social welfare/public interest considerations (the normative component one can use to flesh out the test, as noted by the WTO panels). Surely, the responsiveness of allowing copyright law to follow the evolution of market dynamics, within the bounds of treaty, compliance is likely to be conducive to a more robust market for creative works, one that fosters the development of an efficient and competitive digital marketplace (remembering that competition is “normal”) and an innovative economy. On the negative side, it is possible that the test will be interpreted too strictly and cause welfare losses that do not translate into benefits that outweigh those costs.
50. The decision by the French *Cour de cassation* (civil Supreme Court) is interesting in that respect. The court might have been prepared (as the Court of Appeal of Paris was) to allow private use of the DVD but felt it was too early.<sup>61</sup> One could read the decision as one where the court wanted to protect the digital delivery market. Consequently, the court would have allowed the use if one could have shown that there was no reasonable prospect of a commercial transaction. The court may have been misinformed factually, but the principle stands.

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<sup>61</sup> See the Annex.

*D. Application of the three-step test to specific users or uses*

51. Would a new exception for access by the Blind be compatible with the three-step test?

To pass the first step, it should be sufficiently narrow in scope, which, as was mentioned already, it most likely would.

52. To argue that the exception or limitation fails under the second step, right holders must demonstrate that the exception prevents them from trying to establish a (reasonably predictable) market (especially if such a market has been established in relevant other jurisdictions) or interferes with an established, non-peripheral market. A related factor to consider is the level of transaction costs (financially and administratively). This means that if a right holder has taken or is about to take measures to produce a commercially available version for the Blind, an exception or limitation preventing the exploitation of that market would likely interfere with normal commercial exploitation based on the interpretation of the test applied by WTO dispute-settlement panels up to this point.

53. Under the third step, even if a measurable financial prejudice is caused, its level is not necessarily unreasonable, considering the strong equities that favor access by the Blind. The purpose of the Copyright Act, as will no doubt be noted in several other Comments, is to encourage Learning. Its constitutional underpinning in the United States is the progress of science and the useful arts. As such, a mechanism ensuring better and faster access by the Blind fits the underlying objectives of copyright. The equities would weigh considerably in any dispute before the WTO and would also weigh against bringing such a matter to the attention of the WTO Dispute-Settlement Body. If a dispute was decided by a WTO panel, the interpretation of the third step in previous panel reports is that a form of financial compensation made available to the right holder can reduce the level of prejudice, if any, to a "reasonable level."

### **III. The Proposal by Brazil, Ecuador and Paraguay, Relating to Limitations and Exceptions: Treaty Proposed by the World Blind Union (WBU)**

54. A proposed treaty was submitted to the Eighteenth Session of the WIPO Standing Committee on Copyright and Related Rights in May 2009.<sup>62</sup> The proposed treaty aptly states the important normative considerations at play that favor the establishment of appropriate exceptions or limitations for access by the Blind. Generally speaking, I support the proposed draft treaty. I have a number of concerns about the draft, however.
55. Concerning Article 4, first, while I support the distinctions made between private access, non-profit access and for-profit activities, my analysis of the three-step leads me to believe that the notice and compulsory license mechanism provided in Art. 4(c)(3) are potentially insufficient because a copyright holder who has made demonstrable preparations to make a copy of her work available for the Blind would not be protected. Second, the extent of the proposed license, which “extends to commercial rental” may be unclear: does it apply to all forms of reproduction and adaptation, and all forms of dissemination (including rental)? Third, the nature of the “adequate compensation” is rather vague (“is available”). This may be acceptable if read as providing States with wide-ranging flexibility in determining the compensation mechanism, but clearer wording seems desirable.
56. While most of those comments probably only reflect a need to tighten or clarify the wording, the second step of the test might require that a notice be followed by a reasonable period given to the copyright holder to show that she has plans to make a copy available to the Blind. This would negate arguments of interference with commercial exploitation. Again, the underlying concern of that second step of the test is that there where there is in fact a market (admittedly, market forces seem insufficient to provide access to the Blind for most copyrighted works), one should aim not to harm that market.
57. A novel feature of the proposed treaty is Article 3(a). Parties to the new treaty would “agree” that the new instrument is compatible with a number of pre-existing legal texts, including the TRIPS Agreement, which in turn includes the three-step test. If this approach is chosen, and if it is successful to the extent that a WTO panel finds an exception based on the treaty *per se* compatible with TRIPS because of the above-

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<sup>62</sup> Document SCCR/18/5 of May 25, 2009.

mentioned “agreement,” then most of the preceding discussion on the three-step test is irrelevant. Member States may design any set of exceptions or limitations with or without compensation if the test is removed. This is permitted under Article 31(3)(a) of the *Vienna Convention on the Law of Treaties*, which the WTO dispute-settlement panels and Appellate Body have repeatedly applied. My concern is that if the treaty is slow to be ratified, then the agreement may not apply to key members of the WTO. I also have concerns about the impact on other exceptions and limitations.

58. The most salient risk of the any new treaty is a slow adoption rate. This might delay the adoption of measures for access by the Blind in countries that fail to ratify the treaty. The most promising feature is the positive obligation to enable full and equal access by the Blind, which must be supported, even if the translation of this type of obligation into concrete action may not always be obvious.

#### **IV. Possible implementations of an Exception or Limitation for the Blind**

59. The term “exception or limitation” encapsulates one of the key decisions to be made in adopting a legal mechanism to facilitate access to copyrighted works by the Blind. A *limitation* is generally understood to mean a compulsory license, that is, a license issued by law in exchange for compensation set either by statute or case-by-case by a governmental authority (court, board etc.). An *exception* allows free use without compensation.
60. If access by the Blind is provided by for-profit private parties on a commercial basis, then the case for a limitation (compulsory license) is easier to make than a full exception. An exception may, however, be more appropriate for access provided by non-profit libraries. A compensation mechanism for copyright holders is also useful to ensure compatibility with the third step of the three-step test (unreasonable prejudice). Separate exceptions could thus be provided accordingly for different classes of users, as in the proposed treaty discussed in the previous section.
61. Decisions that should be made concerning an effective specific exception or limitation include the following. First, should the prospective user have to establish that no reasonable accessible copy for the Blind exists? This must be determined upstream and the draft treaty discussed above proposes definitions of “reasonable availability.” Second, should the prospective user contact the copyright holder, or at least try to locate

him? Third, should a compensation mechanism be provided and if so, how should the amount be set?

62. The Appendix to the Berne Convention provides the possibility of compulsory licenses for reproduction and translation of books. Though it was designed to be used by developing countries, it may contain lessons that are applicable here.<sup>63</sup> The fact that the Appendix is seldom used may be interpreted as showing that a complex, lengthy process to obtain licenses is a significant disincentive. This is in keeping with common understandings about transaction costs. Additionally, any drawn out process conflicts with the stated objective of providing the Blind with timely access to new works.
63. Any exception or limitation must take account of the fact that technologies will emerge that will increase access by the Blind. Those technologies might make temporary and/or private copies or adaptations of copyrighted material. It may make sense to provide an exception allowing the use of those technologies without any compensation or other formality. This ideally should involve the possibility of limited circumvention if absolutely necessary.
64. Copyright has traditionally not entered into the private sphere of users and, as far as I know, there is no market to license temporary or private copies of this nature. Such an exception for technological copies made by individual blind users would thus seem to be compatible with the second and third steps of the three-step test. Such an exception might also be extended to non-profit libraries.
65. For copies or adaptations of a more permanent nature, the second and third steps of the test impose stricter parameters. A reasonable search and notice (if the right holder is found) may be required. If the right holder cannot be found or does not respond to a notice of intent to make copies for the Blind, a compulsory license would be issued. A right holder who responds to such a notice by a prospective user could delay the issuance of a compulsory license for a finite period of time, after which, if no copies had been made available for the Blind, a compulsory license would be issued. If the use is for-profit, providing compensation seems fair and probably required under the three-step test. For non-profit uses, there may be cases where the appropriate compensation is in fact zero.
66. That said, material of many different categories could be subject to such a compulsory license, and it may thus be difficult to set broad default rates. A schedule of default rates

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<sup>63</sup> Worth mentioning in this context is that the proposed treaty discussed above provides separate exceptions for developing and more industrialized nations (Art. 4(d)).

may be possible for standard uses. Otherwise, a rate-setting mechanism could be established. That mechanism should be simple and inexpensive to use. Parties could, as with conflicts between domain name and trademarks, provide short comments by email to a third party who would then issue the rate for the license. Over a reasonable short period of time, “bands” of predictable rates would emerge for most requests. This type of mechanism would provide the necessary flexibility to deal with non-standard requests.

Nashville, November 2, 2009

## Annex

### The Three-step Test in National and Regional Laws

1. A look at the practices of a number of trading partners may be helpful to illuminate how the three-step test is interpreted and applied.
  - A. European Union
2. The European Union's Information Society ("InfoSoc") Directive<sup>64</sup> contains exceptions that are all purpose-specific. In other words, there is no set of criteria comparable to the US fair use doctrine.<sup>65</sup> However, the preamble to this Directive, which serves as a guideline for the interpretation of the operative part of the text,<sup>66</sup> refers to permitting "exceptions or limitations in the public interest for the purpose of education and teaching" and to the need to safeguard a "fair balance of rights and interests between the different categories of rights holders, as well as between the different categories of rights holders and users" through exceptions and limitations, which "have to be reassessed in the light of the new electronic environment."<sup>67</sup> The Directive also refers to the three-step test as an overarching test for exceptions. Article 5(5) reads:

"The exceptions and limitations provided for in paragraphs 1, 2, 3 and 4 shall only be applied in certain special cases which do not conflict with a normal exploitation of the work or other subject matter and do not unreasonably prejudice the legitimate interests of the rightholder."
3. This reference to the test was described as a "guiding principle" rather than an effective means to effectively harmonize exceptions in the national laws of the 25 EU

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<sup>64</sup> Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society (hereinafter "Infosoc Directive" or simply "Directive" if context permits).

<sup>65</sup> As embodied in 17 U.S.C. §107.

<sup>66</sup> Infosoc Directive 2001/29/EC, *supra* note 57.

<sup>67</sup> Infosoc Directive 2001/29/EC, *supra* note 57, ¶ 14 and ¶ 31.

- member States<sup>68</sup> because at the level of national laws the three-step test may be refined by enumerating certain specific cases.<sup>69</sup> It can also be used as a flexible test employed by the courts in cases where no such specific exception exists, if domestic law permits.
4. The EU reference to the three-step test in the Directive may also be interpreted as a commitment by one of the United States principal trading partners to the test and one which can guide policy, at least at the regional level, though it may not necessarily express the view that it is the best normative tool at the level of national laws. However, in implementing the Infosoc Directive a number of EU member states decided to include the test. In doing so, as we will see, they usually skipped the first step, presumably because limitations and exceptions taken individually represent “special cases.” EU countries where the second and third steps form part of national law now include at least: Croatia, France, Spain, Portugal and Greece. Australia and Mexico have also added to test to their legislative arsenal. National laws and the practices of a number of individual countries are discussed below.
  5. The InfoSoc Directive is not the first Directive to refer to the test. A version of the test is included in the Software Directive,<sup>70</sup> where it is used both as a guide in the preamble<sup>71</sup> and as a restriction on the scope of exceptions in Article 6(3).<sup>72</sup> It is also contained in Article 8(2) of the Database Directive, where it forms part of the main provisions.<sup>73</sup>

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<sup>68</sup> See MARTIN SENFTLEBEN, note 46 *supra*, at 246-8.

<sup>69</sup> P.B. Hugenholtz, *Why the Copyright Directive Is Unimportant, and Possibly Invalid*, 22 EUR. INT. PROP. REV. 499, 501 (2000) (“What makes the Directive a total failure, in terms of harmonization, is that the exemptions allowed under Article 5 are optional, not mandatory (except for 5.1). Member States are not obliged to implement the entire list, but may pick and choose at will. It is expected that most Member States will prefer to keep intact their national laws as much as possible. At best, some countries will add one or two exemptions from the list, now bearing the E.C.’s seal of approval. So much for approximation!”). The University of Amsterdam recently made available the text of an illuminating study prepared for the European Commission on the Infosoc directive. See [http://www.ivir.nl/publications/guibault/Infosoc\\_report\\_2007.pdf](http://www.ivir.nl/publications/guibault/Infosoc_report_2007.pdf) (last accessed November 2, 2009).

<sup>70</sup> Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs  
O.J. L 122 , 17/05/1991 p. 0042 – 0046.

<sup>71</sup> “...such an exception to the author's exclusive rights may not be used in a way which prejudices the legitimate interests of the rightholder or which conflicts with a normal exploitation of the program.”

<sup>72</sup> “...the provisions of this Article may not be interpreted in such a way as to allow its application to be used in a manner which unreasonably prejudices the right holder's legitimate interests or conflicts with a normal exploitation of the computer program.”

<sup>73</sup> “A lawful user of a database which is made available to the public in whatever manner may not perform acts which conflict with normal exploitation of the database or unreasonably prejudice the legitimate interests of the maker of the database.”  
*Directive 96/9/EC of the European Parliament and of the Council on the Legal Protection of Databases* (March 11, 1996).

ii. National implementations

6. At the national level, the three-step test may be applied as a binding international norm by courts in two situations, even absent a direct implementation in national law. First, courts may apply the test in any country where international treaties have direct application in the national legal order.<sup>74</sup> Thus, it is likely to surface in court decisions, as it did in France in a case concerning private copying of films—discussed below.<sup>75</sup> Second, courts may also use the test in countries where national laws (e.g., exciting exceptions) are interpreted wherever possible in harmony with international norms.<sup>76</sup>

B. Australia

7. In Australia, the *Copyright Amendment Act 2006*,<sup>77</sup> which received Royal Assent on December 11, 2006, contains the following provision:

*(New section 200AB: Use of works and other subject-matter for certain purposes)*

(1) The copyright in a work or other subject-matter is not infringed by a use of the work or other subject-matter if all the following conditions exist:

- (a) the circumstances of the use (including those described in paragraphs (b), (c) and (d)) *amount to a special case*;
- (b) the use is covered by subsection (2), (3) or (4);
- (c) the use *does not conflict with a normal exploitation of the work or other subject-matter*;
- (d) the use *does not unreasonably prejudice the legitimate interests of the owner of the copyright.*(emphasis added)

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<sup>74</sup> See Jane C. Ginsburg, *Toward Supranational Copyright Law? The WTO Panel Decision and the 'Three-Step Test' for Copyright Exceptions* 187 REV. INT. DROIT D'AUTEUR 3, 7 (2000).

<sup>75</sup> See *id.*

<sup>76</sup> D. Gervais, *The Role of International Treaties in the Interpretation of Canadian Intellectual Property Statutes*, in THE GLOBALIZED RULE OF LAW: RELATIONSHIPS BETWEEN INTERNATIONAL AND DOMESTIC LAW (O. Fitzgerald, ed) at 549-572 (2006).

<sup>77</sup> No. 158, 2006.

8. This provision applies to exceptions contained in that section, but not (by operation of subsections 200AB(1)(b) and 200AB(6)) if the use of the work is non-infringing for another reason (examples include a reproduction of less than a substantial part or limitation on the right itself, for example in the provision concerning the making of a Braille version of a published literary work, which contains what amounts to a compulsory license). The three-step test was not only incorporated in the Act (all three steps, contrary to most other national implementations which focus only on the last two) but it was a central consideration in preparing this Bill, partly because it was also included in the *Australia-US Free Trade Agreement*.<sup>78</sup>
9. In addition to being addressed directly to courts in s. 200AB, the three step test was used to justify limitations in the formulation of exceptions. For example, on private copying the Government declared, during the debate on the Bill, that: “The ‘one copy in each format’ condition is to protect copyright owners from this exception being abused, as well as to ensure that the exception complies with the three-step test.”<sup>79</sup>
10. An Australian Senate Committee struck to examine the constitutionality of the Bill noted that it had “received evidence which highlighted opposing views on how the three-step test should be implemented in domestic legislation. Proposed section 200AB seeks to provide an open-ended exception in line with the US model, and to allow courts to determine if other uses should be permitted as exceptions to copyright.”<sup>80</sup> Critics pointed to the lack of clarity of the test and the move towards a “lawyer-based copyright regime – a litigious model.”<sup>81</sup>
11. The Government’s response on this key point was as follows:

We are aware that some user interests think that it is unduly restrictive. Given that the three-step test already has to be complied with, there is an argument that should be enough, that the government should go as far as the three-step test allows. But we note in passing that the three-step test is not an obligation; you only have to go as far as you can go under the treaty obligations. The

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<sup>78</sup> Article 17.4.10(a). Available at [http://www.dfat.gov.au/trade/negotiations/us\\_fta/final-text/index.html](http://www.dfat.gov.au/trade/negotiations/us_fta/final-text/index.html) (last accessed November 2, 2009).

<sup>79</sup> Submission 69A to the Senate Standing Committee on Legal and Constitutional Affairs, p. 3. Available at, [http://www.aph.gov.au/senate/committee/legcon\\_ctte/copyright06/report/report.pdf](http://www.aph.gov.au/senate/committee/legcon_ctte/copyright06/report/report.pdf) .

<sup>80</sup> Senate Report, *loc. cit.* at 24.

<sup>81</sup> *Id.* at 24-25.

government is also aware that some copyright owner interests think that the provision is too broad and that the commercial advantage test should be narrowed even further. In the present drafting the government has sought to find a balance between those interests, recognising that this is a new exception that is different in form to some of the specific exceptions already in the Copyright Act. Therefore, the government is minded to try to balance what are reasonable interests on both sides—the copyright owners and users...

The Government introduced the 'commercial advantage' test in recognition of concerns about the potential scope of the new exception. Indeed the Government notes arguments on behalf of some copyright owners that s 200AB is presently too wide in being potentially available to for profit schools and libraries in commercial companies and should be narrowed so that no commercial advantage, direct or indirect, can be obtained from reliance on this section.<sup>82</sup>

12. For its part, the Labour party noted the following in the Senate report:

Labor Senators are of the view that the particular way the Government has chosen to embody the three-step test in the Bill is problematic and an example of poor drafting that will no doubt lead to confusion and uncertainty in practice. Not only will judges be required to interpret the three-step test, but so will the users to which the exceptions apply. This is not only impractical, but also potentially costly to those user groups who may have to seek expert advice on how to properly interpret the three-step test.<sup>83</sup>

13. The 2006 Australian Act is an almost ironclad guarantee of TRIPS compatibility, clearly a dominant consideration in making the policy decisions that led to its adoption. Only if Australian courts were to stray too far from WTO panel interpretations would a possible case of incompatibility with TRIPS be made. This is highly unlikely because their deliberations no doubt will be guided in that respect by s. 200AB(7), which defines “conflict with a normal exploitation” and “unreasonably prejudice the legitimate interests” as having “the same meaning as in Article 13 of

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<sup>82</sup> *Id.* at 25-26.

<sup>83</sup> *Id.*, at 47.

the TRIPS Agreement.” The new provision is still too recent to have been interpreted by courts.<sup>84</sup>

### C. Belgium

14. In Belgium, while the three-step test was not expressly included in the amendments to the Copyright Act, it was specifically mentioned during Parliamentary debates as a governing consideration.<sup>85</sup> As was noted in the parliamentary report, the test should serve as «*ligne directrice pour les Cours et tribunaux lors de l'application de la loi.*»<sup>86</sup> Most copyright scholars have taken the view that Belgian courts should be able to apply the test directly.<sup>87</sup>
15. The government was initially of the view that the test should not be included *tel quel* in the Act, *i.e.*, as an overarching provision applying to all existing exceptions – though it agreed that courts could use it as a “guide” when the scope of application of an exception was unclear.<sup>88</sup> The Minister responsible for copyright stated that using the three-step test in national law would send the “wrong signal” because it might be interpreted as saying that the legislator is uncertain that national law is compatible with the TRIPS Agreement.<sup>89</sup> However, in recent amendments to the Belgian Act, the test was used as a limit to specific new exceptions.<sup>90</sup>

### D. Croatia

16. In Croatia, the three-step test is part of the *Copyright Act*. Section 80 reads as follows:

Disclosed copyright work may be used without the author’s authorization, or without the author’s authorization and without payment of remuneration, only in the cases

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<sup>84</sup> For an excellent general overview of the reform process, see C. Bond et al., *Advance Australia Fair: The Copyright Reform Process*, 10 J. WORLD INTELL. PROP. 284 (2000)

<sup>85</sup> *Doc. parl.*, Ch. Repr., 2003-2004, n° 1137/013, at 15 and 26.

<sup>86</sup> *Doc. parl.*, Ch. Repr., 2003-2007, n° 1137/001, comment to article 4. Available at, [www.lachambre.be](http://www.lachambre.be).

<sup>87</sup> Séverine Dusollier, *Les nouvelles dispositions belges en matière de protection technique du droit d’auteur et des droits voisins*, at 564 ; DROIT D’AUTEUR ET LIBERTÉ D’EXPRESSION, JOURNÉE D’ETUDE ALAI, 19-20 JUNE 2000, *in fine* ; M. Buydens et S. Dusollier, *Les exceptions au droit d’auteur : évolutions dangereuses*, C.C.E., Sept. 2001, at 10 ; and J.-P. Triaille, *La directive sur le droit d’auteur du 22 mai 2001 et l’acquis communautaire*, A&M, 2002, at 11.

<sup>88</sup> S. Dusollier, *Le dernier tournant de l’affaire Mulholland Drive*, A&M, 2006, at 178

<http://editions.larcier.com/revues/auteursmedia>).

<sup>89</sup> J. Deene et K. Van der Perre, *Nieuwe auteurswet. Belang van de digitale wereld*, NjW, 2005, n° 71, p. 876, n° 39 ([www.e-njw.be/njw](http://www.e-njw.be/njw)). Quoted in the Belgian Report to the ALAI 2007 Congress (Punta del Este, November 2007).

<sup>90</sup> § 22bis(1).

which are expressly stipulated in this Act. The provisions concerning the limitations referred to in this Chapter cover only such uses of a copyright work which *do not conflict with regular use of the work and do not unreasonably prejudice the legitimate interests of the author.*<sup>91</sup>

#### E. France

17. In France, the three-step test has become a central element for both lawmakers and courts. The test is included in whole or in part in several articles of the *Code de la propriété intellectuelle*, namely Article L. 122-6-1 (1994—software reverse engineering); Article L. . 513-6 (2001--exception for teaching that applies to industrial designs); Articles L. 122-5 CPI and L. 211-3 (2006—exception to authors' rights and neighboring rights, respectively); Article L. 331-9 (2006)—Authority set up to review the reach of anti-circumvention protection.
18. In the now famous *Mulholland Drive* case,<sup>92</sup> a consumer organization argued that anti-circumvention technology (TPM) prevented the making of a (lawful) private copy. A court of first instance in Paris refused to grant the relief sought. The Paris Court of Appeal disagreed and concluded that *there was no evidence* that private copying would interfere with normal commercial exploitation. The Civil Supreme Court (*cour de cassation*) found that copying of digital copies of a film *could* constitute a violation of at least the second step (normal commercial exploitation. It remanded the case to the Court of Appeal, which found in April 2007 that the matter was moot because the consumer had no private copying *right*. In that case, the first step of the test (“special cases”) was basically skipped over and the courts focused on the last two steps.

#### F. Germany

19. In Germany, the test was applied in two cases by the Federal Supreme Court (“*Bundesgerichtshof*”), first in relation to the Berne Convention and second in relation to the InfoSoc Directive.<sup>93</sup> In the *Kopienversanddienst* case,<sup>94</sup> the court noted that

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<sup>91</sup> *Copyright and Related Rights Act* (O.G. 167/2003). Translation by WIPO.

<sup>92</sup> *M. Stéphane P., UFC Que Choisir c/ SA Films Alain Sarde, SA Universal pictures video France et autres*, TGI Paris, 30 avril 2004 : « Attendu que la copie d'une œuvre filmographique éditée sur support numérique ne peut ainsi que porter atteinte à l'exploitation normale de l'œuvre... » . Note the double negative.

<sup>93</sup> *Kopienversanddienst*, Bundesgerichtshof, BGH, 29 March 2001, case IZR 182/98, GRUR 1999, p. 707; GRUR INT. 2002, 170; and *Elektronischer Presspiegel*, Bundesgerichtshof, BGH, 11 July 2002, case IZR 255/00, GRUR 2002, 963.

<sup>94</sup> *Id.* at 712.

providing adequate remuneration for the author would eliminate the unreasonableness of the prejudice to the rightsholders' interests and also possibly the conflict with a normal exploitation possibly caused by an exception.

#### G. Greece

20. In Greece, a number of exceptions and limitations are expressly subject to the three-step test: Article 18(2) (private use); Article 20(2) (reproduction of literary works for teaching purposes); Article 20(3) (reproduction of works of a deceased author in an anthology); Article 28(3) (public presentation of works of fine art in museums, and their reproduction in catalogs); and Article 43(3) (reverse engineering of a computer program). The legislator added a new article 28Γ, which applies the three-step test as a filter to all exceptions.<sup>95</sup>

#### H. Hungary

21. In Hungary, there was an interesting Opinion issued in 2006 by a national committee of copyright experts on the impact of the three-step test issued.<sup>96</sup> The Opinion followed a petition filed by the Public Foundation for the Protection of Copyright in Audiovisual Works (ASVA), asking whether the general rules of the *Copyright Act* concerning free use and its specific rules concerning private copying<sup>97</sup> were compatible with the three-step test. The Opinion notes, first, the difference between copyright and neighboring rights, in that “the Stockholm diplomatic conference dealt with an explicit proposal that private copying should be recognized as an exception to the right of reproduction without any further condition whatsoever (the reason of which must have been found in the fact that, in the 1960s, the devices that now make copying so easy, perfect and massive did not exist yet), but rejected it,” while under “Article 15.1(a) of the Rome Convention on the protection of neighboring rights (that is, the rights of performers, producers of phonograms and broadcasting

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<sup>95</sup> Greek report to ALAI 2007 Congress (Punta del Este, 2007), Part III, p. 1.

<sup>96</sup> Opinion of the Council of Copyright Experts (No SzJSzT 17/06 of May 11, 2006), on the copyright status of private copying from illegal sources.

<sup>97</sup> Ss. 33(2) and (3), and 35(1) of the *Copyright Act* (Act No. LXXVI of 1999, on Copyright), respectively. For example s. 35(1) reads as follows:

“A copy of the work may be made by anyone for private purpose if it is not designed for earning or increasing income even in an indirect way. This provision shall not apply to architectural works, engineering structures, software and databases operated by a computing device as well as to the fixation of the public performance of a work on video or sound carrier.” (WIPO translation)

organizations), the Contracting States may introduce exceptions for private copying – and for private use in general – without any further condition.”<sup>98</sup>

22. The view expressed by the Committee is reinforced by the fact that Article 13 of the TRIPS Agreement only applies to copyright proper and not to related rights (in Article 14). The Opinion distinguishes the *addressees* of the three steps. It argues that the first step is addressed to legislators (*i.e.*, an obligation to have well-defined exceptions justified by public interest considerations) and the second and third, also to courts. The Panel concluded, based on “international, community and national norms on copyright that private copying from illegal sources” was permissible “neither as a free use nor on the basis of the limitation of the exclusive right of reproduction to a mere right to remuneration.”<sup>99</sup>

#### I. Netherlands

23. In the Netherlands, the three-step test was incorporated in s. 4 of the Dutch *Law on the Protection of Databases*.<sup>100</sup> The possibility of including the three-step test *tel quel* in the Dutch *Copyright Act (Auteurswet)*<sup>101</sup> was discussed but, in the end, the legislator opted to create specific exceptions compatible with the test, together with a determination that extant exceptions were also compatible with test. Doctrinal sources seem to agree that the test may, however, be used by national courts to interpret both older and newer exceptions.<sup>102</sup>

24. Dutch courts have in fact relied on the test even before its incorporation in the InfoSoc Directive, as an applicable norm of international law. In a 1990 case known as “*Zienderogen Kunst*”, the Dutch Supreme Court (*Hoge Raad*) used the three-step test (then only contained in Art. 9(2) of the Berne Convention) in holding that a quotation from a work should not unreasonably prejudice the rightsholder’s interests in the commercial exploitation of the work concerned.<sup>103</sup> In 2003, the

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<sup>98</sup> *Id.*

<sup>99</sup> *Id.* at 19.

<sup>100</sup> Law of July 8, 1999, “houdende aanpassing van de Nederlandse wetgeving aan richtlijn 96/9/EG van het Europees Parlement en de Raad van 11 maart 1996 betreffende de rechtsbescherming van databanken” (known as the Databankenwet or Database Law), available at, <http://wetten.overheid.nl/>.

<sup>101</sup> Law of September 23, 1912, “Houdende nieuwe regeling van het auteursrecht” (Auteurswet 1912), available at, [wetten.overheid.nl/](http://wetten.overheid.nl/).

<sup>102</sup> See H. Cohen Jehoram, *Nu de gevolgen van trouw en ontrouw aan de Auteursrechtlijn voor fair use, tijdelijke reproductie en driestappentoets*, TIJDSCHRIFT VOOR AUTEURS-, MEDIA- EN INFORMATIERECHT 2005, 153; Kamiel Koelman, *De nationale driestappentoets*, TIJDSCHRIFT VOOR AUTEURS-, MEDIA- EN INFORMATIERECHT 2003, 6; and M. Senftleben, note 46 *supra*, at 278-281.

<sup>103</sup> Decision of June 22, 1990, no. 13933, NEDERLANDSE JURISPRUDENTIE 1991, 268 with comment by J. Spoor; *Informatierecht/AMI* 1990, 202 with comment by Dommering; *ARS AEQUI* 40 (1991), 672 with comment by H. Cohen Jehoram. Cf. Hoge Raad, decision

Amsterdam Court of Appeals (*Gerechtshof Amsterdam*) found that a parody did not harm the normal exploitation of the work because it was intended for a different market.<sup>104</sup> In a 2005 decision concerning the making of digital press reviews for internal use in government departments, a court in The Hague (*Rechtbank's-Gravenhage*) applied the three-step test contained in Art. 5(5) of the InfoSoc Directive. The Court held that the practice of scanning and reproducing newspaper articles for distribution within the department(s) in question was incompatible with the test. A previous Dutch decision had allowed the practice but only on paper.<sup>105</sup> The Hague Court took the view that extending this exception to the digital realm would violate the test. The finding was criticized.<sup>106</sup> The court

“took the view that ‘a normal exploitation’ of newspaper articles in the sense of the three-step test included their digital exploitation. It pointed out that emerging digital markets for newspaper services were becoming more and more important. Against this background, the digital government press reviews were found to ‘jeopardize’ the normal exploitation (second condition of the three-step test) and to unreasonably prejudice the publishers’ legitimate interests (third condition). The Court added that, even if a normal exploitation was understood not to extend to digital forms of exploitation, the press reviews would still unreasonably prejudice the publishers’ legitimate interest in promising future markets. Digital format, inevitably, offered enhanced possibilities of searching and archiving press articles. The extension of the analogue press review limitation to the digital environment would thus impede the exploitation of important additional possibilities of use. In respect of the conceptual contours of the three-step test, it can be inferred from this decision that the term ‘a normal exploitation’ may be understood to include potential future markets.”<sup>107</sup>

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of June 26, 1992, no. 14695, NEDERLANDSE JURISPRUDENTIE 1993, 205 with comment by Verkade. Based on the Dutch report to the ALAI 2007 Congress (Punta del Este, 2007).

<sup>104</sup> *Gerechtshof Amsterdam*, decision of January 30, 2003, published in: TIJDSCHRIFT VOOR AUTEURS-, MEDIA- EN INFORMATIERECHT 94, (2003).

<sup>105</sup> *Hoge Raad*, decision of November 10, 1995, NEDERLANDSE JURISPRUDENTIE 1996, 177.

<sup>106</sup> Kamiel Koelman, *Fixing the Three-Step Test*, EUROPEAN INTELLECTUAL PROPERTY REVIEW 2006, 407.

<sup>107</sup> Dutch report to ALAI 2007 Congress, (Punta del Este, November 2007) at 10.

## J. Spain

25. In Spain, the three-step test was introduced in the *Law on Intellectual Property*<sup>108</sup> in 1998, in Article 40*bis*, which reads as follows:

The Articles of this Chapter may not be so interpreted that they could be applied in a manner capable of unreasonably prejudicing the legitimate interests of the author or adversely affecting the normal exploitation of the works to which they refer.<sup>109</sup>

26. Like many other countries, Spain considered the first step as addressed to legislators, not courts. As a result, only the last two steps were implemented in the Act. One should also note that the order of the two steps does not match that of the Convention. It is, however, the order used in the EU Database Directive, the probable source of this “inversion.” The effect of the introduction of the test is interesting and perhaps paradoxical:

“It has only been used expressly in very few decisions, of lower courts, and not as a decisive criterion but merely to “reinforce” other prevailing arguments. It is worth mentioning that judges do not look at the Three-Step Test as a restrictive norm. In some cases, it has been used to “give more space” to some limit. Paradoxically, the methodology of “*double fences*” (limits precisely defined plus the Three-Step Test as a safety bolt) produces such an effect. *In the hands of judges and courts, the Three-Step Test can lead to both strict interpretations as well as more liberal ones.* Without turning the Three-Step-Test into a limit, courts can feel legitimized to do flexible interpretations, provided that neither the normal exploitation of the work nor the legitimate interests of the author are damaged...Spanish judges do not see the Three-Step Test as a staircase that should be climbed one step at a time, according to a precise pre-established methodology. Rather, they look at art. 40*bis* ... as a *set of criteria to be considered liberally and globally.*”<sup>110</sup> (emphasis in original text)

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<sup>108</sup> *Ley 22/1987 de Propiedad Intelectual*, LPI/1987.

<sup>109</sup> Added by law 5/1998. WIPO Translation. The “chapter” referred to in the set of limitations and exceptions (Articles 31 to 40).

<sup>110</sup> Report by Spanish Group to ALAI 2007 Congress (Punta del Este, November 2007)—to be published.