

# A Comparative Analysis of the Three-Step Tests in International Treaties

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## INTRODUCTION

There exists, in four international treaties currently in force, eight versions of a provision the effect of which is to define the permissible scope of the exceptions and limitations to the exclusive rights within intellectual property regimes that may be implemented in national law. This provision is universally referred to as “the three-step test”. The reference to “the” – the definite article – is not accidental. It reflects an understanding that there is *one* three-step test that is common to all the instruments and provisions, and which has a common purpose and operation.

Much has been written in recent times on the three-step test. In most cases, however, the literature discussing the test does so primarily with respect to its implementation in relation to one particular intellectual property regime only, usually copyright;<sup>1</sup> the exceptions are

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<sup>1</sup> The majority of the important articles on the three-step test deal with copyright – see, e.g.: C. Geiger, “From Berne to national law, via the Copyright Directive: the dangerous mutations of the three-step test”, 29(12) *European Intellectual Property Review* 486-491 (2007); G. Westkamp, “The “Three-Step Test” and Copyright Limitations in Europe: European Copyright Law Between Approximation and National Decision Making”, 56 *Journal of the Copyright Society of the U.S.A.* 1-65 (2008); H. He, “Seeking a balanced interpretation of the

notable.<sup>2</sup> That approach can lead to the perception that the test is monolithic – that it is essentially the same in each version in which it appears. This, in turn, can limit analysis of the test to a comparison of the *different steps* of the test with *each other*. Such an approach is valuable, but it does not provide the full picture. What is missing from that approach is a comparison of the *same step* within the *different versions* of the test. As Senftleben has noted,

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three-step test – an adjusted structure in view of divergent approaches, 40(3) IIC 274-308 (2009); J. Griffiths, “The “three-step test” in European copyright law – problems and solutions”, 4 Intellectual Property Quarterly 428-457 (2009); M. Senftleben, “The International Three-Step Test: A Model Provision for EC Fair Use Legislation”, 1(2) Journal of Intellectual Property, Information Technology and E-Commerce Law 67-82 (2010). The key monograph on the test focuses on copyright law: M. Senftleben, “Copyright, Limitations, and the Three-Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law” (Kluwer Law International, The Hague 2004). Other important monographs that discuss the test are concerned only with copyright: M. Ficsor, “The Law of Copyright and the Internet: The WIPO 1996 Treaties, their Interpretation and Implementation” (Oxford University Press, Oxford 2002); J. Reinbothe and S. von Lewinski, “The WIPO Treaties 1996” (Butterworths LexisNexis, London 2002); S. Ricketson and J. Ginsburg, “International Copyright and Neighbouring Rights: The Berne Convention and Beyond” (Oxford University Press, Oxford, 2006). This is also the case with the reviews and reports concerning the test: S. Ricketson, “WIPO Study on Limitations and Exceptions of Copyright and Related Rights in the Digital Environment” 3-4 (WIPO, Geneva 2003), available at [http://www.wipo.int/edocs/mdocs/copyright/en/sccr\\_9/sccr\\_9\\_7.pdf](http://www.wipo.int/edocs/mdocs/copyright/en/sccr_9/sccr_9_7.pdf); P.B. Hugenholtz and R. Okediji, “Conceiving an International Instrument on Limitations and Exceptions to Copyright – Final Report” 19 (IVIR, Amsterdam 2008), available from <http://www.ivir.nl/publicaties/hugenholtz/finalreport2008.pdf>.

<sup>2</sup> The main exceptions include: M. Senftleben, “Towards a Horizontal Standard for Limiting Intellectual Property Rights?”, 37 IIC 407-438 (2006); A. Kur, “Of Oceans, Islands, and Inland Water – How Much Room for Exceptions and Limitations under the Three Step-Test?”, 8 Richmond Journal of Global Law & Business 287-350 (2008-09); R. Wright, “The “Three-Step Test” and the Wider Public Interest: Towards a More Inclusive Interpretation”, 12(6) The Journal of World Intellectual Property 600-621 (2009); C. Geiger, “Exploring the flexibilities of the TRIPS Agreement’s provisions on limitations and exceptions”, in: Kur and Rosen (eds.), “The Structure of Intellectual Property Law: Can One Size Fit All?” 287-307 (Edward Elgar, Cheltenham and Northampton 2011); A. Kur, “Limitations and exceptions under the three-step test – how much room to walk the middle ground?” in A. Kur (ed) *Intellectual Property Rights in a Fair World Trade System: Proposals for reform of TRIPS* (2011) 208-261. See also M. Ficsor, “How Much of What? The ‘Three-Step Test’ and its Application in Two Recent WTO Dispute Settlement Cases”, 192 *Revue Internationale du Droit d’Auteur*, 111-125, (2002).

“considerations concerning the interplay of the distinct criteria and their specific contribution to the test procedure as a whole are scarce”.<sup>3</sup>

Our article helps fill this gap, by undertaking a detailed comparison of each element of each step, across *all* implementations of the test. In doing so we seek to complement, rather than replace, the analyses already undertaken. Whereas many previous analyses have focussed on the normative bases of the tests, we focus on the similarities and differences in the wording and structure of the fundamental components of the steps of the tests, to provide additional understandings as to the precise meaning and operation of each step of the tests. By doing so, we show that each version of the test contains differences in meaning, and that these differences in meaning often have practical significance. As a result, we provide support for the view that there is no such thing as *the* three-step test – rather, there are eight three-steps tests, each of which is uniquely different.

## METHOD

### THE TESTS AND THEIR TEXT

We begin by identifying every embodiment of the three-step test in international legal instruments. There are four separate international legal instruments that are currently in force<sup>4</sup> that contain a three-step test: the Berne Convention (“Berne”),<sup>5</sup> the WIPO Copyright

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<sup>3</sup> Senftleben, n2, 435.

<sup>4</sup> There are, in addition, two international treaties that are *not* in force, as of early 2014, which also contain reference to a three-step test. The first of these treaties, the Beijing Treaty on Audiovisual Performances of June 24, 2012 (hereafter “Beijing”), contains a three-step test that is identical to the test in Art. 16(2) of the WPPT, except for the absence of the words “or phonogram” and “or of the producer of the phonogram”. That is to say, Beijing Art. 13(2) adopts the test of WPPT Art. 16(2), but applies it to performances only (that being the subject matter of that treaty). The second of these treaties is the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled of June 27, 2013 (hereafter “Marrakesh”). Art. 11 of Marrakesh requires a party, when adopting measures applying the treaty, to comply with the obligations it has under Berne, TRIPS, and the WCT – including, in particular, the three-step test

Treaty (“WCT”);<sup>6</sup> the WIPO Performances and Phonograms Treaty (“WPPT”);<sup>7</sup> the TRIPS Agreement (“TRIPS”).<sup>8</sup> These four instruments together contain eight embodiments of the test: Art. 9(2) of Berne; Arts. 10(1) and 10(2) of the WCT; Art. 16(2) of the WPPT; Arts. 13, 17, 26(2) and 30 of TRIPS. Table 1, below, sets out the text of each these versions of the three-step test.

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provisions contained in Berne Art. 9(2), TRIPS, Art. 13, and WCT Arts 10(1) and 10(2). Marrakesh Art. 11 then sets out wording that is, for all intents and purposes, identical to wording of those provisions.

<sup>5</sup> Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886 as amended at Paris on September 28, 1979.

<sup>6</sup> WIPO Copyright Treaty of December 20, 1996.

<sup>7</sup> WIPO Performances and Phonograms Treaty of December 20, 1996.

<sup>8</sup> Agreement on Trade-related Aspects of Intellectual Property Rights of 1994; being Annexe 1C to the Agreement Establishing the World Trade Organization, April 15, 1994 (hereafter “WTO Agreement”).

**Table 1: The Three-Step Tests**

Treaty	Provision	Text	IP Regime
Berne	Art. 9(2)	It shall be a matter for legislation in the countries of the Union 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.	Copyright
WCT	Art. 10(1)	Contracting Parties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty in certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.	Copyright
WCT	Art. 10(2)	Contracting Parties shall, when applying the Berne Convention, confine any limitations of or exceptions to rights provided for therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.	Copyright
WPPT	Art. 16(2)	Contracting Parties shall confine any limitations of or exceptions to rights provided for in this Treaty to certain special cases which do not conflict with a normal exploitation of the performance or phonogram and do not unreasonably prejudice the legitimate interests of the performer or of the producer of the phonogram.	Copyright
TRIPS	Art. 13	Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.	Copyright
TRIPS	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.	Trademark
TRIPS	Art. 26(2)	Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.	Design
TRIPS	Art. 30	Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not 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.	Patent

Next, we split the text of each version of the test into its three so-called “steps”. This splitting of the text into three distinct groups is uncontroversial – commentators and WTO Panels alike routinely refer to the tests as containing three basic components.

Then, within each step of each test we separate the text into discrete elements. This approach is both novel and useful. The approach is novel in that other commentaries on the three-step test have not adopted the approach of identifying the discrete elements of each step in such a methodical manner. The approach is useful in that it allows a fine-grained comparison of the text of each version of the test against the equivalent text in the other versions of the test. We show these breakdowns of the text of each step into its discrete elements in Tables 2, 3 and 4, following.

## **PRINCIPLES OF INTERPRETATION**

We conduct our analysis of the text of the three-step tests in a manner consistent with the principles of interpretation of international treaties. The interpretation of international treaties is governed by the rules of customary international law, which have been codified in the Vienna Convention on the Law of Treaties (“VCLT”).<sup>9</sup> Art. 31 of the VCLT requires that a treaty 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. According to Art. 32 of the VCLT, resort may be had to supplementary means of interpretation (which includes the negotiating history of the treaty), but only to confirm the preliminary interpretation in accordance with Art. 31 or if the preliminary interpretation in accordance with Art. 31 results in ambiguity or manifest absurdity or unreasonableness.

The effect of these two provisions of the VCLT is to give primacy to the words of the treaty. That is to say, the interpretive approach mandated by the VCLT is one that is predominantly “textual”, within the context of the treaty. In saying that the approach of the VCLT is to give primacy to the words of the treaty, we mean that “the words of the treaty form the foundation for the interpretive process: ‘interpretation must be based above all upon the text of the

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<sup>9</sup> Vienna Convention on the Law of Treaties, May 23, 1969.

treaty”<sup>10</sup> As explained by Frankel, “interpretation begins with the plain meaning in its context”.<sup>11</sup>

This approach has been elaborated by a WTO Appellate Body as follows:

The principles of interpretation that are set out in Arts. 31 and 32 are to be followed in a holistic fashion. The interpretative exercise is engaged so as to yield an interpretation that is harmonious and coherent and fits comfortably in the treaty as a whole so as to render the treaty provision legally effective. ... We further note that the rules and principles of the *Vienna Convention* cannot contemplate interpretations with mutually contradictory results. Instead, the enterprise of interpretation is intended to ascertain the proper meaning of a provision; one that fits harmoniously with the terms, context, and object and purpose of the treaty. The purpose of such an exercise is therefore to narrow the range of interpretations, not to generate conflicting, competing interpretations.<sup>12</sup>

We consider that these principles not only justify, but also mandate, the primarily textual approach that we have adopted in this article. We do recognise that the VCLT requires interpretation in light of the relevant treaty’s object and purpose, in addition to interpretation in good faith in accordance with the ordinary meaning of the terms in context. We note, however, that even the object and purpose of a treaty “is that which is found in the wording of the treaty”.<sup>13</sup> Thus, while we do not seek in this article to determine the “object and purpose” of the treaties in which the various versions of the three-step test appear, we consider that our textual approach makes a contribution to that end.

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<sup>10</sup> See World Trade Organization, *Japan – Taxes on Alcoholic Beverages II*, Report of the Appellate Board, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R, 4 October 1996, page 10 (citation omitted).

<sup>11</sup> S. Frankel, “WTO Application of ‘The Customary Rules of Interpretation of Public International Law’ to Intellectual Property”, 46(2) *Virginia Journal of International Law* 366-431 (2006), 386.

<sup>12</sup> World Trade Organization, *United States – Continuing Existence and Application of Zeroing Methodology*, Report of the Appellate Board, WT/DS350/AB/R, 4 February 2009 (hereafter “*US–Zeroing*”), paragraphs 268-273 (citation omitted).

<sup>13</sup> S. Frankel, *supra* note 11, at 386.

Furthermore, by comparing the text of the different versions of the test with each other we seek to ensure that the tests are interpreted in a manner that avoids “mutually contradictory results”.<sup>14</sup> This is particularly important with regards to the different versions of test that are embodied in the same instrument – that is, the four versions in TRIPS and the two versions in the WCT. To ensure that each version of those tests is interpreted in a manner that is “harmonious and coherent and fits comfortably in the treaty as a whole”,<sup>15</sup> it is necessary to compare each version vis-à-vis the other versions of the test that appear in the same instrument.

Each of the instruments in which the various versions of the three-step test appear are in multiple languages: Berne is in French and English; WCT and WPPT are in English, Arabic, Chinese, French, Russian and Spanish; TRIPS is in English, French and Spanish. Our interpretative analysis is conducted on the English language version of the instruments. For all but Berne, we do not consider this approach to be a limitation. This is because all the language versions of each treaty, other than Berne, are equally authentic.<sup>16</sup> Berne, however, provides that in the case of differences of opinion on the interpretation of the various texts the French text shall prevail.<sup>17</sup> Accordingly, we recognise that our analysis will be incomplete should there be a difference of opinion on the interpretation of the English and French versions of Berne Art. 9(2).<sup>18</sup>

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<sup>14</sup> *US-Zeroing*, paras 268-273.

<sup>15</sup> *US-Zeroing*, paras 268-273.

<sup>16</sup> WCT, Art. 24(1); WPPT, Art. 32(1); Concluding paragraph of the WTO Agreement, to which TRIPS is an annexe.

<sup>17</sup> Berne, Art. 37(1)(c).

<sup>18</sup> One instance in which our analysis may be incomplete for this reason is in respect of the third step of Berne Art. 9(2). Whereas the English version of the provision uses the phrase “not unreasonably prejudice”, the French version states “ne cause un préjudice injustifié”. As Gervais notes, the expression “préjudice injustifié” would translate literally in English as “unjustified prejudice”: D. Gervais, “Towards a New Core International Copyright Norm: The Reverse Three-Step Test”, 9(1) *Marquette Intellectual Property Law Review* 1-35 (2005), 18. According to Geiger, Gervais and Senftleben, unreasonable prejudice is not the same as unjustifiable prejudice, meaning that Art. 9(2) of Berne needs to be read in accordance with the authoritative French version of the text, “préjudice injustifié” – with the result that Berne requires an exception or limitation “must not cause



## **ANALYSIS**

### **1. STEP ONE – LIMITED OR SPECIAL CASE**

Each version of the three-step test includes, as the first step, a component that seeks to ensure that an exception or limitation has a restriction on the scope of its operation. Table 2 provides a breakdown of the wording of the first step of each of the eight versions of the test that we examine.

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an ‘unjustified prejudice’ to the legitimate interests of the author”: C. Geiger, et. al., “The Three-Step Test Revisited: How to Use the Test’s Flexibility in National Copyright Law”, PIJIP Research Paper no. 2013-04 (2013), 39.

**Table 2: Elements of Step 1 (limited or special case)**

Provision	Operation	Subject Matter	Intellectual Property	Restriction	Example	Link to Steps 2 & 3
Berne Art. 9(2)	to permit	the reproduction of	such works	in certain special cases,		provided that such reproduction
WCT Art. 10(1)	may, ..., provide for	limitations of or exceptions to	the rights granted to authors of literary and artistic works under this Treaty	in certain special cases		that
WCT Art. 10(2)	shall, ... , confine	any limitations of or exceptions to	rights provided for [in the Berne Convention]	to certain special cases		that
WPPT Art. 16(2)	shall confine	any limitations of or exceptions to	rights provided for in this Treaty	to certain special cases		which
TRIPS Art. 13	shall confine	limitations or exceptions to	exclusive rights	to certain special cases		which
TRIPS Art. 17	may provide	exceptions to	the rights conferred by a trademark	[that are] limited	such as fair use of descriptive terms,	provided that such exceptions
TRIPS Art. 26(2)	may provide	exceptions to	the protection of industrial designs,	[that are] limited		provided that such exceptions
TRIPS Art. 30	may provide	exceptions to	the exclusive rights conferred by a patent,	[that are] limited		provided that such exceptions

The table highlights differences – some subtle, some not so subtle – in step one of the test across each element of the test. The significance of these differences will be considered for each element, in turn.

### 1.a Operation

It can be observed from Table 2 that, with the exception of Berne Art. 9(2) and WCT Art. 10(1), the provisions adopt one of two structures. The alternative structures are:

- (i) a *confining* opening in the operation element (“shall confine”) coupled with a specific requirement in the restriction element (“to certain special cases”) and a simple connector in the link element (“which” or “that”); and
- (ii) a *permissive* opening in the operation element (“may provide”) coupled with a limitation in the restriction element (“that are limited”) and a proviso in the link element (“provided that”).

The provisions that adopt the confining operation structure are TRIPS Art. 13, WCT Art. 10(2) and WPPT Art. 16(2), while the provisions that adopt the permissive operation structure are TRIPS Arts. 17, 26(2) and 30. Although these two approaches look different on the surface, their practical effect is the same. For provisions with a permissive opening in the operation element, the proviso in the link element operates as a constraint on the scope of exceptions permitted. This produce essentially the same effect as does the constraint imposed by the operation element for those provisions with a confining opening. Under both approaches, the effect is to require that the exception or limitation be confined as per the restriction element – that is, that it be either “limited” or “confined to certain special cases”.

The version of the first step of the test in Berne does not follow either of these two approaches. Berne Art. 9(2) begins with a permissive opening in the operation element (“to permit”), and includes *both* the specific requirement in the restriction element (“in certain special cases”) *and* the proviso in the link element (“provided that such reproduction”). Although different in structure to the other two approaches described above, this approach has the same practical effect: an exception to the exclusive right of reproduction must be confined to special cases. In effect, the subject matter (discussed next) of Berne’s first step is “permission of a reproduction”.

The version of the first step in WCT Art. 10(1) is different again. It starts with the permissive opening in the operation element (“may provide”), has the specific requirement in the restriction element (“in certain special cases”) found in the provisions with a confining opening in the operation element, and has the simple connector in the link element (“that”) found in provisions with a permissive opening in the operation element. This difference in approach appears to have practical significance. The use of the preposition “in” in the restriction element is consistent with the permissive wording in the operation element. The

effect of the two elements, when read together, is that an exception may be provided “in” certain special cases, but does not need to be restricted “to” certain special cases. On a literal reading, therefore, WCT Art. 10(1) *entitles* countries to make exceptions or limitations with a certain form (being a form that satisfies the restriction element of step one and the elements of steps two and three), but it does not *restrict* countries to making them with that form.

Such a reading of WCT Art. 10(1) is contrary to that which has been proposed by previous commentators. While the literature discussing WCT is relatively limited, the few commentators who do discuss it conclude that the first step in WCT Art. 10(1) has the same effect as the first step in Berne – that is, that it is restrictive.<sup>19</sup> However, the reasoning provided in support of this conclusion is rather light, to say the least. We argue that this interpretation is inconsistent with the plain meaning of the text, especially when it is considered in the context of the different wording used in the other provisions.

Ficsor recognises the inconsistency of the wording of WCT Art. 10(1) compared with WCT Art. 10(2), but concludes it is unintentional. He states:

It is to be noted that the language of the two paragraphs differs in one respect where this difference is both unnecessary and not truly appropriate. ... Does the different wording mean any difference in substance? It seems that the answer to this question should be in the negative, and that we are only faced with a drafting inconsistency here.<sup>20</sup>

We think this analysis fails to pay sufficient attention to the recognised principles of interpretation that apply to international treaties, including in particular the principle that the text of the treaty has primacy. We believe the difference in wording between WCT Arts. 10(1) and 10(2) cannot be dismissed simply by concluding it is “not truly appropriate” and thus merely “a drafting inconsistency”. Rather, we consider that the difference in wording is intentional, and that the plain meaning of WCT Art. 10(1) is that it entitles countries to make

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<sup>19</sup> M. Ficsor, *supra* note 1, at 518-519 (Oxford University Press, Oxford 2002); J. Reinbothe and S. von Lewinski, *supra* note 1, at 128-129.

<sup>20</sup> M. Ficsor, *supra* note 1, at 518

exceptions or limitations with a certain form but it does not restrict countries to making them with that form.

Furthermore, we consider that our interpretation of WCT Art. 10(1) is consistent with the Agreed Statements on WCT Art. 10 that were adopted by the parties to the Diplomatic Conference at which the WCT was adopted. The first paragraph of the Agreed Statement concerning Art. 10 provides (emphasis added):

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.

The first sentence of this paragraph indicates that exceptions and limitations that are permitted under Berne are also permitted under WCT Art. 10. Importantly, the second sentence makes it clear that the exceptions and limitations that are permitted under WCT Art. 10 are not limited to exceptions or limitations that are permitted under Berne – rather, “new exceptions and limitations that are appropriate in the digital network environment” are permitted under Art. 10 as well (in addition to exceptions permitted under Berne). This interpretation of WCT Art. 10 is also reflected by the second paragraph of the Agreed Statement concerning Art. 10, which provides:

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.

Since this part of the Agreed Statement refers only to WCT Art. 10(2), by implication it suggests that WCT Art. 10(1) may extend the scope of the exceptions and limitations in the digital environment beyond those permitted by Berne.

The Agreed Statement concerning WCT Art. 10 thus appears to confirm that WCT Art. 10(1) is not to be read as restricting permitted exceptions and limitations to only those that are permitted under Berne Art. 9(2). Rather, WCT Art. 10(1) is to be read as permitting other

“appropriate” exceptions and limitations.<sup>21</sup> We believe that this explains why the wording of the first step of WCT Art. 10(1) has the unusual structure it does: it makes clear that countries *may* make exceptions and limitations that would be permitted under Berne Art. 9(2), but are not restricted to making *only* such exceptions.

In summary, the operation of the first step of the three-step test in each of its embodiments in the international treaties, with one exception, is restrictive – the only permissible exceptions or limitations are those that conform to certain requirements (being those of the test). The exceptional embodiment – WCT Art. 10(1) – operates differently: it permits exceptions and limitations that conform to those requirements, but it does not restrict permissible exceptions and limitations to only those that conform to those requirements.

### **1.b Subject matter**

It will be observed from Table 2 that, apart from Berne Art. 9(2), the first step of each provision operates on either or both of two subject matters. The non-copyright provisions – that is, TRIPS Arts. 17, 26(2) and 30 – all apply to “exceptions”. However, the copyright provisions other than Berne – that is, TRIPS Art. 13, WCT Arts. 10(1) and (2), and WPPT Art. 16(2) – all apply to both “limitations” and “exceptions”. Berne Art. 9(2) is different; as discussed above, the subject matter of its first step is the exclusive right of “reproduction”.

It is noteworthy that while the copyright provisions (other than Berne Art. 9(2)) apply to both exceptions and limitations, the non-copyright provisions apply only to exceptions. It follows that, on a literal reading of the provisions, the three-step test does not apply to limitations (as distinct from exceptions) to non-copyright rights. Whether this difference is significant in practice depends on whether there is any substantive difference in meaning of the terms “limitation” and “exception”.

The literature proposes a wide range of meanings for the terms “exception” and “limitation. Ficsor,<sup>22</sup> Guibault,<sup>23</sup> and Reinbothe and von Lewinsky,<sup>24</sup> for example, all consider that an

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<sup>21</sup> For a contrary view on the correct interpretation of the Agreed Statements, see Reinbothe and von Lewinsky, *supra* note 1, at 132-133.

<sup>22</sup> M. Ficsor, *supra* note 1, at 256.

exception is an unremunerated permitted use while a limitation is a remunerated permitted use. Although Ricketson originally used such definitions,<sup>25</sup> he subsequently adopted an approach that appears to be different: an exception is an immunity (usually on a permissive, rather than mandatory basis) from infringement proceedings for particular kinds of use, while a limitation is an exclusion of particular categories of work or material from protection.<sup>26</sup> Senftleben, however, considers that an exception refers to a permitted use (whether remunerated or unremunerated) under a civilian law system, while a limitation refers to a permitted use (whether remunerated or unremunerated) under a common law system.<sup>27</sup> To Geiger, an exception is “a kind of island in a sea of exclusivity”, a right is “an island of exclusivity in a sea of freedom”, and limitations are “legal techniques that determine the exact scope of copyright”.<sup>28</sup>

While there appears to be no established consensus among the commentators on the meanings to be attributed to the terms “limitation” and “exception”,<sup>29</sup> it is clear that the vast majority of commentators consider that the terms are not synonymous.<sup>30</sup> It seems clear, therefore, that the difference in the subject matter to which the various versions of the three-step test apply is

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<sup>23</sup> L. Guibault, “Copyright Limitations and Contracts: an Analysis of the Contractual Overridability of Limitations on Copyright” 20-21 (Kluwer Law International, The Hague 2002).

<sup>24</sup> Reinbothe and von Lewinski, *supra* note 1, at 128.

<sup>25</sup> S. Ricketson, “The Boundaries of Copyright: Its Proper Limitations and Exceptions: International Conventions and Treaties”, 1 *Intellectual Property Quarterly* 56-94 (1999), at 59.

<sup>26</sup> S. Ricketson, “WIPO Study on Limitations and Exceptions of Copyright and Related Rights in the Digital Environment” 3-4 (WIPO, Geneva 2003), available at [http://www.wipo.int/edocs/mdocs/copyright/en/sccr\\_9/sccr\\_9\\_7.pdf](http://www.wipo.int/edocs/mdocs/copyright/en/sccr_9/sccr_9_7.pdf).

<sup>27</sup> M. Senftleben, *supra* note 1, at 22.

<sup>28</sup> C. Geiger, “Promoting Creativity through Copyright Limitations: Reflections on the Concept of Exclusivity in Copyright Law”, 12(3) *Vanderbilt Journal of Entertainment and Technology Law* 515-548 (2010), 521.

<sup>29</sup> Kur, “Of Oceans, Islands, and Inland Water”, *supra* note 2, at 290.

<sup>30</sup> The exception to this consensus is Hugenholtz and Okediji, for whom the terms are synonymous: P.B. Hugenholtz and R. Okediji, “Conceiving an International Instrument on Limitations and Exceptions to Copyright – Final Report” 19 (IVIR, Amsterdam 2008), available from <http://www.ivir.nl/publicaties/hugenholtz/finalreport2008.pdf>.

of practical significance. According to one of us, an “exception” is a *carve-out* from an intellectual property right – that is, it is a specific removal of liability for infringement for undertaking certain acts that would, but for the exception, be within the scope of the intellectual property right-holder’s exclusive rights. An example of an exception is a provision that permits reproduction for certain private uses. In contrast, a “limitation” is a *boundary* on an intellectual property right – that is, it is a general constraint on the scope of the relevant intellectual property regime. An example of a limitation is a provision that specifies the duration of an exclusive right.<sup>31</sup>

If this interpretation – which we understand to be consistent with Ricketson’s later interpretation and with Geiger’s conception – of the two terms is correct, it follows that the copyright (other than Berne) versions of the three-step test apply to a larger category of subject matter than do the non-copyright (and Berne) versions of the test. Whereas the former versions of the test constrain the scope of both carve-outs and boundaries, the latter versions of the test constrain the scope of carve-outs only. Thus, the three-step test does not apply to constrain the provisions that delineate the scope of trademarks, designs and patents, such as provisions that define the types of subject matter protected by those regimes, that define the types of exclusive rights provided to the protected subject matter, and that define the duration of the protection provided to the protected subject matter.

### **1.c Intellectual Property**

The intellectual property to which the subject matter element applies differs in each provision, because each provision refers to one specific type of intellectual property. Whereas Berne Art. 9(2) only applies to the exclusive right of reproduction right of works, WCT Art. 10(2) applies to all exclusive rights under Berne, and TRIPS Art. 13 applies to all exclusive rights of copyright.<sup>32</sup> WCT Art. 10(1) applies to all exclusive rights under the WCT, and WPPT

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<sup>31</sup> A. Christie, “Maximising Permissible Exceptions to Intellectual Property Rights”, in: Kur and Rosen (eds.), “The Structure of Intellectual Property Law: Can One Size Fit All?” 123-125 (Edward Elgar, Cheltenham and Northampton 2011).

<sup>32</sup> Although it had been suggested that the operation of TRIPS Art. 13 was “limited to the exclusive rights newly introduced under the TRIPS Agreement”, this interpretation was rejected by the Panel in the US Copyright decision: World Trade Organization, *United States – Section 110(5) of the U.S. Copyright Act*, Report of the



Art. 16(2) applies to all exclusive rights under the WPPT. In the non-copyright provisions in TRIPS, Art. 17 applies to rights conferred by a trademark, Art. 26(2) applies to the protection of industrial designs, and Art. 30 applies to all exclusive rights conferred by a patent.

The difference in intellectual property to which each version of the test applies has the potential to produce different outcomes in practice. The non-copyright versions of the test apply to broadly-defined rights (the rights conferred by trademark, design and patent protection), while the copyright versions of the test apply to narrowly-defined rights (the particular exclusive rights of copyright). A small diminution in a broadly-defined exclusive right may have a lesser impact on the interests of the right holder than will a small diminution in a narrowly-defined exclusive right<sup>33</sup> – with the result that a non-copyright exception may, in practice, be more likely to comply with the three-step test than will a copyright exception or limitation.

#### 1.d Restriction

The wording of the restriction element of step one differs between its embodiment in the copyright provisions and its embodiment in the non-copyright provisions. In the copyright provisions, the first step of the test uniformly imposes the restriction that the exception or limitation only operate in “certain special cases”. The non-copyright provisions do not contain this restriction; instead, they require that the exception be “limited”.

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Panel, WT/DS160/R, 15 June 2000 (hereafter *US–Copyright*), paragraph 6.80. In any case, as Senfteben notes, the wording and context of the provision does not suggest any such restriction; rather it indicates that Art. 13 operates “as a comprehensive clause controlling all copyright limitations” within TRIPS: Senfteben, *supra* note 1, at 90. There remains the related, but separate, question of whether TRIPS Art. 13 applies to any new exclusive rights of copyright that may be introduced *after* commencement of TRIPS. We are inclined to the view that it does, for the following reason. Art. 1 of TRIPS provides, *inter alia*, that “Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement”. In our view, this provision permits countries to introduce exclusive rights of copyright beyond those provided in TRIPS, but makes any such rights subject to the provisions of TRIPS. For this reason, we consider it plausible that the application of TRIPS Art. 13 extends to exceptions and limitations concerning any exclusive rights of copyright, including those introduced by countries *subsequent* to commencement of TRIPS.

<sup>33</sup> See M. Senfteben, *supra* note 2, at 420.

It is not clear whether the use of different terminology in the copyright and the non-copyright provisions is intended to produce different outcomes. This issue was considered by the WTO Panel in the *Canada–Patent* case,<sup>34</sup> with respect to the difference in wording between TRIPS Art. 13 (which is based on Berne Art. 9(2)) and TRIPS Art. 30. In the Panel Report of that case it is stated:

The Panel examined the documented negotiating history of TRIPS Article 30 with respect to the reasons why negotiators may have chosen to use the term “limited exceptions” in place of “in special circumstances”. The negotiating records show only that the term “limited exceptions” was employed very early in the drafting process, well before the decision to adopt a text modelled on Berne Article 9(2), but do not indicate why it was retained in the later draft texts modelled on Berne Article 9(2).<sup>35</sup>

The two WTO Panels that have interpreted the two terms appear to have given them a similar meaning. In the *Canada–Patent* case, the Panel concluded that the words “limited exception” in Art. 30 require that the exception be “a narrow exception – one which makes only a small diminution of the rights in question”.<sup>36</sup> In the *US–Copyright* case,<sup>37</sup> the Panel stated that the words “certain special cases” in Art. 13 require that the exception or limitation “should be clearly defined and should be narrow in its scope and reach”.<sup>38</sup> So interpreted, it can be seen that every embodiment of the first step imposes the condition of “narrowness”.

### 1.e Example

TRIPS Art. 17 is unique among the various implementations of the three-step test, in that it provides an example (“fair use of descriptive terms”) of the type of exception permitted by

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<sup>34</sup> World Trade Organization, *Canada – Patent Protection of Pharmaceutical Products*, Report of the Panel, WT/DS114/R, 17 March 2000 (hereafter *Canada–Patent*).

<sup>35</sup> *Canada–Patent*, supra note 34, at para. 7.29.

<sup>36</sup> *Canada–Patent*, supra note 34, at para. 4.37(c)(i), 7.45.

<sup>37</sup> *US–Copyright*, supra note 32.

<sup>38</sup> *US–Copyright*, supra note 32, at para. 6.112.

the test. The preceding words “such as” make it clear that this example is non-exhaustive of the exceptions permitted by the test.

It is not clear why TRIPS Art. 17, alone among the various implementations of the three-step test, provides an example. The drafting history discloses that neither of the two versions of the 1990 draft provision that became TRIPS Art. 17 contained an example, but fails to shed any light on the reason for its introduction into the final version.<sup>39</sup> While the presence of the example provides some guidance as to the type of exception permitted by TRIPS Art. 17, it does not appear to change the inherent nature of that provision compared with the other implementations of the three-step test.

### **1.f Link to Steps 2 and 3**

The various provisions adopt two different approaches to linking step one of the test with the succeeding two steps. With one exception – being, yet again, Berne – the adoption of approach splits along regime lines: the copyright provisions adopt one approach, while the non-copyright provisions (and Berne) adopt another approach.

The approach of the copyright provisions is to link the succeeding steps with the *restriction* element of step one – that is, with the “certain special cases”. With the non-copyright provisions (and Berne), the approach is to make the link with the *subject matter* element – that is, with the “limited exceptions” (“permitted reproduction”, in the case of Berne). While the two approaches are superficially different, it is not clear that there is any difference in their practical effects. Certainly, no such difference has been suggested in any of the literature on the tests.

### **1.g Summary of Step 1 Comparison**

Our analysis of the first step across the different embodiments of the three-step test in international treaties discloses some differences that appear to have practical significance. First, it is arguable that the effect of the test in WCT Art. 10(1) is different to its effect in the

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<sup>39</sup> D. Gervais, “The TRIPS Agreement: Drafting History and Analysis, 3<sup>rd</sup> ed.” para. 2.167 (Sweet & Maxwell, London 2008).

other provisions. While in the other provisions the test is restrictive (the only permissible exceptions and limitations are those that comply with the test), in WCT Art. 10(1) the test is permissive (the permissible exceptions and limitations include, but are not limited to, those that comply with the test). Secondly, it is arguable that the copyright versions of the three-step test have greater application than do the non-copyright versions of the test. Whereas the copyright versions of the test restrict the scope of both exceptions and limitations (carve-outs and boundaries), the non-copyright versions of the test merely restrict the scope of exceptions (carve-outs). Thirdly, in practice it is likely that the copyright versions of the test will be more restrictive of the form of permitted exceptions and limitations than will be the non-copyright versions of the test, because the copyright versions of the test apply to exclusive rights that are less broadly-defined than are the exclusive rights to which the non-copyright versions of the test apply.

## **2. STEP TWO – NO CONFLICT WITH NORMAL EXPLOITATION**

The second step in the three-step tests aims to ensure that exceptions or limitations do not derogate from the ability of authors or rights holders to engage in a normal exploitation of their rights. The following table provides, for each version of the test, a breakdown of the text of the second step into its constituent elements.

**Table 3: Elements of Step 2 (no conflict with normal exploitation)**

Provision	Link to Step 1	Condition	Protected Action	Object	Link to Step 3
Berne Art. 9(2)	<i>provided that such reproduction</i>	does not conflict with	a normal exploitation of	the work	and
WCT Art. 10(1)	<i>[in certain special cases] that</i>	do not conflict with	a normal exploitation of	the work	and
WCT Art. 10(2)	<i>[to certain special cases] that</i>	do not conflict with	a normal exploitation of	the work	and
WPPT Art. 16(2)	<i>[to certain special cases] which</i>	do not conflict with	a normal exploitation of	the performance or phonogram	and
TRIPS Art. 13	<i>[in certain special cases] which</i>	do not conflict with	a normal exploitation of	the work	and
TRIPS Art. 17	<i>provided that such exceptions</i>				
TRIPS Art. 26(2)	<i>provided that such exceptions</i>	do not unreasonably conflict with	the normal exploitation of	protected industrial designs	and
TRIPS Art. 30	<i>provided that such exceptions</i>	do not unreasonably conflict with	a normal exploitation of	the patent	and

## 2.a Condition

There are two notable differences in the wording of the condition element of step two. The first difference is the complete absence of a second step in the provision dealing with trademarks, TRIPS Art. 17. Whereas all the other versions of the test prohibit an exception or limitation that conflicts with normal exploitation of the protected object, TRIPS Art. 17 does not. Thus, an exception to a trademark right that permits conflict with the normal exploitation of a trademark is not, by virtue of this fact alone, prohibited by TRIPS Art. 17. The records

of the negotiating history for the treaty do not provide any guidance on why there is no second step for trademarks.<sup>40</sup>

The second notable difference is that the prohibition on an exception or limitation conflicting with a normal exploitation of the protected subject matter is *unqualified* in the copyright provisions (“not conflict”), but qualified in the patent and design provisions (“not unreasonably conflict”). This difference appears to be significant. In particular, the design and patent provisions will not prohibit an exception that conflicts with a normal exploitation, so long as that conflict is not unreasonable. The copyright provisions, in contrast, will prohibit an exception or a limitation that exhibits any conflict with normal exploitation, even if that conflict is not unreasonable.<sup>41</sup>

## 2.b Protected Action

The action of the rights owner that step two protects is “normal exploitation” of the protected object. In all versions of the test except one, the wording used is “a” normal exploitation, and the protected object is correspondingly referred to in the singular (and prefaced by “the”). TRIPS Art. 26(2) is the exception. In that provision, the protected action is “the” normal exploitation, and the protected object is correspondingly referred to in the plural (“protected industrial designs”).

It can be argued that the replacement of the adjective “a” with the adjective “the” in TRIPS Art. 26(2) suggests that a different method of evaluating normal exploitation is required for designs. In particular, the adjective “the” implies that an assessment of whether an exception to a design right unreasonably conflicts with normal exploitation is an assessment that takes into account how industrial designs *generally* are exploited, not how any particular industrial design to which the exception applies is exploited. If this interpretation is correct, it is likely

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<sup>40</sup> Kur, “Of Oceans, Islands, and Inland Water”, *supra* note 2, at 310.

<sup>41</sup> There is no jurisprudence on how this difference operates in practice. In the *Canada–Patent* case, the WTO Panel only undertook a consideration of step two in relation to the regulatory review exception, and in relation to that section found that there was no conflict with a normal exploitation of the patent: *Canada–Patent*, *supra* note 34, at para. 7.59. The WTO Panel was not, therefore, required to consider in what situation such conflict might have been “unreasonable”.

to be of practical significance. The WTO Panel in the *US–Copyright* case concluded that the degree of an exception’s conflict with a normal exploitation of a work should be judged “for each exclusive right individually”,<sup>42</sup> rather than for the work “as a whole”<sup>43</sup> The wording of TRIPS Art. 26(2) implies that such an approach is not to be adopted in respect of a three-step assessment of an exception to industrial design rights; rather, the degree of conflict is to be judged in respect of the exploitation of protected industrial designs generally.

## 2.c Object

The final substantive element of step two is the object of the protected action. In the copyright provisions other than WPPT Art. 16(2), the object is specified to be “the work”; in WPPT Art. 16(2), the object is “the performance or phonogram”. In the design provision (TRIPS Art. 26(2)) the object is “protected industrial designs”; while in the patent provision (TRIPS Art. 30) the object is “the patent”. As mentioned above, the trademark provision (TRIPS Art. 17) does not contain step two of the test.

The use of the term “the work” in the copyright provisions other than WPPT Art. 16(2) reflects the fact that the Berne Convention provides protection for “the rights of authors in their literary and artistic works”.<sup>44</sup> The Berne Convention defines “literary and artistic works” to include “every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression”<sup>45</sup> – the so-called “traditional” copyright subject matters. This definition does not include sound recordings, broadcasts or performance – the so-called “neighbouring” copyright subject matters, which are protected under other international treaty provisions.<sup>46</sup>

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<sup>42</sup> *US–Copyright*, supra note 32, at para. 6.173.

<sup>43</sup> *US–Copyright*, supra note 32, at para. 6.168 (the view put by the United States).

<sup>44</sup> Berne, Art. 1.

<sup>45</sup> Berne, Art. 2(1).

<sup>46</sup> The rights of the producers of sound recordings are protected under the Rome Convention of 1961, the Geneva Convention of 1971, Art. 14 of TRIPS, and the WPPT. The rights of broadcasting organizations are protected under the Rome Convention, the Satellite Convention of 1974, and Art. 14 of TRIPS. The rights of performers are protected under the Rome Convention, Art. 14 of TRIPS, and the WPPT.

The use of the term “the work” in TRIPS Art. 13 makes it clear that the object of the protection action is *traditional* copyright subject matter, not *neighbouring* copyright subject matter. This is significant: it means that the TRIPS Agreement imposes no constraints on the exceptions or limitations that can be applied to neighbouring subject matters such as sound recordings, broadcasts and performances.<sup>47</sup>

The wording of the object element of the second step of the test in TRIPS Art. 30 is curious. The object referred to in that provision is “the patent”, which is the *name* of the intellectual property right granted to an invention. This approach is contrary to the style of the other tests, which refer to a thing in which the relevant intellectual property rights subsist: “the work” for traditional copyright subject matter; “the performance or phonogram” for neighbouring copyright subject matter; “protected industrial designs” for design subject matter. If TRIPS Art. 30 adopted the style of the other three-step tests, the object element of the second step would refer to “the invention”.

The use of the term “the patent”, rather than “the invention”, in TRIPS Art. 30 has the effect that the second step applies to the normal exploitation of the *intellectual property rights in* the protected object, rather than to the normal exploitation *of* the protected object itself. This looks, in theory, to be a significance difference compared with the other versions of the test, where the second step applies to the normal exploitation of the protected object itself. In particular, it looks as though the copyright and industrial design versions of the test, unlike the patent version of the test, can take into account ways of exploiting the protected object beyond those provided by the exclusive rights applying to the protected object.

An example of a way of exploiting a protected object beyond the ways provided by the exclusive rights applying to the protected object is resale of the object. Consider a copyright-protected painting. A painting is a physical embodiment of an artistic work. However, the exclusive rights of the owner of copyright in an artistic work do not, as a general rule, include the right to control resale of a physical embodiment of the work. Thus, it is generally not an

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<sup>47</sup> The only three-step test that does constrain the permissible form of an exception or limitation to the exclusive rights of neighbouring subject matters is the one contained in WPPT Art. 16(2). That restriction applies to certain rights of performers and certain rights of producers of phonograms, but not to the rights of broadcasters.



infringement of copyright in a painting for the owner of the painting to resell it. It is arguable, however, that one of the normal ways of exploiting a painting is to resell it. Because the second step of the copyright versions of the test requires consideration of the normal exploitation of “the work”, those versions would appear to require consideration of whether a limitation or exception to copyright would conflict with exploitation by way of resale. In theory, therefore, it seems that the copyright and the industrial designs versions of the test are more constraining of the form of permissible exceptions or limitations than is the patent version of the test, because the former versions require consideration of ways of exploiting the protected object beyond those provided by the exclusive rights applying to the protected object (for example, resale), whereas the latter version of the test does not.

Although such a difference seems plausible in theory, it appears not to be so in practice. The WTO Panels considering the object element of the second step in TRIPS Art. 30 and in TRIPS Art. 13 appear to have come to a similar interpretation of this element, despite this difference in the wording. In the *Canada–Patent* case, both parties (and, by implication, the WTO Panel) interpreted “exploitation of the patent” in Art. 30 to be “the extraction of commercial value from the patent by “working” the patent, either by selling the product in a market from which competitors are excluded, or by licensing others to do so, or by selling the patent rights outright”.<sup>48</sup> The WTO Panel in the *US–Copyright* case concluded that “exploitation of the work” in Art. 13 means “the activity by which copyright owners employ the exclusive rights conferred on them to extract economic value from their rights to those works”.<sup>49</sup> In sum, both WTO Panels have interpreted the object element to be the *exclusive rights* granted by the relevant intellectual property regime, despite the fact that TRIPS Art. 13 refers to the object of the rights (“the work”) rather than to the rights themselves. Thus, in applying the second step of the test to a copyright limitation or exception (and, presumably, to an industrial design exception), it appears that consideration does *not* need to be given to whether the limitation or exception conflicts with a normal exploitation of the protected object that is not within the exclusive rights applying to the protected object.

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<sup>48</sup> *Canada–Patent*, supra note 34, at para. 7.51.

<sup>49</sup> *US–Copyright*, supra note 32, at para. 6.165.

## 2.d Link

The second and third steps of the test are linked in each iteration – apart from TRIPS Art. 17, where the test does not have a second step – by the word “and”. This suggests that all three steps are cumulative – that is, all three steps must be met to ensure compliance with the test. Put another way, a failure to satisfy any of steps one, two and three will mean the exception or limitation under consideration is not permitted. This interpretation is consistent with the views expressed in the literature,<sup>50</sup> and in the WTO jurisprudence.<sup>51</sup>

## 2.e Summary of Step 2 Comparison

There are notable differences, with potential practical significance, between the wording of the second step in the copyright provisions compared with the non-copyright provisions. Whereas the copyright provisions require an exception or limitation to have no conflict whatsoever with the normal exploitation of the protected object, the non-copyright provisions either do not require this at all (in the case of trademarks) or only require that there be no “unreasonable” conflict (in the case of industrial designs and patents). It is thus clear that the copyright provisions are, once again, more restrictive of the permissible form of exceptions than are the non-copyright provisions. Furthermore, it is clear that the trademark version of the test is the least restrictive of the permissible form of exceptions, since it does not contain a second step.

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<sup>50</sup> See, e.g., S. Ricketson, “The Berne Convention for the Protection of Literary and Artistic Works: 1886 – 1986” 482 (Centre for Commercial Law Studies, London 1987); R. Knights, “Limitations and Exceptions under the “Three-Step Test” and in National Legislation – Differences between the Analog and Digital Environments” 3 (WIPO, Geneva 2001), available at [http://www.wipo.int/edocs/mdocs/copyright/en/wipo\\_cr\\_mow\\_01/wipo\\_cr\\_mow\\_01\\_2.pdf](http://www.wipo.int/edocs/mdocs/copyright/en/wipo_cr_mow_01/wipo_cr_mow_01_2.pdf).

<sup>51</sup> *Canada–Patent*, supra note 34, at para. 7.21.

### 3. STEP THREE – NO PREJUDICE TO LEGITIMATE INTERESTS

The third step of the test seeks to ensure that exceptions or limitations do not harm the interests of rights owners and, in some cases, of other parties. The elements of the wording used in each of the provisions under consideration is shown in Table 4, below.

**Table 4: Elements of Step 3 (no prejudice to legitimate interests)**

Provision	<i>Link to Step 1</i>	Condition	Protected Interests	Interested Party	Additional Interested Parties
Berne Art. 9(2)	<i>provided that such reproduction</i>	does not unreasonably prejudice	the legitimate interests of	the author.	
WCT Art. 10(1)	<i>[in certain special cases] that</i>	do not unreasonably prejudice	the legitimate interests of	the author.	
WCT Art. 10(2)	<i>[to certain special cases] that</i>	do not unreasonably prejudice	the legitimate interests of	the author.	
WPPT Art. 16(2)	<i>[to certain special cases] which</i>	do not unreasonably prejudice	the legitimate interests of	the performer or ... the producer of the phonogram.	
TRIPS Art. 13	<i>[in certain special cases] which</i>	do not unreasonably prejudice	the legitimate interests of	the right holder.	
TRIPS Art. 17	<i>provided that such exceptions</i>	take account of	the legitimate interests of	the owner of the trademark	and of third parties.
TRIPS Art. 26(2)	<i>provided that such exceptions</i>	do not unreasonably prejudice	the legitimate interests of	the owner of the protected design,	taking account of the legitimate interests of third parties.
TRIPS Art. 30	<i>provided that such exceptions</i>	do not unreasonably prejudice	the legitimate interests of	the patent owner,	taking account of the legitimate interests of third parties.

#### 3.a Condition

For all the versions of the test except one, the first criterion to be satisfied in step three is that the exception or limitation does not “unreasonably prejudice” certain interests. The

requirement of no prejudice is not absolute – an exception or limitation that prejudices the relevant interests is permitted so long as that prejudice is not “unreasonable”.

As with the second step, the version of the test worded substantially differently is the provision relating to trademarks (TRIPS Art. 17). Whereas the other versions of the test require that an exception or limitation not unreasonably prejudice the relevant interests, Art. 17 merely requires that an exception “take account of” those interests. This difference appears to be important in practice. This is because it is plausible for an exception to take account of the relevant interests, and yet still prejudice them (even unreasonably). Indeed, the WTO Panel in the *EC–Trademarks* case expressly recognised that this difference in wording “suggests that a lesser standard of regard for the legitimate interests of the owner of the trademark is required”,<sup>52</sup> because “the verb ‘take account of’ ... is less than ‘protect’”.<sup>53</sup> All that would seem to be required by TRIPS Art. 17 is that a trademark exception have some mechanism whereby the relevant interests form part of the consideration of the operation of the exception – such as requiring a “case-by-case analysis”.<sup>54</sup>

### **3b. Protected Interests**

In all the versions of the test, the subject matter referred to in step three is “the legitimate interests of” the specified parties. This is the only element in any of the steps of the test that is consistent across all versions. The inclusion of the word “legitimate” has the effect that not all the interests of the relevant parties are to be considered; rather, only “legitimate” interests are considered. Thus, to know whether an asserted interest is relevant to the third step of the test, its legitimacy must first be established.

According to WTO Panels in both *Canada–Patent* and *EC–Trademarks*:

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<sup>52</sup> World Trade Organization, *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, Report of the Panel, WT/DS174/R, 15 March 2005 (hereafter *EC–Trademarks*), para. 7.671.

<sup>53</sup> *EC–Trademarks* supra note 52, at para. 7.662.

<sup>54</sup> *EC–Trademarks* supra note 52, at para. 7.672.

To make sense of the term “legitimate interests” in this context, that term must be defined in the way that it is often used in legal discourse – as a normative claim calling for protection of interests that are “justifiable” in the sense that they are supported by relevant public policies or other social norms.<sup>55</sup>

The WTO Panel in the *US–Copyright* case came to essentially the same conclusion, when it state that the term “legitimate”:

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.<sup>56</sup>

The three WTO Panels appear to be in agreement on the meaning of a legitimate interest – it is one that is justifiable on normative grounds. This normative perspective operates across all versions of the test.

### **3.c Interested Party**

The person or entity whose legitimate interests must be considered in step three is not the same across the different versions of the test. In the copyright provisions, with one exception (being TRIPS Art. 13), the relevant person is the one who *creates* the subject matter in which the copyright subsists. Thus, Berne Art. 9(2), and WCT Arts. 10(1) and 10(2), specify the relevant person as “the author”, while the WPPT specifies the relevant person as “the performer or the producer of the phonogram”. TRIPS Art. 13 adopts a different approach: it identifies the relevant person as “the right holder”. That is the same approach as is adopted in the non-copyright provisions, which identify the relevant person as “the owner” of the relevant intellectual property right.

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<sup>55</sup> *Canada–Patent* supra note 34, at para. 7.69; expressly approved and adopted by *EC–Trademarks* supra note 52, at para. 7.663.

<sup>56</sup> *US–Copyright*, supra note 32, at para.6.224.

This difference in approach can have important consequences in practice. An author (and a performer and a producer of a phonogram) may – and, in many cases, will – transfer to another person the intellectual property rights in their creation. Under a literal interpretation of the copyright provisions (other than TRIPS Art. 13), the interests of a transferee of rights are not considered; it is only the interests of the creator of the protected subject matter that are relevant for the third step of the test.

It is certainly possible to envisage situations where the legitimate interests of the creator are not the same as the legitimate interests of the person to whom copyright has been transferred. One such situation concerns non-economic (i.e. moral) interests. Whereas a creator of copyright subject matter will generally have moral rights in the subject matter created, a transferee of the copyright in the subject will not (since moral rights are usually non-transferable). Thus, the test in TRIPS Art. 13 will not take account of non-economic interests in the situation where the “right holder” is not the creator of the copyright subject matter.<sup>57</sup> Another such situation concerns the interests of licensees. According to Senftleben, a “right holder” can include a licensee of the copyright<sup>58</sup> – and so the TRIPS Art. 13 test takes account of a licensee’s interests, whereas the other copyright provisions, which refer to the “author”, do not.

In the non-copyright provisions of TRIPS, Arts. 17, 26(2) and 30, the interested party referred to is “the owner of the trademark”, “the owner of the protected design” and “the patent owner”, respectively. As is the case with the copyright provisions, in many instances this party will not be the creator of the protected subject matter, but will be a person who has acquired the rights from the creator. As explained above, this person may have interests different from those of the creator. For the non-copyright subject matter, the interests of creator are not relevant to the third step of the test (unless the creator is also the owner of the relevant intellectual property right).

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<sup>57</sup> See also S. Ricketson, “The three-step test, deemed quantities, libraries and closed exceptions” 38 (Centre for Copyright Studies Ltd, Sydney 2002), available at <http://www.copyright.com.au/assets/documents/CCS0202Berne.pdf>.

<sup>58</sup> Senftleben, *supra* note 1, at 217.

### 3.d Additional Interested Parties

The final element of step three requires that, in some cases, the interests of parties other than the primary interested party be taken into account. Here, once again, a major difference exists between the copyright provisions and the non-copyright provisions. Whereas the non-copyright provisions require that the legitimate interests of “third parties” be taken into account, the copyright provisions contain no such requirement.

This difference has practical significance. The WTO Panels have made it clear that “third parties” include consumers of the protected subject matter and competitors of the right holder.<sup>59</sup> The interests of these persons are clearly different from, and will often be in conflict with, the interests of the right holder. While these different and conflicting interests must be taken into account under the non-copyright provisions, they are ignored under the copyright provisions. It can be seen that, once again, the copyright versions of the three-step test are more restrictive of the form of permissible exceptions than are the non-copyright versions.

### 3.e Summary of Step 3 Comparison

There are very substantial differences between the third step of the copyright provisions and the third step of the non-copyright provisions, which make the copyright provisions significantly more restrictive of permissible exceptions. First, under the copyright provisions (other than TRIPS Art. 13) it is the legitimate interests of the creator of the protected subject matter that must be considered, while under the non-copyright provisions and TRIPS Art. 13 it is those of the right holder. Secondly, the legitimate interests of third parties are not taken into account under the copyright provisions, whereas they are under the non-copyright provisions. Within the non-copyright provisions, there is a significance difference in the operation of the third step between the test that is applied to trademark exceptions and the tests that are applied to design and patent exceptions. Whereas the design and patent tests require that the legitimate interests of the right holder be “not unreasonably prejudiced” by an exception, the trademark test merely requires that the legitimate interests of the right holder be “taken into account” by an exception.

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<sup>59</sup> See *Canada–Patent*, supra note 34, at para.7.68; and *European Communities–Trademarks*, supra note 52, at para. 7.676.

## CONCLUSION

A number of important observations may be drawn from the above analyses. First, there is significant variation in almost every element of all three steps across all versions of the test. In fact, there is only one element – the protected interests in the third step (“legitimate interests”) – that is identical in every version of the test.

Secondly, one version of the test – the one in WCT Art. 10(1) – appears to operate very differently from the other versions. Whereas the other versions are restrictive (in that the permissible exceptions or limitations are restricted to those that comply with the test), the version in WCT Art. 10(1) is permissive: permissible exceptions and limitations include, but are not restricted to, those that comply with its test.

Thirdly, the copyright versions of the test (other than WCT Art. 10(1)) are significantly more constraining of the form of permissible exceptions and limitations than are the non-copyright versions. In particular, these copyright versions:

- (i) apply to constrain both exceptions (carve-outs) and limitations (boundaries), whereas the non-copyright versions constrain only exceptions;
- (ii) require an exception or limitation to have no conflict whatsoever with the normal exploitation of the protected subject matter, whereas the non-copyright versions either do not require this at all or only require that there be no unreasonable conflict; and
- (iii) do not take into account the legitimate interests of third parties, whereas these are taken into account under the non-copyright provisions.

Fourthly, one version of the test – TRIPS Art. 17 – is not in fact a “three-step” test at all. Rather, it is a “two-step” test. Thus, the permissible form of an exception to a trademark right is considerably less constrained by the test than is an exception to a patent right or industrial design right.

Whereas as some of the previous commentaries have tended to encourage a monolithic perception of the three-step test, the above analyses show that the test comes in two basic forms – the copyright form and the non-copyright form. Furthermore, within each form of the



test, there important structural differences. These differences of form and structure are sufficiently substantial in number and in practical significance to mean that “*the* three-step test” is a mythical beast – it does not exist.

What does exist, however, are eight different “stepped tests”. While these tests share a common ancestor, they show as much natural variation as do siblings in a real family. Referring to “*the* three-step test” tends to obscure these variations and hinder our understanding of what, exactly, each test does. Our understanding increases once it is recognised that there is not one test, but rather a family of such tests. As with all families, each member must be respected as an individual in its own right.