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“three-step test” in copyright law

Draft European Copyright Code

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Limitations: The Centerpiece of Copyright in Distress

An Introduction

by **Thomas Dreier**, Karlsruhe

Prof., Dr. iur., M. C. J. (New York University), Director, Institute for Information and Economic Law, Karlsruhe Institute of Technology (KIT), and Honorary Professor, University of Freiburg, Germany.

Abstract: After the exclusive rights in copyright have been consolidated in a century-long historical development, limitations and exceptions have become the main instrument to determine the exact scope of copyright. Limitations and exceptions do not merely fine-tune copyright protection. Rather, they balance the interests of authors, rightholders, competitors and end-users in a quadrupolar copyright system. Understanding this is of particular importance in the digital and networked information society, where copyrighted information is not only created and consumed, but constantly extracted, re-grouped, repackaged, recombined, abstracted and interpreted.

However, serious doubts exist whether the present, historically grown system of limitations adequately balances the interests involved in the information society. Both the closed list of limitations allowed under Art. 5 of the EU Information Society Directive 2001/29/EC and a narrowly interpreted three-step test contained in Arts. 13 TRIPS and 5 (5) of the Information Society Directive appear as obstacles in the way of achieving the appropriate balance needed. This brief article outlines the issues involved which were discussed at the International Conference on “Commons, Users, Service Providers – Internet (Self-) Regulation and Copyright” which took place in Hannover, Germany, on 17/18 March 2010 on the occasion of the launch of JIPITEC.

Keywords: Copyright, Exceptions, Limitations, Three-Step Test, Information Society Directive

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1 For more than a century, the process of the formation and later the harmonization of copyright mainly focused on the definition and subsequent enlargement of the scope of exclusive rights. This is equally true for the national, the European, and the international level. In a first step, the core of the exclusive rights was established, comprising the rights of reproduction, translation, adaptation and communication to the public.¹ In a second step, additional rights were defined, such as the resale royalty right, the distribution right, the rental and lending right and, most recently, the making available right.² Of course, at the international level, not all of these rights are equally binding,³ and technically speaking the minimum rights contained in international con-

ventions are only applicable to non-nationals. However, a third step then saw the enlargement of existing exclusive rights, or, in other words, a tendency to formulate exclusive rights ever more broadly. To cite just the most prominent example of the reproduction right: from “reproduction in any manner or form” (Art. 9 (1) BC) via “the permanent or temporary reproduction of a computer program by any means and in any form, in part or in whole” (Art. 4 (a) of Directive 91/250/ECC) for computer programs and the “temporary or permanent reproduction by any means and in any form, in whole or in part” (Art. 5 (a) of Directive 96/9/EC) for original data bases to “direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or

in part” (Art. 2 of Directive 2001/29/EC) for copyrighted works in general. Most likely, the development will not even stop there, as can be witnessed, for example, in Germany where a draft amendment to the Copyright Act proposed by newspaper publishers proposes to treat even the mere “representation” of protected subject matter on a computer screen as a reproduction.⁴

- 2 The traditional view of copyright as a set of exclusive rights is guided by the aim to provide for as much protection as possible. Nowhere has this been formulated more clearly as in the recitals of the Infosoc Directive. According to recital 4, only “providing for a high level of protection of intellectual property, will foster substantial investment in creativity and innovation.” Similarly, recital 9 of the said Directive expresses the fundamental belief that “[a]ny harmonisation of copyright and related rights must take as a basis a high level of protection, since such rights are crucial to intellectual creation.” It is this “owner”- and “property”-centered approach which provides the momentum for an ever-increasing level of protection, and which has even more far-reaching consequences because of a simultaneous lowering of the threshold of protection⁵ and of a continuous prolongation of the term of protection.⁶ Of course, this focus on authors and rightholders and, together with it, on the increase in the level of protection can easily be explained by historical reasons and by current economic and technical developments. Historically, copyright – or authors’ rights, to be more precise – are understood as a legal instrument to protect the interests of authors. In copyright countries, the overall approach may be more utilitarian in nature and thus internalize aspects other than the protection of interests of authors to a higher degree than in authors’ rights countries. However, in both copyright and author’s rights countries the increase in exclusivity is largely driven by rightholders’ powerful lobby groups. In economic terms, these groups have been able to convince the national legislature to provide for strong international protection for exported copyrighted works in foreign markets with hitherto weak legal protection and lack of enforcement of laws.⁷ Moreover, in technical terms, the increase in the exclusivity of copyright protection may be explained as a reaction against the ease of unauthorized copying and distributing of copyrighted works brought about by digitization and networking technologies.
- 3 From this perspective, which is mainly taken by rightholders, limitations and exceptions to the exclusive rights are seen almost as the unavoidable evil, i.e., the necessary concession to be made to public interests which does little more than cutting away some of the exclusivity granted by the exclusive rights and which, therefore, should be kept at a minimum.⁸ In addition, from this perspective the exclusive rights appear as the rule, whereas limita-

tions apparently are nothing more than mere exceptions. This has led the courts in some member states – notably Germany – to follow the principle that in case of doubt, limitations should be narrowly interpreted.⁹ There is another imbalance between exclusive rights on the one hand and limitations and exceptions on the other. Whereas exclusive rights are subjective rights that grant their respective owner a legal power against third parties and which in many countries are consequently protected by the constitutional guarantee of property, limitations and exceptions are – at best – legal privileges devoid of any higher-ranking legal protection.¹⁰

- 4 However, limitations and exceptions are more than just the unavoidable tribute to “the public.” Rather, limitations fulfill not only one, but several tasks. First of all, from a technical point of view, where the exclusive rights are broadly defined, the limitations and exceptions are the decisive legal element that defines the exact contours of the exclusivity. Second, limitations and exceptions thus help to fine-tune the balance between the proprietary interests of authors and rightholders on the one hand, and of conflicting interests on the other hand. This explains why limitations and exceptions are nowadays such a battlefield, contrary to the exclusive rights as such. Moreover, it should be noted that in balancing the interests at stake, limitations do not only provide a black-and-white, all-or-nothing answer. Rather, limitations can differentiate between a total exception from the exclusive right (i.e., no permission is needed and no payment has to be made) and claims for remunerations (i.e., no permission is needed, but remuneration has to be paid).¹¹ The claim for remuneration can be an individual one or one which can only be made by collecting societies, as is often the case in some of the EU member states. Third, what is usually referred to as “the public” is comprised of a whole set of interests which merit legal protection. Contrary to a widely held belief, copyright limitations and exceptions do not only benefit end-users. Rather they help to define the delicate relationship between authors, rightholders, and end-users and – which is often overlooked – they also define competition in the area of downstream information value-added production chains.¹² Finally, it should be noted that not all limitations are based on the same rationale. Although classifications vary, one might distinguish limitations and exceptions covering use acts of little or no independent economic value, from limitations and exceptions for the purpose of freedom of expression and information and limitations and exceptions which promote social, cultural, and related political objectives such as, but not limited to, exceptions for the purpose of research and education. Other limitations and exceptions have been adopted in order to enhance competition or just correct market failure.¹³

- 5 In other words, after the exclusive rights in copyright have been consolidated in a century-long historical development, limitations and exceptions have become the main instrument in order to determine the exact scope of copyright. Even more, limitations and exceptions do not merely fine-tune copyright protection; rather, they balance the interests of authors, rightholders, competitors, and end-users in a quadrupolar copyright system. This is all the more true in the digital and networked information society, where copyrighted information is not only created and consumed, but constantly extracted, regrouped, repackaged, recombined, abstracted, and interpreted.
- 6 However, serious doubts exist whether the present, historically grown system of limitations meets these requirements. These doubts are nourished by a number of reasons:
- 7 Although the InfoSoc Directive 2001/29/EC of 22 May 2001 purportedly *harmonizes* certain aspects of copyright and related rights in the information society, it only prescribes one mandatory exception and leaves the 20 others at the discretion of the member states. This may not be seen as problematic if one works on the assumption that what counts most is the harmonization of exclusive rights. However, as demonstrated above, at least for practical reasons, what counts in modern copyright law are no longer the exclusive rights but rather the limitations and exceptions. Consequently, one may conclude that the InfoSoc Directive hardly brought any harmonization whatsoever,¹⁴ in particular since member states cherry-picked whatever limitations and exceptions they liked to have in their respective national legislation.
- 8 Another problem – at least at the European level – is that the InfoSoc Directive provides for a closed list of limitations and exceptions that does not leave room for even a small and flexible fair-use-type exception. However, there is an urgent need for such a flexible – albeit *de minimis* – exception in view of the rapid technological development of the information society infrastructure and the different new business models and use possibilities. Since these new business models and use possibilities can hardly be foreseen, it is rather unlikely that what should be exempt from the exclusive rights will be adequately covered by existing limitations and exceptions that were defined in the InfoSoc Directive almost a decade ago in view of the then existing technology. At any rate, the lack of a sufficiently flexible limitation or exception will either result in a more or less far-fetched interpretation of existing limitations and exceptions, or in overbroad exclusive rights. Neither of these two scenarios is an appealing one.¹⁵
- 9 At the international level, the three-step test is often understood merely as a test for prohibiting limitations and exceptions. This is all the more true if the three steps are applied as subsequent “filters” and if the second step – “normal exploitation” – is construed as covering any exploitation possibility that might arise during the whole of the copyright term of the subject matter concerned. Needless to say, such an interpretation, which is often propagated by major corporate rightholders, tends to upset the balance of conflicting interests to be struck by the limitations and exceptions. The situation is even more aggravated by the fact that – contrary to its counterparts in patent and trademark law¹⁶ – Art. 13 TRIPS does not mention interests of “third parties” to be taken into account. In view of all this, a more appropriate approach seems to be called for, according to which the three-step test works as an instrument which both may prohibit and enable limitations and exceptions.
- 10 Last, but certainly not least, it seems worth noting that the structure of existing limitations and exceptions has been developed in view of relatively short production and delivery chains (rightholder – producer/communicator – end-user) that no longer correspond to the much longer production, transformation, delivery, and consumption chains of the digital networked environment. It can be assumed that these changes in reality should be reflected in the formulation of limitations and exceptions in a much better way than is presently the case.
- 11 Of course, there have been several attempts to remedy the unsatisfactory situation just described in order to avoid “protecting ourselves to death.” Only two of these attempts shall be briefly mentioned here. The first is the “Declaration on a Balanced Interpretation of the ‘Three-Step Test’ in Copyright Law” of the Munich Max Planck Institute and the Queen Mary University of London.¹⁷ This Declaration makes the case that “the Three-Step Test should be interpreted so as to ensure a proper and balanced application of limitations and exceptions.” To this effect, the Declaration expresses the opinion that “[w]hen correctly applied, the Three-Step Test requires a comprehensive overall assessment, rather than the step-by-step application that its usual, but misleading, description implies” and that “[n]o single step is to be prioritized.” Moreover, “[t]he Three-Step Test should be interpreted in a manner that respects the legitimate interests of third parties, including interests deriving from human rights and fundamental freedoms; interests in competition, notably on secondary markets; and other public interests, notably in scientific progress and cultural, social, or economic development.” The second of these initiatives are the model provisions on limitations and exceptions formulated by the European academics who collaborated in formulating the Draft European Copyright Code.¹⁸ The drafters – the so-called “Wittem-Group” – were guided by the belief “that rapid technological development makes future modes

of exploitation and use of copyright works unpredictable and therefore requires a system of rights and limitations with some flexibility.” In order to achieve this, the Code – although heavily borrowing from Art. 5 of the InfoSoc Directive – is not limited to a restatement of the existing *acquis communautaire*. Rather, by defining certain limitations as non-exclusive normative examples, and adding the possibility of limitations and exceptions similar to “[a]ny other use that is comparable to the uses enumerated,” the Draft Code “reflects a combination of a common-law-style open-ended system of limitations and a civil-law-style exhaustive enumeration.” Moreover, in addition to the limitations and exceptions regarding use acts of little or no independent economic value, use acts made for the purpose of freedom of expression and information, use acts in line with certain social, cultural, and related political objectives, and use acts for the purpose of research and education, the Draft Code contains a special exception which privileges certain uses for the purpose of enhancing competition, thus integrating a control mechanism similar to the one hitherto reserved to competition law into copyright itself.

- 12 Against this backdrop of copyright and its discontents – as one may call it – the first session of the International Conference on “Commons, Users, Service Providers – Internet (Self-)Regulation and Copyright” which took place in Hannover, Germany, on 17/18 March 2010 explored both the status quo and the legal possibilities for shaping the limitations and exceptions in a way that they contribute to a balanced and well-limited copyright system that satisfies the needs of the information society and meets with acceptance by all four interest groups concerned. Several contributions – which are partly reproduced following this brief introduction and partly in the next issue of JIPITEC – first examined what the EU member states made out of the list of non-mandatory exceptions and limitations in Art. 5 of Directive 2001/29/EC (*Guibault*). Subsequently, the relationship between copyright and the freedom of expression was highlighted, in particular in view of Art. 10 of the European Convention on Human Rights (*Geiger*). Likewise, the possibilities and limits for a fair use approach under the famous three-step test were explored (*Senftleben*), in particular in view of the Max Planck Declaration regarding the three-step test and its further impact (*Hilty*). Finally, some conclusions regarding limitations, the centerpiece of copyright, were drawn (*Griffiths*).

1 For a comprehensive account of the history of the exclusive rights in the Berne Convention, see, in particular, *Ricketson/Ginsburg*, *International Copyright and Neighboring Rights: The Berne Convention and Beyond*, 2nd ed., 2006, Vol. 1, pp. 578 et seq.

- 2 See Art. 14^{ter} BC (resale royalty right/droit de suite), Art. 6 WCT (distribution right), Art. 11 TRIPS (partial rental right), Art. 3 Rental Directive, Art. 7 WCT (general right of rental) and Art. 8 WCT (making available right). For discussion, see *Ricketson/Ginsburg*, op. cit. (note 1); *Goldstein*, *International Copyright*, 2001, pp. 249 et seq.; *Gervais*, *The TRIPS Agreement: Drafting History and Analysis*, 1998, pp. 91 et seq.; *Ficsor*, *The Law of Copyright and the Internet*, 2002, pp. 145; *Reinbothe/v. Lewinski*, *The WIPO Treaties 1996*, 2002, pp. 80 et seq.; v. *Lewinski*, *International Copyright Law And Policy*, 2008, pp. 137 and 448 et seq.; *Dreier/Hughenoltz* (eds), *Concise European Copyright Law*, 2006, pp. 63, 99 and 205 et seq.
- 3 In particular, the resale royalty right/droit de suite is only an optional minimum right; see Art. 14^{ter} (2) BC. Moreover, whereas the TRIPS Agreement, as an integral part of the WTO Agreement, binds a great number of states, the WCT is binding only for those states which have signed it.
- 4 See draft § 87g (2) of the German Copyright Act, as proposed by the newspaper publishers in order to obtain a special exclusive neighboring right for products of the press and parts thereof (“Presseerzeugnisse” und “Teile daraus”); see <http://irights.info/blog/arbeits2.0/wp-content/uploads/2010/05/Leistungsschutzrecht-Gewerkschaftssynopse.pdf>.
- 5 See the criterion of “the author’s own intellectual creation,” first adopted for computer programs in Art. 1 (3) of Directive 91/250/EEC (2009/24/EC) and subsequently taken over by Art. 6 of Directive 93/98/EEC (2006/116/EC) for photographic works and by Art. 3 (1) of Directive 96/9/EC for database works. Following, the ECJ has concluded that the same criterion also applies to all works under Art. 2 (a) of Directive 2001/29/EC; see case 5/08, para. 37 – *Infopaq*.
- 6 In the EU, see Art. 1 of the Term Directive 93/98/EEC (2006/116/EC), and – as regards neighboring rights – the recent proposal to prolong the term for performing artists and phonogram producers, Doc. COM(2008) 464 final of 16.07.2008. In the U.S., see the Sonny Bono Copyright Term Extension Act of 1998, Pub.L. 105-298.
- 7 A similar argument can be made for subject matter and scope of neighboring rights, which, however, are not discussed here in detail.
- 8 For an overview of the exceptions in international Conventions, see *Ricketson/Ginsburg*, op. cit. (note 1), pp. 755 et seq.; *Goldstein*, op. cit. (note 2), pp. 292 et seq.; v. *Lewinski*, op. cit. (note 2), pp. 151 et seq.
- 9 See, e.g., recently again Federal Supreme Court of Germany (Bundesgerichtshof, BGH) of 29.04.2010, case I ZR 69/08, para. 27; for a summary of the critique, see *Dreier/Schulze*, *Urheberrecht*, 3rd ed. 2008, Vor §§ 44a ff. note 7. At any rate, according to German civil law, a principle of narrow interpretation of exceptions does not exist; rather, the legislature is free to use whatever technique in order to provide for a certain balance, and the technique used does not prejudice which of two conflicting interests is to be preferred; see, e.g., *Larenz/Canaris*, *Methodenlehre der Rechtswissenschaft*, 3rd ed. 1995, pp. 175 and 243.
- 10 For a detailed analysis, see, e.g., *Guibault*, *Copyright Limitations and Contracts*, 2002, pp. 90 et seq.
- 11 See, e.g., the differentiation between the limitations listed in 5 (2) (a), (b) and (e) of Directive 2001/29/EC on the one hand, and all the other exceptions of Art. 5 of the same Directive on the other.
- 12 For the tri-polar approach, see *Hilty GRUR* 2005, 819, 820; *Geiger*, *Droit d’auteur et droit du public à l’information*, 2004, paras. 19-97, and for the quadrupolar approach *Dreier*, *Regulating competition by way of copyright limitations and exceptions*, in: *Torremans* (Hrsg.), *Copyright Law: A Handbook of Contemporary Research*, 2007, pp. 232 et seq.

- 13 For a detailed account, see *Guibault*, op. cit. (note 10), pp. 27 et seq.
- 14 For a critique, see in particular *Hugenholz*, [2000] EIPR 11, 501.
- 15 See also, in German legal literature, *Förster*, Fair use, 2008, pp. 211 et seq. and 231.
- 16 Art. 26 (2) TRIPS (for trademarks) and Art. 30 TRIPS (for patents). For an extensive discussion, see *Senftleben*, Copyright, Limitations and the Three-Step Test, 2003.
- 17 The Website of the Declaration is www.ip.mpg.de/ww/de/pub/aktuelles/declaration_on_the_three_step_cfm, with a list of supporters and a possibility to sign. The text of the Declaration is also reprinted in JIPITEC 1 (2010) 119 (*in this issue*).
- 18 Art. 5 of the Draft European Copyright Code; see www.copyrightcode.eu. The text of the Code is also reprinted in JIPITEC 1 (2010) 123 (*in this issue*).

Why Cherry-Picking Never Leads to Harmonisation

The Case of the Limitations on Copyright under Directive 2001/29/EC

by **Lucie Guibault**, Amsterdam

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Abstract: The article examines whether the norms laid down in the Directive in relation to the exceptions and limitations on copyright and related rights can be conducive to a sensible degree of harmonisation across the European Union. Before discussing the degree of harmonisation achieved so far by the Directive, the first part gives a short overview of the main characteristics of the list of exceptions and limitations contained in Article 5 of the Directive. A comprehensive review of the implementation of each limitation by the Member States is beyond the scope of this article. The following section takes a closer look at three examples of limitations that have led to legislative changes at the Member State level as express measures towards the implementation of

the Information Society Directive, that is, the limitations for the benefit of libraries, for teaching and research, and for persons with a disability. These exceptions and limitations were later on also identified by the European Commission as key elements in the deployment of a digital knowledge economy. The analysis will show that the implementation of the provisions on limitations in the Information Society Directive did not, and probably cannot, yield the expected level of harmonisation across the European Union and that, as a consequence, there still exists a significant degree of uncertainty for the stakeholders regarding the extent of permissible acts with respect to copyright protected works.

Keywords: Copyright, Exceptions, Limitations, Three-Step Test, Information Society Directive, Harmonisation

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A. Introduction¹

1 Nine years after the adoption of Directive 2001/29/EC on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society,² the full harmonisation of the exceptions and limitations on copyright and related rights across Europe still seems as distant as ever. From the very start of the legislative process towards the adoption of the Directive, the harmonisation of this area of copyright law proved to be a highly controversial

issue. The difficulty of choosing and delimiting the scope of the limitations on copyright and related rights that would be acceptable to all Member States was a daunting task for the drafters of the Information Society Directive. The hesitations of the European lawmaker were reflected in the final version of the Directive, which leaves Member States tremendous leeway in the implementation of the norms laid down in the Directive. This explains in large part the delay experienced not only in the adoption of the Directive itself, but also in its implementation by the Member States.³

- 2 The regime established by the Information Society Directive leaves Member States ample discretion to decide if and how they implement the limitations contained in Article 5 of the Directive.⁴ This latitude not only follows from the fact that all but one of the twenty-three limitations listed in the Directive are optional, but more importantly from the fact that the text of the Directive does not lay down strict rules that Member States are expected to transpose into their legal order. Rather, Articles 5(2) to 5(5) of the Directive contain two types of norms: one set of broadly worded limitations, within the boundaries of which Member States may elect to legislate; and one set of general categories of situations for which Member States may adopt limitations.⁵ Moreover, instead of simply reproducing the wording of the Directive, most Member States have also chosen to interpret the limitations contained in the Directive according to their own traditions. The outcome is that Member States have implemented the provisions of Articles 5(2) to 5(5) of the Directive very differently, selecting only those exceptions that they consider important. What's more, the search for the proper balance of interests between rights owners and users in the digital age is a continuously ongoing process; Member States are still fine-tuning the provisions on exceptions and limitations in their copyright act.
- 3 In the following pages, I will examine whether the norms laid down in the Directive in relation to the exceptions and limitations on copyright and related rights can be conducive to a sensible degree of harmonisation across the European Union. Before discussing the degree of harmonisation achieved so far by the Directive, I shall first give a short overview of the main characteristics of the list of exceptions and limitations contained in Article 5 of the Directive. A comprehensive review of the implementation of each limitation by the Member States is beyond the scope of this article. I will therefore take, in the following section, three examples of limitations that have led to legislative changes at the Member State level as express measures towards the implementation of the Information Society Directive, that is, on the limitations for the benefit of libraries, for teaching and research, and for persons with a disability. These exceptions and limitations were later also identified by the European Commission as key elements in the deployment of a digital knowledge economy.⁶ The analysis will show that the implementation of the provisions on limitations in the Information Society Directive did not, and probably cannot, yield the expected degree of harmonisation across the European Union and that, as a consequence, there still exists some uncertainty for the stakeholders regarding the extent of permissible acts with respect to copyright protected works.

B. Article 5 of Directive 2001/29/EC

- 4 Article 5 of the Directive is divided into five paragraphs: a first paragraph concerns a mandatory exception regarding transient and incidental acts of reproduction; a second contains five optional limitations to the right of reproduction; a third paragraph sets out fifteen optional limitations to the rights of reproduction and communication to the public; a fourth paragraph allows Member States, where they provide for a limitation to the right of reproduction, to provide for a similar limitation to the right of distribution; and a fifth paragraph codifies the rule otherwise known as the "three-step test". Hence, Member States are allowed to adopt limitations on the rights of reproduction and communication to the public. However, the current landscape of limitations on copyright and related rights in Europe suffers from several inconsistencies and faces important challenges with respect to the proper functioning of the copyright system in a digital knowledge economy. As described in more detail below, the main source of legal uncertainty derives to a large extent from the structure and content of the Information Society Directive, namely from the fact that the list of exceptions and limitations is exhaustive, that the vast majority of these are optional, and that there are no clear guidelines regarding the contractual overridability of limitations.

I. Exhaustive list of limitations

- 5 A first source of uncertainty lies in the question of whether the system of limitations on copyright and related rights as laid down in the Directive is open or closed. In other words, does the system of limitations on copyright and related rights allow Member States to adopt other limitations in their national legal order than those mentioned in the Directive? Opinions in the literature are strongly divided on this point. Some firmly believe that the regime of limitations set out in the European legislation indeed forms a closed system,⁷ while others see a possibility for Member States to adopt, either through legislation or by judicial interpretation, other limitations that do not appear in the texts of the directives.
- 6 The Information Society Directive does not unequivocally provide for a closed list of limitations. Although Recital 32 of the Information Society Directive specifies that the list of limitations on copyright and related rights provided in Article 5 is exhaustive, Member States are allowed, pursuant to Article 5(3)o, to provide for limitations for certain uses of minor importance where limitations already exist under national law, provided that they only concern analogue uses and do not affect the free circulation of goods and services within the Community. Clearly, the "grandfather clause" of Article 5(3)o re-

flects the principles of subsidiarity and proportionality, and removes some of the rigidity inherent to an exhaustive list of limitations.⁸

- 7 The European legislator's apparent decision to restrict the limitations to those cases enumerated in Article 5 of the Information Society Directive has given rise to severe criticism in the literature. At least three reasons may be advanced cautioning against the use of an exhaustive list. First, as the Legal Advisory Board (LAB) already pointed out early on, harmonisation does not necessarily mean uniformity.⁹ According to the LAB, rules at the EC level should allow distinctive features found in national legislations to subsist as long as they do not hinder the internal market.
- 8 Second, previous efforts at the international level to come up with an exhaustive catalogue of limitations on copyright and related rights have consistently failed. The Berne Convention provides a clear illustration of such unsuccessful efforts, for the possibility of introducing a complete and exhaustive list of exemptions into the Berne Convention had been considered at the Stockholm Conference. The proposal was rejected for two main reasons: 1) in order to encompass all the principal exemptions existing in national laws, such a list would have had to be very lengthy, and it would still not have been comprehensive; and 2) since not every country recognised all the possible exemptions, or recognised them only subject to the payment of remuneration, experts feared that by including an exhaustive list of limitations, States would be tempted to adopt all the limitations allowed and abolish the right to remuneration, which would have been more prejudicial to the rights owners.¹⁰
- 9 A third and probably decisive argument against an exhaustive list of limitations is that a fixed list of limitations lacks sufficient flexibility to take account of future technological developments. A dynamically developing market, such as the market for online content, requires a flexible legal framework that allows new and socially valuable uses that do not affect the normal exploitation of copyright works to develop without the copyright owners' permission, and without having to resort to a constant updating of the Directive, which might take years to complete.¹¹
- 10 There could be no clearer illustration of the need for a flexible regime of exceptions and limitations in the digital environment than the recent case involving the Google Image Search service.¹² An artist, who had uploaded photos of her work to her own website, brought against Google a copyright infringement case before the German courts for displaying the resized images (thumbnails) as part of the image search results. While the display of the images constitutes an act of making available to the public pursuant to Article 19a of the German Copyright

Act, no exception or limitation contained in the Act directly covers Google's situation. For instance, the exception of quotation does not apply in this case, because the images in the Google search results are not used as part of a new work in which the second author explains, criticizes, or comments on the original work, as required in the Act.

- 11 According to the German Federal Supreme Court, however, there is no infringement of copyright where the use is authorized by the author herself. Website owners have the possibility to use commands in their website that can instruct search engines not to index all or part of their site or files. Google's crawling programme, Googlebot, is designed to ignore the images disallowed by webowners. Since the artist made no use of this possibility, the Googlebot did not ignore the images in dispute. The Court decided that by showing these images, Google was not in breach of copyright because, although the artist had not explicitly consented to the use of the images, she had not blocked her website from being indexed by search engines, thus giving an implicit permission to any search engine to display the thumbnail images.
- 12 This decision guarantees that showing thumbnail images within search results is legitimate so as to allow millions of users in Germany to benefit from being able to discover visual information at the click of a mouse. While this is probably the most desirable result in terms of the public's interest in accessing information, the legal reasoning on which it is based puts the integrity of the copyright regime under strain. The idea that by failing to technically prevent the reproduction and/or communication to the public of his work the rights owner gives implicit permission to others to do so puts the copyright rule on its head. It is the equivalent of making the application of technological protection measures mandatory for rights owners as a pre-requisite to copyright protection. This is a formality in disguise, which is contrary to Article 5(2) of the Berne Convention. That the German Copyright Act did not foresee this type of activity under the list of exceptions and limitations is not surprising: technology evolves at a too rapid pace for the law to keep track. This reinforces the argument that a list of exceptions and limitations on copyright should not be set in stone but should rather be built so as to ensure some flexibility in its application, for example by introducing a "fair use" type of defence to a copyright infringement claim.

II. Optional character of the limitations

- 13 The vast majority of the limitations listed in Article 5 of the Information Society Directive is optional.

While Member States arguably may not provide for any exceptions other than those enumerated in Article 5, one can have serious doubts as to the harmonising effect of an optional list of limitations on copyright and related rights, from which Member States may pick and choose at will.¹³ Although some measure of harmonisation has been achieved, because lawmakers in some Member States selected limitations from the European menu that they would not otherwise have considered, the harmonising effect is very modest at best. In practice, not only are Member States free to implement the limitations they want from the list, but they are also free to decide how they will implement each limitation. In addition, Articles 5(2) to 5(5) of the Directive contain two types of norms: one set of specific but broadly worded limitations, within the boundaries of which Member States may elect to legislate; and one set of general categories of situations for which Member States may adopt limitations. In other words, the Directive generally lacks concrete guidelines that Member States are to follow in order to determine the scope and conditions of application of the limitations. Since in many cases, simply reproducing the wording of the Directive was not an option, most Member States have chosen to interpret the limitations contained in the Directive according to their own traditions. As a consequence, stakeholders are confronted, in regard to similar situations, with different norms applicable across the Member States.

- 14 The European legislator's decision to opt for a list of broadly worded optional limitations is all the more surprising given that the possible consequences of a lack of harmonisation for the functioning of the Internal Market were already known. The provision allowing Member States to permit the reproduction by reprographic means is but one example of this paradox (Art. 5(2)a)). In the Explanatory Memorandum, the Commission stressed that the exemption allowing the implementation of reprography regimes was left as an option in the Proposal, "despite existing differences between Member States that provide for such exemptions, as their effects are in practice rather similar". The Commission then went on to say that "the Internal Market is far less affected by these minor differences than by the existence of schemes in some Member States and their inexistence in others" and that "those Member States that already provide for a remuneration should remain free to maintain it, but this proposal does not oblige other Member States to follow this approach".¹⁴ As could be expected, the Member States that did not have a reprography regime before the adoption of the Directive have not put one in place since then, and the existing regimes in the majority of other Member States have not been streamlined.
- 15 Moreover, the Information Society Directive foresees the possibility to pay remuneration to the right holder for certain of the uses covered by the limi-

tations of Article 5. As finally adopted, the Directive provides for a right to "fair compensation" in three instances: for reprographic reproduction (Art. 5.2(a)), for private copying (Art. 5.2(b)), and for reproduction of broadcast programs by social institutions (Art. 5.2(e)). Apart from these three limitations, Recital 36 states that the Member States may provide for fair compensation for right holders also when applying the optional provisions on exceptions or limitations, which do not require such compensation. According to Recital 35, the level of "fair compensation" – an unfamiliar notion in copyright law – can be related to the possible harm to the right holders resulting from the act in question. In cases where right holders have already received payment in some other form, for instance as part of a licence fee, no specific or separate payment may be due. By introducing the notion of "fair compensation" the framers of the Directive have attempted to bridge the gap between those (continental European) Member States having a levy system that provides for "equitable remuneration", and those (such as the United Kingdom and Ireland) that have so far resisted levies altogether.¹⁵

- 16 The result is that Member States have implemented Articles 5(2) and 5(3) very differently, selecting such exceptions as they saw fit, and implementing specific categories in diverse ways. In some Member States' laws, the limitations on copyright have received a much narrower scope than those of the Information Society Directive. This can be explained by the "homing" tendency of the Member States' legislatures when translating provisions of the Directive into national law, preserving as much as possible the old formulations and adding further specifications.¹⁶ Even where a specific limitation has been implemented in roughly similar terms in the different Member States, there is a risk that the national courts will give this limitation a diverging interpretation, thereby contributing to the legal uncertainty in respect of the use of copyright-protected works and other subject matter. The fact that Member States have implemented the same limitation differently, giving rise to a variety of different rules applicable to a single situation across the European Community, constitutes a serious impediment to the establishment of cross-border services. The level of knowledge required for the conclusion of the necessary licensing agreements per territory is too high and costly to make the effort worthwhile.

III. Contractual overridability of limitations

- 17 As information and entertainment products and services are increasingly distributed on-line, contractual relations between right holders or their intermediaries and (end) users proliferate. Particular

categories of users, including cultural heritage institutions, educational institutions, and consumers are emerging as the weaker party in online transactions with content providers relating to the use of copyright and related rights protected material. It is not uncommon for right holders to wield their bargaining power to arrive at contractual terms that purport to set aside the privileges that the law grants users pursuant to the limitations on copyright. To restore the balance of interests inside online contractual agreements, some limitations on copyright and related rights could be declared imperative. Whenever the European legislator has deemed it appropriate to limit the scope of copyright protection to take account of the public interest, private parties should be prevented from unilaterally derogating from the legislator's intent. At the European level, the Computer Programmes Directive and the Database Directive both specify that exemptions provided therein may not be circumvented by contractual agreement.

18 The Information Society Directive contains very few provisions referring to the conclusion of contractual licences as a means to determine the conditions of use of copyright protected works and other subject matter. At most, the Directive contains a few statements encouraging parties to conclude contracts for certain uses of protected material. Recital 45 declares that “[t]he exceptions and limitations referred to in Article 5(2), (3) and (4) should not, however, prevent the definition of contractual relations designed to ensure fair compensation for the right-holders insofar as permitted by national law”. The text of this Recital gives rise to interpretation. Some commentators believe that, according to Recital 45, the limitations of Articles 5(2) to 5(4) can be overridden by contractual agreements.¹⁷ Others consider that, pursuant to this Recital, the ability to perform legitimate uses that do not require the authorisation of right holders is a factor that can be considered in the context of contractual agreements about the price. Whether the requirement that a contractual agreement must have the goal to secure the fair compensation of right holders means that contractual agreements with the purpose to override legitimate uses are impermissible is, according to these authors, questionable.¹⁸

19 The emphasis put by the European legislator on the conclusion of contracts as an instrument to set the conditions of use of protected works is particularly evident when reading Article 6(4), fourth paragraph, of the Directive. This article states that

“the provisions of the first and second subparagraphs shall not apply to works or other subject-matter made available to the public on agreed contractual terms in such a way that members of the public may access them from a place and at a time individually chosen by them.”

20 The term “agreed contractual terms” in this provision could be interpreted as requiring the negotiation of a licence of use. However, this interpretation may not reflect reality, since standard form contracts, rather than negotiated contracts, actually govern the vast majority of transactions relating to information in the digital networked environment.

21 While Article 6(4), fourth paragraph, of the Directive establishes a rule of precedence between the use of contractual arrangements and the application of technological protection measures, no rule has been established anywhere in the Directive concerning the priority between contractual arrangements and the exercise of limitations on rights. The absence of any such rule was considered briefly during the legislative process leading to the adoption of the Directive. In a second reading of the Proposal for a Directive, Amendment 156 was tabled for the introduction of a new Article 5(6) to the effect that “[n]o contractual measures may conflict with the exceptions or limitations incorporated into national law pursuant to Article 5”.¹⁹ This amendment was rejected by the Commission, however, and therefore never made it into the Common Position. As a result, nothing in the Information Society Directive seems to preclude rights owners from setting aside by contract the limitations on copyright and related rights. At the national level, Portugal and Belgium are the only Member State to have adopted a measure to prevent the use of standard form contracts excluding the exercise of limitations on copyright to the detriment of the user. Following these models, a provision could be introduced in the copyright legislation according to which any unilateral contractual clause deviating from the limitations on copyright and related rights would be declared null and void.

C. Actual Harmonisation of the Exceptions and Limitations

22 The previous section has shown that the structure of Article 5 of the Information Society Directive coupled with the lack of appropriate guidelines regarding the scope of each exception and limitation constitute major obstacles to their harmonisation across the Member States. Important differences can indeed be observed in the way Member States have implemented these provisions.²⁰ Moreover, some Member States, like the United Kingdom and Germany, are still struggling to define exceptions and limitations that fall within the boundaries set by each exception in Article 5 and within the bounds of the three-step test of paragraph 5 of the same provision. Balancing the interests of rights owners and users by means of exceptions and limitations has become an act of gymnastics on a high wire, especially considering the pace at which technology, market conditions, and user needs evolve.

- 23 The European Commission is not indifferent to this state of affairs. With the Green Paper on Copyright in the Knowledge Economy, the Commission started a round of consultations among stakeholders to discuss whether an approach based on a list of non-mandatory exceptions was still adequate in the light of evolving Internet technologies and the prevalent economic and social expectations.²¹ This consultation resulted in the publication of a Communication to the European Parliament and the Council on Copyright in the Knowledge Economy.²² As the Green Paper that preceded it, the Communication addresses several aspects of copyright in the knowledge economy, but puts particular emphasis on the exceptions for the benefit of libraries and archives, including the issue of orphan works, teaching and research, persons with disabilities, and user-created content (UCC). It is unclear what the outcome of the Communication will be, for the chance that the Information Society Directive will be re-opened to amend the text of Article 5 is rather slim.
- 24 In the following pages, I will focus on these three main categories of exceptions and limitations, that is, those adopted for the benefit of libraries and archives, for teaching and research, and for persons with a disability. I will examine how, on the basis of the provisions of the Directive, these limitations have been implemented in some of the Member States, highlighting the main differences and the most significant difficulties. Of course, I will also take account of the most recent discussions carried out in the context of the European Commission's stakeholder consultation, as well as of the legislative debates at the national level, namely in the United Kingdom and Germany. Since neither the issue of orphan works or user-created content was part of the Information Society Directive, I will not dwell on them further in this article, despite the fact that each question would deserve a study of its own.²³

I. Libraries and archives

- 25 The digitisation and online accessibility of cultural material and digital preservation by libraries and archives has received a lot of attention recently, especially in connection with the "i2010 initiative" of the European Commission. In the context of this European initiative, the European Commission conducted a public consultation during the year 2005, which was followed by the simultaneous publication of an Impact Assessment report,²⁴ a Communication,²⁵ and a Recommendation on the digitisation and online accessibility of cultural material and digital preservation.²⁶ The objective of the initiative is to develop digitised material from libraries, archives, and museums, as well as to give citizens throughout Europe access to its cultural heritage, by making it searchable and usable on the Internet. The achievement

of these goals inevitably raises copyright issues. As noted in Recital 10 of the Recommendation, only part of the material held by libraries, archives, and museums is in the public domain, while the rest is protected by intellectual property rights. To what extent do the limitations included in the Information Society Directive allow libraries, archives, and museums to comply with these objectives?

- 26 Article 5(2)c) allows Member States to adopt a limitation on the reproduction right in regard to specific acts of reproduction made by publicly accessible libraries, educational establishments, or museums, or by archives, which are not for direct or indirect economic or commercial advantage. This provision must be read in conjunction with Recital 40 of the Directive, which specifies that such limitations should not cover uses made in the context of on-line delivery of protected works or other subject matter. Therefore, the conclusion of specific contracts or licences should be promoted which, without creating imbalances, favour such establishments and the disseminative purposes they serve.
- 27 As the Explanatory Memorandum to the Proposal for a Directive specifies, this does not mean that libraries and equivalent institutions should not engage in on-line service delivery. However, it is the Commission's opinion that "such uses can and should be managed on a contractual basis, whether individually or on the basis of collective agreements".²⁷ While acts of electronic delivery are excluded from the scope of this limitation, the making of digital reproductions of works in a library's collection for purposes of preservation clearly falls within the ambit of this provision, since it does not per se involve an act of communication to the public.²⁸
- 28 Not all Member States have implemented this optional limitation. And those that did have often chosen different ways to do it, subjecting the act of reproduction to different conditions of application and requirements. Some Member States only allow reproductions to be made in analogue format; others restrict the digitisation to certain types of works, while yet other Member States allow all categories of works to be reproduced in both analogue and digital form.²⁹ In addition, Member States have identified different beneficiaries of this limitation. Some have simply replicated the wording of Article 5(2)b), while others have limited its application to public libraries and archives to the exclusion of educational institutions. The prevailing legal uncertainty regarding the manner in which digitised material may be used and reproduced is likely to constitute a disincentive to digitisation. This militates especially against cross-border exchange of material, and may discourage cross-border cooperation.³⁰ However, as already mentioned in the Staff Working Paper of 2004, libraries face another problem by the fact that pursuant to Article 1(2) of the Directive, which leaves

the provisions of earlier directives unaffected, the limitation of Article 5(2)c) of the Information Society Directive does not apply to databases.³¹ This may create severe practical obstacles for the daily operations of libraries.

- 29 The 2008 Green Paper notes on the subject of libraries and other similar establishments that two core issues have arisen: the production of digital copies of materials held in the libraries' collections and the electronic delivery of these copies to users.³² Regarding both aspects of the digitization issue, the European consultation reveals that views of public libraries and archives on the one hand, and of publishers and collective rights management societies on the other, are as far apart from each other as ever. The relevant exception is limited to specific acts of reproduction for non-commercial purposes. The digitisation of library collections therefore requires prior authorisation from the right holders. Libraries argue that this system of "prior authorisation" entails considerable transactional burdens. Public interest establishments also want to make their collections accessible online, particularly works that are commercially unavailable, and argue that this should not be limited solely to access on the physical premises of these establishments.
- 30 For their part, publishers and collective rights management societies see no reason to broaden the current exceptions on preservation and making available for libraries and archives: the existing system of licensing schemes and contractual agreements to digitise and increase online access to works should simply be maintained. In their opinion, to relax the current exception to allow libraries, archives, and teaching establishments to provide online services to users would undermine the position of right holders, create unfair competition to publishers, and discourage them from investing in new business models. In view of the findings of the consultation, the European Commission committed in its Communication to further pursue its work on these matters, addressing, *inter alia*, the clarification of the legal implications of mass-scale digitisation and possible solutions for the issue of transaction costs for rights clearance.³³
- 31 This issue of digitisation and electronic delivery of library and archival collections was also discussed at the Member State level, for example in Germany and the United Kingdom. In Germany, a rather controversial provision was introduced in Article 53a of the Copyright Act as part of the revision of the "second basket", which entered into force on January 1, 2008.³⁴ This limitation allows the reproduction of articles from newspapers and periodicals and their communication to public library patrons for their own private purposes, provided that the digital reproduction and the electronic delivery occur exclusively as graphic data, and not as an interactive service. In addition, equitable remuneration must be paid to the rights owners for the reproduction and the communication of their works. The transmission of copies to users located in Germany in the context of a document delivery service located outside Germany is also covered by the obligation to pay equitable remuneration, so as to guarantee that the provision will not be circumvented by the relocation of the document delivery service in a foreign country. This provision may be revisited in the near future, as discussions around a "third basket" of copyright reforms have just started off in June 2010.³⁵ Scholarly societies in Germany have put the argument forward that libraries should be given the possibility to send documents in at least image-scan format, and to do so for indirect commercial purposes as well.³⁶ This debate will no doubt be as heated as it was two years ago.
- 32 The scope of limitations in favour of public libraries, museums, and archives has been a hotly debated issue for several years already in the United Kingdom. Until this day, the UK Copyright, Designs and Patents Act of 1988 (CDPA) only permits the copying of books and other writings and does not permit copying of sound, television programmes, and film items for preservation, as a result of which the United Kingdom is losing a large part of its recorded culture. The argument was heard in 2006 by the Gowers Review of Intellectual Property committee, which included a recommendation in its report, according to which section 42 of the CDPA should be amended to permit libraries to copy the master copy of all classes of works in their permanent collection for archival purposes and to allow further copies to be made from the archived copy to mitigate against subsequent wear and tear. In addition, Gowers also recommended that libraries and archives be permitted to format shift archival copies to ensure that records did not become obsolete.³⁷ The recommendations made in the Gowers report were put to consultation by the stakeholders. Both of these recommendations were generally accepted by the respondents.³⁸
- 33 Nevertheless, as a result of the persisting uncertainty left by copyright law, copyright owners are increasingly resorting to contractual terms and conditions in order to more clearly delineate the scope of what libraries and archives purchasing or licensing the copyright material may do with the works in their collections. Libraries are increasingly confronted with contractual restrictions dictated by the right holders in what they can do with the content, although certain copyright limitations would normally apply. The statutory limitations are in many cases overridden by contract. To summarise, the lack of clarity with regard to the limitations on copyright and related rights leads to a multitude of different individual initiatives from the sides of right holders, libraries, and publishers. This contradicts the value

proposition of digital libraries, i.e. to make knowledge broadly and easily available over the Internet.

II. Teaching and research

- 34 Article 5(3)a of the Information Society Directive allows the use of works for the sole purpose of illustration for teaching or scientific research, as long as the source, including the author's name, is indicated, unless this turns out to be impossible and to the extent justified by the non-commercial purpose to be achieved. As is the case of most, if not all, optional limitations contained in Articles 5(2) and 5(3) of the Information Society Directive, this provision has been implemented, if at all, quite differently from one Member State to the next. The limitation has been implemented in some Member States as an exemption; while in others, the use of works for educational or research purposes is subject to the payment of a fair compensation to the right holders. In some Member States, the limitation to the benefit of educational institutions is worded in very narrow terms. In yet other Member States, like the Netherlands, the law authorises educational institutions, under specific conditions, to make course packs (*bloemlezingen*) and anthologies for teaching purposes. Sharp variations exist in national laws regarding the length of the excerpts that educational institutions are permitted to reproduce from articles and books, and regarding the possibility to make this material available to students through distance learning networks.³⁹
- 35 As an illustration of the vastly diverging ways these provisions could be implemented, let me mention the highly criticised Article 52a of the German Copyright Act.⁴⁰ Germany implemented Article 5(3)a of the Directive by granting an exemption from copyright, for specified non-profit purposes, to "privileged institutions", meaning schools, higher-education institutions, and public research organisations. According to the first paragraph of this provision, only "small parts" of copyrighted material or single articles from newspaper or periodicals may be used strictly as illustration for teaching purposes in non-commercial privileged institutions involving "a defined, limited, and small" number of students or researchers. The second paragraph of this article subjects the use of works that are created for educational purposes and of cinematographic works to the prior authorisation of the right holder, and in the last case only after the expiration of two years from the date of the first exploitation of the film in the theatres. Fair compensation must be paid to the rights owners. German academics argue that this provision gives them the same rights over copyrighted material in digital form as they already have over such material in printed form. Because this provision was highly contested at the time of its adoption, Article 52a of the German Copyright Act was subject to a so-called "sunset" clause through which the provision would be repealed as of a specific date. Until now, however, the sunset clause has been extended twice and now remains in force until 31 December 2012.⁴¹
- 36 With the implementation of the Information Society Directive, the French legislator ceased in the last stage of the adoption process the chance to introduce an entirely new limitation in the Intellectual Property Code with regard to educational uses. Until then all attempts to accommodate the needs of educational establishments in copyright matters had always met strong resistance from rights owners, who found support in the legal commentaries according to which such a limitation would have gone against the French *droit d'auteur* tradition.⁴² As of 1 January 2009, this statutory provision took precedence over the contractual regime that had only recently been set up as a result of rather difficult negotiations between representatives of rights owners on the one side, and of the Ministry of Education on the other side. Article L. 122-5, 3° e) of the Code allows the reproduction and the communication to the public of "small parts" of copyrighted material or single articles from newspaper or periodicals exclusively as illustration for teaching purposes in non-commercial privileged institutions involving a public composed primarily of students, teachers, or researchers who are directly concerned. This provision excludes works created for educational purposes and foresees the payment of fair compensation to the right holder.
- 37 In the UK, the Gowers report highlights the need to ensure that the limitations provided under the CPDA allow educational establishments to take advantage of new technology to educate pupils regardless of their location. As the report explains:
- "In 2003 the exception was modified so that educational establishments could allow students on the premises to see the programme in their own time. However, the exception does not extend to situations where students are not on the premises of the educational establishment. This means that distance learners are at a disadvantage compared with those based on campus and thus these constraints disproportionately impact on students with disabilities who may work from remote locations."⁴³
- 38 Indeed, in the December 2009 report following the consultation on copyright exceptions, the committee proposes to extend the educational exceptions to permit certain broadcasts and study material to be transmitted outside the institutional campus for the purposes of distance learning but only via secure networks and to extend the exception relating to small excerpts so that it covers film and sound recordings to the exclusion of artistic works. The com-

mittee also proposes to retain existing provisos so that the exception will apply only to the extent that licensing schemes are not in place.⁴⁴

- 39 The ongoing discussions around the scope of the limitations on educational use in the Member States illustrate that the line between what is permissible and what is not is difficult to draw on the basis of the current wording of the national provisions transposing the Directive. The question also arises whether the legal framework is capable of adapting to the constant technological developments so as to allow educational institutions to step into the 21st century and engage in distance education programs. As Ernst and Haeusermann put it, a “sclerotic regime would have great potential to compromise the quality of higher education in Europe and elsewhere, and therefore be contradictory to the official policy of the EU”.⁴⁵ In this sense, the 2009 Communication points out,

“teaching, learning and research is becoming increasingly international and cross-border, enabled by modern information and communication technologies. Access and use of information is no longer limited to physical space. Therefore limiting teaching and research to a specific location is considered to be contrary to the realities of modern life.”⁴⁶

- 40 Be that as it may, the European Commission at this stage merely commits to monitoring the evolution of an integrated European space for cross-border distance learning, and if need be, to consider adopting further measures to accompany such a European space.⁴⁷

III. People with a disability

- 41 Although the limitation on copyright to the benefit of physically impaired individuals has not generated much public debate, its application in practice leads to certain difficulties in some Member States. Blind and partially sighted people need to be able to modify the way in which information is presented in order to access it. This may involve enlarging text or graphics, turning text into speech, describing graphical material, or producing a tactile output. People suffering from dyslexia may need to have text put into speech, while the hearing impaired may need audiovisual works to be sub-titled. Article 5(3)b) of the Information Society Directive allows Member States to adopt a limitation on the rights of reproduction and communication to the public in respect of “uses, for the benefit of people with a disability, which are directly related to the disability and of a non-commercial nature, to the extent required by the specific disability”.
- 42 The European legislator was not very loquacious regarding the possible shape of a limitation concerning

the disabled. As long as the limitation meets the requirements of the three-step test and provided that the use is non-commercial in nature and directly linked to the disability, the limitation may take any form that the national legislator will give it.

- 43 In fact, Article 5(3)b) of the Information Society Directive has been transposed in a wide range of different ways. Several Member States have incorporated the provision of the Directive almost word-by-word into their national legislation. For example, Article 15*i* of the Dutch Copyright Act declares that “reproduction and publication of a literary, scientific or artistic work exclusively intended for handicapped individuals, provided it is directly related to the handicap, is not of a commercial nature and is necessary because of the handicap, shall not be regarded as an infringement of copyright”. This provision foresees the payment of fair compensation to the right holders. Article 45*a* of the German Copyright Act is essentially to the same effect.
- 44 By contrast, other Member States have attached very strict conditions of exercise to this limitation. Article L. 122-5, 7^o of the French Intellectual Property Code is a good illustration of this legislative approach, for it grants persons suffering from a range of disabilities (“*des personnes atteintes d’une ou de plusieurs déficiences des fonctions motrices, physiques, sensorielles, mentales, cognitives ou psychiques*”) the right to “consult” works for private purposes only in the premises of “authorised” legal entities or publicly accessible establishments, like libraries, museums, and archives. This provision is further subject to extensive requirements of evidence and control regarding the extent of the handicap of the individual claiming the application of the limitation, as well as effectiveness of the measures put in place by the establishment offering individuals the means to benefit from the limitation. On the other hand, the French Act expressly applies this limitation to databases.⁴⁸ This provision is completed by Article L. 311-8, 3^o of the Code which provides for a reimbursement to the benefit of disabled persons of the remuneration paid for acts of private copying. However, the French Code foresees no payment of fair compensation to the rights owners. In comparison to the French Act, Articles 31A and B of the CDPA of the UK recognise a limitation only to the benefit of the visually impaired.⁴⁹
- 45 In view of the vagueness of the terms used in Article 5(3)b) of the Directive, national implementing provisions not only end up setting out diverging conditions of application, but also being addressed to different individuals or entities. Some legislative regimes designate particular organisations as beneficiaries of exceptions. For instance, it is not entirely clear from the Dutch and German provisions whether they are directed to the physically impaired themselves or to any other legal or phys-

ical person engaged in the reproduction and publication of works for disabled persons, provided that they meet the criteria of the law. On the other hand, the French provision would seem to be directed primarily at the disabled individuals themselves, via the institutions that make the works available on their own premises and subject to the strict conditions of application. These divergences in the national legislation are not likely to be conducive to the development of viable business models aimed at the production and distribution of digital content that can cater to the needs of the physically impaired, for neither the rights owners nor the beneficiaries know where they stand regarding the boundaries set by this limitation. The emphasis should be on the non-commercial nature of the activity – and on its compliance with the “three-step test” – rather than on the status of the person or entity carrying it out.

- 46 In the absence of any useful parameter in the Directive, the schemes put in place by the Member States end up accommodating different addressees, e.g. the disabled persons themselves, a competent institution, or a content provider. In some states, the schemes cover all types of disabilities, e.g. physical or mental disability. In other states, the limitation is restricted only to certain physical disabilities, like blindness and deafness, or to certain categories of works, excluding databases for example. The diversity of ways that this limitation has been transposed in the Member States is bound to give rise to differences in treatment between citizens of different countries, which could be contrary to the principle of non-discrimination laid down in the EC Treaty. For example, a person suffering from a wide range of disabilities would benefit from a limitation on copyright and related rights in France, but certainly not in the UK, where only the visually impaired may invoke the benefit of a limitation. There is no justification for such a difference in treatment between EU citizens.
- 47 More crucially, however, the cross-border transfer of the already limited supply of material is hampered by the territorial limitation of exceptions under national legislation. Technological protection measures have been cited as an additional impediment, as they prevent the conversion into accessible formats of legally acquired works by organisations or individuals. As promised in its December 2009 Communication, the European Commission will organise a stakeholder forum concerning the needs of disabled persons in order “to consider the range of issues facing persons with disabilities and possible policy responses”, and “look at possible ways to encourage the unencumbered export of a converted work to another Member State while ensuring that right-holders are adequately remunerated for the use of their work”.⁵⁰

D. Concluding Remarks

- 48 In short, the norms laid down in the Directive in relation to the exceptions and limitations on copyright and related rights are not conducive to any sensible degree of harmonisation across the European Union. The main reason for this is that the Directive lacks concrete guidelines that Member States are to follow in order to determine the scope and conditions of application of the limitations. Moreover, because of the optional character of the list of limitations contained in Articles 5(2) to 5(5) of the Directive, not only are Member States free to implement the limitations they want from the list, but they are also free to decide how they will implement each limitation. In some Member States’ laws, the limitations on copyright have received a much narrower scope than those of the Information Society Directive. This can be explained by the “homing” tendency of the Member States’ legislatures when translating provisions of the Directive into national law, preserving as much as possible the old formulations and adding further specifications.⁵¹ Moreover, even where a specific limitation has been implemented in roughly similar terms in the different Member States, there is a risk that the national courts will give this limitation a diverging interpretation, thereby contributing to the legal uncertainty in regard to the use of copyright-protected works and other subject matter.
- 49 The question also arises whether the legal framework is capable of adapting to the constant technological developments so as to allow educational institutions to step into the 21st century and engage in distance education programs and libraries and archives to proceed to the digitisation of their collection. The sustainability of the list of limitations included in Articles 5(2) to 5(5) of the Directive is seriously affected by the exhaustive character of the list of limitations. One of the main arguments against the establishment of an exhaustive list of limitations is that a fixed list of limitations lacks sufficient flexibility to take account of future technological developments. A dynamically developing market, such as the market for online content, requires a flexible legal framework as the Google Thumbnails case so aptly demonstrates. While an exhaustive list obviously gives more legal security to established right holders and content providers, it also hinders the emergence of new services and business models.
- 50 In the absence of clear guidelines in the law, the temptation is big for rights owners to determine the extent to which the dissemination of knowledge can take place exclusively through contractual arrangements, which restrict the acts normally allowed under the statutory exceptions and limitations. Limitations and exceptions are reflections of the public interest at large. Their scope and application should

not therefore be determined solely by those parties directly addressed by these provisions.



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- 1 This article is an updated version of section 2.3.2 of the IViR Study on the Implementation and Effect in Member States' Laws of Directive 2001/29/EC on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society, report to the European Commission, DG Internal Market, February 2007, available at: http://www.ivir.nl/publications/guibault/info-soc_report_2007.pdf (last visited 16 June 2010).
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The International Three-Step Test

A Model Provision for EC Fair Use Legislation*

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Abstract: The three-step test is central to the regulation of copyright limitations at the international level.¹ Delineating the room for exemptions with abstract criteria, the three-step test is by far the most important and comprehensive basis for the introduction of national use privileges. It is an essential, flexible element in the international limitation infrastructure that allows national law makers to satisfy domestic social, cultural, and economic needs. Given the universal field of application that follows from the test's open-ended wording, the provision creates much more breathing space than the more specific exceptions recognized in international copyright law.²

EC copyright legislation, however, fails to take advantage of the flexibility inherent in the three-step test. Instead of using the international provision as a means to open up the closed EC catalogue of permissible exceptions, offer sufficient breathing space for social, cultural, and economic needs, and enable EC copyright law to keep pace with the rapid development of the Internet, the Copyright Directive 2001/29/EC encourages the application of the three-step test to further restrict statutory exceptions that are often defined narrowly in national legislation anyway.³

In the current online environment, however, enhanced flexibility in the field of copyright limitations is indispensable. From a social and cultural perspec-

tive, the web 2.0 promotes and enhances freedom of expression and information with its advanced search engine services, interactive platforms, and various forms of user-generated content. From an economic perspective, it creates a parallel universe of traditional content providers relying on copyright protection, and emerging Internet industries whose further development depends on robust copyright limitations. In particular, the newcomers in the online market – social networking sites, video forums, and virtual worlds – promise a remarkable potential for economic growth that has already attracted the attention of the OECD.⁴

Against this background, the time is ripe to debate the introduction of an EC fair use doctrine on the basis of the three-step test. Otherwise, EC copyright law is likely to frustrate important opportunities for cultural, social, and economic development. To lay groundwork for the debate, the differences between the continental European and the Anglo-American approach to copyright limitations (section 1), and the specific merits of these two distinct approaches (section 2), will be discussed first. An analysis of current problems that have arisen under the present dysfunctional EC system (section 3) will then serve as a starting point for proposing an EC fair use doctrine based on the three-step test (section 4). Drawing conclusions, the international dimension of this fair use proposal will be considered (section 5).

Keywords: Three-step test, fair use, private copying, search engines, right of quotation, user-generated content, press summaries, international harmonization

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A. Copyright's Legal Traditions

1 International law making and harmonization activities have led to a remarkable approximation of Anglo-American copyright and continental European *droit d'auteur*. To this day, however, the approach to copyright limitations differs significantly: Whereas continental European countries provide for a closed catalogue of carefully defined exceptions, the Anglo-American copyright tradition allows for an open-ended fair use system that leaves the task of identifying individual cases of exempted unauthorized use to the courts.

2 Reflecting the continental European approach, Article 5 of the EC Copyright Directive sets forth various types of specific copyright exceptions. Besides the mandatory exemption of temporary acts of reproduction to be implemented by all member states, Article 5 contains optional exceptions that relate to private copying; use of copyrighted material by libraries, museums, and archives; ephemeral recordings; reproductions of broadcasts made by hospitals and prisons; illustrations for teaching or scientific research; use for the benefit of people with a disability; press privileges; use for the purpose of quotations, caricature, parody, and pastiche; use for the purposes of public security and for the proper performance or reporting of administrative, parliamentary, or judicial proceedings; use of political speeches and public lectures; use during religious or official celebrations; use of architectural works located permanently in public places; incidental inclusions of a work in other material; use for the purpose of advertising the public exhibition or sale of artistic works; use in connection with the demonstration or repair of equipment; use for the reconstruction of buildings; and additional cases of use having minor importance.

3 A prominent example of the Anglo-American approach to copyright limitations is the fair use doctrine that has evolved in the United States. Section 107 of the U.S. Copyright Act permits the unauthorized use of copyrighted material for purposes "such as criticism, comment, news reporting, teaching [...], scholarship, or research."⁵ To guide the decision on individual forms of use, four factors are set forth in the provision which shall be taken into account among other considerations that may be relevant in a given case:

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

4 (2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.⁶

5 On the basis of this legislative framework and established case law, U.S. courts conduct a case-by-case analysis in order to determine whether a given use can be exempted from the control of the copyright holder.⁷

6 The remarkable difference in the regulation of copyright limitations becomes understandable in the light of the theoretical groundwork underlying common law and civil law copyright systems. The fair use approach can be traced back to the utilitarian foundation of the Anglo-American copyright tradition that perceives copyright as a prerogative granted to enhance the overall welfare of society by ensuring a sufficient supply of knowledge and information.⁸ This theoretical basis only justifies rights strong enough to induce the desired production of intellectual works. Therefore, the exclusive rights of authors deserve individual positive legal enactment.⁹ Those forms of use that need not be reserved for the right owner to provide the necessary incentive remain free. Otherwise, rights would be awarded that are unnecessary to achieve the goals of the system. In sum, exclusive rights are thus delineated precisely, while their limitation can be regulated flexibly in open-ended provisions, such as fair use.¹⁰ Oversimplifying the theoretical model underlying common law copyright, it might be said that freedom of use is the rule; rights are the exception.

7 The opposite constellation – rights the rule, freedom the exception – follows from the natural law underpinning of continental European *droit d'auteur*. In the natural law theory, the author occupies center stage.¹¹ A literary or artistic work is perceived as a materialization of the author's personality. Accordingly, it is assumed that a bond unites the author with the object of her creation.¹² Moreover, the author acquires a property right in her work by virtue of the mere act of creation. This has the corollary that nothing is left to the law apart from formally recognizing what is already inherent in the "very nature of things."¹³ The author-centrism of the civil law system calls on the legislator to safeguard rights broad enough to concede to authors the opportunity to profit from the use of their self-expression, and to bar factors that might stymie their exploitation. In consequence, civil law copyright systems recognize flexible, broad exclusive rights. Exceptions, by contrast, are defined narrowly and often interpreted restrictively.¹⁴

B. Flexibility and Legal Certainty

8 Both approaches to copyright limitations have specific merits. Precisely defined exceptions in continental European countries may offer a high degree of

legal certainty.¹⁵ With a closed catalogue of permissible exceptions and a detailed description of their scope, it becomes foreseeable for users and investors which forms of use fall under the control of the copyright holder and can serve as a basis for the exploitation of copyrighted material, and which acts of unauthorized use remain outside this controlled area and can be carried out without infringing copyright.

- 9 The central advantage of the Anglo-American fair use approach, however, is flexibility. Within a flexible fair use framework, the courts can broaden and restrict the scope of copyright limitations to safeguard copyright's delicate balance between exclusive rights and competing social, cultural, and economic needs. Judges are rendered capable of adapting the copyright limitation infrastructure to new circumstances and challenges, such as the digital environment. Leaving this discretion to the courts reduces the need for constant amendments to legislation that may have difficulty in keeping pace with the speed of technological development.¹⁶
- 10 These benefits accruing from flexible copyright limitations must not be underestimated in the present situation. *Flexible rights necessitate flexible limitations.* With advanced copyright systems offering flexible, broad exclusive rights, it is wise to adopt fair use defenses as a counterbalance. In this way, the risk of counterproductive overprotection can be minimized. On the basis of an elastic fair use test, the courts can keep the broad grant of protection within reasonable limits and inhibit exclusive rights from unduly curtailing competing freedoms, such as freedom of expression and freedom of competition.¹⁷ This becomes obvious in the ongoing process of adapting copyright law to the rapid development of the Internet. Broad copyright protection is likely to absorb and restrict new possibilities of use even though this may be undesirable from the perspective of social, cultural, or economic needs.¹⁸ User-generated content, advanced search engine services, and the digitization of cultural material can serve as examples of current phenomena requiring the reconsideration of the scope of copyright limitations.¹⁹ Without sufficient breathing space, important social, cultural, and economic benefits that could be derived from timely adaptations of the legal framework are likely to be lost.

C. EC Worst Case Scenario

- 11 Considering these options, law makers can be expected to realize at least one of the outlined potential advantages – enhanced legal certainty on the basis of precisely defined exceptions or sufficient flexibility resulting from open-ended fair use legislation. In the light of important opportunities offered by the rapid development of the Internet, the

advantage of flexibility may even be deemed more important than the benefits of enhanced legal certainty.²⁰ Instead of following these guidelines, however, the drafters of EC copyright law developed a system that frustrates both objectives. The present regulation of copyright limitations in the EC offers *neither legal certainty nor sufficient flexibility.* The adaptation of EC copyright law to the digital environment has led to a legislative framework that employs the open-ended three-step test to erode the legal certainty following from precisely defined exceptions instead of using the test as a means of providing sufficient flexibility.²¹

- 12 To establish this inconsistent system, elements of both traditions of copyright law have been combined in the most unfortunate way. In the EC Copyright Directive, paragraphs 1, 2, 3, and 4 of Article 5 set forth the closed catalogue of exceptions described above. This enumeration of permissible exceptions is in line with the continental European copyright tradition. The listed exceptions, however, are subject to the EC three-step test laid down in paragraph 5 of Article 5. As the test consists of several open-ended criteria, it recalls the Anglo-American copyright tradition.²² However, the interplay between the two elements – the closed catalogue and the open three-step test – is regulated as follows:

“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.”²³

- 13 This approach, inevitably, leads to a dilemma. As discussed, a closed list of precisely defined exceptions may have the advantage of enhanced legal certainty. This potential advantage, however, is beyond reach under the current EC system. If national legislation adopts and further specifies exceptions listed in the EC catalogue, these specific national exceptions may still be challenged on the grounds that they are incompatible with the EC three-step test. In other words, national exceptions that are embedded in a national framework of precisely defined use privileges may further be restricted by invoking the open-ended three-step test. On the one hand, national copyright exceptions are thus straitjacketed. Their validity is hanging by the thread of compliance with the abstract criteria of the EC three-step test. On the other hand, the test itself may only be invoked to place additional constraints on national exceptions that are defined narrowly anyway. Unlike fair use provisions with comparable abstract criteria, the EC three-step test cannot be employed by the courts to create new, additional forms of permitted unauthorized use. Hence, it is impossible to realize the central advantage of flexibility that is inherent in the test's open-ended wording.²⁴

14 In consequence, the current EC system fails to realize any advantage that may follow from the outlined Anglo-American or continental European approach to copyright limitations. The corrosive effect of this dysfunctional concept can currently be observed in EC member states. The following overview of Dutch (section 3.1), French (section 3.2), and German (section 3.3) case law gives evidence of the need to reconsider the current legislation (section 3.4).

I. Legal Uncertainty: The Netherlands

15 Dutch courts already applied the three-step test prior to the Copyright Directive.²⁵ On the one hand, the adoption and implementation of the Directive led to more frequent references to the three-step test that are made to confirm and strengthen findings equally following from domestic rules.²⁶ This way of applying the three-step test has little impact on the Dutch catalogue of statutory exceptions. On the other hand, however, the Directive inspired a line of decisions that use the three-step test to override the closed Dutch system of precisely defined user privileges.

16 In a ruling of March 2, 2005, the District Court of The Hague forced the long-standing exception for press reviews onto the sidelines, and invoked the three-step test of the Copyright Directive instead.²⁷ The case concerned the unauthorized scanning and reproduction of press articles for internal electronic communication (via e-mail, intranet, etc.) in ministries – a practice that also offered certain search and archive functions. Seeking to determine whether this practice was permissible, the Court refused to consider several questions raised by the parties with regard to the specific rules laid down in Article 15 of the Dutch Copyright Act and Article 5(3)(c) of the EC Copyright Directive. In the Court's view, consideration of these specific rules was unnecessary because the contested use did not meet the requirements of the EC three-step test anyway:

“The reason for leaving these three questions unanswered is that the digital press review practice of the State, in the opinion of the court, does not comply with the so-called three-step test of Article 5(5) of the Copyright Directive.”²⁸

17 The subsequent discussion of non-compliance with the three-step test resembles a U.S. fair use analysis rather than a close inspection of a continental European statutory limitation. In particular, the Court stresses the growing importance of digital newspaper exploitation and the impact of digital press reviews on this promising market. The ministry press reviews are held to “endanger” a normal exploitation of press articles and unreasonably prejudice the

publisher's legitimate interest in digital commercialization.²⁹ Under the fourth U.S. fair use factor “effect of the use upon the potential market for or value of the copyrighted work,” similar considerations could play a decisive role.³⁰

18 The focus on the three-step test, constituting the basis of the Court's reasoning in the press review case, inevitably marginalizes the detailed rules established in Dutch law. On its merits, the applicable statutory limitation laid down in Article 15 of the Dutch Copyright Act merely opens the door to the three-step test. As a result, however, it is rendered incapable of influencing the further test procedure.³¹

19 In a more recent decision of June 25, 2008, the District Court of The Hague invoked the three-step test again in a case concerning the payment of equitable remuneration for private copying activities. In this context, the Court devoted attention to the question of use of an illegal source as a basis for private copying.³² The detailed regulation of private copying in Article 16c of the Dutch Copyright Act does not contain any indication to the effect that private copying from an illegal source is to be deemed impermissible. The drafting history of the provision, by contrast, reflects the clear intention of the Dutch legislator to exempt private copying irrespective of whether a legal or illegal source is used.³³ Having recourse to the three-step test of Article 5(5) of the Copyright Directive, the District Court of The Hague nonetheless dismantled this seemingly robust edifice of legal certainty in one single sentence. Without offering a detailed analysis, the Court stated that private copying from an illegal source was “in conflict with the three-step test.” Accordingly, it was held to fall outside the private copying exemption of Article 16c:

“In the parliamentary history, there are indications of a different interpretation. However, the interpretation advocated by the minister and supported by the government – assuming that private copying from an illegal source was legal – is in conflict with the three-step test of Article 5(5) of the Directive.”³⁴

20 The central point here is not the prohibition of private copying using illegal sources. It is the erosion of the central argument weighing in favor of precisely defined exceptions and against a fair use system. Regardless of precise definitions given in the Dutch Copyright Act, the ruling of the Court minimizes the degree of legal certainty in the field of copyright limitations. Users of copyrighted material in the Netherlands can no longer rely on the wording of the applicable statutory exception. On the basis of the EC three-step test, a certain use may be held to amount to copyright infringement even though it is exempted from the authorization of the rightholder in the Dutch Copyright Act.³⁵ Hence, the degree of legal certainty can hardly be deemed higher than the degree attained in a fair use system. Arguably,

the standard of certainty is even lower because the additional scrutiny of precisely defined exceptions in the light of the three-step test is not reflected in the Dutch Copyright Act. In copyright systems with a statutory fair use provision, by contrast, the factors applied by the courts are clearly stated in the law. Consulting Section 107 of the U.S. Copyright Act, users of copyrighted material in the U.S., for instance, can inform themselves about the criteria that the courts will consider when determining the permissibility of a given unauthorized use.

II. Inflexibility: France

- 21 Admittedly, this problem of insufficient transparency can easily be solved by incorporating the three-step test of the EC Copyright Directive into national law. In EC member states following this approach,³⁶ the tension between precisely defined exceptions on the one hand, and additional control on the basis of the abstract criteria of the three-step test on the other hand, is made obvious for users relying on copyright exceptions. In France, for instance, it is apparent from national legislation that use falling under a copyright exception will additionally be scrutinized in the light of the three-step test. According to Article L. 122-5 of the French Intellectual Property Code, the listed statutory exceptions may neither conflict with a normal exploitation of the work nor prejudice the author's legitimate interests.³⁷
- 22 The central problem raised by an additional examination of exceptions in the light of the three-step test, however, cannot be solved in this way. Although copyright exceptions are already defined precisely, their application still depends on compliance with the open-ended three-step test. As a result, the attainable degree of legal certainty is reduced substantially when compared with the traditional continental European approach of precisely defined exceptions that are not examined additionally in the light of abstract criteria.³⁸
- 23 Moreover, the amalgam of specific statutory exceptions and the open-ended three-step test further diminishes the limited flexibility of systems with precisely defined use privileges. Like the reported Dutch cases, the French *Mulholland Drive* case gives evidence of this freezing effect. The case was brought by a purchaser of a DVD of David Lynch's film *Mulholland Drive* who sought to transfer the film into VHS format in order to watch it at his mother's house. Technical protection measures applied by the film producers prevented the making of the VHS copy.³⁹ In this regard, the French Supreme Court held that the relevant Articles L. 122-5 and L. 211-3 of the French Intellectual Property Code had to be interpreted in the light of the three-step test. The exception for private copying could not be invoked against the appli-

cation of technical protection measures when the intended act of copying would conflict with a normal exploitation of the work concerned.⁴⁰

- 24 Examining the private copying exception in the light of this criterion of the three-step test, the French Supreme Court rejected the previous decision taken by the Paris Court of Appeals. The latter Court had ruled that the intended private copy did not encroach upon the film's normal DVD exploitation.⁴¹ The French Supreme Court reversed this holding for two reasons. On the one hand, it asserted that a conflict with a normal exploitation had to be determined against the background of the enhanced risk of piracy inherent in the digital environment. On the other hand, the Court underlined that the exploitation of cinematographic works on DVD was important for recouping the investment in film productions.⁴²
- 25 The verdict of the French Supreme Court resembles the decisions taken in the Netherlands. It is based on the three-step test rather than the specific requirements laid down in the national statutory exception. On its merits, the national exception merely constitutes a starting point for the Court to embark on a scrutiny of the contested use in the light of the three-step test. The result of this way of applying the test is the erosion of the French private copying exception in the digital environment.⁴³ The Court employs the three-step test to place further constraints on the scope of the national exception. In consequence, the limited flexibility of the French system of precisely defined exceptions is further restricted.

III. Alternative Routes: Germany

- 26 German case law also testifies to the insufficient flexibility of the current EC framework for copyright limitations. While the foregoing Dutch and French examples illustrate problems arising from the application of the three-step test, developments in Germany show that the very basis of the current EC system – a closed catalogue of precisely defined exceptions – already renders the courts incapable of keeping pace with the constant evolution of new Internet technologies. Complex questions about the scope of precisely defined exceptions arise particularly with regard to the distribution of primary and secondary markets for information products and services.⁴⁴ In the relation between copyright or database owners and search engines, for instance, the right of quotation has become a crucial factor.
- 27 Implementing the EC Copyright Directive, legislators in EC member states, as indicated above, enjoyed the freedom to choose exceptions from the catalogue of Article 5 of the Directive and tailor the scope of resulting use privileges to individual national needs. Apart from the mandatory exemption of temporary

acts of reproduction, the transposition of exceptions into national law is optional under the Copyright Directive. In consequence, the domestic scope of an exception listed in Article 5 of the Directive, such as the right of quotation, may differ from country to country. These differences can have a deep impact on the information that may be displayed by search engines in EC member states without the authorization of the copyright owner.

- 28 The Dutch legislator, for instance, decided to broaden the scope of the right of quotation during the implementation of the EC Copyright Directive. The long-standing “context requirement” of Article 15a of the Dutch Copyright Act, according to which quotations had to serve the purpose of criticism and review, has been attenuated. In the amended version, the provision is also applicable to announcements and expressions serving comparable purposes. Accordingly, the quotation right has been held to cover information made available by search engines on the grounds that these engines “announce” the contents of underlying source databases.⁴⁵ In a case concerning a search engine that collects information from the websites of housing agencies, the Court of Alkmaar clarified that for the quotation right to apply, the reproduction and communication of collected data to the public had to keep within the limits of what was necessary to give a good impression of the housing offer concerned.⁴⁶ The Court specified that, under this standard, it was permissible to provide search engine users with a description of up to 155 characters, address and rent details, and one single picture not exceeding the format of 194x145 pixels.⁴⁷
- 29 In Germany, by contrast, the traditional confinement of the quotation right to criticism and review was upheld when implementing the Copyright Directive. This more restrictive approach limits the room to maneuver for the courts. The District Court of Hamburg, for instance, refused to bring thumbnails of pictures displayed by Google’s image search service under the umbrella of the right of quotation. Before turning to an analysis of copyright exceptions, the Court clarified that a thumbnail did not have characteristic features of its own that made the individual features of the original work fade away. Accordingly, there was no room for qualifying the conversion of pictures into thumbnails as a “free use” not falling under the exclusive rights of authors by virtue of § 24 of the German Copyright Act.⁴⁸
- 30 On this basis, the Court argued with regard to copyright exceptions that thumbnails could not be regarded as permissible quotations in the sense of § 51 no. 2 of the German Copyright Act because they did not serve as evidence or argumentative basis for independent comment.⁴⁹ The stricter German quotation standard, still requiring use in the context of criticism and comment, thus prevented the Court from offering breathing space for the image-related

search service in question. Interestingly, the District Court of Hamburg expressly recognized that search engines were of

“essential importance for structuring the decentralised architecture of the world wide web, localising widely scattered contents and knowledge, and therefore, ultimately, for the functioning of a networked society.”⁵⁰

- 31 In spite of this “esteem for search engine services,” the Court did not feel in a position to interpret the German quotation right extensively to exempt the use of thumbnails for the image search system. As the right of quotation had been designed with an eye to use under different circumstances, the Court felt that it was the task of the legislator to intervene and reconcile the interests of authors and right owners with the strong public interest in access to graphical online information and the economic interests of search engine providers.⁵¹ In the absence of an open-ended fair use provision, the Court was paralyzed by an inflexible limitation infrastructure.
- 32 In a recent decision also dealing with Google’s image search service, the German Federal Court of Justice confirmed that the unauthorized use of picture thumbnails did not fall under the right of quotation in § 51 of the German Copyright Act. To fulfill the traditional context requirement that had not been abandoned during the implementation of the Copyright Directive, the user making the quotation had to establish an inner connection between the quoted material and her own thoughts. This requirement was not satisfied in the case of picture thumbnails that were merely used to inform the public about contents available on the Internet.⁵² In this context, the Court stated that
- “neither the technical developments concerning the dissemination of information on the Internet nor the interests of the parties which the exception seeks to protect justify an extensive interpretation of § 51 of the German Copyright Act that goes beyond the purpose of making quotations. Neither the freedom of information of other Internet users, nor the freedom of communication or the freedom of trade of search engine providers, require such an extensive interpretation.”⁵³
- 33 This clarification indicates that the German Federal Court of Justice did not deem it necessary to solve the case on the basis of the right of quotation. By contrast, the Court followed an alternative route to create breathing space for the image search service at issue. While it refrained from inferring an implicit contractual license for search engine purposes from the mere act of making content available on the Internet,⁵⁴ the Court held that Google’s use of the pictures was not unlawful because the copyright owner had consented implicitly to use of her material in the

image search service by making her works available online without employing technical means to block the automatic indexing and displaying of online content by search engines.⁵⁵

- 34 It is unclear whether this solution on the basis of implicit consent will yield satisfactory results in all cases of contested search engine use. The case before the District Court of Hamburg, for instance, concerned protected material that had not been made available by the copyright owner but by an unauthorized third party. In this constellation, implicit consent can hardly be assumed. Referring to this situation, the German Federal Court indicated that the search engine provider could rely on the safe harbor for the hosting of third party content set forth in Article 14 of the E-Commerce Directive 2000/31/EC.⁵⁶ Accordingly, liability for copyright infringement could be avoided by providing for appropriate notice-and-take-down procedures.
- 35 The decision of the German Federal Court of Justice is of particular interest because it shows a further consequence of the current restrictive EC framework for copyright limitations. As the hybrid concept of precisely defined exceptions and the three-step test does not offer sufficient room to maneuver for the courts, alternative routes are chosen to arrive at satisfactory results. The assumption of implicit consent, for instance, appears as an attempt to bypass the inflexible copyright limitation infrastructure altogether. It is questionable whether this solution is consistent. Virtually, the German Federal Court of Justice introduced a flexible element through the back door of doubtful assumptions on the intentions of a copyright owner making her works available on the Internet.

IV. Need for Change

- 36 In sum, case law from several EC member states testifies to substantial shortcomings in the present EC framework for copyright limitations.⁵⁷ As demonstrated by the Dutch and French cases, legal certainty is minimized under the current legal regime because the application of the open-ended three-step test imposes further constraints on exceptions that are defined precisely in the national laws of EC member states. With its abstract criteria, the three-step test erodes the legal certainty that could result from a precise definition of use privileges. The decisions in Germany, moreover, show that the narrow definition of exceptions renders the limitation system incapable of reacting adequately to advanced online information services.
- 37 The discussed case law confirms that the current EC regulation of copyright limitations offers neither legal certainty nor sufficient flexibility. When it is considered that, in addition, law making in the EC

is much slower than in individual countries, it becomes apparent that the *current regulation of limitations in the EC is a worst-case scenario*.⁵⁸ The process of updating EC copyright legislation requires not only lengthy negotiations at Community level but also national implementation acts in all member states. Therefore, reactions to unforeseen technological developments and new social, cultural, or economic needs will not only be slow, as in traditional continental European systems with precisely defined exceptions. In the EC, these reactions will be very slow, and far too slow to keep pace with the rapid development of the Internet.

- 38 While the reported German cases give evidence of attempts to find loopholes for the creation of more breathing space by circumventing the current restrictive combination of exceptions and the three-step test, it is obvious that these remedies are rather inconsistent and incompatible with the overall structure of copyright law. The right place to strike a proper balance between freedom and protection in copyright law is the regulation of copyright limitations. Instead of inducing courts to invent around an overly restrictive framework for limitations, EC copyright law should provide the courts with the legal instruments necessary to maintain copyright's delicate balance even in times of rapid technological developments that constantly require fast adaptations.
- 39 In other words, the time is ripe to reconsider the regulation of copyright limitations in the EC. Taking the guidelines developed above as a starting point, it can be posited that reforms in the field of copyright limitations should primarily seek to enhance flexibility in order to render the EC system capable of coping with the rapid development of the Internet and the ongoing evolution of socially valuable Internet services, such as platforms for user-generated content, enhanced search engine services, and access to digitized cultural material. The introduction of a fair use element in the field of copyright limitations seems indispensable to achieve this goal. More flexibility is also required because the process of EC policy making in the field of copyright limitations is far too slow to maintain a closed system of precisely defined exceptions that necessitates repeated legislative intervention. Given the social, cultural, and economic concerns at stake, it would be irresponsible not to switch to more sustainable law making that includes flexible fair use elements.
- 40 U.S. decisions on advanced search engine services, for instance, give evidence of the merits of a more flexible legislative framework. With regard to Google's image search service, the Ninth Circuit Court of Appeals held that the display of image thumbnails by Google qualified as a fair use under the U.S. fair use doctrine. The Court grounded its analysis on the notion of transformative use that, traditionally, con-

stitutes an important factor capable of tipping the scales to a finding of fair use.⁵⁹ Pointing out a significant benefit to the public, the Court noted that “a search engine may be more transformative than a parody because a search engine provides an entirely new use for the original work, while a parody typically has the same entertainment purpose as the original work.”⁶⁰ In this vein, the Court concluded that

“the significantly transformative nature of Google’s search engine, particularly in light of its public benefit, outweighs Google’s superseding and commercial uses of the thumbnails in this case. In reaching this conclusion, we note the importance of analyzing fair use flexibly in light of new circumstances.”⁶¹

- 41 This decision differs markedly from the outcome of the comparable German cases described above. Even though recognizing the benefits of advanced search engine services, German courts did not manage to provide the required breathing space within the current inflexible system of copyright exceptions. The more flexible U.S. framework, by contrast, enables the courts to formulate an adequate answer reflecting their favorable assessment of the search engine service on the basis of the U.S. system of copyright limitations. Decisions in the area of user-generated content also testify to efficient use of the room to maneuver offered by the U.S. fair use doctrine.⁶²
- 42 A further guideline can be derived from the analysis conducted above. While the need for a flexible limitation infrastructure may occupy center stage in the light of challenges arising from the digital environment, the benefits accruing from a high degree of legal certainty must not be neglected. Ideally, law making in the field of copyright limitations strives for sufficient flexibility without abandoning the further goal of legal certainty. Therefore, reforms in EC copyright law should aim to transform the current system that offers neither flexibility nor legal certainty into a system that provides both sufficient flexibility to face the challenges of digital technology and a high degree of legal certainty.

D. International Three-Step Test as a Model

- 43 Interestingly, this fundamental improvement of the EC system does not necessarily require a fundamental change in the legislative framework. Any future regulation of EC limitations is likely to remain predominantly based on precisely defined exceptions, even if a flexible fair use element is included. Rather than abolishing long-standing EC exceptions in the course of introducing a broad fair use clause, the EC discussion on fair use will most probably lead to the maintenance of a comprehensive list of specific ex-

ceptions that is supplemented rather than replaced with an open-ended fair use clause.⁶³ Allowing the identification of additional types of permissible unauthorized use in the light of the individual circumstances of a given case, this fair use clause would nonetheless open up the currently closed catalogue of limitations that are permissible in the EC.

- 44 Considering these determinants of an EC fair use doctrine, the three-step test that is already enshrined in Article 5(5) of the Copyright Directive appears as a logical starting point for future fair use initiatives.⁶⁴ Like traditional fair use legislation, the three-step test sets forth open-ended factors. The drafting history of the three-step test confirms that the flexible formula has its roots in the Anglo-American copyright tradition.⁶⁵ Not surprisingly, a line between the criteria of the three-step test and the factors to be found in fair use provisions, such as the U.S. fair use doctrine, can easily be drawn. The prohibition of a conflict with a normal exploitation, for instance, recalls the fourth factor of the U.S. fair use doctrine “effect of the use upon the potential market for or value of the copyrighted work.”⁶⁶ Given the appearance of the three-step test in several EC Directives,⁶⁷ the provision can moreover be regarded as part of the *acquis communautaire*.
- 45 The introduction of an EC fair use doctrine on the basis of the three-step test, however, requires a substantial change in the current EC approach to the use and interpretation of the provision. *The three-step test would have to be redefined.* Instead of perceiving and employing the test exclusively as a strait-jacket of copyright limitations – a means of placing further constraints on precisely defined exceptions – it would be necessary to recognize that the open-ended criteria of the test allow not only the restriction but also the introduction and broadening of limitations. Interestingly, this more holistic understanding complies with the concept underlying the international three-step test (section 4.1). As the EC provision is modeled on the corresponding international norms, this first hurdle on the way toward an EC fair use doctrine is thus surmountable. An additional question, however, is whether national fair use legislation is compatible with the international three-step test (section 4.2). If the international three-step test precludes the introduction of fair use at the national level, the test can hardly serve as a basis for an EC fair use doctrine. This fundamental question will be discussed before tracing the conceptual contours of a future EC fair use legislation based on the three-step test (section 4.3).

I. Enabling Function of the Three-Step Test

46 In international copyright law, there can be little doubt that the three-step test does not only serve the purpose of restricting national copyright limitations. At the 1967 Stockholm Conference for the Revision of the Berne Convention, the first three-step test in international copyright law was devised as a flexible framework, within which national legislators would enjoy the freedom of safeguarding national limitations and satisfying domestic social, cultural, and economic needs.⁶⁸ The provision was intended to serve as a basis of national copyright limitations. Accordingly, Article 9(2) BC offers national law makers the freedom

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

47 Many use privileges that have become widespread at the national level are directly based on the international three-step test. A specific provision that permits the introduction of national exemptions for private copying, for instance, is sought in vain in international copyright law. It is the international three-step test that creates breathing space for the adoption of this copyright limitation at the national level. Further examples of national limitations resting on the international three-step test can easily be found in the copyright laws of Berne Union Members, like the exemption of reproductions for research purposes, the privilege of libraries, archives and museums to make copies for the purpose of preserving cultural material, the exemption of reproductions that are required for administrative, parliamentary or judicial proceedings, or of reproductions made by hospitals and prisons.

48 The three-step test of Article 9(2) BC, therefore, clearly has the function of creating room for the introduction of copyright limitations at the national level. Vested with this function, it made its way into Article 13 TRIPS and played a decisive role during the negotiations of the WIPO “Internet” Treaties.⁶⁹ In Article 10(1) WCT, it paved the way for agreement on limitations of the rights newly granted under the WIPO Copyright Treaty, including the right of making available online as part of the general right of communication to the public.⁷⁰ In consequence, all limitations on the right of making available, including those listed in Article 5(3) of the EC Copyright Directive, rest on the international three-step test. Considering the international family of three-step tests in Articles 9(2) BC, 13 TRIPS and 10(1) and (2) WCT, it becomes obvious that the provision, by far, is the most important and comprehensive in-

ternational basis for national copyright limitations. Against this background, it is not surprising that the test’s fundamental role in enabling limitations and enhancing the flexibility of the copyright system has been underlined in the context of the WIPO Copyright Treaty:

“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.”⁷¹

49 At the national level, the three-step test has been used in this enabling sense,⁷² for instance, in decisions of the German Federal Court of Justice. In a 1999 case concerning the Technical Information Library Hannover, the Court underlined the public interest in unhindered access to information. Accordingly, it offered support for the Library’s practice of copying and dispatching scientific articles on request by single persons and industrial undertakings.⁷³ The legal basis of this practice was the statutory limitation for personal use in § 53 of the German Copyright Act. Under this provision, the authorized user need not necessarily produce the copy herself but is free to ask a third party to make the reproduction on her behalf. The Court admitted that the dispatch of copies came close to a publisher’s activity.⁷⁴ Nonetheless, it refrained from putting an end to the library practice by assuming a conflict with a work’s normal exploitation. Instead, the Court deduced an obligation to pay equitable remuneration from the three-step test, and enabled the continuation of the information service in this way.⁷⁵

In a 2002 decision concerning the scanning and storing of press articles for internal e-mail communication in a private company, the Court gave a further example of its flexible approach to the three-step test. It held that digital press reviews had to be deemed permissible under § 49(1) of the German Copyright Act just like their analogue counterparts, if the digital version – in terms of its functioning and potential for use – essentially corresponded to traditional analogue products.⁷⁶ To overcome the problem of an outdated wording of § 49(1) that seemed to indicate the limitation’s confinement to press reviews on paper,⁷⁷ the Court stated that, in view of new technical developments, a copyright limitation may be interpreted extensively.⁷⁸ Taking these considerations as a starting point, the Court arrived at the conclusion that digital press reviews were permissible if articles were included in graphical format without offering additional functions, such as a text collection and an index. This extension of the analogue press review exception to the digital envi-

ronment, the Court maintained, was in line with the three-step test.⁷⁹

- 50 Hence, the test can be used to enable limitations and enhance flexibility in copyright law. National legislation using the three-step test as a basis for fair use legislation, however, goes beyond the described court decisions. It would allow the courts to create new limitations on the basis of the test's abstract criteria instead of entrusting them merely with the flexible interpretation of pre-defined, specific exceptions in the light of the open-ended test criteria. In other words, national *fair use legislation relying on the three-step test would "institutionalize" the function of enabling limitations* which the international three-step test has because of its open-ended wording.

II. Three-Step Test and Fair Use

- 51 In this context, it is to be considered that doubt has been cast upon the compliance of national fair use legislation with the international three-step test. In particular, it has been asserted that a national fair use system did not qualify as a "certain special case" in the sense of the three-step test.⁸⁰ The validity of this argument is questionable. Interpreting the three-step test of Article 13 TRIPS, the WTO Panel reporting on Section 110(5) of the U.S. Copyright Act, for instance, did not endorse the view that fair use, by definition, was incompatible with the requirement of "certain special cases." Instead, the Panel followed a more cautious approach:

"However, there is no need to identify explicitly each and every possible situation to which the exception could apply, provided that the scope of the exception is known and particularised. This guarantees a sufficient degree of legal certainty."⁸¹

- 52 In this way, the Panel left room for national copyright laws providing for fair use. Legal certainty is not necessarily an exclusive task of the legislator. It may be divided between law makers and judges. In fair use systems, the degree of legal certainty need not be lower than in systems with precisely defined statutory exceptions. The open factors constituting the fair use criteria allow the courts to determine "certain special cases" of permissible unauthorized use in the light of the individual circumstances of a given case. With every court decision, a further "special case" becomes known, particularized, and thus "certain" in the sense of the three-step test. A sufficient degree of legal certainty follows from established case law instead of detailed legislation. For instance, a sufficient degree of legal certainty can be attained in a system with a long-standing fair use tradition, such as the U.S. copyright system.⁸²
- 53 Moreover, it is to be recalled that flexible law making in the field of copyright limitations is a particu-

lar feature of the Anglo-American copyright tradition. At the international level, a WTO Panel can be expected to take into account both the continental European and the Anglo-American tradition of copyright law. The Panel's formula of "a sufficient degree of legal certainty" can thus be understood to ensure that not only precisely defined civil law exceptions but also common law fair use limitations are capable of passing the test of "certain special cases." Otherwise, an entire legal tradition of copyright law would be discredited and declared incompatible with international standards. The international three-step test, therefore, can hardly be understood to preclude national fair use legislation. With the open-ended factors of special cases, normal exploitation, legitimate interests, and unreasonable prejudice, the test itself is a source of inspiration for flexible law making in the field of copyright limitations rather than an obstacle to the introduction of national fair use systems.

III. Toward an EC Fair Use Doctrine

- 54 In this vein, an EC fair use doctrine can be established on the basis of the three-step test embodied in Article 5(5) of the Copyright Directive. As the international three-step test does not militate against national fair use legislation, policy makers in the EC are free to model an EC fair use doctrine on the test's flexible, open-ended criteria. Such a provision based on the three-step test, and incorporated into the Copyright Directive as a new Article 5(5), could take the following shape:

"In certain special cases comparable to those reflected by the exceptions and limitations provided for in paragraphs 1, 2, 3 and 4, the use of works or other subject-matter may also be exempted from the reproduction right provided for in Article 2 and/or the right of communication and making available to the public provided for in Article 3, provided that such use does not conflict with a normal exploitation of the work or other subject-matter and does not unreasonably prejudice the legitimate interests of the rightholder."⁸³

- 55 In line with this proposal, the exceptions currently enumerated in paragraphs 1, 2, 3, and 4 of Article 5 of the Copyright Directive would remain unchanged. The proposed wording, however, would make it clear that these exceptions are regarded as certain special cases in the sense of the three-step test. Accordingly, they can serve as a reference point for the identification of further cases of permissible unauthorized use on the basis of the proposed EC fair use doctrine. It follows from this approach that these further cases would have to be comparable with those reflected in the enumerated exceptions, for instance, in the sense that they serve comparable purposes or are

justified by comparable policies. The catalogue of explicitly listed EC exceptions would thus fulfill the same function as the indication of purposes, “such as criticism, comment, news reporting, teaching [...], scholarship, or research,” in Section 107 of the U.S. Copyright Act.

- 56 Recalibrating the interplay between the catalogue of permissible exceptions and the open-ended three-step test in this way, the proposed fair use provision would also ensure that the current dysfunctional system – no flexibility, no legal certainty – is transformed into a consistent system attaining both objectives. Sufficient flexibility results from use of the three-step test as an opening clause that allows the courts to further develop the limitation infrastructure by devising new exceptions on the basis of the examples given in paragraphs 1, 2, 3, and 4 of Article 5. For instance, the proposed provision would allow the courts to offer additional breathing space for advanced search engine services in those EC member states that do not provide for a right of quotation flexible enough to cover unauthorized use for the purpose of searching the Internet. Given the underlying rationale of supporting freedom of expression and information, the policy justifying the introduction of new use privileges in this area can be deemed comparable with those reflected by the right of quotation, the press privileges, and the exceptions for private copying that are part of the Article 5 catalogue.
- 57 Furthermore, the change in the use of the three-step test would enhance the degree of legal certainty provided by the EC system. The proposed redefinition of the three-step test would prevent the courts from employing the test as a means to place additional constraints on statutory exceptions that are defined precisely in national legislation. By contrast, the abstract criteria of the test could only be invoked to devise new exceptions. They would no longer be available as an additional control mechanism and a straitjacket of specific copyright limitations. As a result, the legal certainty resulting from the precise definition of use privileges at the national level would no longer be eroded through the additional application of the open-ended three-step test. In case of precisely defined national exceptions, users of copyrighted material could rely on the scope following from the wording of the respective national provisions. There would be no need to speculate on the outcome of an additional scrutiny in the light of the three-step test that makes it difficult to foresee the exception’s definite ambit of operation.
- 58 When compared with the lamentable current state of the regulation of copyright limitations in the EC, the adoption of the proposed fair use provision based on the three-step test would thus improve the limitation infrastructure substantially. Instead of minimizing both flexibility and legal certainty, the pro-

posed redefinition of the three-step test in Article 5(5) of the Copyright Directive would ensure sufficient flexibility to cope with the challenges of the rapid development of the Internet and, at the same time, enhance the degree of legal certainty that can be achieved on the basis of a precise definition of exceptions.

E. Conclusion and International Perspective

- 59 The EC system of copyright limitations is dysfunctional. The traditional continental European approach to copyright limitations promotes legal certainty by providing for precisely defined exceptions. In the Anglo-American copyright tradition, open-ended fair use legislation enhances flexibility. The current EC regulation of copyright limitations, however, fails to realize any of these potential advantages. The three-step test enshrined in Article 5(5) of the Copyright Directive offers flexible, open-ended factors. However, this flexibility is not used to create additional breathing space for copyright limitations that is required in the digital environment. By contrast, the three-step test is applied to further restrict exceptions that are already defined precisely in the national laws of EC member states.
- 60 Applying open-ended factors to precisely defined statutory exceptions, the legal certainty that could follow from the precise definition of use privileges is minimized. In consequence, the current EC system offers neither legal certainty nor sufficient flexibility. When it is considered that, in addition, law and policy making in the EC is much slower than in individual countries, it becomes obvious that the current legal framework is a worst-case scenario. With use privileges being forced into an inflexible legislative straitjacket, the EC limitation infrastructure is rendered incapable of keeping pace with the rapid development of the Internet. Important opportunities for social, cultural, and economic development offered by innovative online platforms and services are likely to be missed.
- 61 As a way out, it is indispensable to incorporate flexible fair use elements into the EC system. This solution need not lead to a radical structural change. In particular, it is unnecessary to sacrifice long-standing EC exceptions on the altar of a broad fair use provision. By contrast, it would be sufficient to take full advantage of the flexibility inherent in the three-step test that has already become a cornerstone of EC legislation in the field of copyright limitations. As in international copyright law, the three-step test would have to be perceived and used as a flexible balancing tool that can be employed to broaden existing limitations and introduce new use privileges. In this way, an appropriate limitation infrastruc-

ture could be established, for instance, to support advanced search engine services, the digitization of cultural material, and online platforms for user-generated content.

- 62 To achieve the indispensable redefinition of the three-step test, future EC fair use legislation should use the current catalogue of exceptions in Article 5 of the Copyright Directive as examples of “certain special cases” in the sense of the three-step test. The courts should be entrusted with the task of identifying comparable further cases of permissible unauthorized use on the basis of the test’s abstract criteria of “no conflict with a normal exploitation” and “no unreasonable prejudice to legitimate interests.” As a result, the three-step test could no longer be applied as an additional control mechanism and strait-jacket of precisely defined exceptions. It would be prevented from eroding the legal certainty following from the precise definition of use privileges. Serving instead as an opening clause that supplements the EC catalogue of specific exceptions, the three-step test would provide the enhanced flexibility necessary to benefit from the rapid development of the Internet.
- 63 An EC fair use doctrine based on the three-step test would not only remedy the shortcomings of the current EC system. It can also be expected to have a beneficial effect on the further harmonization of copyright limitations at the international level.⁸⁴ The proposed EC fair use doctrine would reflect a balanced, holistic approach to the three-step test. At the international level, the open-ended criteria of the three-step test have always been intended to provide a flexible framework, within which national legislators enjoy the freedom of safeguarding national limitations and satisfying domestic social, cultural, and economic needs.⁸⁵ Not only the restriction of excessive copyright limitations but also the broadening of important use privileges and the introduction of appropriate new exemptions fall within the test’s field of application. What is proposed here, in other words, is a renaissance of the initial understanding of the three-step test – a renaissance of the test as a refined proportionality test that offers breathing space for unauthorized use within reasonable limits.⁸⁶ The reinforcement of this balanced understanding of the test is central to the international debate on copyright limitations. It challenges the false rhetoric of a three-step test that is primarily designed to restrict all kinds of copyright limitations.

* The present article is part of a broader research project concerning the development of a horizontal fair use defense that could be applied across the different domains of intellectual property law. For an introduction to this horizontal fair use approach, see M.R.F. Senftleben, *Overprotection and Protection Overlaps in Intellectual Property Law: The Need for Horizontal Fair Use Defences*, in: A. Kur (ed.), *Horizontal Issues in Intellectual Property Law, Uncovering the Matrix*, ATRIP

Conference 2009, Cheltenham: Edward Elgar Publishing 2010, available online at <http://ssrn.com/abstract=1597123>.

- 1 See Articles 9(2) BC, 13 TRIPS and 10 WCT.
- 2 See Articles 2bis(2), 10(1) and (2), 10bis(1) and (2), 11bis(2) and (3) and 13 (1) BC.
- 3 See Article 5(5) of Directive 2001/29/EC of the European Parliament and of the Council of May 22, 2001, on the harmonization of certain aspects of copyright and related rights in the information society. Cf. M.R.F. Senftleben, *Copyright, Limitations and the Three-Step Test: An Analysis of the Three-Step Test in International and EC Copyright Law*, The Hague/London/New York: Kluwer Law International 2004, p. 125-133; C. Geiger, *From Berne to National Law, via the Copyright Directive*, *European Intellectual Property Review* 2007, p. 486.
- 4 See OECD, *Participative Web: User-Created Content*, document DSTI/ICCP/IE(2006)7/Final, dated April 12, 2007, available online at <http://213.253.134.43/oecd/pdfs/browseit/9307031E.PDF>. Cf. Th. Dreier, *Primär- und Folgemärkte*, in: G. Schricker/Th. Dreier/A. Kur, *Geistiges Eigentum im Dienst der Innovation*, Baden-Baden: Nomos 2001, p. 51; C. Geiger, *Die Schranken des Urheberrechts als Instrumente der Innovationsförderung – Freie Gedanken zur Ausschließlichkeit im Urheberrecht*, *Gewerblicher Rechtsschutz und Urheberrecht International* 2008, p. 459.
- 5 The list is understood as an open, non-exclusive enumeration. See Senate and House Committee Reports, as quoted by L.E. Seltzer, *Exemptions and Fair Use in Copyright: The Exclusive Rights Tensions in the 1976 Copyright Act*, Cambridge (Massachusetts)/London: Harvard University Press 1978, p. 19-20: “...since the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts... The bill endorses the purpose and general scope of the judicial doctrine of fair use [...] but there is no disposition to freeze the doctrine in the statute... Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis.”
- 6 See Section 107 of the U.S. Copyright Act.
- 7 The factors provide guidance for the application of the “equitable rule of reason” which fair use represents. Cf. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), section IV.B. Additional factors may be taken into account. As to the application of the fair use doctrine in practice, see B. Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978-2005*, *University of Pennsylvania Law Review* 156 (2008), p. 549; P.N. Leval, *Toward a Fair Use Standard*, *Harvard Law Review* 103 (1990), p. 1105 (1125-1130); J. Litman, *Reforming Information Law in Copyright’s Image*, *University of Dayton Law Review* 22 (1997), p. 588 (612); D. Nimmer, “*Fairest of Them All*” and Other Fairy Tales of Fair Use, in: J. Boyle (ed.), *Law and Contemporary Problems*, *Duke University Law Journal* 66 (2003), p. 263.
- 8 In this vein, the U.S. Supreme Court, for instance, referred to copyright as an “engine of free expression” in *Harper & Row v. Nation Enterprises*, 471 US 539 (1985), III B.
- 9 Cf. A. Strowel, *Droit d’auteur and Copyright: Between History and Nature*, in: B. Sherman/A. Strowel, *Of Authors and Origins*, Oxford: Clarendon Press 1994, p. 235 (241-249); S.P. Calandrillo, *An Economic Analysis of Property Rights in Information: Justifications and Problems of Exclusive Rights, Incentives to Generate Information, and the Alternative of a Government-Run Reward System*, *Fordham Intellectual Property Media and Entertainment Law Journal* 9 (1998), p. 301 (310).
- 10 See P.E. Geller, *Must Copyright Be For Ever Caught Between Marketplace and Authorship Norms?*, in: B. Sherman/A. Strowel, *supra* note 9, 159 (170); Strowel, *supra* note 9, 250-251.

- 11 Cf. B. Edelman, *The Law's Eye: Nature and Copyright*, in: B. Sherman/A. Strowel, supra note 9, 79 (82-87); Geller, supra note 9, 169-170; Strowel, supra note 9, 236-237.
- 12 Cf. E. Ulmer, *Urheber- und Verlagsrecht*, Berlin/Heidelberg/New York: Springer 1980, p. 110-111. See H. Desbois, *Le droit d'auteur en France*, 2nd edn. – mise a jour 1973, Paris: Dalloz 1978, p. 538.
- 13 See Desbois, supra note 12, 538; Ulmer, supra note 12, 105-106.
- 14 Cf. F.W. Grosheide, *Auteursrecht op Maat*, Deventer: Kluwer 1986, p. 2; Geller, supra note 9, 170; Strowel, supra note 9, 249-250. For a recent confirmation of this questionable dogma, see A. Förster, *Fair Use*, Tübingen: Mohr Siebeck 2008, p. 182-184. Cf. ECJ, July 16, 2009, case C-5/08, *Infopaq International/Danske Dagblades Forening*, available online at www.curia.eu.
- 15 This line of argument has been invoked recently, for instance, by A. Lucas, *For a Reasonable Interpretation of the Three-Step Test*, *European Intellectual Property Review* 2010, p. 277 (282). However, Lucas raises this argument with regard to the current regulation of copyright limitations in the EC. As argued below, the validity of the legal certainty argument is doubtful in this context. Cf. also H. Cohen Jehoram, *Fair use – die ferne Geliebte*, *Tijdschrift voor auteurs-, media en informatierecht* 1998, p. 174, *Implementatie van de Auteursrechtlijn – De stille strijd tegen een spookrijder*, *Nederlands Juristenblad* 2002, p. 1690, “Nu de gevolgen van trouw en ontrouw aan de Auteursrechtlijn voor fair use, tijdelijke reproductie en driestappentoets,” *Tijdschrift voor auteurs-, media en informatierecht* 2005, p. 153, *Wie is bang voor de driestappentoets in de Auteursrechtlijn?*, in: N.A.N.M. van Eijk/P.B. Hugenholtz (eds.), *Dommering-bundel*, Amsterdam: Otto Cramwinckel 2008, p. 57.
- 16 See M.R.F. Senftleben, “Beperkingen à la carte: Waarom de Auteursrechtlijn ruimte laat voor fair use,” *Tijdschrift voor auteurs-, media en informatierecht* 2003, p. 10; Chr.A. Alberdingk Thijm, “Fair use: het auteursrechtelijk evenwicht hersteld,” *Tijdschrift voor auteurs-, media en informatierecht* 1998, p. 145, en “Fair use – In weiter Ferne, so nah,” *Tijdschrift voor auteurs-, media en informatierecht* 1998, p. 176.
- 17 See E.J. Dommering, *De achtereenvolgende van Prometheus – over vrijheid en bezit van informatie*, Amsterdam: Otto Cramwinckel 2008; C. Geiger, “Constitutionalising” Intellectual Property Law? The Influence of Fundamental Rights on Intellectual Property in the European Union, *International Review of Intellectual Property and Competition Law* 37 (2006), p. 371; A. Strowel/F. Tulkens/D. Voorhoof (eds.), *Droit d'auteur et liberté d'expression*, Brussels: Editions Larcier 2006; P.B. Hugenholtz, *Copyright and Freedom of Expression in Europe*, in: N. Elkin-Koren/N.W. Netanel (eds.), *The Commodification of Information*, The Hague/London/Boston: Kluwer 2002, p. 239; Th. Dreier, *Balancing Proprietary and Public Domain Interests: Inside or Outside of Proprietary Rights?*, in: R. Dreyfuss/D. Leenheer-Zimmerman/H. First (eds.), *Expanding the Boundaries of Intellectual Property. Innovation Policy for the Knowledge Economy*, Oxford: Oxford University Press 2001, 295-316; S. Macciachini, *Urheberrecht und Meinungsfreiheit*, Bern: Stämpfli 2000; Y. Benkler, *Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain*, *New York University Law Review* 74 (1999), p. 355; N.W. Netanel, *Copyright and a Democratic Civil Society*, *Yale Law Journal* 106 (1996), p. 283.
- 18 With regard to the critical assessment of broad IP protection, see G. Mazziotti, *EU Digital Copyright Law and the End-User*, Berlin/Heidelberg: Springer 2008; O. Depenheuer/K.N. Peifer (eds.), *Geistiges Eigentum: Schutzrecht oder Ausbeutungstitel?*, Berlin/Heidelberg: Springer 2008; R.M. Hilty, *Sündenbock Urheberrecht?*, in: A. Ohly/D. Klippel (eds.), *Geistiges Eigentum und Gemeinfreiheit*, Tübingen: Mohr Siebeck 2007, p. 111; R.M. Hilty/A. Peukert, *Interessenausgleich im Urheberrecht*, Baden-Baden: Nomos 2004; C. Geiger, *Droit d'auteur et droit du public à l'information, approche de droit comparé*, Paris: Litec 2004; D. Kröger, *Informationsfreiheit und Urheberrecht*, München: C.H. Beck 2002; Th. Hoeren, *Urheberrecht in der Informationsgesellschaft, Gewerblicher Rechtsschutz und Urheberrecht* 1997, p. 866.
- 19 Cf. M. Knopp, *Fanfiction – nutzergenerierte Inhalte und das Urheberrecht, Gewerblicher Rechtsschutz und Urheberrecht* 2010, p. 28; A.C. Beunen, *De Google Book Settlement nader beschouwd en bekeken vanuit bibliotheken*, *Tijdschrift voor auteurs-, media- en informatierecht* 2010, p. 38; S. Bechtold, *Optionsmodelle und private Rechtssetzung im Urheberrecht am Beispiel von Google Book Search, Gewerblicher Rechtsschutz und Urheberrecht* 2010, p. 282; M.R.F. Senftleben, *Pacman forever – preserving van computergames*, *Tijdschrift voor auteurs-, media- en informatierecht* 2009, p. 221; N. Helberger/L. Guibault/E.H. Janssen/N.A.N.M. Van Eijk/C. Angelopoulos/J.V.J. Van Hoboken, *Legal Aspects of User Created Content* (2009), available online at <http://ssrn.com/abstract=1499333>; P.B. Hugenholtz, *De Google Book-schikking: de wereldliteratuur gelicentieerd*, *Nederlands Juristenblad* 2009, p. 2145; M. Elferink/A. Ringnalda, *Digitale ontsluiting van historische archieven en verweesde werken*, Amstelveen: deLex 2009; J.V.J. Van Hoboken, *De aansprakelijkheid van zoekmachines. Uitzondering zonder regels of regels zonder uitzondering?*, *Computerrecht* 2008, p. 15; S. van Gompel, *Unlocking the Potential of Pre-Existing Content: How to Address the Issue of Orphan Works in Europe?*, *International Review of Intellectual Property and Competition Law* 38 (2007), p. 669; D.B. Sherman, *Cost and Resource Allocation Under the Orphan Works Act of 2006: Would the Act Reduce Transaction Costs, Allocate Orphan Works Efficiently, and Serve the Goals of Copyright Law?*, *Virginia Journal of Law & Technology* 12(2007), p. 13.
- 20 Not surprisingly, fair use legislation has recently been adopted in Israel. See O. Fischman Afori, *An Open Standard “Fair Use” Doctrine: A Welcome Israeli Initiative*, *European Intellectual Property Review* 2008, p. 85; G. Pessach, *The New Israeli Copyright Act: A Case-Study in Reverse Comparative Law*, *International Review of Intellectual Property and Competition Law* 41 (2010), p. 187 (189-193).
- 21 As to the drafting history of this hybrid framework for copyright exceptions, see M. Hart, *The Proposed Directive for Copyright in the Information Society: Nice Rights, Shame about the Exceptions*, *European Intellectual Property Review* 1998, p. 169; P.B. Hugenholtz, *Why the Copyright Directive Is Unimportant, and Possibly Invalid*, *European Intellectual Property Review* 2000, p. 499; D.J.G. Visser, *De beperkingen in de Auteursrechtlijn*, *Tijdschrift voor auteurs-, media en informatierecht* 2001, p. 9; F. Bayreuther, *Beschränkungen des Urheberrechts nach der neuen EU-Urheberrechtsrichtlinie*, *Zeitschrift für Urheber- und Medienrecht* 2001, p. 828; J. Reinbothe, *Die EG-Richtlinie zum Urheberrecht in der Informationsgesellschaft, Gewerblicher Rechtsschutz und Urheberrecht International* 2001, p. 733.
- 22 The criterion of “no conflict with a normal exploitation,” for instance, resembles the fourth factor of the U.S. fair use doctrine “effect of the use upon the potential market for or value of the copyrighted work.” In fact, the drafting history of the three-step test confirms that the flexible formula has its roots in the Anglo-American copyright tradition. See observation by the United Kingdom, Doc. S/13, *Records of the Intellectual Property Conference of Stockholm June 11 to July 14, 1967*, Geneva: WIPO 1971, p. 630.
- 23 See Article 5(5) of the Copyright Directive 2001/29/EC.
- 24 Cf. M.R.F. Senftleben, *Fair Use in the Netherlands: A Renaissance?*, *Tijdschrift voor auteurs-, media- en informatierecht* 2009, p. 1, available online at <http://ssrn.com/abstract=1563986>; J. Griffiths, *The “Three-Step Test” in European Copyright Law: Problems and Solutions*, *Intellectual Property Quarterly* 2009, p. 489 (495), available online at <http://ssrn.com/abstract=1476968>; C. Geiger, *The Three-Step Test, a*

- Threat to a Balanced Copyright Law?, *International Review of Intellectual Property and Competition Law* 37 (2006), p. 683; K.J. Koelman, *De nationale driestappentoets*, *Tijdschrift voor auteurs-, media en informatierecht* 2003, p. 6. The restrictive nature and freezing effect of the EC copyright three-step test has been confirmed by the ECJ, July 16, 2009, case C-5/08, *Infopaq/Danske Dagblades Forening*. The Court, *ibid.*, para. 58, pointed out that the precisely defined exception of Article 5(1) of the EC Copyright Directive, in addition, had to satisfy the criteria of the three-step test laid down in Article 5(5).
- 25 In the case *Zienderogen Kunst*, dating back to the year 1990, the Dutch Supreme Court invoked the three-step test of Art. 9(2) of the Berne Convention to support its holding that the quotation of a work may not substantially prejudice the right-holder's interest in the exploitation of the work concerned. See Hoge Raad, June 22, 1990, *Nederlandse Jurisprudentie* 1991, no. 268 with case comment by J.H. Spoor; *Informatierecht/AMI* 1990, p. 202 with case comment by E.J. Dommering; *Ars Aequi* 40 (1991), p. 672 with case comment by H. Cohen Jehoram.
 - 26 In 2003, the Amsterdam Court of Appeals found that a parody did not harm the normal exploitation of the parodied work because it concerned a different market. See *Gerechtshof Amsterdam*, January 30, 2003, *Tijdschrift voor auteurs-, media en informatierecht* 2003, p. 94 with case comment by K.J. Koelman. In a 2006 decision concerning online advertisements reproducing the so-called "TRIPP TRAPP chair," the Court of Zwolle-Lelystad referred to the three-step test of Art. 5(5) of the Directive in the context of Art. 23 of the Dutch Copyright Act – a limitation permitting the use of certain artistic works for the purpose of advertising their public exhibition or sale. The Court found that the use in question prejudiced the exploitation interest of the rightholder. This was one of the reasons for denying compliance with Art. 23. See *Rechtbank Zwolle-Lelystad*, May 3, 2006, case no. 106031, LJN: AW 6288, *Tijdschrift voor auteurs-, media en informatierecht* 2006, p. 179 with case comment by K.J. Koelman; *Mediaforum* 2006/9 with case comment by B.T. Beuving.
 - 27 See *Rechtbank Den Haag*, March 2, 2005, case no. 192880, LJN: AS 8778, *Computerrecht* 2005, p. 143 with case comment by K.J. Koelman
 - 28 See *Rechtbank Den Haag*, *ibid.*, para. 14.
 - 29 See *Rechtbank Den Haag*, *ibid.*, para. 16-18.
 - 30 See the decision of the U.S. Supreme Court in *Sony Corporation of America v. Universal City Studios, Inc.*, 464 US 417 (1984), section IV.B: "actual harm need not be shown [...]. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists."
 - 31 See M.R.F. Senftleben, *L'application du triple test: vers un système de fair use européen?*, *Propriétés intellectuelles* 2007, p. 453.
 - 32 See *Rechtbank Den Haag*, June 25, 2008, case 246698, LJN BD5690, *Tijdschrift voor auteurs-, media en informatierecht* 2008, p. 146 with case comment by C.B. van der Net.
 - 33 See the material quoted by the *Rechtbank Den Haag*, *ibid.*, para. 4.4.1.
 - 34 See *Rechtbank Den Haag*, June 25, 2008, case 246698, LJN BD5690, *Tijdschrift voor auteurs-, media en informatierecht* 2008, p. 146 with case comment by C.B. van der Net, para. 4.4.3.
 - 35 See M.R.F. Senftleben, *Privé-kopiëren in het licht van de driestappentoets – opmerkingen naar aanleiding van het vonnis van de Haagse rechtbank inzake de thuiskopie*, *Intellectuele eigendom en reclamerecht* 2008, p. 265.
 - 36 For an overview of the implementation strategies followed by EC member states, see *Institute for Information Law, Study on the Implementation and Effect in Member States' Laws of Directive 2001/29/EC on the Harmonization of Certain Aspects of Copyright and Related Rights in the Information Society*, Amsterdam: Institute for Information Law 2007, available online at www.ivir.nl.
 - 37 Cf. A. Lucas/P. Sirinelli, *Chronique: Droit d'auteur et droits voisins, Propriétés intellectuelles* 2006, p. 297 (314-316); V.L. Benabou, *Patatras! A propos de la décision du Conseil constitutionnel du 27 juillet 2006, Propriétés intellectuelles* 2006, p. 240; C. Geiger, *The French Implementation of the Information Society Directive: A Disappointing Result of a Promising Debate*, *Tijdschrift voor auteurs-, media en informatierecht* 2008, p. 1; Senftleben, *supra* note 31, 453.
 - 38 Therefore, it is inconsistent to invoke legal certainty as an argument to justify the current hybrid EC concept of specific exceptions that are additionally controlled in the light of the three-step test. Nonetheless, this argument is still advanced by Lucas, *supra* note 15, 282.
 - 39 See *Cour de cassation française*, case 05-15824, February 28, 2006, *Mulholland Drive : JCP éd. G* 2006, II, 10084, with case comment by A. Lucas. For further commentary, see Geiger, *supra* note 24, 683; L.Y. Ngombe, *Technical Measures of Protection versus Copy for Private Use: Is the French Legal Saga Over?*, *European Intellectual Property Review* 2007, p. 61.
 - 40 See *Cour de cassation*, *ibid.*, JCP éd. G 2006, II, 10084.
 - 41 See *Cour d'appel de Paris*, fourth chamber B, decision of April 22, 2005, *Juris-Data n° 2005-268600*, *Mulholland Drive*, JCP éd. G 2005, II, 10126, with case comment by C. Geiger.
 - 42 See *Cour de cassation*, *ibid.*, JCP éd. G 2006, II, 10084.
 - 43 Cf. C. Geiger, *The Answer to the Machine Should Not Be the Machine: Safeguarding the Private Copy Exception in the Digital Environment*, *European Intellectual Property Review* 2008, p. 121.
 - 44 Cf. Dreier, *supra* note 4, 51; Geiger, *supra* note 4, 459.
 - 45 See *Gerechtshof Arnhem*, July 4, 2006, case no. 06/416, LJN AY0089, *Mediaforum* 2007, p. 21, with case comment by B. Beuving; *Tijdschrift voor auteurs-, media en informatierecht* 2007, p. 93, with case comment by K.J. Koelman.
 - 46 See *Rechtbank Alkmaar*, August 7, 2007, case no. 96206, *Tijdschrift voor auteurs-, media en informatierecht* 2007, p. 148, with case comment by K.J. Koelman. On procedural grounds, the judgment was annulled by *Gerechtshof Amsterdam*, December 13, 2007, case no. LJN BC0125, available online at www.iept.nl.
 - 47 See *Rechtbank Alkmaar*, *ibid.*, para. 4.14.
 - 48 See *Landgericht Hamburg*, September 26, 2008, case no. 308 O 248/07, section II.B.4. The decision is available online at http://www.openjur.de/u/30461-308_o_248-07.html.
 - 49 See *Landgericht Hamburg*, *ibid.*, section II.B.6.a. With regard to the right of quotation in German copyright law, see G. Schrickler, in: G. Schrickler (ed.), *Urheberrecht Kommentar*, 3rd edn., Munich: C.H. Beck 2006.
 - 50 See *Landgericht Hamburg*, *ibid.*, section B.I.6.d.
 - 51 See *Landgericht Hamburg*, *ibid.*, section B.I.6.d. With regard to the scope of the quotation right under the German Copyright Act, see Th. Dreier, *Thumbnails als Zitate? – Zur Reichweite von § 51 UrhG in der Informationsgesellschaft*, in: U. Blaurock/J. Bornkamm/C. Kirchberg (eds.), *Festschrift für Achim Krämer zum 70. Geburtstag*, Berlin: De Gruyter 2009, p. 225.
 - 52 See *Bundesgerichtshof*, April 29, 2010, case I ZR 69/08, p. 11-12, available online in German at www.bundesgerichtshof.de.
 - 53 See *Bundesgerichtshof*, *ibid.*, 12-13.
 - 54 See *Bundesgerichtshof*, *ibid.*, 14-15.
 - 55 See *Bundesgerichtshof*, *ibid.*, 15-19.
 - 56 See *Bundesgerichtshof*, *ibid.*, 21-22, referring to ECJ, July 16, 2009, joined cases C-236/08 to C-238/08, *Google/Louis Vuitton*

et al., available online at www.curia.eu. Cf. Directive 2000/31/EC of the European Parliament and of the Council of June 8, 2000, on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market.

- 57 For a broader overview of EC case law, see J. Griffiths, *supra* note 24, 493-499.
- 58 See Senftleben, *supra* note 24, 2-4. To reduce the harm flowing from the Copyright Directive, the EC three-step test should at least be construed flexibly. For guidelines in this regard, see C. Geiger/J. Griffiths/R.M. Hilty, Declaration on a Balanced Interpretation of the “Three-Step Test” in Copyright Law, *International Review of Intellectual Property and Competition Law* 39 (2008), p. 707.
- 59 Cf. Leval, *supra* note 7, 1111; Netanel, *supra* note 17, 381.
- 60 See U.S. Court of Appeals for the Ninth Circuit, May 16, 2007, Perfect 10, Inc. vs. Amazon.com, Fd 3d., para. 11. With regard to parody and the notion of transformative use, see also the U.S. Supreme Court decision *Campbell v. Acuff-Rose*, 510 US 569 (1994), II A: “The central purpose of this investigation is to see [...] whether the new work merely supersedes the objects of the original creation [...] or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is ‘transformative.’”
- 61 See U.S. Court of Appeals, *ibid.*, para. 12.
- 62 For instance, see United States District Court Southern District of New York, *Warner Bros. Entertainment Inc. and J.K. Rowling vs. RDR Books and Does 1-10*, case 07 Civ. 9667 (RPP), September 8, 2008, concerning the online platform “The Lexicon” offering an alphabetically organized reference guide to the Harry Potter books. Even though “The Lexicon” contained material that was held to be infringing and, accordingly, could not be defended entirely on the basis of the fair use doctrine, the Court recognized the transformative purpose of the online platform as a reference guide: “Because it serves these reference purposes, rather than the entertainment or aesthetic purposes of the original works, the Lexicon’s use is transformative and does not supplant the objects of the Harry Potter works.” See District Court of the Southern District of New York, *ibid.*, p. 44. In this way, the decision creates breathing space for user-generated reference guides to commercial productions, such as the Harry Potter books. Cf. A.J. Sanders, J.K. Rowling and The Lexicon: Warner Bros. Entertainment Inc. and J.K. Rowling v. RDR Books, et al., *European Intellectual Property Review* 2009, p. 37 (45); Knopp, *supra* note 19, 28.
- 63 Cf. the detailed discussion of different types of fair use legislation by Förster, *supra* note 14, 211-222.
- 64 As to the application of the three-step test criteria in the framework of a fair use weighing process, see K.J. Koelman, *Fixing the Three-Step Test*, *European Intellectual Property Review* 2006, p. 407; Senftleben, *supra* note 16, 10. However, see also the conclusions drawn by Griffiths, *supra* note 24, who doubts that the three-step test offers an appropriate basis for the enhancement of flexibility in the area of copyright limitations.
- 65 See observation by the United Kingdom, Doc. S/13, Records 1967, *supra* note 22, 630. Cf. Senftleben, *supra* note 3, 47-52.
- 66 Cf. Section 107 of the U.S. Copyright Act. With regard to the application of fair use analyses concerning the fourth factor in the context of the three-step test, see Senftleben, *supra* note 3, 184-187. Lessons for the application of an EC fair use doctrine can particularly be derived from experiences with an overly broad application of the fourth factor test. As pointed out by Leval, *supra* note 7, 1124-1125: “By definition every fair use involves some loss of royalty revenue because the secondary user has not paid royalties. Therefore, if an
- substantial loss of revenue turned the fourth factor in favor of the copyright holder, this factor would never weigh in favor of the secondary use. [...] The market impairment should not turn the fourth factor unless it is reasonably substantial. When the injury to the copyright holder’s potential market would substantially impair the incentive to create works for publication, the objectives of the copyright law require that this factor weigh heavily against the secondary user.”
- 67 See the overview provided by Senftleben, *supra* note 3, 245.
- 68 See Doc. S/1, Records 1967, *supra* note 22, 81. For a discussion of the breathing space offered by the three-step test, A. Kur, Of Oceans, Islands, and Inland Water – How Much Room for Exceptions and Limitations Under the Three-Step Test?, Max Planck Institute for Intellectual Property, Competition & Tax Law Research Paper Series No. 08-04 (2008), available online at <http://ssrn.com/abstract=1317707>; M.R.F. Senftleben, *Grundprobleme des urheberrechtlichen Dreistufentests*, *Gewerblicher Rechtsschutz und Urheberrecht International* 2004, p. 200 (206-207). For a proposal to use the three-step test as an instrument to delineate the exclusive rights of copyright owners, see D. Gervais, *Toward a New Core International Copyright Norm: The Reverse Three-Step Test*, *Marquette Intellectual Property Law Review* 9 (2005), p. 1.
- 69 With regard to the evolution of this “family” of copyright three-step tests in international copyright law, see Senftleben, *supra* note 3, 43-98; N. Dittrich, *Der Dreistufentest*, in: N. Dittrich (ed.), *Beiträge zum Urheberrecht VIII*, Wien 2005, p. 63; J. Bornkamm, *Der Dreistufentest als urheberrechtliche Schrankenbestimmung – Karriere eines Begriffs*, in: H.-J. Ahrens/J. Bornkamm/W. Gloy/J. Starck/J. von Ungern-Sternberg, *Festschrift für Willi Erdmann zum 65. Geburtstag*, Köln/Berlin/Bonn/München: Carl Heymanns 2002, p. 29.
- 70 As to the debate in the context of the WIPO “Internet” Treaties, see Senftleben, *supra* note 3, 96-98; M. Ficsor, *The Law of Copyright and the Internet: The 1996 WIPO Treaties, their Interpretation and Implementation*, Oxford: Oxford University Press 2002; J. Reinbothe/S. Von Lewinski, *The WIPO Treaties 1996: Commentary and Legal Analysis*, Butterworths 2002.
- 71 See *Agreed Statement Concerning Article 10 of the WIPO Copyright Treaty*.
- 72 For an overview of national case law applying the three-step test as a flexible standard, see Griffiths, *supra* note 24, 489.
- 73 See *Bundesgerichtshof*, February 25, 1999, case I ZR 118/96, *Juristenzeitung* 1999, p. 1000, with case comment by H. Schack. For an English description of the case, see Senftleben, *supra* note 3, 206-208.
- 74 See *Bundesgerichtshof*, *ibid.*, 1004.
- 75 See *Bundesgerichtshof*, *ibid.*, 1005-1007. Cf. P. Baronikians, *Kopienversand durch Bibliotheken – rechtliche Beurteilung und Vorschläge zur Regelung*, *Zeitschrift für Urheber- und Medienrecht* 1999, p. 126. In the course of subsequent amendments to the Copyright Act, the German legislator modeled a new copyright limitation on the Court’s decision. § 53a of the German Copyright Act goes beyond the court decision by including the dispatch of digital copies in graphical format.
- 76 See *Bundesgerichtshof*, July 11, 2002, case I ZR 255/00, *Gewerblicher Rechtsschutz und Urheberrecht* 2002, p. 963; *Juristenzeitung* 2003, p. 473, with case comment by Th. Dreier. Cf. Th. Hoeren, *Pressespiegel und das Urheberrecht*, *Gewerblicher Rechtsschutz und Urheberrecht* 2002, p. 1022.
- 77 § 49(1) of the German Copyright Act, as in force at that time, referred to “*Informationsblätter*.”
- 78 See *Bundesgerichtshof*, *ibid.*, 966-966.
- 79 See *Bundesgerichtshof*, *ibid.*, 966-967. The Court referred to the three-step test of Article 5(5) of the EC Copyright Directive 2001/29. The EC three-step test enshrined in this provision, however, does not deviate from the international three-step test.

- 80 As to the debate on the impact of the three-step test on open-ended limitations, such as the U.S. fair use doctrine, cf. Förster, *supra* note 14, 191-201; Senftleben, *supra* note 3, 133-137 and 162-168; Bornkamm, *supra* note 69, 45-46; H. Cohen Jehoram, *Restrictions on Copyright and their Abuse*, *European Intellectual Property Review* 2005, p. 359; S. Ricketson, *The three-step test, deemed quantities, libraries, and closed exceptions*, *Centre for Copyright Studies* 2003, p. 147-154; M. Leaffer, *The Uncertain Future of Fair Use in a Global Information Marketplace*, *Ohio State Law Journal* 62 (2001), p. 849; R. Okediji, *Toward an International Fair Use Doctrine*, *Columbia Journal of Transnational Law* 39 (2000), p. 75 (116-130); J.E. Cohen, *WIPO Copyright Treaty Implementation in the United States: Will Fair Use Survive?*, *European Intellectual Property Review* 1999, p. 236; T. Newby, *What's Fair Here Is Not Fair Everywhere: Does the American Fair Use Doctrine Violate International Copyright Law?*, *Stanford Law Review* 1999, p. 1633.
- 81 See WTO Document WT/DS160/R, available online at www.wto.org, para. 6.108. For comments on the report, see M.R.F. Senftleben, *Towards a Horizontal Standard for Limiting Intellectual Property Rights? – WTO Panel Reports Shed Light on the Three-Step Test in Copyright Law and Related Tests in Patent and Trademark Law*, *International Review of Intellectual Property and Competition Law* 37 (2006), p. 407; M. Ficsor, *How Much of What? The Three-Step Test and Its Application in Two Recent WTO Dispute Settlement Cases*, *RIDA* 192 (2002), p. 111; J. Oliver, *Copyright in the WTO: The Panel Decision on the Three-Step Test*, *Columbia Journal of Law & the Arts* 25 (2002), p. 119; D.J. Brennan, *The Three-Step Test Frenzy: Why the TRIPS Panel Decision might be considered Per Incuriam*, *Intellectual Property Quarterly* 2002, p. 213; J. Ginsburg, *Toward Supranational Copyright Law? The WTO Panel Decision and the “Three-Step Test” for Copyright Exceptions*, *RIDA* 2001, p. 13; P.B. Hugenholtz, *De wettelijke beperkingen beperkt. De WTO geeft de driestappentoets tanden*, *Tijdschrift voor Auteurs-, Media- en Informatierecht* 2000, p. 197.
- 82 In this sense already Senftleben, *supra* note 3, 162-168. Cf. Beebe, *supra* note 7, 549. However, see the critical comments by Förster, *supra* note 14, 197-201, on the unrestricted openness of the U.S. system. With regard to the predictability of fair use decisions, see also Nimmer, *supra* note 7, 263.
- 83 This proposal is in line with Article 5.5 of the European Copyright Code that is the result of the Wittem Project that was established in 2002 as a collaboration between copyright scholars across the European Union concerned with the future development of European copyright law. The proposed European Copyright Code of the Wittem Project is available online at www.copyrightcode.eu. With regard to national court decisions that can be regarded as precursors of the proposed development of new exceptions on the basis of the existing catalogue of precisely defined exceptions, see Hoge Raad, October 20, 1995, *Dior/Evora*, *Nederlandse Jurisprudentie* 1996, no. 682 with case comment J.H. Spoor, *Tijdschrift voor auteurs-, media en informatierecht* 1996, p. 51 with case comment F.W. Grosheide. In this decision, the Hoge Raad, *ibid.*, para. 3.6.2, held that the specific exceptions laid down in the Dutch Copyright Act did not necessarily exclude the further delineation of the limits of copyright protection “in other cases on the basis of a comparable weighing of interests.” Cf. J.H. Spoor/D.W.F. Verkade/D.J.G. Visser, *Auteursrecht*, 3rd edn., Deventer: Kluwer 2005, p. 221.
- 84 With regard to current WIPO initiatives in the area of copyright limitations, see the overview provided in document SCCR/20/4. With regard to recent studies concerning educational activities, see documents SCCR/19/4 (Monroy Study), SCCR/19/5 (Fometeu Study), SCCR/19/6 (Nabhan Study), SCCR/19/7 (Seng Study), SCCR/19/8 (Xalabarder Study). As to the current debate on exceptions and limitations for educational activities and practices and measures for the benefit of persons with print disabilities, see documents SCCR/20/3 and SCCR/20/5. The WIPO documents are available online at www.wipo.int. Cf. N.W. Netanel (ed.), *The Development Agenda: Global Intellectual Property and Developing Countries*, Oxford: Oxford University Press 2007.
- 85 See Doc. S/1, *Records 1967*, *supra* note 22, 81.
- 86 For a concept interpreting the three-step test as a refined proportionality test, see Senftleben, *supra* note 3, 226-244. With regard to guidelines for the application of the three-step test under this premise, see Geiger/Griffiths/Hilty, *supra* note 58, 707.

Declaration on the "Three-Step Test"

Where do we go from here?

by **Reto M. Hilty**, Munich

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Abstract: The "Declaration on a balanced interpretation of the 'Three-Step Test'" as such cannot solve the problem of lacking limitations; however, it emphasizes that the existing international legislation does not prohibit further amendments to copyright law.

Nations that dispose of the political will are in a position to introduce new limitations. In addition, further international agreements focusing on new limitations may be negotiated among those countries that are ready to do so.

Keywords: Copyright, Exceptions, Limitations, Three-Step-Test, Max-Planck Declaration, Wittem Project

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- 1 It is difficult to predict what the impact of the "Declaration on a Balanced Interpretation of the 'Three-Step Test'" will be in the long run, but at least we can observe that this Declaration has become very well known in a very short period of time. However, I have come to realize during a number of discussions that the starting point of the intention of the Declaration was not always very clear. In view of that, I would like to start my short presentation with a brief summary of some of the Declaration's parameters to make sure that we are all talking about the same thing.
- 2 Most importantly, the Declaration accepts that copyright law produces important incentives for the creation and dissemination of new works. At the same time, the Declaration presupposes that copyright law aims to benefit the public interest. The public interest, however, is not well served if copyright law neglects the interests of individuals and groups in society when establishing incentives for right holders only. The Declaration therefore pleads for a balance of all interests involved. In that respect, it is substantially anchored in some provisions of international legislation. First and most relevant Article 7 TRIPS calls for the balancing of rights and obligations to the mutual advantage of producers and users. Additionally, Article 8 TRIPS not only focuses on the public interest but also on the potential abuse of IP rights. Likewise, the preamble of the WCT explicitly recognizes the need for a balance of interests between authors and the larger public, which ultimately leads to the requirement of exceptions and limitations.
- 3 Having said that, the core topic of the Declaration comes into play: The "Three-Step Test" – as it is contained in certain international treaties – aims at the prevention of a too-excessive application of limitations and exceptions. However, the problem of an excessive application of limitations and exceptions is only one side of the coin. The other side is that an application of limitations and exceptions also can be unduly narrow or restrictive. For this reason, the Declaration aims for an interpretation of the „Three-Step Test“ that makes sure that limitations and exceptions do indeed have the ability to achieve an effective balance of interests of all parties involved. This is not yet assured since there are a number of national court decisions on the one hand and WTO panel reports on the other; they mostly interpret the "Three-Step Test" in a very problematic manner. Against that background the Declaration clarifies the

relevance, the scope and the limits of the “Three-Step Test” – but nothing more. It fully recognizes, for instance, that the „Three-Step Test“ plays different roles in different national or different legislative systems. And it explicitly does not address certain issues, which is probably quite often misunderstood.

- 4 First and foremost, the Declaration does not challenge existing international legislation – neither the existence of the “Three-Step Test” as such nor the wording of the provisions in question. It merely provides a guideline for an appropriate interpretation of the “Three-Step Test”. Secondly, the Declaration does not aim for a harmonization or alignment of different domestic systems. Thirdly, and in particular, the Declaration does not impact the flexibility provided by those legal systems that are based on a fair use approach.
- 5 The Declaration as such is very short; it consists of a preamble, certain “clarifications” (in the sense of aids for interpretation) and it states six final conclusions. [Please note: The full text of the Declaration is added to this volume]. In view of the limited time available here, we will not enter into a discussion of these conclusions but directly focus on the question: “Where do we go from here” – what is the best way forward?
- 6 As we mentioned above, the Declaration has been met with widespread acceptance; I think it is safe to say that colleagues from all over the world have approached us with the request for permission to translate the Declaration into their own languages (such as Japanese, Chinese, Portuguese or Italian; see www.ip.mpg.de/ww/de/pub/aktuelles/declaration_on_the_three_step_declaration.cfm). However, the Declaration has also been criticized quite often – precisely for not addressing certain issues. Notably the representatives from threshold countries (such as e.g. Brazil) argue that the Declaration would not help their situation if limitations were missing in their national law. In fact, one may ask the question whether or not one should go one step further.
- 7 I think one can discuss this question under a number of aspects. I would like to address three of them here: First of all, we may strive for a better world, a world with a more appropriate copyright law system, at least on a theoretical level. Secondly, we may discuss how to implement such a better world on the level of international copyright legislation. Thirdly, we may – and should in view of the general scope of this conference – focus on the European level and discuss possible amendments of the *Acquis Communautaire*.
- 8 Striving for a better world in copyright law is nothing new; this has been the ambition of many legal researchers and of a number of academic projects. One of these projects is the “Wittem Project” from which a “Draft European Copyright Code” resulted – some of you might be familiar with the project, others have even been involved, like Thomas Dreier and me. We both had the privilege to deal with perhaps the most important part, namely the limitations and exceptions to copyright. [Please note: The full text of the Code is added to this volume].
- 9 Of course there are many other interesting approaches and reflections, and I only mention the “Wittem Project” as *pars pro toto*. However, what we find particularly interesting about the “Wittem” approach is that we tried to find a compromise: On the one hand the proposal is based on an explicit catalogue of limitations; on the other hand, however, we saw that such a catalogue would not be sufficient. Therefore, we introduced a kind of opening clause, which extends the scope of application of the catalogue.
- 10 Basically we formed four categories of limitations, each of them focusing on a specific rationale for introducing certain limitations:
 - ▶ Uses with minimal economic significance;
 - ▶ Uses for the purpose of freedom of expression and information;
 - ▶ Uses permitted to promote social, political and cultural objectives;
 - ▶ Uses for the purpose of enhancing competition.
- 11 In every category the proposal explains in quite a detailed manner which permitted uses there could be by explicitly mentioning concrete examples. We cannot go into detail here, but the most important aspect in this context certainly is the already mentioned opening clause stating that beyond the uses explicitly allowed, further uses would be permitted under certain conditions.
- 12 The charming thing about this opening clause is that it does to some extent turn the “Three-Step Test” into a positive reading. At the same time it does not replace the traditional continental European approach; it does not lead to a mere “fair use-system” without any guidelines (which, by the way, is also not the U.S.-American approach). Rather, the range of the opening clause is limited by referring to concretely enumerated limitations. In other words, the application of the opening clause requires an analogy of sorts to existing statutory provisions.
- 13 In addition, the suggested provision for an opening clause clarifies the “Three-Step Test”, on the one hand by mentioning the different types of right holders (namely original and subsequent); on the other hand it includes the interest of third parties, which is missing in all versions of the copyright “Three-Step

Test”. Therewith, the provision comes in line with the “Three-Step Test” provisions we know from industrial property law.

- 14 Now, assuming that we might agree on an amendment of copyright legislation – either based on the “Wittem” approach or on another one – the question obviously is what leeway we might have for legislative action. This question arises on both the international and European levels.
- 15 On the international level, one option would of course be to introduce mandatory limitations in addition to the (only) one we already have, namely the right to quotation. However, it is difficult to imagine that such a way forward would be accepted. Countries requesting more limitations, for instance by calling for an amendment of the WIPO treaties, most probably would be blocked, notably by the U.S., but certainly also by European countries and by the EU as such.
- 16 However, changing existing international treaties is probably not the only way forward available to us. Countries desiring more limitations are free to help themselves. If the “Three-Step Test” is interpreted correspondingly in the Declaration, the introduction of new – and even mandatory – limitations on the level of national legislation is indeed allowed. In fact, doing so might sufficiently help in the situation of the countries concerned, similar to the possibility of a – unilateral – introduction of compulsory licenses in patent law in view of individual national purposes of the countries concerned. Why shouldn’t they be able to do so in copyright law?
- 17 But the countries concerned could even go one step further. Article 20 of the Berne Convention allows for “Special Agreements Among Countries of the Union”, provided that such provisions are not contrary to the Berne Convention. This is indeed the case – at least if we believe in the Declaration and if we conclude from it that the “Three-Step Test” does not hinder the introduction of new limitations under certain conditions which are elaborated in the Declaration.
- 18 Focusing on Europe, we all know that basically all problems of insufficient limitations are based in the InfoSoc Directive of 2001; pursuant to its Recital 32, the enumeration of these limitations is exhaustive. Additionally, the relevance of Article 5 Paragraph 5 of the Directive – containing the European version of the “Three-Step Test” – is highly disputed. In view of that, we essentially have three options (or possibly four):
 - ▶ We may aim at an amendment of the InfoSoc Directive. This, however, seems to be a rather unrealistic approach. High representatives of the Commission explicitly – and probably rightly –

say that once they reopen this “Pandora’s Box” it would never be possible to close it again. We may understand this dread if we remember the history of the Directive. It took years to conclude, and there is hardly any likelihood that the current 27 Member States would find a similar compromise again in the form we have it today (which, by the way, is by no means satisfying).

- ▶ At the same time there is a growing awareness that we have a dangerous lack of differentiation in copyright law. The Green Paper on Copyright in the Knowledge Economy reveals that the Commission might be willing to seize that challenge to some extent. The question is, however, whether this awareness as such helps. In fact, contrary to the request to amend the InfoSoc Directive, the Commission seems not to object to the suggestion that the InfoSoc Directive to some extent might be “overruled” by establishing more specific Directives insofar as specific concerns can be addressed. In other words, our community – the academic community – might be well advised to work out more concrete approaches in that respect, addressing particularly problematic fields of copyright law.
 - ▶ Thirdly, we have one further problem area on the European level: the issue of enforcement. Regarding these activities of the European legislature, the academic community has quite successfully thwarted certain proposals of the Commission. Today, we have one Directive (2004/48) focusing on civil enforcement. This Directive, however, essentially has been scaled back compared to the initial proposals of the Commission. The other branch – the Commission’s proposals focusing on a harmonization of criminal sanctions – is not included in the existing Directive, but has not been forgotten in the meantime; on the contrary, a new proposal from the Commission is expected before the summer break this year. Beyond that, fuel has constantly been added to the fire by the ACTA negotiations, in other words, the field of enforcement still is in motion, which, however, may also give rise for some hope with regard to limitations. In fact, limitations to copyright law at the end of the day are limitations to the enforcement of these rights; limitations ultimately are part of the “ceilings” discussion we currently have in order to limit the scope of IP protection.
- 19 There may of course be a fourth option, namely a unified EU copyright law. This would indeed be my favorite approach, and we do in fact deal with certain projects in that respect at the Max Planck Institute; however, I do not believe that this option will become viable in the near future.

- 20 To conclude, there are quite a number of options in taking further steps. It is of course true that the Declaration as such cannot solve the problem of lacking limitations. However, it at least clears the way forward. It emphasizes that based on existing international legislation nothing prohibits further amendments to copyright law. On the national level, this is an option for those countries which dispose of the political will to introduce new limitations (and which are not bound by the European InfoSoc Directive); on the European level, amendments are possible if we are willing to overcome the discussed “blockade” caused by the InfoSoc Directive. And even on the international level, further agreements may be negotiated – which also may happen without the participation of the U.S. or the EU.
- 21 To put it in a nutshell: If you believe in what the Declaration states, the problems we face today lie neither in international copyright law in general nor in the „Three-Step Test“ in particular. They simply lie in the lack of political will on the part of the stakeholders.



Unsticking the centre-piece – the liberation of European copyright law?

by Jonathan Griffiths, London
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Abstract: Following European legislative initiatives in the field of copyright limitations and exceptions, policy flexibilities formerly available to member states has been greatly diminished. The law in this area is increasingly incapable of accommodating any expansion in the scope of freely permitted acts, even where such expansion may be an appropriate response to changes in social and technological conditions. In this article, the causes of this problem are briefly canvassed and a number of potential solutions are noted. It is suggested that one such so-

lution – the adoption of an open, factor-based model similar to s 107 of the United States' Copyright Act – has not received the serious attention it deserves. The fair use paradigm has generally been dismissed as excessively unpredictable, contrary to international law and/or culturally alien. Drawing on recent fair use scholarship, it is argued here that these disadvantages are over-stated and that the potential for the development of a European fair use model merits investigation.

Keywords: Copyright, Exceptions, Limitations, Three-Step-Test, Fair use, Wittem Group

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Introduction

1 This article is based upon a paper given at the “Commons, Users, Service Providers” conference at which the *Journal of Intellectual Property Information Technology and e-Commerce* was inaugurated.¹ The paper was delivered in a stream entitled, “Limitations: the Centre-Piece of Copyright Stuck”. This striking image suggests a balancing mechanism – perhaps previously well-lubricated and freely moving – which has ground to a halt, immovably set in a single position. This seems to me to be an accurate metaphor for the current system of limitations and exceptions in European copyright law. Flexibility formerly available to member states has been greatly diminished and the law is increasingly incapable of accommodating any expansion in the scope of freely permitted acts, even where such expansion would be an appropriate response to changes in social and technological conditions. In this article, the widely-noted causes of this problem are briefly canvassed and a number of potential solutions are noted. It is suggested that

one such solution – the adoption of an open, factor-based model similar to s 107 of the United States' Copyright Act – has not received the serious attention it deserves. While the fair use paradigm has certainly been discussed in this context, it has generally been dismissed as excessively unpredictable, contrary to international law and/or culturally alien. It is argued here that these disadvantages are over-stated.

A. The problem – the centre-piece stuck

2 There has been widespread criticism of the system of exceptions² established under the *acquis communautaire*.³ This criticism has been particularly strong in respect of the legislative choices enshrined in the Information Society Directive.⁴ As is well-known, that Directive establishes a series of broadly defined rights⁵ and subjects those rights to an exhaustive, but optional, list of permissible exceptions. The application of those exceptions is constrained by the

“three-step test”.⁶ They can also generally be nullified through the imposition of contrary contractual prohibition and/or the application of technological measures. In her contribution to this edition of *JIPITEC*, Lucie Guilbault clearly indicates the negative consequences of the legislative decisions taken in drawing up the Information Society Directive. In particular, she notes the tendency towards obsolescence that inevitably arises as a result of the choice of an exhaustive list of “closed” exceptions.⁷ Martin Senftleben describes the way in which the direct application by courts of the “three-step test” in some jurisdictions exacerbates the negative features of this scheme, producing a copyright system which has neither flexibility nor legal certainty – in short, the “worst-case scenario”.⁸

3 This is a bleak picture. Nevertheless, things appear to have got even worse. In an ideal world, the Court of Justice would mitigate some of the potential disadvantages of this legislative scheme – perhaps by holding that the exceptions permissible under the *acquis* are to be interpreted broadly where appropriate (for example, to take account of the fundamental rights of users and/or the promotion of technological development) or by finding that the obligation to apply the “three-step test” under Article 5(5) of the Directive is directed at national legislatures only. Rather, to the contrary, in its judgment in *Infopaq International A/S v Danske Dagblades*,⁹ it appears to have gone out of its way to ensure that the “centre-piece” of European copyright law is more firmly stuck than ever.

4 *Infopaq* concerned a defendant media monitoring agency’s provision of its clients with summaries of selected articles from Danish newspapers. The agency used an automated process involving the scanning and temporary storage of the whole of selected articles and the more permanent storage of shorter sections of these articles. The main issues with which the Court was concerned were; (i) the interpretation of the concept of “reproduction... in whole or in part” (Art 2) and; (ii) the question of whether or not the defence available for transient reproductions of copyright works (Art 5(1)) covered the defendant’s activities in this case. The Judgment is rich in significance for copyright lawyers and has an impact that extends beyond these points. Attention has focused on its indirect harmonisation of the “originality” standard for all forms of copyright works.¹⁰ However, it is with the general approach established by the Court to (i) the interpretation of the exceptions and limitations under Art 5 and (ii) the manner in which the question of whether or not a “reproduction [in part]” is to be answered under the Directive, with which we are concerned here.¹¹

5 In relation to the exceptions, the Court states that:

“...the provisions of a directive which derogate from a general principle established by that directive must be interpreted strictly...”¹²

6 In this instance, it is suggested that the rights granted under the Directive constitute the “general principle” and, accordingly, exceptions must be interpreted narrowly. The Court also claims that this interpretation is supported by the need for exceptions to be “interpreted in the light of Article 5(5)”.¹³ This stance effectively generalises the principle of narrow interpretation traditionally applied in certain member states and, as result, raises obvious concerns. At a fundamental level, the harmonisation by stealth of this important aspect of copyright law – not covered in the Directive itself – is undemocratic. Some jurisdictions within Europe have, to date, operated a very different interpretative rule in this context.¹⁴ Apart from this concern about process, there are also a number of substantive objections that can be levelled at the decision. Most obviously, where a particular exception is supported by the fundamental rights of users or members of the public (news reporting, parody or quotation are potential examples), narrow interpretation seems inappropriate.¹⁵ More generally, however, the adoption of such a dogmatic approach seems unwise. The circumstances regulated by copyright law are very diverse and deserve a graduated range of solutions. A rule that was developed in a traditional setting in which the interests of authors could generally be supported by the claims of high creativity no longer seems appropriate in a world in which rights have proliferated and overlap with one another. This conclusion even appears to have been reached on occasion already by courts within the “author’s right” tradition.¹⁶ In the face of rapidly changing technological conditions, it seems foolhardy to set in place a firm predisposition in favour of one party to disputes in all circumstances.

7 The Court’s reliance upon the “three-step test” in support of its decision on this issue is also misplaced. It confuses legal mechanisms with quite different functions.¹⁷ Under the Berne Convention and the TRIPS Agreement, the function of the “three-step test” is to constrain the powers of national legislatures to introduce exceptions that do not satisfy its conditions.¹⁸ Arguably, under Art 5(5) of the Information Society Directive, this role has been extended to prevent *judges* from “applying” exceptions in a manner that does not satisfy the “test”.¹⁹ Nevertheless, even in this extended role, its function is not the same as a principle of narrow interpretation that obliges courts to construe exceptions in a manner that favours right-holders. At no point in the drafting history of any version of the “three-step test” is it suggested that the “test” was designed to serve this role.

8 It would appear that, in laying down a rule of narrow interpretation, the *Infopaq* judgment has exacerbated the difficulties outlined at the beginning of

this article.²⁰ However, this may not be its only negative consequence. The Court’s decision on the appropriate method of determining whether a defendant has reproduced a work “in whole or in part” may also remove residual flexibility from the European copyright system. On this issue, the Court held that:

“...[T]he reproduction of an extract of a protected work...is such as to constitute reproduction in part within the meaning of article 2 of directive 2001/29, if that extract contains an element of the work which, as such, expresses the author’s own intellectual creation...”²¹

- 9 This statement emphasises the link between the threshold for the acquisition of copyright in the first place and the analysis of infringement. A reproduction will only infringe copyright where it contains an element of the protected creativity. On the face of it, this appears uncontroversial to a copyright lawyer.²² It seems highly likely that such an investigation of the relationship between the “input” of a creator and a defendant’s “taking” would form a part of the traditional approach to the analysis of infringement in all member states.²³ However, if the Judgment is to be interpreted as holding that this is the *only* relevant criterion for determining whether an infringement in part has occurred, it may have significant consequences. In Germany, for example, in applying the “free use” provision,²⁴ courts consider not only the extent to which an author’s “input” has been “taken” by a defendant, but also the extent of a defendant’s “additions” to a work. While this approach to the question of infringement is not directly addressed by the Court in *Infopaq*, it seems hard to reconcile the Judgment with such doctrines. If this analysis is accurate, *Infopaq* will have stuck the “centre-piece” yet more firmly again.

B. Potential solutions – unsticking the centre-piece

- 10 How then can “balance”²⁵ and flexibility be restored to the system of copyright exceptions in Europe? One obvious step would be to review and redraft the existing list of exceptions as appropriate. Unfortunately, there are a number of obvious obstacles to such a project. First, the legislative process in this area is notoriously violent and slow. Secondly, a number of jurisdictions have only recently implemented the requirements of the Information Society Directive and thus seem unlikely to be keen to consider another substantial overhaul of the system. Thirdly, in the face of constant technological development, such a review process would need to be regularly repeated.
- 11 Several other proposals for restoring “balance” to the system have been advanced. These suggestions address one or more of the features of the *acquis* that

contribute to its current state of sclerosis. It has, for example, been proposed that the systemic imbalance arising from the fact that, in most member states, exceptions can be over-ridden by contractual provision could be addressed if some – or all – exceptions and limitations were designated as imperative.²⁶ Similarly, it has been suggested that more effective protection against the by-passing of exceptions through technological measures should be implemented²⁷ and that the “three-step test” enshrined in Art 5(5) should be interpreted in a more “balanced” manner than has sometimes been the case,²⁸ thus mitigating the “worst-case scenario” described by Senftleben.

- 12 These proposals all advance remedies for specific problems that contribute to the overall calcification of the system described above. A number of ideas for more comprehensive realignment of the European copyright system have also been made. It has, for example, been argued that the law should more effectively recognise the fundamental rights of users and members of the public; thus allowing powerful rights, such as the rights to freedom of expression, information and privacy, to counter-balance the recent tide of right-holder-focused developments.²⁹ These suggestions are important and valuable. However, none provides a comprehensive solution to the structural problem of inflexibility. Even the intervention of fundamental rights is unlikely to provide guidance in certain areas in which new questions about the application of copyright law arise.
- 13 There have, however, also been proposals for change at this structural level. For example, the Wittem group³⁰ has published a draft European copyright code as a model or reference tool for future harmonisation initiatives.³¹ In this draft code, a re-drafted (and mandatory) list of specific exceptions and limitations is proposed.³² Several of the exceptions are drafted in a relatively open manner, enabling a flexible judicial response to changing circumstances.³³ The draft code also includes an open “meta-exception” covering:
- “Any other use that is compatible to the uses enumerated...is permitted provided that the corresponding requirements of the relevant limitation are met and the use does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author or right-holder, taking account of the legitimate interests of third parties.”³⁴
- 14 This proposed provision seems to be directed at national legislators, allowing the creation of new exceptions where such exceptions would (i) be “compatible” with existing statutory exceptions and (ii) comply with a redrafted, less restrictive, version of the “three-step test”. Its rationale is set out as follows:

“[The chapter of the code covering exceptions] reflects a combination of a common law style open-ended system of limitations and a civil law style exhaustive enumeration. On the one hand, the extension to similar uses provides the system with a flexibility which is indispensable in view of the fact that it is impossible to foresee all the situations in which a limitation could be justified. On the other hand, the possibility of flexibility is narrowed down in two ways. Firstly, the extension applies to uses “similar” to the ones expressly enumerated ... Thus, a certain normative effect is bestowed on these examples ... Secondly, such similar uses may not conflict with the normal exploitation of the work and not unreasonably prejudice the legitimate interests of the author or rightholder, taking account of the legitimate interests of third parties.”³⁵

- 15 If such a provision were to be introduced, the added flexibility that it bestows may be valuable in allowing a relatively rapid, and proportionate, response to altered circumstances. However, if it is directed solely at legislatures, either at national or at European, level, any flexibility will be significantly reduced because users would still depend upon the slow-moving and heavily lobbied legislative process.
- 16 Some copyright scholars have taken an extra step by proposing flexible instruments directed at the judiciary, rather than simply at the legislature. It has, for example, been argued that, in appropriate cases, a judge should have the power to permit use of a copyright work where such use is not covered by an existing statutory exception.³⁶ For example, within Europe, Martin Senftleben has suggested that:

“To allow new internet industries to develop and take advantage of their economic potential, sufficient breathing space for copyright limitations is indispensable...Given these challenges, the time seems ripe to turn to a productive use of the three-step test. Instead of employing the test as a straitjacket of copyright limitations, modern copyright legislation should seek to encourage its use as a refined proportionality test that allows both the restriction and the broadening of limitations in accordance with the individual circumstances of a given case. The adoption of a fair-use system that rests on the flexible, open criteria of a conflict with a normal exploitation and an unreasonable prejudice to legitimate interests would pave the way for this more flexible and balanced application of the test.”³⁷

- 17 Such a fair use-type provision would undoubtedly inject flexibility into the system. It is noteworthy, however, that Senftleben, and others who have advanced similar ideas, generally propose that normative constraints upon this flexibility should derive from the terms of the “three-step test” (or at least the second and third elements of this “test”) rather than from the adoption of a list of factors, as in the US fair use

doctrine. In so doing, they modify the function of the “test” from negative constraint to positive mechanism – effectively permitting all uses which do not conflict with the conditions of the “test”.

- 18 The application of the “three-step test” formula in this context has obvious advantages. Its terms are internationally recognised and it may prove more politically acceptable in Europe than the US fair use model. However, as I have argued elsewhere³⁸, its application in this context is problematic. In its original function, it serves a restrictive role, constraining the potential expansion of free uses of copyright works. Thus, even if it were to be interpreted in an appropriately “balanced” manner, it does not seem the obvious mechanism for introducing greater open-ended flexibility in the European system. Furthermore, it provides almost nothing in the way of normative guidance. The “test” has little in the way of settled meaning and, when applied in national courts, has served only to provide *ex post facto* justification for decisions arrived at by other means.
- 19 In these circumstances, it is strange that commentators have not explored more whole-heartedly the obvious alternative mechanism for injecting greater flexibility into the European copyright system – the adoption of a factor-based fair use doctrine based on the US model. It is often suggested that fair use may hold valuable lessons³⁹ and legislators in several other jurisdictions have recently chosen to take advantage of its model. However, commentators have generally steered clear of recommending the full-scale transposition of a fair use doctrine in the European context.⁴⁰ Can this reluctance be justified?

C. The fair use model – the question of unpredictability

- 20 The terms of the fair use provision under US copyright law are well-known:

Notwithstanding the provisions of sections 106 and 106A the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include-

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.⁴¹

21 This section is a codification of a pre-existing, judge-made doctrine and stands alongside a long list of other, explicitly defined, “closed”, exceptions. Its most important feature is its “openness”. Uses falling within the provision are listed non-exhaustively and the fairness, or otherwise, of any use is determined by reference to a list of specified factors. That list is itself non-exhaustive⁴² and the relative weights of the various factors is not pre-determined. Under the terms of s 107, courts can take into account the facts of specific situations and reach an appropriate balance of interests in each instance. Under this power, US copyright law has been modified to take into account developing technological conditions and has, as a result, avoided the spectre of obsolescence haunting the European copyright regime.⁴³

22 Of course, this very flexibility is problematic. The open, factor-based enquiry is often argued to provide insufficiently clear guidance for judges and, as a result, to function purely as validating cover for subjective decision-making:

“Courts tend first to make a judgment that the ultimate disposition is fair use or unfair use, and then align the four factors to fit that result as best they can. At base, therefore, the four factors fail to drive the analysis, but rather serve as convenient pegs on which to hang antecedent conclusions”⁴⁴

23 It is sometimes suggested that such an approach to decision-making produces a level of unpredictability that not only places the rights of copyright owners in jeopardy, but also diminishes the defence’s utility for users. Where a user is uncertain whether a use is fair, he or she may be unwilling to run the risk of infringement proceedings:

“Given the vagaries of fair use doctrine, fair use thus provides a highly permeable, often merely theoretical, defense...This is certainly so for individuals and nonmarket speakers who can ill afford to risk being sued or fight a lawsuit if they are. But it also holds true for the risk-averse publishers, studios, broadcasters, and record labels that serve as speakers’ gateways to a mass audience. Copyright’s inconstant, unpredictable free speech safety valves, coupled with the high cost of litigation, have engendered a “clear it or delete it” culture in which these gateway intermediaries – and their errors and omissions insurance carriers – regularly insist that speakers obtain

permission for all potentially actionable uses, even those that do not infringe.”⁴⁵

24 It is this aspect of the law of fair use that is most frequently cited as the reason for rejecting the introduction of a fair use type model in Europe. Marie-Christine Janssens has recently written that:

“An obvious alternative to an exhaustive and closed system of exceptions would be to provide for an openly worded set of application criteria by analogy with the “fair use” system. The fair use concept certainly has some advantages as it provides for a flexible defence to copyright infringement, allows for “ad hoc” exceptions, leaves more latitude to take into account specific circumstances of the case and, very importantly, also allows for its application to new (unforeseen) evolutions. On the other hand, “fair use”...constitutes a rather intricate concept that has not ceased to challenge even IP specialists. These factors are, moreover, only guidelines and the courts are free to adapt them to particular situations on a case-by-case basis. In summary, even more than in a closed system, users in a fair use system are left at a loss as to what uses they are – or are not – allowed to make. I am therefore not unhappy that the predominant view seems to oppose the adoption of a plain concept of fair use (even though proponents keep returning to the idea).⁴⁶

25 This “predominant view” is also sometimes supported through the suggestion that the unpredictability of the fair use inquiry is not only problematic in its own right, but also prevents fair use from satisfying the “certain special case”⁴⁷ condition of the “three-step test” and thus takes the fair use defence outside international copyright law.⁴⁸

D. Questioning received wisdom

26 The problem of perceived unpredictability clearly lies at the heart of European reluctance to the apparent advantages of fair use. To what extent can this resistance be justified?

27 In considering this question, it is important to recognise at the outset that the search for a doctrine that is both perfectly flexible and perfectly foreseeable is doomed to failure. Tolerance of some degree of unforeseeability is inevitable if the sclerosis described at the outset of this article is to be addressed. Furthermore, the cliché of fair use as “the most troublesome doctrine”⁴⁹ merits closer attention. In rejecting fair use as a model, critics often do not go beyond the terms of the statutory provision itself. However, it is important to understand that judges do not have unfettered freedom in applying s 107. Over many years, a complex body of precedent has been established. For example, following decisions of the Supreme Court, fair use is harder to establish

in the case of unpublished works than in the case of published works⁵⁰ and harm to a copyright owner's market arising as a result of adverse criticism does not militate in favour of a copyright owner under s 107's fourth factor (the effect of the use on the market for or value of the work).⁵¹

- 28 Indeed, the analysis of the fourth factor by US courts demonstrates the way in which the fair use doctrine has given rise to a detailed body of sub-rules and sub-principles that exceed in precision the tools employed to resolve similar problems in many jurisdictions with less flexible systems of exceptions. For example, the perennial problem of circularity that arises in assessing the impact of a defendant's use on market and value is alleviated by the US courts' refinement, over time, of the terms of the appropriate enquiry under this factor:

"We have recognised the danger of circularity in considering whether the loss of potential licensing revenue should weight the fourth factor in favour of a plaintiff...Since the issue is whether the copying should be compensable, the failure to receive licensing revenue cannot be determinative in the plaintiff's favour...We have endeavoured to avoid the vice of circularity by considering "only traditional, reasonable, or likely to be developed markets" when considering a challenge upon a potential market."⁵²

- 29 Furthermore, through the evolution of jurisprudence, it has been established that this question is to be considered by assessing the effect on the plaintiff's market if a defendant's use were to become widespread, rather than by assessing the specific activities conducted by the defendant in the case itself. Fairness is not to be considered purely *inter partes*, but in a broader social context. The development of such a sophisticated body of complex sub-rules and factors places US jurisprudence far in advance of many jurisdictions with apparently more certain systems of exceptions.⁵³
- 30 Indeed, it has recently been suggested by some copyright scholars in the United States that criticisms of fair use doctrine on the ground of excessive unpredictability are significantly over-stated. In "An Empirical Study of US Copyright Fair Use Opinions 1978-2005",⁵⁴ Barton Beebe presents the result of a statistical analysis of all significant fair use decisions since the coming into force of the Copyright Act 1976. His results run counter to received wisdom on the application of s 107. It has, for example, been suggested that, as a result of the inherently subjective aspects of the enquiry, fair use determinations tend to be subject to a disproportionately high number of reversals by appeal courts.⁵⁵ Beebe, however, demonstrates that, with the exception of a small number of prominent cases in which such reversals and re-reversals have taken place, the fair use case law demonstrates no such disproportionate tendency.⁵⁶

Contrary to the view expressed by leading commentators, he also shows that judges do not tend to apply the fair use factors to provide post hoc rationalisation of an antecedent conclusion.⁵⁷ His overall conclusion is that:

"To be sure, the data reveal many popular practices that impair the [fair use] doctrine: courts tend to apply the factors mechanically and they sometimes make opportunistic uses of the conflicting precedent available to them. These are systematic failures that require intervention. Nevertheless, as a whole, the mass of nonleading cases has shown itself to be altogether worthy of being followed."⁵⁸

- 31 Beebe's carefully reasoned conclusions are supported by the recent work of Pamela Samuelson. In "Unbundling Fair Use",⁵⁹ she identifies a number of different categories of fair use case, including, for example, cases implicating First Amendment freedoms, cases concerning uses of copyright to promote the creation and dissemination of knowledge and cases concerning uses that Congress could not have foreseen when enacting the 1976 Act. Samuelson argues that, viewed in this systematic, categorical way, much of the criticism of fair use jurisprudence as unpredictable is revealed to be unfounded. Within particular "clusters", there are distinct patterns in decision-making. In conclusion, she recommends that:

"...judges and commentators should stop wringing their hands about how troublesome fair use law is, and look instead for common patterns in the fair use case law upon which to build a more predictable body of fair use law. Analyzing fair uses in light of cases previously decided within the same policy cluster will make fair use more rule-like without a concomitant loss in its utility as a flexible standard for balancing a wide range of interests in a wide range of situations."⁶⁰

- 32 It would appear that, in the light of this recent scholarship, traditional European resistance to the fair use model as excessively uncertain ought perhaps to be reconsidered.
- 33 The criticisms of fair use as a potential violation of international law are also not as compelling as is sometimes suggested. The doctrine has not yet been formally challenged through the mechanisms available under the Berne Convention or the TRIPS Agreement and some have, in any event, argued that the circumstances of the United States' entry into the Berne Convention may shelter the doctrine.⁶¹ Some commentators have also argued that the doctrine can be reconciled with the demands of the "three-step test".⁶² In any event, whatever the merits of the arguments for and against the compatibility of fair use with the "three-step test" (and there is something more than a little scholastic about the debate), it is worth pausing for a moment to gain a little per-

spective on the question. Is it seriously to be suggested that the carefully evolved, minutely-scrutinised body of fair use doctrine under s 107 is to be invalidated by reference to a “test” which came into being as an intentionally vague political compromise formula and whose meaning and requirements remain almost entirely uncertain. It would certainly be ironic if this were the case. Any unpredictability resulting from the open-ended nature of the fair use doctrine is dwarfed by comparison with that attributable to the impact of the uncertain “three-step test” formula.

E. Conclusion

- 34 In drawing distinctions between US and European law, it is important to avoid stereotypes. Even in jurisdictions that have an apparently “closed” approach to exceptions, important flexibilities exist. While these may not be as widely known or as structurally central as the fair use provision in United States law, they should not be overlooked when considering the possibility of incorporating a degree of flexibility within the European system. The factors taken into account under s 107 are not particularly contentious. They are precisely the sort of considerations regarded as relevant to an assessment of the justification for copyright exceptions in many copyright jurisdictions around the world. There are undoubtedly important cultural differences between the values underlying the fair use doctrine in US law and the foundations of European copyright law. The fact-based and precedent-driven judicial enquiry mandated by s 107 sits uneasily within some European judicial traditions. There is also a real concern that the flexibility and pragmatism of fair use, as applied in the United States, fails to secure the high level of protection for authors considered fundamental in many European jurisdictions. The laws of many European states have been shaped by a commitment to recognise and protect the ongoing relationship – both creative and economic – between an author and his or her work. This relationship is weakly protected under US copyright law – and plays very little role at all in the assessment of fair use under s 107.
- 35 Nevertheless, it is worth considering whether it would be possible to take account of such serious divergences of approach in recasting a factor-based, fair use provision for Europe – the “best of both worlds” as a route out of the “worst-case scenario”. This would be a major task and it is not my intention to tackle it here. However, it can at least be suggested that any such “European fair use” doctrine could be based on a modified version of the US fair use model. The relatively uncontroversial factors underpinning s 107 could be supplemented. Further factors could address issues considered to be fundamental within the European context (“the moral and economic interests of

the author of the work”) or could, taking the benefit of the US history of fair use analysis, address other significant issues (perhaps “the importance of promoting technological development” or “the need to foster competition on secondary markets”). Such a “European fair use” provision could state explicitly that it is to be applied in a manner that is compatible with European norms relating to fundamental rights and that courts may permit uses of a work in appropriate circumstances on payment of appropriate remuneration to author or right-holder. The development of such a doctrine would not only help to alleviate the inflexibility currently prevailing in the European copyright system, but may also go some way to reducing the competitive advantage that the fair use doctrine may grant the US over Europe⁶³ and would secure a degree of harmonisation with the increasing number of jurisdictions adopting fair use-type provisions around the world.⁶⁴

- 36 The idea floated here is beset with obvious difficulties. A number have been sketched above. The negotiation of the terms of any modified “European fair use” clause would be highly contentious and there would also be little point in providing such a valuable instrument to judges if, as in the case of the *In-fopaq* court, they seem determined to apply a rigid framework to the law.⁶⁵ Nevertheless, it is worth investigating the development of such a doctrine. Any obstacles to the project should be viewed against the background of the dire situation in which we currently find ourselves.

- 1 Institut für Rechtsinformatik, Leibniz Universität Hannover, March 17-18 2010.
- 2 The term “exceptions” is used throughout this article to designate provisions referred to variously in national laws as “exceptions”, “limitations”, “permitted acts”, “defences” etc. This choice is not intended to advertise a preference for an approach under which “exceptions” are to be viewed, and interpreted, as strictly limited, “exceptional”, incursions into an author or other right-holder’s right. For discussion of naming conventions and politics in this respect, see A Kur, “Of Oceans, Islands and Inland Water – How Much Room for Exceptions and Limitations under the Three-Step Test?” in Max Planck Institute for Intellectual Property, Competition & Tax Law Research Paper Series No. 08-04 (available at SSRN: <http://ssrn.com/abstract=1317707>).
- 3 Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs, Arts 5, 6; Council Directive 92/100/EEC of 19 November 1992 on rental right and on certain rights related to copyright in the field of intellectual property (codified by Directive 2006/115/EC) Art 10; Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases, Art 6; 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, Arts 5, 6(4).
- 4 Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain as-

- pects of copyright and related rights in the information society (“Information Society Directive”).
- 5 For the argument that exclusive rights have expanded in scope, see, for example, J Litman, “Billowing White Goo”, (2008) *Columbia Journal of Law & the Arts* 587; M Senftleben, “Overprotection and Protection Overlaps in Intellectual Property Law – the Need for Horizontal Fair Use Defences” in *Horizontal Issues in Intellectual Property Law: Uncovering the Matrix*, ed A Kur (Edward Elgar, 2010) 6–7. Although cf J Ginsburg, “Recent Developments in US Copyright Law – Part II, Caselaw: Exclusive Rights on the Ebb?” (2009) *Revue Internationale du Droit d’Auteur*.
 - 6 See, Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs (“Computer Programs Directive”), Art 6(3); Council Directive 92/100/EEC of 19 November 1992 on rental right and on certain rights related to copyright in the field of intellectual property (codified by Directive 2006/115/EC) (“Rental Right Directive”) Art 10(3); Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases (“Database Directive”), Art 6 (3); Information Society Directive, Art 5(5).
 - 7 L Guilbault, “Why Cherry-Picking Never Leads to Harmonisation: The Case of the Limitations in Copyright under Directive 2001/29/EC”, 1 (2010) *JIPITEC* 55.
 - 8 M Senftleben, “The International Three-Step Test: A Model Provision for EC Fair Use Legislation”, 1 (2010) *JIPITEC* 67.
 - 9 *Infopaq International AS v Danske Dagblades Forening* (C-5/08), 16th July 2009 (ECJ) [2009] ECDR 16.
 - 10 See, for example, E Derclaye, “*International A/S v Danske Dagblades Forening* (C-5/08): Wonderful or Worrisome? The Impact of the ECJ Ruling in *Infopaq* on UK Copyright Law” [2010] *EIPR* 2010 247; M Handig, “*Infopaq International A/S v Danske Dagblades Forening* (C-5/08): is the term “work” of the CDPA 1988 in line with the European Directives?” [2010] *EIPR* 53.
 - 11 On (ii), see J Pila, “An Australian Copyright Revolution and its Relevance for UK Jurisprudence: *IceTV* in the light of *Infopaq*” [2010] *Oxford University Commonwealth Law Journal* (forthcoming)
 - 12 [2009] ECDR 16, para [56].
 - 13 *Ibid*, para [58]
 - 14 see, for example, *Pro Sieben Media v Carlton UK Television* [1999] FSR 610 (CA, United Kingdom).
 - 15 C Geiger, “Implementing an international instrument for interpreting copyright limitations and exceptions” (2009) *IIC* 627.
 - 16 See, for example, *Bild-Kunst v Focus* [2005] ECDR 6 (BGH, Federal Supreme Court, Germany), para 10.
 - 17 R Hilty, “Declaration on the ‘Three-Step Test’: Where do we go from here?”, 1 (2010) *JIPITEC* 83.
 - 18 Berne Convention, Art 9(2); TRIPS Agreement, Art 13.
 - 19 For discussion, see J Griffiths, “The ‘Three-Step Test’ in European Copyright Law – Problems & Solutions” [2009] *IPQ* 428.
 - 20 In this respect, it is questionable whether the flexible application of exceptions by national courts in certain cases is in keeping with the interpretative presumptions apparently applied by the Court. See, for example, *Re the Supply of Photocopies of Newspaper Articles by a Public Library* [2000] *ECC* 237 (Supreme Court, Germany); *ProLitteris v Aargauer Zeitung AG* (2008) 39 *IIC* 990 (Federal Court, Switzerland); *Buren* (2005) *IIC* 869 (Supreme Court, France); *Dior v Evora* 1996 *NJ* 682 (Supreme Court, Netherlands).
 - 21 [2009] ECDR 16, para [48.]
 - 22 Although others may harbour doubts about the idea of identifying “creativity” within specific aspects of a work.
 - 23 For example, in the United Kingdom, the House of Lords adopted a very similar approach to the one described here in its decision in *Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2000] 1 *WLR* 2416.
 - 24 Copyright Act 1965, Art 24.
 - 25 For criticism of the “balance” metaphor in intellectual property law, see G Dinwoodie, “The WIPO Copyright Treaty: Transition to the Future of International Copyright Lawmaking?” [2007] *Case Western Reserve Law Review* 751; A Drassinower, “From Distribution to Dialogue: Remarks on the Concept of Balance in Copyright Law” [2009] *Journal of Corporation Law* 991.
 - 26 See, for example, M van Eechoud et al, *Harmonizing European Copyright Law – the Challenges of Better Lawmaking* (Kluwer Law International, 2009) 106–109.
 - 27 See, for example, M-C Janssens, “The Issue of Exceptions: Reshaping the Keys to the Gates in the Territory of Literary, Musical and Artistic Creation” in *Research Handbook on the Future of EU Copyright*, P Torremans ed (Edward Elgar, 2009) 340–344.
 - 28 “Declaration on a Balanced Interpretation of the ‘Three-Step Test’ in Copyright Law” (2008) 39 *IIC* 707; See also C Geiger, J Griffiths & R Hilty, “Towards a Balanced Interpretation of the ‘Three-Step Test’ in Copyright Law [2008] *EIPR* 489. The Declaration is discussed in H He, “Seeking a Balanced Interpretation of the Three-Step Test: an Adjusted Structure in View of Divergent Approaches” [2009] *IIC* 274; R Wright, “The ‘Three-Step Test’ and the Wider Public Interest: Towards a More Inclusive Interpretation [2009] *Journal of World Intellectual Property* 600; W Patry, “The Declaration on the Three-Step Test” *The Patry Copyright Blog*, 23rd July 2008, <http://william-patry.blogspot.com/2008/07/declaration-on-three-step-test.html>; see M Ficsor, “The ‘Three-Step Test’ – *De Lege Lata* – *De Lege Ferenda*”, paper delivered at the Fordham International Intellectual Property Law and Policy Conference, Cambridge 2009, <http://iplj.net/blog/page/2/>; A Lucas, “For a Reasonable Interpretation of the Three-Step Test” [2010] *EIPR* 277.
 - 29 See, for example, C Geiger, “Fundamental Rights, a Safeguard for the Coherence of Intellectual Property Law” [2004] *IIC* 268
 - 30 A group of prominent copyright scholars drawn from across the European Union.
 - 31 www.copyrightcode.eu
 - 32 See Chapter 5.
 - 33 See, notably, Art 5.4
 - 34 Art 5.5.
 - 35 The Wittem Project, *European Copyright Code* 19, n 48.
 - 36 This, within a relatively limited sphere, is an inherent aspect of the proposals of those scholars who suggested an enhanced role for the doctrine of abuse of rights or of those who argue that fundamental rights ought to be more fully recognised.
 - 37 M Senftleben, “Fair Use in the Netherlands – a Renaissance?” [2009] *AMI* 1, 7. See also, A Christie, “Fine-tuning the System: the Role of Limitations”, paper delivered at ATRIP Congress, 21st–23rd July, 2008; D Gervais, “Towards a New Core International Copyright Norm: the Reverse Three-Step Test”, (2005) 9 *Marquette IP Law Review* 1, 32. Most recently, see M Senftleben, “Overprotection and Protection Overlaps in Intellectual Property Law – the Need for Horizontal Fair Use Defences” in *Horizontal Issues in Intellectual Property Law: Uncovering the Matrix*, ed A Kur (Edward Elgar, 2010).
 - 38 J Griffiths, “The ‘Three-Step Test’ in European Copyright Law – Problems & Solutions” [2009] *IPQ* 428.
 - 39 See, for example, K J Koelman, “Fixing the Three-Step Test” [2006] *EIPR* 407, 410.
 - 40 See, for example, M-C Janssens, “The Issue of Exceptions: Reshaping the Keys to the Gates in the Territory of Literary, Musical and Artistic Creation” in *Research Handbook on the Future of EU Copyright*, P Torremans ed (Edward Elgar, 2009) 338.
 - 41 This final paragraph was added in 1992. See Fair Use of Unpublished Works Act, Pub L No 102-492, 106 Stat 3145 (1992); HR Rep No 102-836, at 8 (1992).

- 42 Although courts have not tended to give great weight to factors falling outside the listed four.
- 43 For notable examples, see *Sega Enters Ltd v Accolade Inc* 977 F 2d 1510 (9th Cir, 1992); *Field v Google Inc* 412 F Supp 2d 1106 (D Nev, 2006); *Perfect 10 v Amazon, Inc* 487 F 3d 701 (9th Cir, 2007).
- 44 D Nimmer, “Fairest of them All and Other Fairy Tales of Fair Use” 66 *Law & Contemp Probs* 263 (2003) 281.
- 45 N Netanel, *Copyright’s Paradox* (Oxford University Press, 2008) 66 (footnote omitted).
- 46 M-C Janssens, “The Issue of Exceptions: Reshaping the Keys to the Gates in the Territory of Literary, Musical and Artistic Creation” in *Research Handbook on the Future of EU Copyright*, P Torremans ed (Edward Elgar, 2009) 338 [fns omitted]
- 47 See, for example: R Okediji, “Toward an International Fair Use Doctrine” (2000) 39 *Columbia Journal of Transnational Law* 75, 116-30; H Cohen Jehoram, “Restrictions on Copyright and Their Abuse” [2005] *EIPR* 359 (“If ever the antiquated American ‘fair use’ would be contested for a TRIPs Panel, its fate would, I think, be sealed.” 362); G Dworkin, “Copyright, The Public Interest and Freedom of Speech: A UK Copyright Lawyer’s Perspective” in *Copyright and Free Speech*, J Griffiths & U Suthersanen (eds), (OUP, 2005) 153, 162 (“...[I]t is difficult to see how, in many cases, a fair use defence, which normally means a free use defence, cannot conflict with the normal rights of a copyright holder.”); R Burrell & A Coleman, *Copyright Exceptions: The Digital Impact* (Cambridge University Press, 2005); J Reichman, “Universal Minimum Standards of Intellectual Property Protection under the TRIPs Component of the WTO Agreement” (1995) 29(2) *International Lawyer* 345, 369; S Ricketson, *WIPO Study on Limitations and Exceptions of Copyright and Related Rights in the Digital Environment* (Geneva: WIPO, 2003); S Ricketson, “The three-step test, deemed quantities, libraries and closed exceptions” (Centre for Copyright Studies, 2003), 147-154; T Newby, “What’s Fair Here is not Fair Everywhere: Does the American Fair Use Doctrine Violate International Copyright Law?” (1999) *Stanford LR* 1633; P Geller “Can the GATT Incorporate Berne Whole?” [1990] *EIPR* 423. At the time of its adherence to TRIPs, the US Government’s view was that fair use was compatible [“Article 13 of [TRIPs] widens the scope of...[Article 9(2) Berne] to all exclusive rights in copyright and related rights, thus narrowly circumscribing the limitations and exceptions that WTO member countries may impose. This approach is consistent with s 107 of [US Copyright Act] relating to fair use of copyrighted works.” (Uruguay Round Agreements Act, Statements of Administrative Action in Relation to Intellectual Property Rights. H R Doc 103-316, 103 Cong 2d Sess 656.)]. Some commentators have argued that it is through the balancing act required under the fair use defence that the law of the US secures compliance with the three-step test. Dan L Burk and Julie E Cohen, “Fair Use Infrastructure for Rights Management Systems” (2001) 15 *Harvard Journal of Law and Technology*.
- 48 There may be other tensions between the fair use doctrine and the apparent demands of the “test”. It may, for example, also be argued that the fair use defence has the capacity to exempt uses of copyright works in circumstances that “conflict with a normal exploitation” of a work or “unreasonably prejudice the legitimate interests” of the author of a work and thus to violate the second and/or third “steps” of the “test”. For example, under the WTO Panel’s interpretation of the second “step”, an exception will violate the “test” where it allows a defendant to deprive a right-holder of a potentially licensable market. If this is correct, certain applications of the fair use doctrine seem questionable. While “the effect of the use upon the potential market for or value of the copyright work” is a very significant factor in the balancing exercise required under s 107, it is not a paramount consideration. Thus, for example, in the Supreme Court’s most recent decision on fair use (*Campbell v Acuff-Music Inc* 510 US 569 (1994)), it was emphasised that a negative impact on the right-holder’s market arising as a result of the defendant’s use did not render that use presumptively unfair. Furthermore, under certain versions of the “three-step test”, an exception is not permitted unreasonably to prejudice the legitimate interests of the author of a work. Those interests may include non-economic, moral interests. However, under the “fair use” doctrine, the interests of the author, as distinct from the holder of the economic rights in the work, generally carry no weight in the balancing of values conducted under s 107. See, further, S Ricketson, “The three-step test, deemed quantities, libraries and closed exceptions” (Centre for Copyright Studies, 2003), 147-154
- 49 *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1930)
- 50 See *Harper & Row, Publishers Inc v Nation Enters* 471 US 539 (1985)
- 51 *Campbell v Acuff-Rose Music Inc* 510 US 569 (1994),
- 52 *Ringgold v Black Entertainment Television Inc* 126 F 3d 70 (1997) para 49.
- 53 Compare, for example, the rather undisciplined approach of some courts in the United Kingdom to the much more restrictive “fair dealing” provisions to be found in the CDPA 1988. See J Griffiths, “Comparative advertising and celebrity photographs: fair dealing under the CDPA 1988” [2006] *JILPL* 515.
- 54 (2008) *University of Pennsylvania L Rev* 549.
- 55 *Ibid*, 574.
- 56 *Ibid* 574-5.
- 57 *Ibid* 582-591.
- 58 *Ibid* 622.
- 59 77 *Fordham Law Review* 2537 (2009)
- 60 *Ibid*, 2621.
- 61 For discussion, see R Okediji, “Toward an International Fair Use Doctrine” (2000) 39 *Columbia Journal of Transnational Law* 75.
- 62 See 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, 2004) 167-8 and “Declaration on a Balanced Interpretation of the ‘Three-Step Test’ in Copyright Law” (2008) 39 *IIC* 707, 3.
- 63 Google’s reliance on fair use to shelter its activities provides a potential example of the way in which the doctrine may foster innovative business models.
- 64 Recently, versions of the fair use doctrine have been adopted in Singapore (see N Loon, “Exploring Flexibilities within the Global IP Standards” [2009] *IPQ* 162) and Israel (see OF Afari, “An Open Standard ‘Fair Use’ Doctrine”: a Welcome Israeli Initiative” [2008] *EIPR* 85). Japan and South Korea are currently exploring “fair use”-type initiatives. See Y Chang, “Debates on Introduction of ‘Fair Use’ to the Copyright Act of Japan & Korea. Do Japan and Korea need Fair Use?” (2010) 3 *Quarterly Review of Corporation Law & Society* 282; T Ueno, “Rethinking the Provisions on Limitations of Rights in the Japanese Copyright Act – Towards a Japanese-style ‘Fair Use’ Clause” *AIPPI Journal*, July 2009, 159.
- 65 For an argument that courts’ inherent conservatism may render the apparent flexibility of a fair use provision illusory, see R Burrell & A Coleman, *Copyright Exceptions: The Digital Impact* (Cambridge University Press, 2005) 249-275.

Governance of Massive Multiauthor Collaboration

Linux, Wikipedia, and Other Networks: Governed by Bilateral Contracts, Partnerships, or Something in Between?*

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Abstract: Open collaborative projects are moving to the foreground of knowledge production. Some online user communities develop into long-term projects that generate a highly valuable and at the same time freely accessible output. Traditional copyright law that is organized around the idea of a single creative entity is not well equipped to accommodate the needs of these forms of collaboration. In order to enable a peculiar network-type of interaction participants instead draw on public licensing models that determine the freedoms to use individual contributions. With the help of these access rules the operational logic of the project can be implemented successfully. However, as the case of the Wikipedia GFDL-CC license transition demonstrates, the ad-

aptation of access rules in networks to new circumstances raises collective action problems and suffers from pitfalls caused by the fact that public licensing is grounded in individual copyright.

Legal governance of open collaboration projects is a largely unexplored field. The article argues that the license steward of a public license assumes the position of a fiduciary of the knowledge commons generated under the license regime. Ultimately, the governance of decentralized networks translates into a composite of organizational and contractual elements. It is concluded that the production of global knowledge commons relies on rules of transnational private law.

Keywords: Governance, Collaboration, Multi-Author, Open Content, Open Source, Commons, Wikipedia, Networks, Access, Licensing, GPL

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A. Open collaborative production

1 Open collaborative projects flourish. And they are revolutionizing our understanding of innovation and production practices. In the 1930s, Joseph Schumpeter placed producers at the center of economic development, saying: "It is ... the producer who as a rule initiates economic change, and consumers are educated by him if necessary."¹ For decades, this "producers' model" shaped economic and organi-

zation studies. But the economic viability of this model is linked to certain conditions. As the costs for design and communication decline due to new technologies,² innovation by single users and open collaborative innovation compete with and even displace (closed) producer innovation in parts of the economy.³ Also we experience combinations of these forms, as some of the most compelling examples of peer production seem to be *hybrids* of firms and informal patterns of coordinated behavior.⁴

- 2 Open collaborative projects involve users and others who share the work of generating a design and also reveal the outputs from their individual and collective design efforts openly for everyone to use. Such projects can evolve when a task can be partitioned into smaller modules that can be worked on independently and in parallel. Then each participant incurs the cost of doing some fraction of the work but obtains the value of the entire design, including additions and improvements generated by others.⁵ This holds true especially for online, massive multi-contributor (MMC) projects such as OSS projects and Wikipedia (“knowledge-sharing projects”) that I want to focus on.
- 3 Characteristic for these projects is that the participants use private ordering to construct a public knowledge good. Whereas for markets such public goods present a problem, it should be recognized that from the perspective of another social institution – the “network” – they are not problematic at all but instead are essential for its proper function. As for markets, the law has developed legal forms and rules for ordering. But what about legal rules for networks? Is interaction in networks governed by the law of contract, by the law of partnerships, or by “something in between”?⁶
- 6 The differentiation between primary rules for access and policy is important since the individual nature of property rights causes constraints for collective decision on access rules, whereas policy rules do not have constraints of such kinds. These constraints result from the strategy to use copyright and licenses to build a realm of free knowledge. Through such an approach, the open access movement may actually reinforce the property discourse as a conceptual framework.⁹ As the Wikipedia license migration will demonstrate, the use of licenses to craft freedom may in turn affect the meaning of that freedom. The question is how far traditional intellectual property law shall influence the crafting of a “simulated public domain.”¹⁰

B. Elements of governance for a massive multiauthor collaboration project

- 4 In the past, scholarship has emphasized the character of MMC as a spontaneous order with participation on an ad hoc basis.⁷ Less attention has been paid to the fact that some of the most important examples of MMC are *long-term* projects. This temporal aspect has implications for their legal governance.
- 5 In the following it is argued that governance of MMC projects requires three different types of rules:
 - ▶ “Access rules” that determine the freedoms to use individual contributions. Such rules create a knowledge commons.
 - ▶ “Policy rules” that define standards each contributor must meet in order to preserve the integrity of the complex project. They extend to rules about conduct and admissibility of contributions.
 - ▶ “Amendment rules” that allow for changing access and policy rules, either to further develop the project or to adapt it to new conditions in the environment (e.g., to achieve license compatibility). They serve as secondary rules.⁸
- 7 “Network” represents a specific kind of social interaction that *combines* the way decisions are taken on markets (by individuals that act decentralized and independent from each other) with the generation of synergies (additional rents) resulting from the pooling of knowledge that is usually possible only within the firm.¹¹
- 8 The main idea behind the concept of network is to describe the simultaneous presence of individual and collective interest pursuit, a “dual orientation” of actions.¹²
- 9 In an open collaborative project, users retain their peculiar motivation (striving for reputation, fun, etc.) and initiative (they are not obliged to contribute), and they contribute whenever they want to and whatever they regard as interesting and appropriate. Unlike in a firm, no central coordination of contributions takes place: participants do not act according to the decisions in a hierarchy, just implementing a given plan. Yet at the same time, the fruit of the individual contribution is levied for the sake of collective interest. This is achieved through the legal instrument of “copyleft” that instrumentalizes copyright in order to make it possible for others to use the contribution freely. With the help of this “socio-legal hack,” the exclusive right is not waived; instead, its function is reversed from the safeguarding of the prerogatives of the author to the safeguarding of the freedoms of the user.¹³ As a result, the right to use the contribution is dispersed to anyone.
- 10 Put in the words of property rights theory, the “authority to select” the use of a resource which normally is restricted to the owner gets decentralized.¹⁴ This is the genius of copyleft: due to the fact that now many users can decide independently on the use of one and the same resource, the chances for its creative employment, for a follow-on invention, get multiplied. The private crafting of a commons moves selection authority to the knowledge of the individ-

ual user. Networks thereby enable a discovery procedure much the same as in markets, but the access of individuals to resources is extended to much more than a single person would have at hand, much the same as in firms.¹⁵

II. Policy rules for MMC networks

- 11 According to this view, networks generally do not constitute bodies of collective action but instead link knots of decentralized decision-making. As Benkler has emphasized, drawing on *The Matrix*, “There is no spoon.” In the case of online networks there is code, interface, and the social relations they make possible. Wikis are a form of “social software,” mediating a social relation among individuals who have no pre-existing relations, and are weakly tied through a group interaction whose stickiness comes from the possibility of shared efficacy among its users.¹⁶
- 12 Nevertheless, the individual users share a common project that is defined by its own teleology. Each project displays its peculiar kind of complexity that affords some (perhaps minimal) criteria a single contribution must meet and some form of coordination among them. The question is: How is behavior coordinated in a decentralized network of participants? In a network whose only normative underpinning consists of the license users accept when they engage in the project? The answers will remain preliminary since there “currently exists no theory of collective action in a networked digital context.”¹⁷
- 13 In the case of Wikipedia, social norms are “internally” generated by the user community itself. Wikipedia users feel committed to five principles (“five pillars”¹⁸) that can be summarized as a “dedication to objective writing” and “the use of open discourse, usually aimed at consensus.”¹⁹ Wikipedia’s policies and guidelines are based on these general principles. Both instruments are intended to reflect the consensus of the community. While policies have wide acceptance among editors and describe standards that all users should normally follow, guidelines are sets of best practices that should generally be followed, though with occasional exceptions.²⁰ Wikipedia’s policies and guidelines exist to help editors determine the best course of action in a situation where there is no official authority assessing the quality of articles. Wikipedia’s arbitration plays a crucial role in framing and spelling out these principles. Although the arbitrators do not regard themselves as bound by precedent, the Arbitration Committee has compiled a list of the principles from all of its cases to date,²¹ considered by some as a kind of Wikipedia proto-Constitution.
- 14 Since all these policies and guidelines about how to deal with user-generated content (UGC) reflect just a (rough) consensus among the users, they are themselves nothing other than UGC. Thus, policies and guidelines can be edited like any other Wikipedia page. Yet edits that would imply a change to accepted practice, particularly such edits to a policy page, should be discussed in advance to ensure that the change reflects consensus. Consensus is normally reached through negotiation. In order to reach consensus in discussions on complex questions, “straw polls” have been used on Wikipedia almost since the beginning of the project. They do not form consensus but just measure it by indicating “where the community stands.” For example, recently a poll was held to determine the PD-Art policy. The reason was that in some jurisdictions, photographs that are intended to be faithful reproductions of old public domain 2D works of art (such as paintings) are entitled to copyright, whereas in others those photographs are considered to be in the public domain.²² At stake was one of the main policies of Wikimedia Commons, according to which only free content is accepted, i.e., images and other media files that can be used by anyone, anytime, for any purpose.
- 15 A closer look at the mechanisms for dispute resolution on Wikipedia reveals that arbitration focuses on bad behavior and refuses to resolve the content of the disputes it hears. The Arbitration Committee tries to filter out disruptive trolls, and bans are limited to instances of impersonation and flagrant anti-social behavior. Not everyone is happy with this divide between substance and process.²³ But it corresponds to the widely shared belief of users that truth will emerge from online dialectic. It also points to the notion (when it comes to the question of generalization) that there has to be a “fit” between the community and the possible dispute resolution tools.
- 16 In summary, over time the Wikipedia project has developed its own rules of conduct and effective ways to administer them.²⁴ The dispute resolution system brings in a mechanism to review conflicts by means of the self-generated principles and policies. Norm production thereby becomes self-reflective.

C. The amendment of access rules in MMC networks

- 17 A third category of rules comes into play when need for change of access rules occurs. Drawing on Hart’s distinction between primary and secondary rules, IP access rules are clearly an instance of primary rules since users “are required to do or abstain from certain actions.” Secondary rules instead are rules that “introduce new rules of the primary type, extinguish or modify old ones.”²⁵ Now, amendment of policy rules is built around consensus. When it comes to establishing policy rules, consented practices play a major role. Building consensus is also the procedure by which policy rules are changed. However,

consensus cannot be referred to for the amendment of access rules. One difference comes to mind immediately: a change of access rules does not just affect internally generated normativity but extends to state-granted legal rights as well. In this respect, amendment seems to require individual management of property rights. Thus, changing access rules in principal is channeled through contract. This may conflict with the needs of the collaborative project. Anyway, the set of amendment rules serving as secondary rules in the *Hartian* sense has to be differentiated, depending on what type of primary rule the amendment rules are related to. A good case study is the Wikipedia GFDL-CC license transition.

I. Wikipedia GFDL-CC license transition

- 18 With the rise of the open access movement came a variety of open license models (e.g., GFDL, CC-BY-SA, Free Art license). The idea behind this variety was to tailor the license to perfectly serve the different needs of creators and projects. Although the core freedoms protected by these licenses are similar, the licenses are incompatible with each other due to their respective copyleft. A work licensed under one free public license cannot be integrated with work licensed under a second free public license; the works cannot “interoperate.”²⁶ In consequence, the realm of free culture is being fractured. Since construction of commons by private ordering draws on the scheme of property rights, the commons run the risk of being infected by the “tragedy of the anticommons.”
- 19 Wikipedia especially was in danger of being caught in such a “license trap.” Whereas at the time of its launching GFDL was a reasonable option for open content licensing, in the meantime CC has evolved to become the *de facto standard* in this field. So the challenge was to make the millions of articles available on Wikipedia and Wikimedia’s other wikis combinable with the vast body of works outside Wikimedia that uses CC licenses.
- 20 In late 2007, Wikimedia passed a resolution asking the Free Software Foundation (FSF) to update the GFDL to allow Wikipedia and similar Wikis using the GFDL to also use the CC-BY-SA license. On November 3, 2008, FSF released a new version 1.3 of GFDL.²⁷ The primary change is the addition of section 11 on “Relicensing”: “The *operator of an MMC site may republish* an MMC contained in the site *under CC-BY-SA* on the same site at any time before August 1, 2009, provided the MMC is eligible for relicensing.” This new provision allows content already released under GFDL to also be made available under the terms of CC-BY-SA. Thus, a “dual licensing” model is implemented retroactively. Re-users are able to choose whether
- to reuse Wikipedia content under the GFDL license or the CC-BY-SA license.
- 21 According to the definitions in sec 11, an MMC is only eligible for relicensing if the GFDL-licensed work it contains was incorporated prior to November 1, 2008. This constraint is not only necessary to protect the autonomy of site operators to decide whether to relicense or not. It also complies with the key condition of the FSF to prevent GFDL-licensed software documentation from being re-licensed without the permission of the authors. The fear was that externally originated GFDL content would be bulk-imported and bulk-relicensed.
- 22 Though understandable, this eligibility provision splits up GFDL licensors in two groups: those who contributed to an MMC and those who did not (namely authors of software manuals as the original audience of the GFDL), the latter keeping their autonomy to decide for dual licensing (“*quod licet Jovi non licet bovi*”). It also required an opaque maneuver involving just the heads of FSF and Wikimedia Foundation, excluding discussion among the community: “While an earlier draft was published, the specifics of the migration process have been negotiated privately in order not to allow for such systematic bulk-relicensing by interested third parties.”²⁸ Why did FSF cooperate at all? FSF was fully aware that something unusual was going on: “Normally, these sorts of licensing decisions can and should be handled by the copyright holder(s) of a particular work. However, because Wikipedia has many copyright holders, the project needed some alternative way to accomplish this, and we’ve worked with them to provide that.”²⁹
- 23 From the perspective of the individual contributor, the license migration procedure was highly mediated: through the new release of GFDL, the one organization (FSF) afforded another organization (WMF) the right to relicense all the user-generated content on Wikipedia, affecting the rights of innumerable contributors. To be crystal clear on what sec 11 means: “Relicensing can only be done *by the operator* of such a website, not by any other party.”³⁰
- 24 The way the community was brought back in was in the form of a referendum among the users with the help of which WMF intended to get legitimation for the change.³¹
- 25 “It is expected that we will launch a community-wide referendum on this proposal, where a majority will constitute sufficient support for relicensing.”³²
- 26 Indeed, a Wikimedia-wide vote was conducted between April 12 and May 3, 2009. The poll was open to any registered user of a WMF project with at least 25 edits in the past. From a total of 17,462 votes cast, 75% were in favor of the change. Yet the final and

legally relevant decision was reserved for the *WMF Board of Trustees*: on May 21, 2009 it passed the “Licensing update approval resolution” by which it exercised its option under the new GFDL.³³

- 27 Besides the fact that the whole migration process was dominated by organizational actors (FSF and WMF), what seems confusing is that the procedure for changing policy rules was also applied to the issue of license migration. Or, put more precisely, amendment rules on policy rules were conflated with amendment rules on access rules. From the perspective of the distinctive concept of the network (as opposed to markets as well as to firms), this may seem awkward because it has to be considered that networks generally do not constitute bodies of collective action but just emerge from interaction of autonomous individuals. However, the pressure to collectivize the management of individual rights in the Wikipedia network may indicate the need to distinguish between different types of networks depending on the grade of collective elements (but still outside the framework of corporate law). The reason for a tendency to collectivization in Wikipedia seems to be rooted in the importance of commonly built knowledge goods.

II. The idea of a fiduciary for the commons

- 28 There is an obvious tension between the individualistic baseline of a network of users and the necessity of creating and protecting the commons that nourish the project. The reason is rooted in the peculiar kind of reciprocity the users must obey when they engage in the project. The individual user contributes without having the guarantee that others reciprocate. There is *no obligation of reciprocity*. Unlike in a partnership that is constituted by multilateral contracts, in a network there is no explicit and enforceable obligation to promote a common purpose. This puzzles not just the law but also economic theory.³⁴ Some contend that participants benefit from “indirect appropriation.”³⁵ In contrast, those who assume (under a Humean approach) that other-regarding preferences are fully capable of directly motivating people regard the existence of peer production rather as the result of a convention.³⁶ But neither point of view dispenses with answering the question of who is taking care of the commons in a network.
- 29 In the beginning, it might be unavoidable – and even appreciated – that a single person takes initiative. Most likely nobody would have negotiated the terms of the GPL. It was the quirky idea of Richard Stallman: a true act of foundational sovereignty that was explicitly aimed at creating the conditions for a knowledge commons. But how are the commons being protected over the course of time? How is the entirety of project-related licenses adapted to a changing environment? Who can handle the issue of *standardization* in independent licenses?
- 30 The problem is that trans-individual effects have to be addressed directly. Usually, emergent social effects are not lobbied for.³⁷ This also holds true for licenses since these effects are not mirrored in the individual interests of the licensor. Here a new idea comes into play: the idea of a steward or “fiduciary for the commons” who acts as a proxy for the public. The GNU-GPL was created on behalf of the innumerable contributors to an open software project (and ultimately on behalf of the project itself). This is underlined by the fact that the GNU-GPL is program-independent. Similarly, Wikipedia’s institutional and technological infrastructure was set up by Jimmy Wales & Co. on behalf of the public. In both examples the function of stewardship moved from a charismatic individual to a foundation and was thereby perpetuated.
- 31 In the case of GNU-GPL, the FSF explicitly acts as a license steward (see § 9(1) GPLv2). The process of developing version GPLv3 shows how serious it takes this role. Before the new version was released in June 2009, the FSF held a public consultation in the course of which four drafts were published and discussed.³⁸ Developers have free choice to relicense their programs under the new version. If they do, users will only be authorized to use the software under the conditions of version 3 since its copyleft-character makes it incompatible with version 2. If they do not upgrade, the rights of the user depend on the wording of the license notice. When it contains the “any later version” clause, the user is left the option of following the terms and conditions of either version 2 or 3 (§ 9(2)GPLv2, assuming that the new version is “similar in spirit”). When a program lacks this “indirect pointer” – as does the Linux kernel – the user has no choice but to conform to the terms of version 2. Relicensing Linux under GPLv3 would require permission from all the contributors involved – with hundreds of authors, each being a copyright holder, this will be highly unlikely to be achieved even if the protagonists decide to do so.
- 32 In order to avoid this stultifying effect for existing projects, the FSF requires each author of code incorporated in FSF’s own projects to assign the copyright to FSF so that relicensing can be done by FSF alone. Like the “any later version” license notice, the request for assigning distributed rights to one designated copyright holder is a legal instrument that allows *projects* (!) to adjust their copyrights to future needs. Apart from the problem of migrating a project to another license, copyright assignment to one central actor makes possible the enforcement of copyrights in a collaborative work with multiple authors, and it also helps to register copyrights in jurisdictions where required.³⁹ In contrast to non-FSF proj-

ects where FSF functions as a simple license steward, in its own projects the FSF assumes the position of a license fiduciary.

- 33 In the same vein but in a more generic approach, the FSFE developed a Fiduciary License Agreement (FLA).⁴⁰ As the FLA is designed to cover multiple jurisdictions under a single agreement, it lays down that the developer grants an exclusive license on his work in countries where an assignment of copyright is not possible due to the *droit d'auteur* tradition. With this model agreement, developers of FOSS projects can assign their rights to any single person or organization as fiduciary that returns a broad nonexclusive license to the developer.⁴¹
- 34 Indeed, not just independent foundations but also major open source companies demand such assignments. Here the problem of copyright fragmentation in a distributed developer network is aggravated because exploitation of code by means of dual licensing requires bundling of copyrights in a single authority that can dispose of the program as a complex whole. The downside of such copyright assignment to a commercial entity is the introduction of an asymmetry in the relationship between the company holding the copyright and all other parties that conflicts with the credo of FOSS to guarantee equal participation among users.⁴²
- 35 How did these instruments for overcoming the collective action problems in multiauthor collaborations work in the case of Wikipedia's license migration?

III. Wikipedia: Amending public licenses in MMC networks

- 36 As already mentioned, changing the access rules for a collaborative work generally implies the permission of each and every single author. In this respect, instruments of collective decision-making such as a vote among contributors cannot have any legitimacy function.⁴³ Even if there had been a higher rate of participation in the vote on the transition, myriad Wikipedia authors did not explicitly approve the relicensing of their contribution under different conditions. Also, the Wikipedia authors did not assign their copyrights to WMF nor did they provide a broad exclusive license that would have allowed WMF to relicense all the articles. By submitting text directly to Wikipedia, the author grants a non-exclusive license for reuse to the public. Thus, WMF, like the rest of the world, only would have been able to exert the rights of a non-exclusive license, but these rights do not cover the right to republish the content under a different license. Generally, only the copyright holder is entitled to do so. In short, Wiki-

pedia's licensing policy did not apply an explicit fiduciary model.

1. License revision clauses

- 37 So the only way individual authorization may have been obtained is through the GFDL. This would require that FSF acted within the limits of both the "any later version" clause in § 10 GFDLv1.2 and national copyright law when it added the relicensing clause in § 11 GFDLv1.3 which conveys on the operator of an MMC site the right to republish GFDL content under a CC license as well. The assumption was twofold: first, that moving to version 1.3 of the license was allowed under the "or any later version" terms, and second that relicensing to CC-BY-SA was allowed by GFDL 1.3.
- 38 The centerpiece of this strategy is the "future revision" clause in § 10 that reserves FSF the right to publish new versions of the GFDL. A new release affects the legal position of a copyright holder because § 10(2) grants the user the option to follow the terms of either the new or the preceding license version – irrespective of whether open licenses are construed as contractual licenses (e.g., under German law) or as bare licenses (under U.S. law).⁴⁴ Thus, by submitting a text to Wikipedia, an author has agreed in advance to multi-license his work under the present and the subsequent versions of the GFDL. Although the relicensing constructively does not take place before the moment the user decides to use the work according to the new terms, it actually occurs at the time the FSF publishes a new license version. Although it seems quite unusual that the licensee is granted the right to change the conditions of the license based on the "proposal" of a third person (FSF), this is nothing unknown to the law⁴⁵ since – and to the extent that – the third person was authorized by the licensor to make binding decisions on the content of the new license.⁴⁶
- 39 With regard to the range of authorization, two aspects in § 11 GFDLv1.3 seem problematic: (1) FSF delegates its authority to make changes of the license terms effective to another entity. (2) By making content accessible under a CC license as well, the new license terms differ significantly from the GFDLv1.2; in fact, the very idea of the GFDL revision was to facilitate the migration to a *new type* of license.
- 40 First, for the sake of foreseeability, the license agreement generally has to fix a specific license steward whose identity is determined or is at least determinable. But as long as the FSF itself determines the details of relicensing – as was done in § 11 GFDLv1.3⁴⁷ – the sub-delegation of the right to put into force new license terms to MMC site operators appears just as a part of the implementation procedure.

41 The harder question is whether the changes in GFDLv1.3 are covered by the revision clause of § 10 GFDLv1.2 – ultimately, whether the CC-BY-SA 3.0 license qualifies as a “revised version” of the GFDL. § 10(1) GFDLv1.2 requires that new versions have to be “similar in spirit.” This abstract wording is boon and bane. On the one side it may be argued that inserting § 11 acted as a bridge of legitimation. For a significant group of GFDL licensors (i.e., the Wikipedia contributors), the irrevocable publishing of material under GFDLv1.2 no longer assured “effective freedom” in creatively using their documents (cf. the preamble of the GFDL) but amounted to a “license lock in” that had the potential of impeding productive use of the text. In this perspective, amending GFDLv1.2 by adding § 11 may indeed have saved the spirit of the former version. It restores effective freedom of use for the “locked” material by opening up the door to another open content license that also has a copyleft as its core characteristic (due to the “share alike” requirement). It is thereby ensured that any modifications also remain publicly usable. To any later actual re-licensing of GFDLed material (as carried out by the site operator) then applies a slightly different test as the “similar in spirit” clause in GFDLv1.3 would have to be construed in the light of § 11.

42 On the other hand, the broad and open wording is at odds with carefully drafting and interpreting limitations of scope in licenses that must be in line with copyright.⁴⁸ The licensor must be in the position to recognize in advance which future use his work will be subject to.⁴⁹ At issue here are the limits of prior consent. Where are the limits of valid authorization? The debate on GPLv3 showed quite plainly that even similarity of spirit in one and the same license family can be a matter in question. The less obvious point is that dual-licensing is in the “spirit” of the original GFDL where the license added is crafted by a completely different organization (CC). Which way out?

43 There seem to be two alternative legal constructions to overcome the uncertainty of individual authorization: first, an interpretation of license/contract that imposes elements of objective intention on the license (or contract); second, a collectivization of property rights that subjects the individual position to the authority of the group (such as in partnerships).

2. Objective interpretation of license

44 By submitting text to Wikipedia, authors agree not just to their text being licensed to the public under GFDL and/or CC license but also accept everything else in Wikipedia’s terms of use that are – unlike the policies and guidelines – not subject to modification by the community. These terms require an author to grant “broad permissions” to the general public when contributing to “Wikimedia projects,” the

common commitment of which is to promote the idea to “freely share in the sum of all knowledge.” Thereby the contributor should be aware of the fact that his work is part of and integrated into collaborative projects that are run by WMF (sic!) and that are set up to promote a specific goal (equal participation in knowledge society) with specific instruments (open access). This requires the author to acknowledge peculiar access rules that depart in some respects from the norms of copyright. In addition to explicitly accepting an open license model, for instance, each text is subject to editing without consent of the author.

45 Following the same rationale, interpretation of the terms of use may also presume *implied terms* that supplement the agreement in the interest of making the objective of the Wikipedia project effective. Thus, the fact that the terms of use did not explicitly provide for the possibility of linking Wikipedia contributions to free content outside Wikipedia is the very reason to fill in the gap. Relicensing in order to achieve license compatibility with other open content is essential for expanding access to free knowledge. So the legal requirements for valid prior consent have to be determined in light of the fact that the author knew at the time of submission that he placed his work in the context of a collaborative project with a peculiar objective having its own inner logic.

46 This approach gets support from a view that reconstructs franchising and just-in-time networks in legal terms as “connected contracts.” These business networks pursue common projects, making use of cooperation between autonomous firms. As was shown, specific network effects – that is, not when networking seeks to profit from simple scale or collectivization advantages, but rather when added value is sought by means of the facilitation of multilateral communicative connections between network members (information, cooperation, exchange) – can only be achieved when the stipulations of each bilateral contract are dedicated to the securing of desired network effects.⁵⁰ This results in a tangible reduction in private law autonomy within individual bilateral contracts. Various social coordination mechanisms of an extra-contractual nature (e.g., mutual observation, anticipatory adaptation, cooperation, trust, self-obligation, trustworthiness, negotiations, enduring relations) give form to the overall network order, leaving their indelible mark on each bilateral contractual relationship.⁵¹ Connecting contracts in networks means that autonomous bilateral legal relationships are superimposed by emergent spontaneous orders, the peculiarities of which the law protects through heteronomous obligations – ultimately to be spelled out by the judge when he has to interpret the contracts.⁵²

- 47 If the GFDL is classified as a contractual agreement between author and user (such as under German copyright law), these insights can be transferred to Wikipedia's license regime. The online encyclopedia then appears as based on myriad connected contracts, each providing access to specific but linked text fragments. In order to unleash and protect the synergies of cooperation among contributors, legal interpretation of the license terms may assume an obligation of the licensor to agree to a relicensing that achieves interoperability with other free content and thus promotes the semantic value of the article network. At least, the law could protect the network synergies by assuming that the licensor would act in breach of good faith when he refuses permission for relicensing.
- 48 Notwithstanding such legal strategies to justify a compelling relicensing, the idea might be contemplated whether it would have been preferable to include an "opt-out" provision in the relicensing clause of the new GFDL. Such an option was indeed applied in the case of relicensing images contained in Wikipedia.⁵³ Here, a license migration template system was created and embedded at the end of each GFDL tag so that all existing GFDL images could be sorted both by bots and by humans to filter the ones eligible for relicensing. Additionally, copyright holders were explicitly encouraged to dual license their content on their own initiative, either by adding a `{{cc-by-sa-3.0}}` tag to the image description and changing the GFDL tag to `{{gfdl|migration=redundant}}` or by replacing the existing GFDL tag with `{{gfdl|migration=relicense}}` which automatically appended a CC-BY-SA tag after the GFDL tag. Presumably, WMF chose this way because images are not collaborative content but distinct stand-alone works. They lack the peculiarities of continuous editing and successive "re-creation" by the community. For exactly these reasons the opt-out strategy could not be applied to the articles in Wikipedia. They are of a highly collaborative nature and are the products of emergent networking synergies in the strict sense. Even if the gaps caused by the exercise of opt-out rights could have been filled by other contributors in the course of time, an opt-out strategy would have been incompatible with any approach that focuses on the protection of the productivity of the network.
- ### 3. Collectivization of property rights
- 49 A second approach could question the premise of individual property rights in the text corpus of Wikipedia. At least each "article" could be viewed as a collaborative effort. This would not necessarily deny the existence of individual rights to a text fragment, and especially the moral rights of an author would remain unaffected. But it would assume second order "group rights" attached to the articles as instances of collective creativity. Such a construction would replicate at the level of the encyclopedia as a linked network of articles. The main idea of this approach, therefore, would be to fill in the governance gap of relicensing uncertainty in the network by simply substituting individual for collective authority.
- 50 As a starting point, it has to be noted that copyright law is ill-adjusted to cooperation among large groups of dispersed creators. This holds true for all national legal systems as they are historically organized around the idea of a single centralized creative entity (a single person or a single corporation). The phenomenon of multiple authors is only grasped through the idea of a joint plan: where the work cannot be attributed to a single person, the law makes recourse to a single plan. At the end, the law is unable to consider the idea of distributed knowledge. The difficulties of grasping Wikipedia's collaborative creativity under German copyright law are symptomatic. The main provision for cooperative creation is sec. 8 UrhG that requires creators to pursue a joint project leading to a coherent work. This does not preclude collaborations that are created successively. But in such cases, each participant has to contribute according to a shared master plan.⁵⁴ The individual contribution must be subject to some sort of collective intentionality. This usually results in a unitary product that can be exploited as a whole. If these conditions are met, then joint ownership among the authors comes into existence by operation of law. In consequence, the authority to dispose of the work is assigned to the collective of contributors.
- 51 But the logic of Wikipedia's evolution is different. In a distributed network, there is no master plan directing the individual actions. The bulk of copyrightable content in Wikipedia consists of many original article entries written by a single author according to his personal idea and innumerable derivative works of the original contributions. Wikipedians contribute their pieces voluntarily, whenever and to whatever they personally deem appropriate. Even by considering that the legal prerequisites for joint ownership in copyright are less demanding than the criteria for regular joint ownership based on private partnership under the German Civil Code (where the partners must incur legal obligations to promote the shared objective), Wikipedia authors hardly qualify for joint ownership in the sense of sec. 8 UrhG without overstretching the idea of collective intentionality.
- 52 And even if they did qualify, what would be the consequence with regard to the problem of decision authority? The governance regime of joint ownership in copyright is very rigid. The decision to publish the collaborative work under a new license would require permission of all of the co-creators. In order to avoid this cumbersome and costly procedure, collaborators quite often set up a private partnership

and stipulate that a majority decision is sufficient.⁵⁵ Such contractually implemented governance procedures – that would be applicable to a relicensing decision – are absent in the case of Wikipedia. Here, unanimity would be required. So the idea to fill in the governance gap in MMC networks by having a look at statutory provisions for joint ownership does not solve the problem. The default rules for joint ownership in copyright law – even if applicable – redirect to the default rules for general partnerships in private law. A fruitful application of the legal notion of partnership would require an explicit multilateral contracting for majority rules. But this just did not happen in the case of Wikipedia.

- 53 Interestingly, if we stay with the default rules for copyright collaboration and partnership, we are referred back to a well-known principle: according to sec. 8(2) UrhG, a co-author may not refuse his permission for republishing the work contrary to good faith. The reasons to assume a breach of good faith will be pretty much the same as in contract law: the decision to withhold relicensing permission amounts to a frustration of the project's objective.
- 54 Finally, qualification of Wikipedia articles as “linked works” in the sense of sec. 8 UrhG also hardly seems possible. It is not only arguable whether the contributions could be exploited separately as required by this provision. First of all, a legally relevant linking only becomes effective when the contributors conclude a partnership in the sense of sec. 705 German Civil Code. Again, the copyright provision requires a preceding act of collectivization that cannot be assumed in the case of Wikipedia authors.
- 55 Dismissal of all possibilities to deduce a group right from copyright law does not mean that there is no legally relevant proximity between the right holders in Wikipedia articles. An example in which a legal system assumes obligations between independent holders of property rights is the German law on condominium, i.e., on separate ownership of individual apartments in a multiple-unit building. According to the German Federal Supreme Court, the legal relationship among the owners is to be qualified as a community *sui generis*.⁵⁶ The provisions in the German Condominium Act spell out the legal consequences of such a special relationship and impose obligations on the personal property of each homeowner with the aim to guarantee an orderly cohabitation of the multitude of owners in one and the same building and to preserve the necessary common facilities (esp. sec. 13-15 GCA). In contrast to copyright law, the collective binding of individual property rights under condominium law does not build on any collective intention of owners to pursue a shared plan, nor does it require a preceding agreement to exploit their rights collectively; the multitude of owners are regarded as a community simply by operation of law in order to facilitate inner affairs

of a group in which the individual member is *actually* dependent upon the rest and vice versa (e.g., for domestic peace). In the first instance, the obligations stated are not about taking into account the legally protected interest of other individuals, but to protect the integrity of one and the same space of interaction that is inhabited by all of the owners. Similarly, the authors of Wikipedia “inhabit” a common space of shared knowledge. Legal recognition of the “connectedness” of contributions then also would take place by assuming a special relationship (“*rechtliche Sonderverbindung*”) that imposes restrictions on the individual right holders in order to protect and even to promote the integrity of the emergent network products. Obviously, this comparative reconstruction of Wikipedia resembles much more the individualistic baseline known from the approach mentioned of seeing networks as connected contracts. Instead of drawing on any initial form of collectivization, it rather starts from the individual positions and then tries to legally recognize the emergence of the network by making recourse to the idea of sources for obligations whose legal nature is somewhere in between contract and tort.

- 56 In conclusion, at least in their present form, individual as well as collective legal concepts have difficulties grasping the special needs of open MMC projects to review their license regimes. Therefore, the network type of cooperation must receive adequate legal recognition. Anyway, it is worth noting that under both approaches a similar rationale seems to decide on the legitimacy of a relicensing.

D. Legal governance of MMC networks

- 57 In order to find the basic elements a governance regime for MMC networks such as Wikipedia should consist of, two aspects have to be combined: one is about a representative for the network's access rules, the other is about the principles this representative shall observe.
- 58 The main difference between a contractual and a group-right model pertains to the structure of decision-making. The authority to dispose of the access rules for the use of content relocates from the individual to the community. But to make collectivization operable, some form of representation of the group is necessary (even a majority rule is a form of representing the decision of “the group”). The problem of individual authorization then shifts to the issue of representation. As some propose, “rough and ready representation”⁵⁷ may be sufficient in a highly dispersed group of creators. So if the Wikipedia network of articles is reconstructed as consisting of group rights, the vote conducted on the relicensing question may have provided the required “rough

and ready” consensus of the group. WMF then just acted as a manager for the vast group of Wikipedia authors who were represented by those users participating in the vote.⁵⁸

- 59 If we come around the other way, from the individual perspective, we touch on the limits of prior consent. The problem here consists in the actualization of will against changed conditions. Again, the issue appears as one of representation. Does the shift to a dual licensing represent the “old will” of the licensor? The discussion of license and contract law demonstrated that any intent of the individual licensor has to give way to substantial objectivization, either in the form of extensive interpretation of the license, the assumption of implied terms, or heteronomous networking obligations. In fact, the only way for the individual to influence the modification of the license conditions substantively – in the sense of Hirschman’s “voice” – is to exert influence on the license steward who is exclusively authorized to change the *standard* terms. Standardization is exactly the price to be paid by an alternative to copyright that is itself based on property rights.⁵⁹ In the words of economic thought, the sovereignty of owners is traded for the reduction of transaction costs.
- 60 Indeed, both veins of analysis lead to the idea of a representative who takes care of the project’s access rules. At first glance, it may be intuitive to vest this responsibility in the group of contributors. However, the model of collective decision-making seems less convincing when the group of right holders is highly fluctuating and standards for a “rough and ready representation” seem difficult to determine if not arbitrary. Authors whose rights are affected may have contributed just once and a long time ago so that overall participation in a vote is likely to be very low. Most importantly, the copyright a contributor does acquire is not for private exploitation. From the outset, an MMC author’s copyright in a derivative work is “levied” through the copyleft for the sake of public use and common knowledge. The (public) license the copyright is subject to does not seek to protect individual profit originating from direct reciprocity but rather a kind of “diffuse reciprocity”⁶⁰ that can be regarded as characteristic for interaction in networks. This public dimension of the rights involved can be better accommodated by the bilateral approach because it counsels for a triangulation of the issue of representation. Considering that the terms of the license constitute the commons nature of the published work focus shifts automatically to the steward of the license model applied. He could be directly bound to serve the interest of the commons, much the same as managers are legally committed to act in the interest of the company that can be distinguished from and is emergent to the interests of individual shareholders. Even where no formal fiduciary agreement exists (such as in the non-FSF projects) the simple li-
- cense steward may be under a fiduciary duty. The true principal of this fiduciary relation would be the commons itself. In the case of GFDL, this approach even gets some support from the wording of the license text in which the FSF commits itself to issue only new versions that are “similar in spirit”, focusing the required loyalty to the idea of effective freedom to use the published work.
- 61 The license steward’s subjection to obligations may be justified by considering that hosting a public license is a public function. After the author has published his work irrevocably under the terms of a public license, the issuer of the license terms is the only one who is both legally entitled and in the factual position to change the license conditions. The license steward is the only authority who has access to the perpetual publicness of the license. He can dispose of the freedoms the contributors contracted for in the project. Having the authority to change the license means being able to govern the structure of interaction among the project’s participants. Absence of temporal limitations in private acts is hardly known in private law (except for the law of foundations). Private law usually presupposes limited periods of validity of contracts or of the bindingness of public offers. The problems arising from public licensing are grounded in the enterprise of re-constructing a *public* domain with the help of *private* law forms. It is crucial for the law to recognize this and to responsibly handle the public function of the license used.
- 62 In private law, the problems de facto standards raise may come closest to the challenges of public license models. Under certain conditions, competition law will apply the essential facilities doctrine with respect to the relevant product market, the access to which is controlled by the holder of the de facto standard. Competition law then may constrain the freedom of the right holder to refuse access and may even impose positive obligations to cooperate on him which normally would require a contract. Similarly, even though contractual relations between the simple license steward and the project participants are missing, the license steward may be subject to duties that arise from his actual power to influence the behavior of the users. It becomes manifest that issuing a public license is equivalent to standard setting. Maintaining a public license (which constitutes a public good) is a public function. As indicated, this public function should be acknowledged through a fiduciary relation the license steward is subject to.
- 63 In such a fiduciary model attention of the law consequently should shift to the question what loyalty to the “interest of the commons” requires. First, it seems reasonable to call for a good “corporate governance” of the license steward. Entities acting as a license steward should provide strong and stable governance structures that include the major players and that avoid the possibility of disruptive

change.⁶¹ From this perspective, independent foundations seem preferable. Other than commercial entities that act as license stewards (such as the major open source companies), foundations would have no incentive to implement an asymmetric licensing model if copyright were assigned to them; they would not be tempted to use their position as the formal holder of copyright and market the software under a non-free license in order to achieve competitive advantages. The problems can be found elsewhere: sustainable funding will be crucial to preserve the foundation's independence. Also the governance structures of such a foundation have to be absolutely transparent and permeable for critique. Due to the public function of a license steward, it might be useful to define the criteria an entity must meet in order to act as a license steward. A similar model already exists in the field of consumer protection law where directive 98/27/EC on injunctions for the protection of consumers' interests defines a "qualified entity" that may bring actions for an injunction against infringements harmful to the collective interests of consumers. In summary, the problem of network governance partially transforms into the question of good organizational governance of the public license steward.

64 Another main part of network governance in this sense is the compliance of the license steward with the rules of private law. When drafting the license text, the license steward must carefully consider general principles such as transparency and certainty. In addition, the license steward shall be guided by those rules that apply to the relations between the users of the license. For instance, the FSF may indeed implement changes whose refusal by a licensor would appear against good faith. This focus on the legal relations of those whose rights are affected by the public license – the decentralized network relations – seems essential to the public function of the license steward. Through § 10 GFDL, the usage conditions for the work of the author are subjected to a dynamic reference to the current version of the license. If the license steward exceeds his power to release new versions because those versions are not "similar in spirit," the new license version is not authorized by the right holder and does not apply to the use of his work. In consequence, the user does not have permission to use the work according to the new conditions. Litigation on this conflict would take place between the licensor and the user. For example, the right holder would bring action of copyright infringement against the user, arguing that the work was used in a way not covered by GFDLv1.2 but only by CC-BY-SA 3.0. The user, in contrast, would claim to be authorized by the new GFDLv1.3 as published by the license steward. If the user is defeated, the license steward is discredited. Even though he cannot be forced to exercise his dynamic power to change the license terms in a specific way, he would nevertheless run afoul of his pub-

lic self-commitment to stay within the limits of § 10 GFDL. Yet it is up to the licensor and user to litigate on the exact limits of the revision clause.

65 In conclusion, legal governance of MMC networks is a complex task. Governance of decentralized networks translates into a composite of organizational and contractual elements. The entity of the license steward represents a new actor at the transnational level that needs to be bound to principles of good organizational governance. However, the substantial standards that guide the exercise of his public function to shepherd the public license issued are to be taken from private law. Here the principles of transnational private law deserve special attention. Legal governance of MMC networks meets the idea of transnational private law – which in turn should open up to the peculiarities of social interaction in networks. The production of global knowledge commons is in need of a transnational law for networks.

* For instructive discussion I would like to thank Michael Grünberger, Klaas Eller, and Jürgen Fenn.

1 The Theory of Economic Development, 1934, p. 65.

2 These technologies include powerful personal computers, standard design languages, representations, and tools; the digitization of design information; modular design architectures; and low-cost any-to-any and any-to-all communication via the Internet. Cf. *Baldwin & v. Hippel*, Modeling a Paradigm Shift, MIT Sloan School Working Paper, p. 23 (available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1502864).

3 This also calls for an *adjustment of government policies* as open collaborative innovation is social welfare-enhancing relative to closed producer innovation. Policymakers should encourage the new models – by providing a sound legal environment for them!

4 *Hetcher*, Hume's Penguin, or, Yochai Benkler & the Nature of Peer Production, *Vanderbilt Journal of Entertainment and Technology Law* 11 (2009), 963 (973), available at <http://law.vanderbilt.edu/publications/journal-entertainment-technology-law/archive/download.aspx?id=4166>; *Lessig*, *Remix*, 2008, p. 178.

5 *Baldwin & v. Hippel*, Modeling a Paradigm Shift, MIT Sloan School Working Paper, p. 16 (available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1502864).

6 Similarly, a "third way" has to be considered in order to adjust the traditional concept of property to accommodate distributed creativity. Cf. *Merges*, Locke for the Masses: Property Rights and the Products of Collective Creativity, 36 *Hofstra Law Review* 1179, 1190 et seq. (2008), available at http://law.hofstra.edu/pdf/Academics/Journals/LawReview/Lrv_issues_v36n04_BB1-Merges.pdf ("What we are after is *something between* the complete absence of an affirmative right, ... and a full-bodied, full-fledged IP right. Something like exclusive (or semi-exclusive) rights to be held by groups who exert collective labor...") [emphasis added].

7 Cf. for example *McGowan*, Legal Implications of Open-Source Software, *University of Illinois Law Review* 241, 253 (2001), available at <http://local.law.umn.edu/uploads/images/254/McGowanD-OpenSourceFinal.pdf>.

8 See *infra* III.

9 Cf. *Elkin-Koren*, What Contracts Can't Do: The Limits of Private Ordering in Facilitating a Creative Commons, 74 *Fordham Law*

- Review 375, 378 (2005), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=760906.
- 10 Cf. *Lessig*, Re-Crafting a Public Domain, 18 Yale Journal of Law & the Humanities 56, 83 (2006).
 - 11 Thus the social structure of OSS projects only appears as a „neither-nor“ when compared with the characteristics of the market and the firm. When qualified as an institution of its own the two-sided deficit turns into an „either-or“!
 - 12 Cf. *Teubner*, Networks as Connected Contracts, 2008, p. 64 (available at <http://ssrn.com/abstract=1233545>).
 - 13 Cf. *Wielsch*, Zugangsregeln, 2008, pp. 211 et seq.
 - 14 Cf. *Alchian*, Some Economics of Property Rights, *Il Politico*, 30 (1965), 816 (818).
 - 15 To be precise: in very big firms. Cf. *Moglen*, Synergy 5 (2006), 10 („If the GNU GPL were a firm, it would be the single largest software development firm in the world, far larger than Microsoft.“, available at <http://ec.europa.eu/idabc/servlets/Doc?id=23833>).
 - 16 Cf. *Benkler*, There Is No Spoon, in *The State of Play: Law, Games, and Virtual Worlds* (Jack M. Balkin & Beth Simone Noveck eds., 2006), p. 247.
 - 17 Cf. *Hetcher*, Hume’s Penguin, or, Yochai Benkler & the Nature of Peer Production, 11 *Vanderbilt Journal of Entertainment and Technology Law* 963, 972 (2009), available at <http://law.vanderbilt.edu/publications/journal-entertainment-technology-law/archive/download.aspx?id=4166>, drawing on *Noveck*, Democracy – The Video Game, in *The State of Play: Law, Games, and Virtual Worlds* (Jack M. Balkin & Beth Simone Noveck eds., 2006) p. 258 (“There is no account at all in the legal literature about the relationship between technology and collective action.”)
 - 18 See http://en.wikipedia.org/wiki/Five_pillars_of_Wikipedia (“Wikipedia is an encyclopedia,” “Wikipedia has a neutral point of view,” “Wikipedia is free content,” “Wikipedians should interact in a respectful and civic manner,” “Wikipedia does not have firm rules”).
 - 19 *Benkler*, as cited in *Hoffman/Mehra*, Wikitruth Through Wikiorder, 59 *Emory L.J.* 151, 161 (2009), also with reference to the critics.
 - 20 Wikipedia: Simplified Ruleset (“There is no strict set of rules. Instead there is a set of policies and guidelines, the latter of which you can choose to follow. You might see people do things that are plainly not in accordance with these guidelines, but which may still be well within the actual Wikipedia policies.”)
 - 21 Available at <http://en.wikipedia.org/wiki/Wikipedia:Arbitration/Index/Principles>.
 - 22 The de facto and de jure policies were not in agreement. Cf. http://commons.wikimedia.org/wiki/Commons:When_to_use_the_PD-Art_tag/Straw_Poll.
 - 23 Cf. *Hoffman/Mehra*, Wikitruth Through Wikiorder, 59 *Emory L.J.* 151, 194 (2009) citing a critic that complains “Wikipedia seems only to enforce policies about conduct; policies about content are not enforced.”
 - 24 *Hoffman/Mehra*, Wikitruth Through Wikiorder, 59 *Emory L.J.* 151, 191 (2009).
 - 25 See *Hart*, *The Concept of Law*, 2nd ed., 1997, at 81 (“Under rules of ... the basic primary type, human beings are required to do or abstain from certain actions, whether they wish to or not. Rules of the other type are in a sense parasitic upon or secondary to the first; for they provide that human beings may by doing or saying certain things introduce new rules of the primary type, extinguish or modify old ones, or in various ways determine their incidence or control their operations.”)
 - 26 Cf. *Lessig*, Re-Crafting a Public Domain, 18 Yale Journal of Law & the Humanities 56, 77 (2006).
 - 27 See <http://www.gnu.org/licenses/fdl-1.3-standalone.html>.
 - 28 Erik Moeller, Deputy Director, Wikimedia Foundation at the foundation-l mailing list, available at <http://lists.wikimedia.org/pipermail/foundation-l/2008-November/046996.html> (emphasis added).
 - 29 <http://www.gnu.org/licenses/fdl-1.3-faq.html>.
 - 30 Erik Moeller, Deputy Director, Wikimedia Foundation at the foundation-l mailing list (emphasis added).
 - 31 Wikimedia representatives always use the expression “support” instead of “legitimation,” which seems more adequate!
 - 32 Erik Moeller, Deputy Director, Wikimedia Foundation at the foundation-l mailing list.
 - 33 <http://meta.wikimedia.org> [Licensing update/Implementation] or http://wikimediafoundation.org/wiki/Resolution:Licensing_update_approval.
 - 34 Under German law it is not easy to explain why the GPL qualifies as a mutual contract. Under U.S. law the problem appears in a different form but is substantially the same (“consideration”).
 - 35 *Benkler*, Coase’s Penguin, or Linux and the Nature of the Firm, 112 *Yale Law Journal* 369, 405 fn. 76 (2001) defines “indirect appropriation” as appropriation of the value of one’s effort by means other than reliance on the excludability of the product of the effort.
 - 36 Cf. *Hetcher*, Hume’s Penguin, or, Yochai Benkler & the Nature of Peer Production, 11 *Vanderbilt Journal of Entertainment and Technology Law* 963, 983 et seq. (2009), available at <http://law.vanderbilt.edu/publications/journal-entertainment-technology-law/archive/download.aspx?id=4166> (arguing that collective-action problems are not synonymous with the tragedy of the commons and should not be framed within the limits of an iterated prisoner’s dilemma).
 - 37 *Ladeur*, Kritik der Abwägung in der Grundrechtsdogmatik, 2004, p. 13.
 - 38 <http://germany.fsfe.org/projects/gplv3/europe-gplv3-conference.de.html>; <http://www.eolevent.eu/?q=fr/speeches2009>.
 - 39 Explicitly mentioned by the FSF in its FAQ.
 - 40 An overview of version 1.2 from 2007 is provided by *van den Brande*, The Fiduciary Licence Agreement: Appointing legal guardians for Free Software Projects, *International Free and Open Source Software Law Review* 1 (2009), 9, available at <http://www.ifosslr.org/ifosslr/article/view/6/5>.
 - 41 A kind of reverse public licensing!
 - 42 Cf. *Moody*, Coming up with a Copyright Assignment Strategy (<http://www.computerworlduk.com/community/blogs/index.cfm?entryid=2708&blogid=14>); *Meeks*, Some Thoughts on Copyright Assignment (<http://people.gnome.org/~michael/blog/copyright-assignment.html>).
 - 43 For a different conception, see *infra* IV.
 - 44 These constructive differences result from broader differences of the national legal systems. Anyway, both constructions do provide for effective enforcement of open licenses. See *Jaeger*, Enforcement of the GNU GPL in Germany and Europe, 1 (2010) *JIPITEC* 34, para. 20.
 - 45 In German contract law, § 317 I BGB is designed for a similar situation.
 - 46 Cf. *Kreutzer*, in: *ifross GPL*, § 9 notes 22 and 23.
 - 47 Arguably, GFDL 1.3 sec 11 does not specify which SA license operators of MMC sites can use for relicensing. From the perspective of definiteness this may seem problematic. In fact, Wikimedia chose the “unported” license.
 - 48 For a recent example regarding public OSS licenses, see *Jacobsen v. Katzer*, 535 F.3d 1373, 1381 (Fed Cir. 2008) emphasize-

ing the need for a careful interpretation in line with copyright principles.

- 49 For a critique of the broadness of § 10 GFDL, see *Hietanen*, *Wikimedia Licensing Policy Change – A Conundrum* (http://www.wipo.int/wipo_magazine/en/2009/06/article_0004.html).
- 50 Cf. *Teubner*, *Networks as Connected Contracts*, pp. 74 et seq.
- 51 Cf. *Teubner*, *Networks as Connected Contracts*, p. 88 (“Internal network decision-making is simultaneously subordinated to the contradictory demands of bilateral exchange and multilateral connectivity”).
- 52 As to franchise systems, a case study would be: German Federal Court of Justice (BGH), NJW-RR 2003, 1635, 1637 (“Apollo Optik”) as summarized in *Teubner*, *Networks as Connected Contracts*, p. 86. The Court found a franchiser to be under an obligation to pass on networking advantages such as purchasing advantages to the franchisees.
- 53 http://en.wikipedia.org/wiki/Wikipedia:Image_license_migration.
- 54 Cf. German Federal Court of Justice, GRUR 2005, 860 (862) „Fash“.
- 55 The same strategy is often chosen by a collaboration of multiple performing artists who try to avoid the unanimity required by sec. 80(1) UrhG.
- 56 German Federal Supreme Court, BGHZ 163, 154 (172)
- 57 *Merges*, *Locke for the Masses: Property Rights and the Products of Collective Creativity*, 36 *Hofstra Law Review* 1179, 1190 (2008), available at http://law.hofstra.edu/pdf/Academics/Journals/LawReview/lrv_issues_v36n04_BB1-Merges.pdf.
- 58 The minimum of 25 edits required by an author to participate in the vote corresponds to *Merges*’ suggestion to limit representation to “the most active contributors.”
- 59 Cf. *Elkin-Koren*, *What Contracts Can’t Do: The Limits of Private Ordering in Facilitating a Creative Commons*, 74 *Fordham Law Review* 375, 378 (2005), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=760906.
- 60 Cf. *Weber*, *The Success of Open Source*, 2004, p. 150
- 61 Cf. *Moody*, *Coming up with a Copyright Assignment Strategy* (<http://www.computerworlduk.com/community/blogs/index.cfm?entryid=2708&blogid=14>).

A Primer on ACTA

What Europeans Should Fear about the Anti-Counterfeiting Trade Agreement

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Abstract: The European Commission recently published the first official draft of the Anti-Counterfeiting Trade Agreement (ACTA). The article describes the institutional background of the negotiations on ACTA and its relationship to the existing legal framework. The civil enforcement provisions and the Internet chapter are compared with the international and European instruments in the field. For the most part, ACTA will not oblige EU member states to enact rules

that go beyond the already established European standards. But stricter rules could be implemented regarding injunctions against non-infringing intermediaries, strict liability rules for damages, and ex parte measures in preliminary proceedings. According to the published draft, the termination of user accounts in the case of repeated intellectual property infringement will not be mandatory for member ACTA states.

Keywords: ACTA, Enforcement, TRIPS, WTO, WIPO, Injunctions, Damages, Strict Liability, Third-Party Liability, Provisional Measures

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A. Introduction¹

1 On April 21, 2010, the European Commission and its international negotiation partners published the long-awaited first official draft of the Anti-Counterfeiting Trade Agreement (ACTA-D).² Negotiations on this new plurilateral instrument on the enforcement of intellectual property rights had been held since 2007 without public release of any of the concrete provisions. This lack of transparency of deliberations was criticized by NGOs,³ the European Parliament,⁴ and others. Now, after nine rounds of negotiations, the speculation about ACTA and the diverse leaked documents⁵ available on the Internet have come to an end. Unsurprisingly, the released “Predecisional/Deliberative Draft” comprises different options for some of the most crucial aspects and myriad square brackets with drafting alternatives. Therefore the final text of the Agreement may deviate substantially from the draft just published. Nevertheless, the draft is the most important milestone so far in the creation of

this new convention and deserves a more detailed analysis.

2 This article describes the institutional background of the negotiations on ACTA and its relationship to the existing legal framework (B.) and compares the civil enforcement provisions (C.) and the Internet chapter (D.) with the existing international and European instruments in the field. The main results are summarized (E.).

B. ACTA - A Treaty beyond WIPO and WTO

I. Institutional Setting of ACTA Negotiations

3 The institutional setting of the ACTA negotiations puts a spotlight on the current state of affairs in in-

ternational intellectual property policy. ACTA is neither negotiated under the auspices of WIPO nor in the framework of WTO but as a free-standing instrument among the parties involved. It is not by coincidence that the existing international institutions in the field are bypassed.

- 4 The driving forces behind ACTA are the main industry states, especially the U.S. and the EU.⁶ Since the conclusion of the TRIPS Agreement in 1994 and the WIPO Treaties in 1996, media industries have constantly lobbied for a higher level of protection of intellectual property on an international scale. These attempts have not been successful in the framework of WIPO and WTO because of the opposing interests of the less developed countries and user groups represented by NGOs.⁷ Countries with only minor creative and engineering industries have no interest in a higher level of protection for intellectual property. They are primarily seeking better access to protected contents, technologies, and other subject matters through fair use exceptions, compulsory license schemes, etc. These countervailing interests have blocked negotiations within WIPO and WTO since the late 1990s when many developing countries entered the underlying treaties. ACTA negotiations are a symptom of this crisis. Instead of answering the need for a fair balance of interests within the WIPO or WTO, industry states have started to conclude bilateral agreements aiming at a higher level of protection.⁸ A recent example is the free-trade agreement of 2007 between the U.S. and South Korea (“KORUS”) which includes a detailed chapter on the protection of intellectual property.⁹ With ACTA, this policy has now shifted from a bilateral to a plurilateral approach. Although one may believe that the Agreement will be open for other states once it has been concluded,¹⁰ the less developed countries will have difficulties to organize their common interests when entering the ACTA system at a later stage by individual negotiations.¹¹

II. “TRIPS-Plus” Approach

- 5 Aiming at a higher level of protection of intellectual property, ACTA takes the existing international conventions in the field, especially the TRIPS Agreement, as common ground and defines additional obligations of its member states.¹² This may be described as a “TRIPS-plus” approach, although the current draft does not explicitly create an obligation to comply with the TRIPS standards.¹³ Many provisions of the draft use TRIPS provisions as a model. Other provisions have used KORUS or the EU Enforcement Directive 2004/48¹⁴ as a blueprint. In contrast to the older conventions in the field, especially the Paris and Berne Conventions, TRIPS, and the WIPO Treaties of 1996, ACTA not only obliges its member states to protect the nationals of other member states as

its own nationals and in accordance with the minimum rights defined in the convention; protection must also be granted by ACTA member states to their own nationals. As such, the agreement will be a real uniform law instrument aiming at the unification of the national legislation of its member states and going beyond the older national treatment approach.¹⁵

III. Initial Provisions and the Primacy of Data Protection

- 6 The “TRIPS-plus” approach is already visible in Chapter One ACTA-D (“Initial Provisions and Definitions”). Art. 1.2 para. 1 ACTA-D follows the model of Art. 1 para. 1 TRIPS. Art. 1.2 para. 2 ACTA-D is based on Art. 41 para. 5 TRIPS. In contrast to TRIPS, ACTA will not provide any rules concerning the availability, scope, and maintenance of intellectual property rights (see Art. 1.3 ACTA-D). Instead, the Agreement will be a pure enforcement instrument, as is the EU Enforcement Directive 2004/48.
- 7 Art. 1.4 ACTA-D, which is still in square brackets and without a concrete wording, may at the end of negotiations provide a rule that gives precedence to the national rules on privacy and confidential information over ACTA. At this stage, one can only hope that the final text of the Agreement will contain a clear description of this hierarchy. The provision could be drafted on the basis of Art. 8 para. 3 lit. e) Enforcement Directive. Although it is true that the ECJ was not prepared in the *Promusicae* decision to give clear primacy to the protection of personal data when the interests of rightholders are at stake, it also became clear in the case that the problem was one of interpretation of the underlying data protection rules rather than one of interpretation of Art. 8 para. 3 Enforcement Directive.¹⁶ However, the ACTA rule should be as concrete as possible. It may also be a sensible approach to supplement the general rule in Chapter One by more concrete provisions in the following chapters.¹⁷

C. Civil Enforcement Provisions

I. Injunctions

- 8 After a short set of general provisions (“Art. 2.X: General Obligations with Respect to Enforcement”) which partly echo the respective rules of the TRIPS Agreement (Art. 41) and of the Enforcement Directive (Art. 3), the first civil remedy drafted in more detail concerns injunctions (“Art. 2.X: Injunctions”). Paragraph 1 of the injunction provision is modeled on Art. 44 para. 1 sentence 1 TRIPS. However, it is interesting to note that the privilege in Art. 44 para. 1

sentence 2 TRIPS for infringers who acquire or order goods prior to knowing or having reasonable grounds to know that dealing in such subject matter would entail an infringement has not been taken over in the ACTA-D.¹⁸ Defendants in such cases will have to rely on the general provisions on proportionality in the ACTA-D. This specific problem highlights a general tendency of the draft: “TRIPS-plus” effects may not result only from the implementation of stronger remedies for rightholders but also from the erosion of defendants’ rights and privileges.

- 9 Para. 2 of the injunction provision in the ACTA-D contains an innovation for international intellectual property law. According to the draft provision, injunctions may also be ordered against intermediaries whose services are used by third parties to infringe an intellectual property right. The provision follows the model of Art. 11 sentence 3 Enforcement Directive and Art. 8 para. 3 of the Information Society Directive 2001/29.¹⁹ It will be of particular importance for Internet service providers (ISPs) whose services are used for infringing activities on the Internet, especially the services of access and host providers, social web platforms (“YouTube”), providers of online auctions (“eBay”), etc. The providers’ privileges under Art. 12-15 E-Commerce Directive do not preclude injunctive relief.²⁰ One crucial question not yet settled and therefore put in square brackets is whether injunctions may only be ordered if the intermediary is infringing intellectual property rights or whether it may also be ordered against an intermediary not engaged in infringing activities. The Information Society Directive 2001/29, Recital 59, allows explicitly for injunctions against non-infringing ISPs. It has been argued that for the sake of coherence, this approach should also apply to Art. 11 sentence 3 Enforcement Directive.²¹ ACTA would support this point of view if the square brackets were finally deleted. There are good arguments against such an approach: First, constraining a party privileged by exceptions and limitations by an injunction undermines these exceptions and limitations significantly; second, acting against such injunctions would lead to severe consequences for the non-infringing party, which raises the question of proportionality.²²

II. Damages

- 10 A provision of main interest is Art. 2.2 ACTA-D on damages. Compared to Art. 45 TRIPS, the provision contains many more details and alternatives on how to calculate damages in case of intellectual property infringement. The many square brackets and options make visible that some of the core questions on damages are still controversial among the negotiation parties. Art. 2.2 ACTA-D is structured in two tiers: ACTA member states are obliged under para. 1 to allow for compensatory damages and for the re-

covery of the infringer’s profits. Para. 2 provides for additional methods of calculation of damages that are optional for the member states, especially “pre-established damages” and “reasonable royalties.” Para. 3 provides for recovery of the infringer’s profits in case of good faith infringement. Para. 5 is on legal expenses.

1. Compensatory Damages and Recovery of Profits

- 11 Art. 2.2. para. 1 lit. a) ACTA-D resembles Art. 45 para. 1 TRIPS but sets the requirement of bad faith or negligence in square brackets (“who knowingly or with reasonable grounds to know”). From a European perspective, a strict liability regime would go beyond the standard of Art. 13 para. 1 Enforcement Directive and entail a change of the Directive which, under the current regime, tolerates both strict liability regimes, e.g., France,²³ and national regimes with a *culpa* requirement, e.g., Germany²⁴ or the UK.²⁵ The differences in practice are not far-reaching if professionals specialized in the field are held liable. For specialized professionals, the duty of care with regard to third-party intellectual property is very strict in jurisdictions with a *culpa* requirement.²⁶ However, cases of good faith infringement do exist, especially in copyright law where private users may be the defendants. In these cases, it makes sense to empower courts to define a lower duty of care and to exempt in appropriate cases private users from copyright liability. The EU should therefore advocate to maintain the good faith exemption in international intellectual property law. This also concerns Art. 2.2 para. 3 ACTA-D. Recovery of the infringer’s profits or payment of pre-established damages in *bona fide* cases should be facultative as in Art. 13 para. 2 Enforcement Directive.
- 12 The different methods of calculation of the right-holder’s damages in Art. 2.2 para. 1 are for the most part copied from Art. 18.10 (5) KORUS with some smaller amendments in square brackets. Calculating the “damages adequate to compensate for the injury the right holder has suffered” (i) is mostly burdensome if not impossible. The intellectual property right as such is typically not of less value after an infringement has occurred.²⁷ In addition, rightholders often have difficulties to prove that a decrease of their revenues has been caused by the infringing activities of the defendant. Therefore, negative economic consequences can be demonstrated in rare cases.²⁸ Of higher interest, at least in appropriate cases, is the recovery of the infringer’s profits (ii), which from a doctrinal point of view is a mixture of two concepts. Although infringement is a special kind of tort, the remedy has more resemblance to *negotiorium gestio*.²⁹ But this mixture of concepts is already part of the *acquis communautaire* and by

no means revolutionary for European intellectual property law (see Art. 13 para. 1 lit. a) Enforcement Directive).³⁰

- 13 Art. 2.2 para. 1 ACTA-D supplements the abstract measures for damages in lit. a) by a list of more concrete factors in lit. b). The list of factors may give rise to misconceptions. First, it is not clear whether the listed criteria may be used only for the calculation of compensatory damages (i) or whether they may also be used for the infringer's profits (ii). Second, with regard to the "value of the infringed good or service," it should be emphasized that the infringement of intellectual property rights violates such rights and not specific goods or services of the rightholder. It may even be – and often is the case – that the rightholder is not (yet) exploiting the intellectual property. Third, with regard to the "retail price," it is not clear whether the factor refers to the goods and services of the rightholder or his licensees or whether it refers to the goods and services of the infringer.

2. Other Measures for Damages

- 14 What should be the damage measure if the rightholder cannot prove any negative economic consequences and the infringer has not made any substantial profits? Different jurisdictions provide different answers to this question. In some countries, "statutory damages" are available at the choice of the rightholder, e.g., § 504 lit. c) U.S. Copyright Act (\$750 – \$30,000 per work). Other jurisdictions, e.g., Germany,³¹ allow for the calculation of damages based on fictitious royalty fees. Art. 13 para. 1 lit. b) Enforcement Directive has taken up the latter approach.
- 15 Art. 2.2 para. 2 ACTA-D provides both damage measures as alternatives but only for infringement cases concerning copyright, related rights and trademarks. In these cases, member states may either choose to establish a system of "pre-established damages" or provide for a "presumption for determining the amount of damages" based on a "reasonable royalty."³² This solution does not oblige any member state to adopt a system of statutory damages, nor does it oblige member states to introduce a royalty-based damage measure. But both approaches would be compatible with ACTA. However, under the current draft it is not clear whether member states "may" or "shall" make a choice between the alternatives listed in para. 2. If the final text were to use the "may," member states could stick with the two damage measures listed in para. 1. If it were the "shall," they would have to implement at least one of the options of para. 2. It is also unclear what kind of "additional damages" may be claimed under lit. c). Are punitive damages covered by this alternative? The coming negotiations will have to answer these questions.
- 16 Another issue that should be taken into account in Art. 2.2 is compensation in case of violation of moral rights. Under Art. 13 para. 1 of the Enforcement Directive, the "moral prejudice caused to the rightholder" is a mere factor that shall be taken into account in appropriate cases when calculating the damage under lit. a). This solution has been criticized because it neglects the different nature of compensation in the case of moral rights violations.³³ The ACTA-D is even worse in this respect because it ignores the issue of moral rights completely.³⁴

3. Legal Expenses

- 17 Art. 2.2 para. 5 ACTA-D provides a more detailed rule on the recovery of legal expenses than is provided in Art. 45 para. 2 TRIPS. The current draft contains two options that both follow the model of Art. 18.10 (7) KORUS. The first option could at the end contain a slight difference between court costs and attorney's fees, whereas the second options applies the same test for both types of legal expenses. It will be interesting to see to what extent the final text will imply any substantial "TRIPS-plus" elements. The many square brackets in the current draft do not yet allow a clear-cut answer. Obviously there seems to be consensus among the negotiating parties that the notion of "reasonable attorney's fees" shall not provide a different standard than the notion of "appropriate attorney's fees" as it is used in Art. 45 para. 2 TRIPS.³⁵ One "TRIPS-plus" element would be the explicit reference to court costs and fees that is missing in TRIPS.³⁶ Another "TRIPS-plus" element would be the – still bracketed – reference to other expenses as provided for under the losing party's domestic law, which is a rule of private international law. Under such a provision, a party could be obliged to recover legal expenses not provided for under the otherwise applicable law but under the law of its domicile. All in all, the added value to TRIPS is rather limited.

III. Other Remedies (Corrective Measures)

- 18 Art. 2.3 ACTA-D on "other remedies" encapsulates the current state of the art with regard to corrective measures. If compared to Art. 46 TRIPS, the provision is not of an innovative character. Differences may be found only with regard to specific issues, in particular in Art. 2.3 para. 2 ACTA-D, which allows for the destruction of materials and implements, the predominant use of which has been in the manufacture of infringing goods, whereas Art. 46 sentence 2 TRIPS only allows for their disposal outside the channels of commerce. However, even this "TRIPS-plus" element is not new to the EU since it is already established in Art. 10 para. 1 lit. c) Enforcement Directive.³⁷ The same would hold true for the – still brack-

eted – recovery of costs of corrective measures in Art. 2.3 para. 3 ACTA-D, which is an almost identical copy of Art. 10 para. 2 Enforcement Directive.

IV. Right of Information

19 The right of information is essential for intellectual property litigation. The rightholder often needs information controlled by the infringer, e.g., for the effective closure of the channels of commerce with infringing goods or for the calculation of damages. Therefore, all recent instruments on the enforcement of intellectual property rights contain provisions on information related to the infringement (see Art. 47 TRIPS, Art. 8 Enforcement Directive, Art. 18.10 (10) KORUS). Art. 2.4 ACTA-D follows the basic structure of Art. 18.10 (10) KORUS and supplements it with wording from Art. 8 Enforcement Directive. The result is a much more detailed rule than Art. 47 TRIPS which, in contrast to TRIPS, obliges the member states to implement such a remedy (“shall” instead of “may”). Behind this background it should be endorsed that Art. 2.4 ACTA-D contains a preemption rule for the national regulations on the protection of confidential information, personal data, and on common law or statutory privileges, including the legal professional privilege. It is of particular interest that Art. 2.4 ACTA-D provides a right of information against the infringer but – different from Art. 8 Enforcement Directive – not against third parties. Such a right against third parties is only granted against ISPs that may be forced to disclose the identity of their users according to Art. 2.18 para. 3^{ter} ACTA-D.³⁸

V. Provisional Measures

20 The proposed provision on provisional measures deserves special attention. Art. 2.5 ACTA-D is not innovative regarding the list of possible preliminary measures. The deviations from TRIPS are rather hidden in the eroded legal safeguards for the alleged infringer with regard to *ex parte* measures. First, according to Art. 50 para. 2 TRIPS and Art. 9 para. 4 Enforcement Directive, *ex parte* measures may only be issued under strict requirement (“where any delay is likely to cause irreparable harm to the rightholder”). Under Art. 2.5 para. 1 ACTA-D, it is much easier for the rightholder to request such measures since judicial authorities “shall” issue such measures “except in exceptional cases” without further specific requirements, which amounts to a reversal of principle and exception. Second, Art. 50 para. 4 TRIPS and Art. 9 para. 4 Enforcement Directive provide specific procedural means to guarantee the right of the defendant to be heard. In particular, the defendant must be notified without delay after the execution of the measure and must be given the right to review the measure. The ACTA-D lacks

such remedies for the defendant. From a European perspective, these specific safeguards are concrete expressions of the right to be heard that is recognized in Art. 6 ECHR, Art. 47 Charter of Fundamental Rights, and in ECJ case law as a “fundamental right deriving from the constitutional traditions common to the Member States.”³⁹ As a fundamental right, the right to be heard is guaranteed by the ECJ even in the case of international law instruments which are binding for the EU and do not provide for sufficient safeguards.⁴⁰ The EU should therefore take a clear stance in the coming ACTA negotiations for the implementation of stricter legal standards regarding *ex parte* measures.⁴¹ They may be allowed only in exceptional cases and must provide legal safeguards for the right to be heard.

D. Internet Chapter

21 For weblogs and Internet news services, the focal point of interest in the last months regarding the secret ACTA negotiations was the so-called “Internet chapter,” Art. 2.18 ACTA-D.

I. Application of General Principles of Enforcement and Third-Party Liability

22 Art. 2.18 para. 1-3 confirms that the general principles on civil and criminal enforcement of intellectual property are also applicable to infringements occurring on the Internet. Member states must ensure that effective actions against infringements are available (para. 1), which adds little if anything to Art. 41 para. 1 TRIPS. These measures, procedures, and remedies must be fair and proportionate (para. 2), which again is a reiteration of TRIPS, Art. 41 para. 2, but replaces the word “equitable” by “proportionate.”

23 In addition, member states shall provide for remedies in the case of third-party liability (para. 3). Such a provision would be an innovation without a model in TRIPS, KORUS, or the Enforcement Directive.⁴² The persons and activities covered by such liability are described in more detail in footnote 47 ACTA-D. However, the current draft still contains many square brackets and unsettled questions. It will be interesting to see whether the negotiating parties will finally reach consensus about the requirements of the different cases. Drafting an internationally acceptable provision on third-party liability is an ambitious project. Principles governing third-party liability in general and secondary or contributory liability in intellectual property in particular are mostly not codified on the national level and often controversial.⁴³ Moreover, third-party liability raises complex follow-up questions, e.g., regarding the relationship

between the persons held liable.⁴⁴ One should not expect ACTA to resolve all these questions. Most likely, the final text will contain a rather openly drafted and vague obligation of the member states to provide for any third-party liability rules without prescribing in detail the persons or activities covered or the exact scope of such liability.⁴⁵

II. Exemption from Liability of ISPs

24 The centerpiece of the ACTA Internet chapter is to be found in Art. 2.18 ACTA-D after the current para. 3. The draft contains two options for a lit. a) regarding exemption from liability of ISPs. According to the longer Option 1, the limitations of the scope of civil remedies against ISPs would only capture very specific cases because the three conditions listed in (i) to (iii) would have to be fulfilled cumulatively (“and”), which raises the question whether it is logically possible to meet all three conditions. One might ask, e.g., whether something may occur at the same time by “automatic technical process” and by “the actions of the provider’s users.” Option 2 would solve this problem by providing alternative cases in (i) to (iii) instead of a cumulative test, which immediately brings up the question whether the list is complete. The exemption should at least contain the limitations of Art. 12 to 15 of the E-Commerce Directive 2000/31.⁴⁶ In addition, search engines would be a possible candidate for an amendment or clarification.⁴⁷ Different from Option 1, Option 2 would be a mandatory rule for member states, which is a rare species in international intellectual property law when it comes to exceptions and limitations.⁴⁸ The choice of Option 2 would demonstrate that states are willing to accept strong limitations and exceptions when powerful economic interests are at stake.

25 The current draft continues with two options for a lit. b). The new provision would implement additional conditions for the limitation of liability of ISPs. Under Option 1, providers would be exempted from liability only if “adopting and reasonably implementing a policy to address the unauthorized storage or transmission of materials protected by copyright or related rights.” The older leaked working draft exemplified such a policy by a famous footnote that stated: “An example of such a policy is providing for the termination in appropriate circumstances of subscriptions and/or accounts (...) of repeated infringers.”⁴⁹ This concrete example for a “policy” in the sense of Option 1 has disappeared in the official draft. Therefore, it is rather unlikely that the final text of ACTA will contain an obligation of the member states to implement a “three-strikes-out” rule following the model of § 512 (i)(1)(A) U.S. Copyright ACT, the French “Loi Hadopi,”⁵⁰ or the UK “Digital Economy ACT.”⁵¹ Nevertheless, Option 1 would not prohibit such rules. According to Option 2, such rules

would even be explicitly permitted without the obligation for ACTA member states to implement any further conditions for the limitation of liability of ISPs. In the last months, Internet activists have been successful in organizing strong opposition against these proposals. And indeed, access blockage of Internet users enforced by private parties would be disproportionate and would also raise serious concerns with regard to human rights, at least if the user cannot access the Internet with the help of another ISP. However, the argument can hardly be neglected that fully privileged ISPs do not have any incentive to prevent their users from infringing third-party intellectual property rights although they may be the cheapest cost avoider in many cases and as such a natural choice for a liability rule. One should bear in mind that the purpose of an ISP’s privileges is – in the language of ACTA – that liability should not “present a barrier to the economic growth of, and opportunities in, electronic commerce.” Therefore, the question is legitimate at what moment in time the law should recalibrate the balance of interests between rightholders on the one side and ISPs on the other side. In the currently driven heated debate it cannot be expected that ACTA negotiations will come up with a new proposal that is acceptable for all interest groups. All in all, Option 1 without specific reference to access blockage seems to be the preferable solution. Such a rule would initiate a debate on the European and on the national level over what kind of “policies” implemented by ISPs should be sufficient to meet the condition.

26 According to Art. 2.18 para. 3^{ter} ACTA-D, ISPs may be forced to disclose the identity of their users if the rightholder gives “effective notification to an online service provider of materials that they claim with valid reasons to be infringing their copyright or related rights.” In contrast to the Art. 8 Enforcement Directive, the ACTA-D recognizes a right of information against third parties not on a general basis but only in the specific case of ISPs and their subscribers. However, in the specific case of ISPs, the requirements under the ACTA-D could turn out to be less restrictive than under Art. 8 para. 1 Enforcement Directive. Para. 3^{ter} clearly indicates that the rightholder may directly ask the ISP for the disclosure of the user’s identity,⁵² whereas under the Enforcement Directive it is controversial whether it is exclusively within a court procedure that a disclosure may be ordered.⁵³ Also, it should be considered whether a special provision on personal data and confidential information should be inserted in the context of Art. 2.18 para. 3^{ter} ACTA-D following the wording of Art. 2.4 (“without prejudice...”).

III. Protection against Circumvention of Technological Measures

27 Art. 2.18 para. 4 to para. 7 ACTA-D contains specific rules on the circumvention of technological measures and the protection of rights management information systems. The provisions contain “TRIPS-plus” and “WIPO Treaties-plus” standards in the sense that they provide more detailed and elaborate rules than Art. 11, 12 WCT and Art. 18, 19 WPPT on the circumvention of technological measures. The wording of the Art. 2.18 para. 4 to para. 7 ACTA-D combines elements of Art. 18.4 (7) KORUS and of Art. 6 and 7 Information Society Directive 2001/29. From a European perspective, the obligation to implement criminal sanctions against the circumvention of DRM systems would go beyond the obligations under the Information Society Directive.⁵⁴ The other elements of the provisions should not entail substantial changes to the *acquis communautaire*. In light of the general tendency of ACTA to fortify the protection of intellectual property, it is not surprising that the draft does not take a clear position regarding the relationship between technological measures and limitations and exceptions.⁵⁵ Art. 2.18 para. 5 ACTA-D leaves it up to the member states to implement priority rules for limitations and exceptions or to refrain from any rules that would follow the model of Art. 6 para. 4 Information Society Directive. This fits the overall picture of the drafters’ biased approach: The rightholder’s interests are supported by a stronger protection for digital rights management systems while the users’ interests are neglected.

E. Conclusion

28 What should Europeans fear about the Anti-Counterfeiting Trade Agreement? Surely some of the concrete proposals now published, but even more the general approach to international intellectual property law behind the project.

29 Regarding the concrete provisions, ACTA will for the most part not implement standards that go beyond the already-established European rules on civil enforcement and the other issues discussed in this article. However, some specific provisions may imply stricter standards and are of concern. This would in particular be the case for the – still bracketed – provisions on injunctions against non-infringing intermediaries (Art. 2.X para. 2) and on strict liability for damages (Art. 2.2. para. 1 lit. a). Another point of serious concern is the proposed regime on *ex parte* measures in preliminary proceedings in Art. 2.5 para. 1, which could be ordered much easier and without sufficient safeguards for the defendant’s right to be heard, at least after the execution of the measure. By contrast, the controversial issue of Internet access blockage by ISPs may in the end not be as se-

vere as one would have expected after the vivid discussion of the last months. ACTA will probably allow national “three-strikes-out” regimes – which is unpleasant since it will lower the political costs for national legislators to implement them – but ACTA will not prescribe such rules.

30 More alarming than the details of the published draft are the general goals behind the document and the political strategy used to achieve these goals. ACTA has a clear bias toward the interests of copyright, trademark, and patent owners and is driven by the old belief that more and stronger protection of intellectual property is better, irrespective of the legitimate interests of users and developing countries. The draft is blind to the negative consequences of an ever-tightening intellectual property regime, especially for the visible decline in acceptance of copyright and patent law among users in the southern hemisphere. Moreover, the ACTA negotiation parties seem willing to pay a high political price for their goals. ACTA negotiations are not just damaging the efforts of WIPO and WTO. They are adding fuel to the already heated global debate over the right balance of interests in intellectual property law.

- 1 The results of the ninth negotiation round in Lucerne, Switzerland, from June 28 to July 2, 2010 was not published and could therefore not be taken into account.
- 2 See <http://trade.ec.europa.eu/doclib/html/146029.htm>.
- 3 See, e.g., the documents listed at <http://www.eff.org/issues/acta>, <http://iri-blog.info/> and <http://www.michaelgeist.ca/tags/acta/99999>.
- 4 See, e.g., Resolution of March 10, 2010, Doc. P7_TA(2010)0058, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0058+0+DOC+XML+V0//EN>.
- 5 See the collection of leaked documents at <http://iri-blog.info/acta-dokumente/>.
- 6 Participants in the negotiations were Australia; Canada; the European Union, represented by the European Commission, the EU Presidency, and EU member states; Japan; Korea; Mexico; Morocco; New Zealand; Singapore; Switzerland; and the U.S.
- 7 See von Lewinski, *International Copyright Law and Policy*, 2008, pp. 588 seq., 597; Mercurio, *TRIPS-Plus Provisions in FTA*, in Bartels/Ortino (eds.), *Regional Trade Agreements and the WTO Legal System*, 2006, pp. 215, 219.
- 8 See Damro, *The Political Economy of Regional Trade Agreements*, in Bartels/Ortino (eds.), *Regional Trade Agreements and the WTO Legal System*, 2006, pp. 23, 38 seq. This was already visible in the 1990s; see Haedicke, *Urheberrecht und die Handelspolitik der Vereinigten Staaten von Amerika*, 1996, pp. 183 seq.
- 9 See <http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta>.
- 10 See Article 6.1 ACTA-D.
- 11 India is currently organizing a coalition of less developed states against ACTA; see <http://economictimes.indiatimes.com/news/economy/policy/India-plans-front-to-nip-new-piracy-law/articleshow/5986902.cms>.
- 12 See Art. 1.1 ACTA-D.

- 13 This may be seen as obvious since all participants of the negotiations are WTO members.
- 14 Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, OJ L 195, 02.06.2004, p. 16-25.
- 15 Skeptical about the character of the Berne Convention, etc., as “uniform law instruments,” *von Bar/Mankowski*, *Internationales Privatrecht*, Vol. 1, 2. ed. 2003, p. 39 seq., 58; *Moura Vicente*, *La propriété intellectuelle en droit international privé*, 2009, marginal number 52.
- 16 See ECJ, 29.01.2008, C-275/06, ECR 2008-I, 271 – *Promusicae/Telefónica*.
- 17 See Art. 2.4 ACTA-D.
- 18 The privilege of good faith infringers is facultative under TRIPS; see *Vander in Stoll/Busche/Arend* (eds.), *WTO – Trade-Related Aspects of Intellectual Property Rights*, 2009, Art. 44, marginal number 5.
- 19 Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society, OJ L 167, 22.06.2001, p. 10-19.
- 20 Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (“Directive on electronic commerce”), OJ L 178, 17.07.2000, p. 1-16.
- 21 *Heinze*, *Einstweiliger Rechtsschutz im europäischen Immaterialgüterrecht*, 2007, 298.
- 22 For an Australian perspective, see *Weatherall*, *ACTA – Australian Section-by-Section Analysis*, p. 12 (available at <http://works.bepress.com/kimweatherall/21/>).
- 23 For copyright infringement, see *Cass.*, 10.5.1995, *Bull. civ. I*, N° 203. See also *Benhamou*, *Compensation of Damages for Infringements of Intellectual Property Rights in France, Under Directive 2004/48/EC and Its Transposition Law – New Notions?*, *IIC* 2009, 125, 128 seq. Critical on the strict liability regime, *Lucas/Lucas*, *Traité de la propriété littéraire et artistique*, 3. ed. 2006, marginal number 979.
- 24 For patent infringement, see *BGH*, 14.01.1958, *GRUR* 1958, 288, 290 – *Dia-Rähmchen*; *BGH*, 030.3.1977, *GRUR* 1977, 598, 601 – *Autoskooter-Halle*.
- 25 *Lancer Boss v. Henley Fork-Lift* (1975) R.P.C. 307; *Byrne v. Statist* (1914) 1 K.B. 622. See also *Cornish/Llewelyn*, *Intellectual Property*, 6th ed. 2007, marginal number 2-42.
- 26 See the cases cited in notes 23 and 24.
- 27 This is one of the consequences of the “public good” character of intellectual property; see *Landes/Posner*, *The Economic Structure of Intellectual Property Law*, 2003, p. 19 seq.
- 28 But see *Cornish/Llewelyn*, *Intellectual Property*, 6th ed. 2007, marginal number 2-40 seq.
- 29 See *Walter/Goebel* in *Walter/von Lewinski* (eds.), *European Copyright Law*, marginal number 13.13.13.
- 30 In English case law, it was accepted long before the Enforcement Directive that the rightholder may claim for the infringer’s profits in case of infringement; see *Cornish/Llewelyn* (supra note 28), marginal number 2-43 seq.; see also *Sec. 97 para. 2 CDPA* (1988) and *Sec. 61 para. 1 lit. d) PA* (1977). In German law the claim for the infringer’s profits has also been accepted since the 19th century; for a historical perspective, see *Helms*, *Gewinnherausgabe als haftungsrechtliches Problem*, 2007, p. 212 seq. For a comparative overview, see *Dreier*, *Kompensation und Prävention*, 2002, p. 169-72.
- 31 See section 97 para. 2 sentence 3 German Copyright Act.
- 32 See footnote 11 ACTA-D.
- 33 See, e.g., *Metzger/Wurmnest*, *Auf dem Weg zu einem Europäischen Sanktionenrecht des geistigen Eigentums?*, *ZUM* 2003, 922, 932 seq. For the application of Art. 13 Enforcement Directive on the violation of moral rights, *Walter/Goebel* (supra note 29), *European Copyright Law*, marginal number 13.13.15.
- 34 This may be seen as a confirmation of the policy choice of Art. 9 para. 1 sentence 2 TRIPS to exclude moral rights.
- 35 See footnotes 14 and 15 ACTA-D.
- 36 According to *Vander* (supra note 18), Art. 45, marginal number 9, the costs of court proceedings are already covered by Art. 45 para. 2 TRIPS.
- 37 See also Art. 18.10 (9) lit. b) KORUS.
- 38 *Infra* at footnote 52.
- 39 See ECJ, 28.03.2000, C-7/98, ECR 2000-I, 1935, para. 38 seq. – *Krombach/Bamberski*. See also *Heinze*, (supra note 21), p. 392 seq. with further references.
- 40 See ECJ, 03.09.2008, C-402/05 P and C-415/05 P, ECR 2008-I, 6351, para. 326 – *Al Barakaat International Foundation/Council*.
- 41 Also in this sense, *Weatherall* (supra note 22), p. 25.
- 42 See also *Weatherall* (supra note 22), p. 50.
- 43 See *Spindler/Leistner*, *Secondary Copyright Infringement – New Perspectives in Germany and Europe*, 37 *IIC* (2006), 788 seq.; see also *Dinwoodie/Dreyfuss/Kur*, *The Law Applicable to Secondary Liability in Intellectual Property Cases*, 42 *N.Y.U.J. Int’l L. & Pol.* 201 (2009).
- 44 See Art. 10:101 seq. *Principles of European Contract Law* (“Plurality of parties”) and Art. III. 4:101 seq. *Draft Common Frame of Reference* (“Plurality of debtors and creditors”).
- 45 According to footnote 47 ACTA-D at the end, one delegation opposes the insertion of a more detailed description.
- 46 Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market („Directive on electronic commerce“), OJ L 178, 17.07.2000, p. 1-16.
- 47 See Art. 21 E-Commerce Directive 2000/31 and section 14 Austrian E-Commerce Act. See also ECJ, 23.03.2010, C-236/08 to C-238/08 – *Google/Louis Vuitton* (not yet reported), para. 106 seq.
- 48 The only other example for copyright law is the quotation right in Art. 10 para. 1 Berne Convention.
- 49 See the EU Council Working Document 6437/10 of 12 February 2010, available at <http://iri-blog.info/files/2010/04/ACTA-6437-10.pdf>.
- 50 *Loi n°2009-669 du 12 juin 2009 favorisant la diffusion et la protection de la création sur internet*.
- 51 *Digital Economy Act 2010*.
- 52 Also in this sense *Weatherall* (supra note 22), p. 58.
- 53 See *Walter/Goebel* (supra note 29), marginal number 13.8.8 with further references. See also *Amschewitz*, *Die Durchsetzungsrichtlinie und ihre Umsetzung im deutschen Recht*, 2008, 168.
- 54 Some EU member states have already implemented criminal sanctions, e.g., Germany; see section 108b German Copyright Act.
- 55 Critical on this point *Kaminski*, *The Anti-Counterfeiting Trade Agreement*, Part II, at 27, available at <http://balkin.blogspot.com/2010/04/anti-counterfeiting-trade-agreement.html>.

Malte Stieper, Rechtfertigung, Rechtsnatur und Disponibilität der Schranken des Urheberrechts

Mohr Siebeck 2009 (Jus Privatum 144), 584 p., ISBN 978-3-16-150177-7

Book review

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- 1 Since digital technology renders it possible to mass-disseminate copyrighted works without loss of quality, copyright limitations have caught the attention of both rightholders and users. While users are aiming to maximize their privileges to use and share copyrighted works without expressive consent of the rightholders, the latter are attempting to control the dissemination and use of their works through license agreements and technological measures. Malte Stieper's book – which was written as a post-doctoral thesis at the University of Kiel – addresses the basic principles and elementary questions of this essential and highly topical conflict of interests. Based on a general reflection on the system of exceptions (*part one*), Stieper approaches the legal nature of copyright limitations and the question of whether they can be qualified as subjective rights (*part two*). He then turns the reader's interest to the main focus of the present book: contractual waivers (*part three*) and the relationship between Digital Rights Management and copyright limitations (*part four*). Throughout his work, Stieper keeps an eye not only on the German civil-law-based system of limitations, but also on other, particularly common law, jurisdictions.
- 2 In *part one*, Stieper draws the picture of the system of limitations from philosophical, constitutional, and economical angles. He illustrates that the justification of current German copyright law can be based

upon both the personality of the author (which is the traditional root of continental European copyright law) and utilitarian ideas (which is a prevailing concept in common law jurisdictions). With respect to copyright limitations, German and U.S. copyright law prove to be surprisingly similar, as in both systems utilitarian ideas allow reducing the copyright holder's position to promote social values, such as culture, art, or education. Turning to the constitutional framework for the enactment and interpretation of copyright limitations, Stieper presents and discusses the constitutional positions of the rightholders and users. As copyright is considered "property" under Art. 14 of the German Basic Law, rightholders enjoy constitutional protection. However, the users may as well – depending on the circumstances of their use – exercise constitutional rights such as freedom of speech, freedom of science, freedom of press, freedom of art, or – in particular – freedom of information. Stieper rightly concludes that Parliament has a wide range of discretion to balance the interests involved by means of copyright limitations. Once a limitation is enacted, the constitutional positions influence its interpretation. Stieper emphasizes that there is neither a general rule of wide nor of narrow interpretation of limitations. Instead, limitations are to be interpreted on a case-by-case basis with due respect to all constitutional interests involved. Finally, the author addresses the economic

background of copyright and its limitations. Because, from this perspective, copyright can be considered a means to anticipate market failure caused by the non-exclusiveness of intangible goods, *Stieper* concludes that limitations play an important role in situations where exclusive rights do not guarantee an efficient use of the copyrighted work.

- 3 In *part two*, *Stieper* deals with the dogmatic relationship of exclusive (owner's) rights and limitations. *Stieper* identifies limitations not as a defense (which is still the prevailing view among German courts and scholars) but as a statutory means that a priori carves out part of the rightholder's exclusive position. Consequently, with respect to the criminal offenses of the German Copyright Act, limitations are part of the objective and subjective elements of the crime. In a second step, the author addresses the question of whether one may derive an original subjective (user's) right from copyright's limitations. Concluding that there is not one single answer, *Stieper* confirms that the qualification of limitations as subjective rights depends on the statutory design of each privileged use and on whether the user may enforce his position against third parties and (in particular) against the rightholder.
- 4 *Stieper* dedicates *part three* – which presents the heart of his work – to the question of how and to what extent rightholders may contractually restrict the user's privilege. In a first step, the author analyzes whether contractual waivers may directly affect the statutory scope of the exclusive rights and the respective limitations. *Stieper* rightly concludes that, as a general rule, copyright and its limitations are binding and that, therefore, inter-party agreements may generally impose a direct effect only on the contractual partners involved. In a second step, *Stieper* evaluates these inter-party effects and concludes that on this level, the contractual parties may – again as a general rule – waive copyright's limitations by means of individual agreements, although such provisions may, depending on the circumstances, conflict with Antitrust Law or may constitute a violation of bonos mores (para. 138 BGB).
- 5 In a third step, the author addresses the question of to what extent rightholders may waive limitations via general terms and conditions. Based on some general remarks on the different types of general terms and conditions (shrink-wrap licenses, offline and online click-on licenses), *Stieper* discusses the requirement of transparency and the prohibition of inappropriate disadvantage and applies the German law of general terms and conditions to various types of copyright-related contracts. With good arguments, *Stieper* criticizes the current uncertainty with respect to general terms and conditions in German law. As a possible solution to ensure the predictability de lege ferenda, *Stieper* finally presents a draft of a hypothetical provision according to which certain provisions would be explicitly considered a prohibited inappropriate disadvantage.
- 6 *Part four* of the present book deals with the relationship of digital rights management (DRM) and copyright limitations. Based on some general remarks on the evolution of DRM and its different functions (access control, usage control), *Stieper* illustrates the German regulations prohibiting the circumvention of technological measures (para. 95a, 95b UrhG). In particular, the author comments on the legal consequences arising from a circumvention of technological measures and on the question of how and to what extent a user may enforce copyright limitations against DRM. As a result of the current German legislation, users may – in theory – enforce certain (“first class”) limitations against DRM. However, and much to the disappointment of the users, some important uses (such as citations accord. to para. 51 UrhG) are not covered.
- 7 *Stieper* then analyzes whether the German anti-circumvention laws conflict with superior legislation (WCT, WPPT, German Basic Law, and European Law). The author concludes that the current legal situation in Germany does not comply with the freedom of information and may be – depending on the circumstances (i.e., in a situation where technological measures impede citations [para. 51 UrhG] and free uses [para. 24 UrhG]) – in conflict with the freedom of speech and the freedom of art. Although *Stieper* presents good arguments, this interpretation will likely remain controversial. In particular, it is arguable whether the freedom of information may, as a legal concept, directly (and not only politically) bar the current legislation. According to *Stieper*, the para. 95a, 95b UrhG should (i.e., must) be generally revised and should on the one hand except circumvention for private use (given that the user had legal access to the copyrighted work). On the other hand, para 95b UrhG should be altered and should include citations (para. 51 UrhG) and free uses (para. 24 UrhG). Furthermore, circumventions that are limited to enable the access to the work should be removed from the anti-circumvention laws.
- 8 Altogether, *Stieper's* work proves to be a well-written and valuable study for anyone interested in the foundations and dogmatic structure of copyright and its limitations. The author sees the big picture and communicates a considerable knowledge of this highly complex and economically important field. There is no doubt that, as the third part of German copyright reform (“Dritter Korb”) draws nearer, *Stieper* will have an impact on the ongoing debate.

Declaration

A Balanced Interpretation Of The “Three-Step Test” In Copyright Law

Preface

The ever-increasing pace of technological development has prompted a fundamental change in the function and effectiveness of copyright law. The evolution of new business models has led to a dramatic shift in priorities. Unprecedented and unfamiliar threats have developed – threats for both the copyright holder and the copyright user. As far as possible, potentially conflicting interests should be reconciled.

In the context of global copyright regulation, harmonisation has focussed on securing rightholders’ ability to benefit from new modes of exploitation and business models. While international harmonisation primarily serves the interests of copyright-exporting countries in a secure and predictable trading environment, historic evidence, economic theory and the principle of self determination suggest that individual states should have sufficient flexibility to shape copyright law to their own cultural, social and economic development needs. Copyright exceptions and limitations tailored to domestic needs provide the most important legal mechanism for the achievement of an appropriate, self-determined balance of interests at national level.

The Three-Step Test has already established an effective means of preventing the excessive application of limitations and exceptions. However, there is no complementary mechanism prohibiting an unduly narrow or restrictive approach. For this reason, the Three-Step Test should be interpreted so as to ensure a proper and balanced application of limitations and exceptions. This is essential if an effective balance of interests is to be achieved.

Considerations

- ▶ Copyright law aims to benefit the public interest. It produces important incentives for the creation and dissemination of new works of authorship to the general public. These works serve to satisfy common needs; either in their own right or as a basis for the creation of further works. However, the public interest is only truly served if copyright law provides appropriate incentives for all parties involved. Consequently, copyright law must accommodate the interests of original rightholders (such as creators) as well as the interests of those who acquire rights as a consequence of the marketing or commercial ex-

ploitation of a work (in the following: subsequent rightholders).

Creators and subsequent rightholders often have concurrent interests, for example, in the prevention of unauthorized uses of works. However, the respective interests of creators and subsequent rightholders may also come into occasional conflict. For example, limitations and exceptions almost always clash with subsequent rightholders’ primary goal of generating the maximum possible profit from their investment. By contrast, limitations and exceptions can, in certain circumstances, favour the interests of creators. This is particularly true within legal systems in which the application of limitations and exceptions is contingent upon the payment of adequate compensation in which the creator has a mandatory participation. The Three-Step Test should not be interpreted in a manner that jeopardizes an adequate solution for this multi-level conflict of interests.

- ▶ The public interest is not well served if copyright law neglects the more general interests of individuals and groups in society when establishing incentives for rightholders. Where friction arises between the interests of rightholders and the general public, an effort must be made to bring them into equilibrium. This balancing of interests is a general objective of intellectual property regulation as embodied in Art. 7 TRIPS and the WIPO Copyright Treaty, the preamble to which emphasizes “the need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information”.

Limitations and exceptions are the most important legal instrument for reconciling copyright with the individual and collective interests of the general public. In determining the scope of application of limitations and exceptions, the Three-Step Test should not take into account only the interests of rightholders. The need to give equal consideration to third party interests is confirmed explicitly in the Three-Step Test as applied in industrial property law (Art. 17, Art. 26(2) and Art. 30 TRIPS). The fact that third party interests are not explicitly mentioned in the Three-Step Test as applied in copyright law does not detract from the necessity of taking such interests into account. Rather, it indicates an omission that must be addressed by the judiciary.

When correctly applied, the Three-Step Test requires a comprehensive overall assessment, rather

than the step-by-step application that its usual, but misleading, description implies. No single step is to be prioritized. As a result, the Test does not undermine the necessary balancing of interests between different classes of rightholders or between rightholders and the larger general public. Any contradictory results arising from the application of the individual steps of the test in a particular case must be accommodated within this comprehensive, overall assessment. The present formulation of the Three-Step Test does not preclude this understanding. However, this approach has often been overlooked in decided cases.¹

- ▶ The public interest is particularly clear in the case of those values that underpin fundamental rights. These values must be given special consideration when applying the Three-Step Test. In addition, the public interest is served when the inevitable tendency of copyright law to restrict competition through the grant of exclusive rights is no greater than necessary.

Limitations and exceptions provide a mechanism for the elimination of anti-competitive exclusive market positions. In this respect, limitations and exceptions have an advantage over the remedies provided within competition law as they establish a general basis for remedies (as opposed to the case-by-case approach of competition law). Thus, they ensure legal certainty and predictability and reduce transaction costs. Decisions concerning the introduction and scope of limitations and exceptions promoting competition should be left to the discretion of the relevant legislature. The Three-Step Test should not be applied in a manner that safeguards anti-competitive practices or impedes the establishment of a harmonious balance between the legitimate interests of rightholders, on the one hand, and competition (especially competition in secondary markets) on the other.

- ▶ One of the key incentives that copyright law offers to original and subsequent rightholders is compensation at market rate. In fact, higher prices must be accepted as long as they result from market-based competition. However, it is not the case that only market-based pricing can be “adequate” and commensurate with the interests of right holders. Compensation developed under anti-competitive conditions is unjustifiable.

Consequently, where third party interests justify the introduction of limitations and exceptions to exclusive rights, the Three-Step Test should not preclude the payment of compensation below the market rate. Compensation is inherently adequate as long as there are sufficient incentives for the continued creation and dissemination of works. Compensation can also be sufficient where the difference between actual below-market compensation

and theoretical compensation at market rate is justified by third party interests.

Aims

The Three-Step Test performs distinct functions at different regulatory levels and within different legal systems. Internationally, it controls state autonomy in drafting domestic exceptions and limitations. At the domestic level, the Test may be incorporated directly or it may function exclusively as an aid to the interpretation of domestic legislation.

This Declaration does not seek to eliminate such differences. Furthermore, it does not aim to constrain the freedom or discretion of regional and domestic legislators to permit or prohibit particular limitations and exceptions. Neither shall it undermine the internal European allocation of competencies with respect to legislating on limitations and exceptions.

International economic regulation allows for a balance of economic and social interests. International intellectual property law also stresses the need for balance. In the field of copyright law, this Declaration proposes an appropriately balanced interpretation of the Three-Step Test under which existing exceptions and limitations within domestic law are not unduly restricted and the introduction of appropriately balanced exceptions and limitations is not precluded.

Declaration

The Signatories,

- ▶ Recognising the increasing reliance on the Three-Step Test in international, regional and national copyright laws
- ▶ Considering certain interpretations of the Three-Step Test at international level to be undesirable,
- ▶ Perceiving that, in applying the Three-Step Test, national courts and legislatures have been wrongly influenced by restrictive interpretations of that Test,
- ▶ Considering it desirable to set the interpretation of the Three-Step Test on a balanced basis,

Declare as follows:

1. The Three-Step Test constitutes an indivisible entirety.

The three steps are to be considered together and as a whole in a comprehensive overall assessment.

2. The Three-Step Test does not require limitations and exceptions to be interpreted narrowly. They

are to be interpreted according to their objectives and purposes.

3. The Three-Step Test's restriction of limitations and exceptions to exclusive rights to certain special cases does not prevent

(a) legislatures from introducing open ended limitations and exceptions, so long as the scope of such limitations and exceptions is reasonably foreseeable; or

(b) courts from

– applying existing statutory limitations and exceptions to similar factual circumstances *mutatis mutandis*; or

– creating further limitations or exceptions,

where possible within the legal systems of which they form a part.

4. Limitations and exceptions do not conflict with a normal exploitation of protected subject matter, if they

– are based on important competing considerations or

– have the effect of countering unreasonable restraints on competition, notably on secondary markets,

particularly where adequate compensation is ensured, whether or not by contractual means.

5. In applying the Three-Step Test, account should be taken of the interests of original rightholders, as well as of those of subsequent rightholders.

6. The Three-Step Test should be interpreted in a manner that respects the legitimate interests of third parties, including

– interests deriving from human rights and fundamental freedoms;

– interests in competition, notably on secondary markets; and

– other public interests, notably in scientific progress and cultural, social, or economic development.

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- 1 See for instance the decision of the French Supreme Court, 28 February 2006, 37 IIC 760 (2006). The same attitude is revealed the WTO-Panel report WT/DS114/R of 17 March 2000 (*Canada - Patents*), where it is held that failure to meet the requirements of one of the three steps will necessarily result in a violation of Article 30 TRIPS. Though not expressly endorsing the same attitude, the subsequent Panel report WT/DS160/R, 15 June 2000 (*USA - Copyright*), has not distanced itself from *Canada - Patents* in a manner that would help to rule out further misunderstandings.

European Copyright Code

Preamble

The Wittem Group

Considering

- ▶ that the establishment of a fully functioning market for copyright protected works in the European Union, as necessitated in particular by the Internet as the primary means of providing information and entertainment services across the Member States, requires common rules on copyright in the EU that reflect and integrate both the civil and common law traditions of copyright and authors' right respectively;
- ▶ that twenty years of harmonization has brought only partial harmonization on certain aspects of the law of copyright in the Member States of the EU;
- ▶ that the consistency and transparency of the harmonized rules on copyright in the EU ought to be improved;
- ▶ that copyright law in the EU should reflect the core principles and values of European law, including freedom of expression and information as well as freedom of competition;

Recognizing

- ▶ that copyright protection in the European Union finds its justification and its limits in the need to protect the moral and economic interests of creators, while serving the public interest by promoting the production and dissemination of works in the field of literature, art and science by granting to creators limited exclusive rights for limited times in their works;
- ▶ that copyright legislation should achieve an optimal balance between protecting the interests of authors and right holders in their works and securing the freedom to access, build upon and use these works;
- ▶ that rapid technological development makes future modes of exploitation and use of copyright works unpredictable and therefore requires a system of rights and limitations with some flexibility;

Believing that the design of a European Copyright Code might serve as an important reference tool for future legislatures at the European and national levels;

Taking note of the norms of the main international treaties in the field of copyright that have been signed and ratified by the EU and its Member States, in particular the

Berne Convention, the TRIPs Agreement and the WIPO Copyright Treaty, and of the harmonized standards set by the EC directives in the field of copyright and related rights;

Proposes the following European Copyright Code:

Chapter 1: Works

Art. 1.1 – Works

(1) Copyright subsists in a work¹, that is to say, any² expression³ within the field of literature, art or science⁴ in so far as it⁵ constitutes its author's own⁶ intellectual creation.⁷

(2) The following in particular are regarded⁸ to be within the field of literature, art or science within the meaning of this article:

- (a) Written or spoken words,
- (b) Musical compositions
- (c) Plays and choreographies,
- (d) Paintings, graphics, photographs and sculptures,
- (e) Films,
- (f) Industrial and architectural designs,
- (g) Computer programs,
- (h) Collections, compilations and databases.

(3) The following are not, in themselves⁹, to be regarded as expressions within the field of literature, art or science within the meaning of this article:¹⁰

- a. Facts, discoveries, news and data;¹¹
- b. Ideas and theories;
- c. Procedures, methods of operation and mathematical concepts.¹²

Art. 1.2 – Excluded works

The following works are not protected by copyright:

- (a) Official texts of a legislative, administrative and judicial nature, including international treaties, as well as official translations of such texts;
- (b) Official documents published¹³ by the public authorities.¹⁴

Chapter 2: Authorship and ownership

Art. 2.1 – Authorship

The author of a work is the natural person or group of natural persons who created it.¹⁵

Art. 2.2 – Moral rights

- (1) The author of the work has the moral rights.
- (2) Moral rights cannot be assigned.

Art. 2.3 – Economic rights

- (1) The initial owner of the economic rights in a work is its author.
- (2) Subject to the restrictions of article 2.4, the economic rights in a work may be assigned¹⁶, licensed¹⁷ and passed by inheritance, in whole or in part.
- (3) If the author has assigned economic rights, he shall nonetheless have a right to an adequate part of the remuneration on the basis of the provisions in articles 5.2, 5.3, 5.4 and 5.5.
- (3) An assignment is not valid unless it is made in writing.

Art. 2.4 – Limits

If the contract by which the author assigns or exclusively licenses the economic rights in his work does not adequately specify (a) the amount of the author's remuneration, (b) the geographical scope, (c) the mode of exploitation and (d) the duration of the grant¹⁸, the extent of the grant shall be determined in accordance with the purpose envisaged in making the grant.¹⁹

Art. 2.5 – Works made in the course of employment

Unless otherwise agreed, the economic rights in a work created by the author in the execution of his duties or following instructions given by his employer²⁰ are deemed to be assigned to the employer.

Art. 2.6 – Works made on commission

Unless otherwise agreed, the use of a work by the commissioner of that work is authorised to the extent necessary to achieve the purposes for which the commission was evidently made.²¹

Chapter 3: Moral rights

Art. 3.1 – General

The moral rights in a work are the rights of divulgation, attribution and integrity, as provided for in articles 3.2, 3.3 and 3.4.

Art. 3.2 – Right of divulgation

- (1) The right of divulgation is the right to decide whether, and how the work is disclosed for the first time.
- (2) This right shall last for the life of the author.²²

Art. 3.3 – Right of attribution

- (1) The right of attribution comprises:
 - (a) the right to be identified as the author²³, including the right to choose the manner of identification²⁴, and the right, if the author so decides, to remain unidentified.
 - (b) the right to require that the name or title which the author has given to the work be indicated.
- (2) This right shall last for the life of the author and until [...] years after his death.²⁵ The legal successor as defined by the laws on inheritance²⁶ is entitled to exercise the rights after the death of the author.

Art. 3.4 – Right of integrity

- (1) The right of integrity is the right to object to any distortion, mutilation or other modification, or other derogatory action in relation to the work, which would be prejudicial to the honour or reputation of the author.
- (2) This right shall last for the life of the author and until [...] years after his death. The legal successor as defined by the laws on inheritance²⁷ shall be entitled to exercise the right after the death of the author.

Art. 3.5 – Consent

The author can consent²⁸ not to exercise his moral rights.²⁹ Such consent must be limited in scope³⁰, unequivocal³¹ and informed.^{32,33}

Art. 3.6 – Interests of third parties

- (1) The moral rights recognised in article 3.1 will not be enforced in situations where to do so would harm the legitimate interests of third parties³⁴ to an extent which is manifestly disproportionate to the interests of the author.^{35,36}
- (2) After the author's death, the moral rights of attribution and integrity shall only be exercised in a manner that takes into account the interests in protecting the person of the deceased author, as well as the legitimate interests of third parties.

Chapter 4: Economic rights

Art. 4.1 – General

(1) The economic rights in a work are³⁷ the exclusive rights to authorise or prohibit the reproduction, distribution, rental³⁸, communication to the public and adaptation of the work, in whole or in part³⁹, as provided for in articles 4.2, 4.3, 4.4, 4.5 and 4.6.

(2) The economic rights expire [...] years⁴⁰ after the year of the author's death.

Art. 4.2 – Right of reproduction

The right of reproduction is the right to reproduce the work in any manner or form, including temporary reproduction insofar⁴¹ as it has independent⁴² economic significance.⁴³

Art. 4.3 – Right of distribution

(1) The right of distribution is the right to distribute to the public the original of the work or copies thereof.

(2) The right of distribution does not apply to the distribution of the original or any copy that has been put on the market by the holder of the copyright or with his consent.⁴⁴

Art. 4.4 – Right of rental

(1) The right of rental is the right to make available the original of the work or copies thereof for use for a limited period of time for profit making purposes.

(2) The right of rental does not extend to the rental of buildings and works of applied art.

Art. 4.5 – Right of communication to the public

(1) The right of communication to the public is the right to communicate the work to the public, including but not limited to⁴⁵ public performance⁴⁶, broadcasting⁴⁷, and making available to the public of the work in such a way that members of the public may access it from a place and at a time individually chosen by them.

(2) A communication of a work shall be deemed to be to the public if it is intended for a plurality of persons, unless such persons are connected by personal relationship.

Art. 4.6 – Right of adaptation

The right of adaptation is the right to adapt, translate, arrange or otherwise alter the work.

Chapter 5: Limitations⁴⁸

Art. 5.1 – Uses with minimal economic significance

The following uses with minimal economic significance are permitted without authorisation, and without remuneration:⁴⁹

(1) the making of a back-up copy of a work by a person having a right to use it and insofar as it is necessary for that use;

(2) the incidental inclusion of a work in other material;

(3) use in connection with the demonstration or repair of equipment, or the reconstruction of an original or a copy of a work.

Art. 5.2 – Uses for the purpose of freedom of expression and information

(1) The following uses for the purpose of freedom of expression and information are permitted without authorisation and without remuneration, to the extent justified by the purpose of the use:

(a) use of a work for the purpose of the reporting of contemporary events;

(b) use of published articles on current economic, political or religious topics or of similar works broadcast by the media, provided that such use is not expressly reserved;

(c) use of works of architecture or sculpture, made to be located permanently in public places;

(d) use by way of quotation of lawfully disclosed works;⁵⁰

(e) use for the purpose of caricature, parody or pastiche.

(2) The following uses for the purpose of freedom of expression and information are permitted without authorisation, but only against payment of remuneration and to the extent justified by the purpose of the use:

(a) use of single articles for purposes of internal reporting within an organisation;

(b) use for purposes of scientific research.

Art. 5.3 – Uses permitted to promote social, political and cultural objectives

(1) The following uses for the purpose of promoting social, political and cultural objectives are permitted without authorisation and without remuneration, and to the extent justified by the purpose of the use:

(a) use for the benefit of persons with a disability, which is directly related to the disability and of a non-commercial nature;

(b) use to ensure the proper performance of administrative, parliamentary or judicial proceedings or public security;⁵¹

(c) use for the purpose of non-commercial archiving by publicly accessible libraries, educational establishments or museums, and archives.⁵²

(2) The following uses for the purpose of promoting important social, political and cultural objectives are permitted without authorisation, but only against payment of remuneration, and to the extent justified by the purpose of the use:

- (a) reproduction by a natural person for private use, provided that the source from which the reproduction is made is not an obviously infringing copy;
- (b) use for educational purposes.

Art. 5.4 – Uses for the purpose of enhancing competition

(1) The following uses for the purpose of enhancing competition are permitted without authorisation and without remuneration, to the extent justified by the purpose of the use:

- (a) use for the purpose of advertising public exhibitions or sales of artistic works or goods which have been lawfully put on the market;⁵³
- (b) use for the purpose of reverse engineering in order to obtain access to information, by a person entitled to use the work.

(2) Uses of news articles, scientific works, industrial designs, computer programs and databases are permitted without authorisation, but only against payment of a negotiated remuneration⁵⁴, and to the extent justified by the purpose of the use, provided that:

- (i) the use is indispensable to compete on a derivative market;
- (ii) the owner of the copyright in the work has refused to license the use on reasonable terms, leading to the elimination of competition in the relevant market and
- (iii) the use does not unreasonably prejudice the legitimate interests of the owner of the copyright in the work.

Art. 5.5 – Further limitations

Any other use that is comparable to the uses enumerated in art. 5.1 to 5.4(1) is permitted provided that the corresponding requirements of the relevant limitation are met and the use does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author or rightholder, taking account of the legitimate interests of third parties.⁵⁵

Art. 5.6 – Relation with moral rights

- (1) Uses under this chapter are permitted without prejudice to the right of divulgation under article 3.2.⁵⁶
- (2) Uses pursuant to articles 5.2, 5.3, 5.4 and 5.5 are permitted without prejudice to the right of attribution un-

der article 3.3, unless such attribution is not reasonably possible.

(3) Uses pursuant to articles 5.1, 5.2, 5.3 and 5.5, are permitted without prejudice to the right of integrity under article 3.4, unless the applicable limitation allows for such an alteration or the alteration is reasonably due to the technique of reproduction or communication applied by the use.

Art. 5.7 – Amount and collection of remuneration

(1) Any remuneration provided for under this chapter shall be fair and adequate.⁵⁷

(2) A claim for remuneration according to articles 5.2(2) and 5.3(2) can only be exercised by a collecting society.

Art. 5.8 – Limitations prevailing over technical measures⁵⁸

In cases where the use of copyright protected works is controlled by technical measures, the rightholder shall have an obligation to make available means of benefiting from the uses mentioned in articles 5.1 through 5.5 with the exception of art. 5.3(2)(a), on condition that:

- (a) the beneficiary of the limitation has lawful access to the protected work,
- (b) the use of the work is not possible to the extent necessary to benefit from the limitation concerned, and
- (c) the rightholder is not prevented from adopting adequate measures regarding the number of reproductions that can be made.

- 1 The term 'work' is used throughout this Code as a general term to denote subject matter protected by copyright as defined in this article. It does not cover subject matter protected by what is usually referred to as neighbouring or related rights.
- 2 'Any' denotes "whatever may be its mode or form of expression or its merit". There is no requirement of fixation. An adaptation of a work may qualify as a work itself.
- 3 The term 'expression' indicates the traditional requirement that works be the result of the author's personal expression.
- 4 The term 'literary, artistic or scientific expressions', which is inspired by art. 2(1) BC, circumscribes the domain of copyright, and serves as "Oberbegriff".
- 5 'In so far as' indicates that the requirement of constituting 'its author's own, intellectual creation' is not merely a condition for the existence of copyright, but also defines its limits.
- 6 The Code does not use or define the term original, but in practice it might still be used to indicate that the production qualifies as a (protected) work.
- 7 The term 'the author's own intellectual creation' is derived from the *acquis* (notably for computer programs, databases and photographs). It can be interpreted as the "average" European threshold, presuming it is set somewhat higher than skill and labour. This is possible if emphasis is put on the element of creation. For factual and functional works, the focus will be more on a certain level of skill (judgement) and

- labour, whereas for productions in the artistic field the focus will be more on personal expression.
- 8 The categories listed here are merely examples and should not be taken to be exhaustive. The exemplary list indicates 'core' areas of copyright.
 - 9 The term 'as such' has built up a lot of jurisprudence under the EPC art 52, and is therefore avoided here.
 - 10 Whereas art. 1.1 (3) designates subject matter that as a matter of principle does not fall within the domain of copyright, art. 1.2 deals with works that do fall within the domain of copyright, but are excluded from copyright protection.
 - 11 Cf. art. 10(2) TRIPS: such protection shall not extend to the data or material itself; see also art. 3(2) Database Directive.
 - 12 Cf. art. 9(2) TRIPS.
 - 13 The term 'published' does not imply that a work must formally have been published in an Official Journal or equivalent. However, secret or confidential information can not be considered as 'published'.
 - 14 As to 'official' works by private authors, these will be protected until they become 'official'. Also, questions of moral rights could still arise despite the exclusion.
 - 15 In case of films such co-authors include the director, the author of the screenplay and the author of the dialogue and the composer of music specifically created for use in the cinematographic or audiovisual work; see art. 2(2) Term Directive.
 - 16 The term 'assignment' indicates a cession of economic rights; ownership of the rights is transferred to another person.
 - 17 The term 'license' indicates an act of authorisation (permission) to use the work.
 - 18 The term 'grant' is used here as an overarching term encompassing both assignment and license.
 - 19 Art. 2.4 is meant to protect authors against overbroad grants of rights. It does so by giving a primary rule and a subsidiary (default) rule. The primary rule requires adequate specification in the granting contract of the core features of such a contract: remuneration, geographical scope, modes of exploitation and duration of the grant. Failure to comply with the rule of specificity will not however nullify the grant, but will result in the default rule becoming operational. Under the default rule any grant of copyright is to be interpreted in accordance with the grant's underlying purpose (purpose-of-grant rule).
 - 20 The scope of the assignment will therefore largely depend on the contract of employment between the author and the employer, as determined by applicable law. The general rules on assignment of art. 2.3 and 2.4 do not apply here.
 - 21 Such purposes must have been known to, or obvious to the author, for example, from the terms of the commissioning agreement.
 - 22 It was generally felt by the members of the group that not all moral rights merit the same term of protection, and that the right of divulgation might expire following the death of the author, whereas other moral rights could remain protected for a certain period post mortem. Note however that general rights of privacy might still prevent unauthorized publication post mortem of unpublished works.
 - 23 The existence of the right of attribution cannot depend on any condition, such as a claim or assertion by the author.
 - 24 The manner the author chooses to be identified should take into account the constraints resulting from the type of work involved and the customary practices regarding attribution in his field.
 - 25 See note 22.
 - 26 As determined by the laws of inheritance, either the heirs or a person especially appointed by the author can exercise these moral rights.
 - 27 Id.
 - 28 Consent by the author to waive his moral right must be certain. This consent can result from a written instrument or may be implied if no other interpretation of the author's will can be deduced from the written instrument or from the particular circumstances of the case.
 - 29 If the author consents not to exercise his moral rights, the action consented to will not constitute an infringement.
 - 30 General waivers are not possible, but an author may consent to particular uses.
 - 31 Consent in writing should be regarded as evidence that the consent was unequivocal.
 - 32 Consent is only informed where full information is disclosed to the author (or a representative or agent thereof) as to the way in which the work will be used, including details of works which will be used in association with the work. The waiver may result from a collective negotiation by third parties representing the interests of the authors, such as an author's union.
 - 33 The condition of informed consent will weigh particularly heavy in cases of *standard contracts* stipulating a far reaching consent of the author not to exercise moral rights.
 - 34 The notion of 'interests of third parties' covers interests of any private party, such as a publisher, as well of the public in general which, for instance, has a legitimate interest in improving the access to the work.
 - 35 For example, particularly the integrity right would be attenuated in relation to works of low authorship.
 - 36 This 'abus de droit' principle also applies to economic rights. If it is specifically mentioned here, this is because, unlike the case of the economic rights, the principle is not already elaborated in a body of limitations.
 - 37 This article comprises an exhaustive (closed) list of the economic rights. Note, however, that 'communication to the public' is an open concept, and art. 4.5 comprises a nonexhaustive (open) list of acts falling under that concept.
 - 38 As explained in the Introduction, the public lending right and the artists' resale right (*droit de suite*) are not included here, because these are remuneration rights that do not qualify as exclusive economic rights and as such remain outside the scope of the Code.
 - 39 The phrase 'in whole or in part' implies that the use of a part of a protected work constitutes a restricted act or, as the case may be, an infringement, if this part in and by itself qualifies for copyright protection.
 - 40 It was generally felt by the members of the Group that the current term of protection of the economic rights is too long. However views diverged as to the appropriate term.
 - 41 The phrase 'insofar as it has independent economic significance' only refers to temporary reproductions.
 - 42 The term 'independent' means independent from a permitted use (i.e. permitted either by law or authorised by the right holder).
 - 43 This carve-out absorbs the rule of art. 5(1) InfoSoc Directive. Note that it does not determine the burden of proof whether or not the reproduction in question is or is not temporary and/or has no independent economic significance.
 - 44 This rule of exhaustion has to be interpreted coherently with the same concept in the law of industrial property.
 - 45 The right of communication to the public is divided into three main categories, but the list is open-ended and non-exhaustive.
 - 46 Public performance also includes public recitation, "public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds or images [of the broadcast of the work]" (art. 11bis (1) (iii) BC) and public display (i.e. on a screen).

- 47 The term 'broadcasting' includes rebroadcasting and retransmitting, by wireless and wired (cable) means.
- 48 For the sake of clarity, limitations have been brought together under several categories. The categories do not however prejudice as to the question, what interests do, or should, in a particular case or even in general, underlie the limitation. In practice, this might be a mixture of several of the interests indicated. The weakness in a particular case of the interest under which the applicable limitation has been categorized does not prejudice as to the (non-)applicability of the limitation. However, the concrete examples enumerated under those categories do have a normative effect, since art. 5.5 extends the scope of the specifically enumerated limitations by permitting other uses that are similar to any of the uses enumerated, subject to the operation of the three-step test. In this way, Chapter 5 reflects a combination of a common law style open-ended system of limitations and a civil law style exhaustive enumeration. On the one hand, the extension to similar uses provides the system with a flexibility which is indispensable in view of the fact that it is impossible to foresee all the situations in which a limitation could be justified. On the other hand, the possibility of flexibility is narrowed down in two ways. Firstly, the extension applies to uses 'similar' to the ones expressly enumerated. Thus, a certain normative effect is bestowed on these examples; the courts can only permit uses not expressly enumerated insofar as a certain analogy can be established with uses that are mentioned by the Code. Secondly, such similar uses may not conflict with the normal exploitation of the work and not unreasonably prejudice the legitimate interests of the author or rightholder, taking account of the legitimate interests of third parties.
- 49 With regard to the question, whether a limitation permits the use act in question or not, the Code does not distinguish between analogue and digital uses. However, a distinction might be made in respect of the amount of remuneration due for certain uses; see note 57.
- 50 Although quotations normally will only imply partial use of a work, it may in certain cases be permitted to quote the entire work.
- 51 The reporting of administrative, parliamentary or judicial proceedings is covered by art. 5.2 (1) (a).
- 52 See art. 5 (2) (c) Information Society Directive. It is understood that the exception only covers reproductions made in order to preserve documents, but not any subsequent commercial exploitation of the works that have been archived.
- 53 The means of advertising as mentioned in art. 5.4 (1) should be normal and proportionate for the business.
- 54 The term 'negotiated remuneration' means that the compulsory license fee is to be negotiated in individual cases, and therefore does not imply a role for collective rights management.
- 55 See note 48. Note that art. 5.5 does not allow new limitations by blending the criteria of articles 5.1 to 5.3.
- 56 This provision does not prejudice as to the direct application of the fundamental right of freedom of expression. It is however understood that only in highly exceptional cases, such as quotation in the press of important secret documents, there could be a ground for such a correction.
- 57 While no distinction of analogue and digital use acts shall be made with regard to the question of the permission of the use act as such, it seems appropriate to differentiate the amount of remuneration due depending on the economic significance of the use act to the user. It should be noted that the use can be made by a third party on behalf of beneficiaries of these limitations, but that in such cases the remuneration to be paid may be higher than if it is made by the privileged individual itself.
- 58 Note that the Code does not otherwise deal with the legal protection of technical protection measures.

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