

**INTERNATIONAL INSTRUMENT
ON PERMITTED USES IN COPYRIGHT LAW**

EXPLANATORY NOTES

TABLE OF CONTENT

| | |
|---|----|
| INTRODUCTORY NOTES | 4 |
| Background | 4 |
| Justification and Rationale | 5 |
| Structure | 7 |
| PREAMBLE | 9 |
| A. PERMITTED USES | 17 |
| I. Freedom of expression and information | 17 |
| II. Social, political and cultural objectives | 24 |
| III. Use of software | 27 |
| IV. Uses with minimal significance | 29 |
| V. Free circulation | 33 |
| B. GENERAL PRINCIPLES OF IMPLEMENTATION..... | 37 |
| I. Effectiveness | 37 |
| II. Three-Step Test..... | 40 |
| III. Technological protection measures | 46 |
| IV. No contracting out | 47 |
| V. Participation of the creator | 48 |
| VI. Right of attribution | 50 |
| VII. Related rights | 51 |
| C. COMPETITION; ABUSE..... | 53 |
| I. Application of competition law | 53 |
| II. Compulsory licensing in case of abuse | 53 |
| TABLE OF ABBREVIATIONS..... | 57 |
| International Instruments..... | 57 |
| European Union Directives | 57 |
| Acronyms | 58 |
| AUTHORS..... | 59 |

INTRODUCTORY NOTES

Background

The “International Instrument on Permitted Uses in Copyright Law” is the product of an academic initiative coordinated by the Max Planck Institute for Innovation and Competition of Munich (MPI) with the aim of creating a more balanced system regarding the scope of copyright protection internationally. Based on cooperation among world-renowned copyright experts, the MPI Project on Permitted Uses in Copyright Law was launched in 2012 and has resulted in this legal instrument, which is designed in the form of an international treaty.

As the Berne Convention (BC) evolved and in 1996 subsequent international Treaties were adopted, international copyright law has increasingly strengthened the protection of private rights of exclusion and eschewed setting mandatory permitted uses. In the prevailing international environment, some economically strong countries shifted the focus of their efforts from wider multilateral fora to regional and bilateral agreements (mostly free trade agreements), seeking more extensive protection of intellectual property rights within the scope of Article 1(1) of the TRIPS Agreement. These countries tend to negotiate for the inclusion of more protectable subject matters, broader and more extensive coverage, increased harmonization to their standards of protection, stronger enforcement mechanisms and a weakening of flexibility and differentiation of treatment. At the same time, international law has been progressively interpreted as a limit for states to lay down permitted uses in their laws or to define the scope of existing provisions extensively. This is partly due to how the three-step test set forth by Article 9(2) BC has been understood over time. Originally intended as a way for Berne Union countries to permit reproduction of copyrighted works, the test has come to be understood as a strict method of regulating the system of copyright-permitted uses. The restrictive understanding of the three-step test goes hand in hand with the expansion of intellectual property protection standards.

A first initiative in the direction of better defining the scope of permitted uses in copyright law is the “Declaration on a Balanced Interpretation of the ‘Three-Step Test’ in Copyright Law” of 2008, prepared in a cooperation between the MPI and the School of Law at Queen Mary University of London (www.ip.mpg.de/en/research/research-news/declaration-three-step-test.html). The Declaration opposes the increasingly restrictive understanding of the three-step test and raises concerns about its impact on the law of copyright and related rights. The purpose of the Declaration is to show which legal arrangements are in line with international law by

demonstrating that international legislation does not have to be applied equally by all Member States. Quite the opposite, the Declaration points out the need to differentiate according to varying socio-economic conditions. Its aim is “to restore the ‘three-step test’ to its original role as a relatively flexible standard precluding clearly unreasonable encroachments upon an author’s right without interfering unduly with the ability of legislatures and courts to respond to the challenges presented by shifting commercial and technological context in a fair and balanced manner” (C. Geiger et al., *Towards a Balanced Interpretation of the Three-step Test in Copyright Law*, *European Intellectual Property Review* (2008), 489 et seq.). Accordingly, copyright-permitted uses should be interpreted in line with their meaning and purposes, applying a flexible approach. In fact, flexibility is enshrined in international treaties on copyright law, in particular in the BC and in the TRIPS Agreement, which do leave states room for maneuver considering the diverse standpoints of all countries involved.

However, emphasising the flexibility existing in the international legal framework has proven, alone, not to be enough to provide a set of minimum standards of copyright-permitted uses. This is for more than one reason, including the fact that these arguments rarely penetrate the circles of policy makers. A further reason is that adapting the potential flexibility of existing permitted uses presupposes a level of legal and technical proficiency that may be lacking in certain countries.

The International Instrument on Permitted Uses in Copyright Law follows the Declaration and goes a step further. The Instrument is not limited to recommendations or guidelines but includes concrete provisions based on “minimum permitted uses” in order to counterbalance the abovementioned international trend, which is mostly based on a “minimum protection approach”.

Justification and Rationale

The Instrument on Permitted Uses in Copyright Law is based on the idea that copyright protection and permitted uses of copyrighted works are two sides of the same coin. Right holders’ protection and permitted uses are both equally essential in ensuring that copyright will have positive effects on the information economy and society in general. Yet copyright exemptions are generally understood as “exceptions and limitations” aimed at merely correcting copyright exclusivity. Along this line, the Instrument does not refer to “exceptions and limitations” but rather to “permitted uses”. This wording is used in preference to “user’s rights”.

Although in recent years the terminology “user’s rights” has been adopted by the Court of Justice of the European Union (CJEU) and the Canadian Supreme Court to frame the discussion around permitted uses, almost no legislature has yet implemented this wording in its copyright statutes. Hence the Instrument uses a terminology that does not require prospective Contracting Parties to introduce users’ rights but allows them to implement permitted uses in national law even in the form of actual “user rights”.

The Instrument includes a core of minimum permitted uses of works that are mandatory for Contracting Parties. Part B.I.1. of the Instrument states that: “Contracting Parties are obliged to adopt the measures necessary to ensure the effective application of this Instrument”. This obligation is at the very heart of the Instrument. It aims at counterbalancing the traditional “minimum protection approach” of international copyright legislation. Also, with this approach, the Instrument aims to place in the hand of national states a lever for addressing the political pressure that notoriously exists in international negotiations, especially in the arena of bilateral or regional agreements. The Instrument may facilitate cooperation amongst countries in asserting their interests in international negotiations. By signing an international agreement based on this Instrument, Contracting Parties would set new minimum standards of permitted uses in copyright law, which may curb the higher standards of protection claimed by some countries in international negotiations within the scope of Article 1(1) TRIPS. At the same time, by ensuring minimum permitted uses, the Instrument might foster a certain harmonisation of the diverse national legislations. Differences in the availability and scope of permitted uses in an increasingly interconnected world may cause uncertainty and hinder the circulation of information and other primary objectives of copyright law. A multilateral approach, on the contrary, would benefit the global framework by increasing predictability and certainty.

However, while Contracting Parties will have to implement this minimum standard in their national legislations, they will be free to go beyond it, i.e. permitting more uses. In addition, the Instrument does not provide for an all-encompassing harmonization of uses permitted under copyright. For example, the provision on “free circulation” under section A.V. is silent as to the geographical scope of an exhaustion of rights or an implied license (cf. Notes to A.V.). According to section B.I.2., Contracting Parties are also free to choose the appropriate method of implementing the Instrument’s provisions within their own legal system and practice. Making a list of permitted uses or creating general clauses, such as fair use and fair dealing, are all matters of national legislation.

Structure

The Instrument is composed of three parts: A. Permitted Uses; B. General Principles of Implementation; C. Competition; Abuse.

In **Part A** five groups of permitted uses are enumerated: I. Freedom of expression and information; II. Social, political and cultural objectives; III. Use of software; IV. Uses with minimal significance; and V. Free circulation. The permitted uses listed in Part A codify those included in international provisions (such as Article 10(2) BC or the Marrakesh VIP Treaty) as well as in national rules in this area.

The conceptual structure of the rules on permitted uses in this Instrument is similar to the one characterising the provisions of the European Copyright Code (namely *Chapter 5: Limitations*), drawn up by a group of European academics within the Wittem Project (<https://www.ivir.nl/copyrightcode/european-copyright-code/>). Each rule establishes in the first place the objective pursued by the provision. For instance, the first paragraph of Part A.I. (“Freedom of expression and information”) states that “Contracting Parties shall permit uses for the purpose of freedom of expression and information to the extent justified by the purpose of the use”. The permitted uses listed by way of example in the second paragraph of the provision are precisely meant to serve the values enunciated in the first paragraph. Contracting Parties are required to implement them and are free to introduce further permitted uses that pursue the goal established in the first paragraph of the provision.

Part B defines general principles aimed at guiding Contracting Parties in the implementation of permitted uses in their national legal orders. It is required that Contracting Parties apply the provisions of the Instrument effectively (Part B.I.). However, the Instrument helps Contracting Parties to be compliant with the three-step test by providing guidelines inspired by the interpretation criteria given in the “Declaration on a Balanced Interpretation of the ‘Three-Step Test’ in Copyright Law” (Part B.II.). Also, in order to assure effectiveness, the Instrument requires that permitted uses are not limited by technology or contract. In this respect, Contracting Parties must ensure that no legal protection is afforded to technological protection measures where they prevent beneficiary persons from enjoying permitted uses (Part B.III.) and that contractual terms do not unreasonably impede the benefits of permitted uses (Part B.IV.). In implementing the Instrument, Contracting Parties must pay attention to the position of creators, granting them the right of attribution in case of permitted uses (Part B.VI.) and

participation in any remuneration or compensation (Part B.V.). Finally, it is clarified that permitted uses apply *mutatis mutandis* to related rights (in Part B.VII.).

Part C deals with competition law as an external limit to copyright. This part is based on the modern understanding that competition law and copyright law are not antagonistic but rather complementary legal fields, pursuing the objective of increasing the market offer of creative works. The Instrument clarifies that there can be no *per se* exemption of copyright from the general rules of competition law (Part C.I.). Notably, as a “third path” between specific permitted uses and the usual manner of monitoring and sanctioning abusive conduct under competition, the Instrument suggests the use of compulsory licenses as a remedy against abusive conduct by right holders.

PREAMBLE

Text

“The Contracting Parties,

recalling

- (1) *that everyone has the right to take part in cultural life and to enjoy the benefits of scientific progress and its applications, and that creators have the right to benefit from the protection of the moral and material interests resulting from their scientific, literary or artistic productions;*
- (2) *that the encouragement of learning and the pursuit of scientific research, innovation and creativity are indispensable to sustainable human and economic development;*
- (3) *that the promotion of education, science and the arts is a principal objective of the copyright system;*

recognizing

- (4) *the importance of copyright protection as an incentive and reward for literary and artistic creation of works, and the need to maintain a balance between the effective protection of right holders and the larger public interest, including, in particular, education, research and access to information;*
- (5) *that Contracting Parties have obligations to each other under treaties concerning copyright, and that nothing in this Instrument shall derogate from any such obligations, nor shall it prejudice any rights that a Contracting Party has under any such treaties, except where the exercise of those rights would cause a serious conflict or threat to the objectives of this Instrument;*
- (6) *that in accordance with Articles 7 and 8 of the TRIPS Agreement and the customary rules of public international law, copyright protection must be implemented in a manner conducive to social and economic welfare, and to a balance of rights and obligations;*
- (7) *the importance of the Development Agenda recommendations adopted in 2007 by the General Assembly of the World Intellectual Property Organization, which aim to ensure that development considerations, including a normative framework that is tailored to the development needs of all WIPO Member States, form an integral part of the Organization’s work;*
- (8) *that in using the flexibilities allowed by international treaties on the protection of copyright and related rights, including the flexibilities resulting from a balanced interpretation of the three-step test, Contracting Parties may adopt obligations aimed at achieving the primary objectives of copyright regarding the promotion of education, science and the arts;*

(9) *that differences in the availability and scope of copyright-permitted uses in an increasingly interconnected world tend to undermine the attainment of the primary objectives of copyright protection;*

(10) *that, in an era of rapid technological change, copyright law must develop in a manner that promotes freedom of competition;*

therefore desiring to

(11) *further the abovementioned functions and objectives of copyright law;*

(12) *exercise and maintain the regulatory flexibility of Contracting Parties in the area of copyright law;*

(13) *foster freedom of expression and information and further social, political and cultural objectives by setting out uses of copyrighted works that Contracting Parties shall permit;*

(14) *control anticompetitive practices by right holders.”*

Notes

Like most international copyright treaties, the Instrument includes a Preamble, which is meant to explain its underlying normative foundations and objectives. On the basis of the Preamble, all potential users of the Instrument can take an informed decision on whether to rely on it. Moreover, the Preamble is intended to guide the interpretation of the substantive provisions. None of the normative foundations and objectives is to be read in isolation. Like the three-step test (see Part B.II.2 and accompanying notes), the Instrument should be considered as a whole.

As explained in the Introductory Notes, the Instrument is the result of an academic initiative, but it is designed so that it can be used as a draft for an international treaty. Accordingly, the Preamble speaks in the name of “Contracting Parties”. As a rule, these will be nation states. If the Instrument is used as a model for a multilateral treaty, it will be advisable to include a provision on the eligibility for becoming a party to the treaty, which should also extend to intergovernmental organizations (see e.g. Article 23 Beijing Treaty).

The **Preamble** contains 14 statements in three parts. For reasons of convenience, these 14 paragraphs are referred to in the following by serial numbers. The first part of the Preamble “recalls” three overarching sets of objectives, which copyright, including permitted uses, should complement, namely human rights, sustainable human and economic development, and the promotion of education, science, and the arts. The second part of the Preamble “recognizes” seven fundamental aspects of existing international copyright treaties. It thereby clarifies that

the Instrument is compatible with this body of international law. The third part of the Preamble sets out four objectives of the Instrument itself. Whereas the 11th paragraph of the Preamble ties the overarching purpose of the Instrument to achieving the objectives of existing international copyright law, the final three sub-sections highlight specific objectives of the Instrument on mandatory permitted uses in copyright law. In all these regards, the wording of the Instrument relies on Preambles to existing international treaties, in particular the Marrakesh VIP Treaty, which has a similar objective.

Preamble no. 1 emphasizes the human rights implications of copyright. Its structure and wording mirrors Article 27 of the UDHR. The first half sentence confirms the human right of everyone to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits (Article 27(1) UDHR; preamble no. 3 of the Marrakesh VIP Treaty). The second half sentence recalls the right of “creators” to benefit from the protection of the moral and material interests resulting from their scientific, literary or artistic productions under Article 27(2) of the UDHR. In this Instrument the term “creator” refers to persons who bring about creative, copyrightable expressions. The term “right holder” refers broadly to original or subsequent copyright holders, as well as holders of related rights to whom the Instrument applies *mutatis mutandis* (see B.VII.). The term “author” – apart from quotations – is avoided in this Instrument because it blurs this important distinction.

The Preamble of the Instrument has a more limited focus than the preamble of the TRIPS Agreement, which recognizes intellectual property rights as “private rights”. By referring to the human rights of both creators and users, Preamble no. 1 makes clear that on principle neither side takes precedence over the other. Instead, it provides a normative basis for the call to maintain a balance between both interests (see Preamble nos. 4 and 6). This balance is reflected in the substantive provisions of the Instrument.

Whereas Preamble no. 1 provides an individualistic normative foundation for the Instrument, **Preamble no. 2** links the Instrument to sustainable human and economic development in general. Both the TRIPS Agreement (“Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives”) and the Development Agenda of WIPO (see also Preamble no. 7) recognize that copyright and other forms of intellectual property are grounded on public policies that may encompass development objectives. In line with an African Proposal for a WIPO Instrument on Limitations and Exceptions for Educational, Teaching and Research Institutions

(Standing Committee on Copyright and Related Rights, Twenty-fourth Session, Geneva, July 16 to 25, 2012, WIPO Document SCCR/24/8PROV) and the UN 2030 Agenda for Sustainable Development of 25 September 2015 (UN, General Assembly, 17th session, Resolution 70/1, A/RES/70/1), in particular its goal no. 9, the Preamble furthermore underlines that the encouragement of learning and the pursuit of scientific research, innovation and creativity are indispensable to sustainable human and economic development. All of these activities not only require an adequate level of copyright protection, but also rules that allow for lawful access to knowledge, in particular scientific and technologically relevant information (cf. UN 2030 Agenda for Sustainable Development, *op. cit.*, paragraph 17.6).

If the encouragement of learning and the pursuit of scientific research, innovation and creativity are indispensable to sustainable human and economic development, and if international copyright law is to be embedded in the United Nations Development Agenda, it follows according to **Preamble no. 3** that the promotion of education, science and the arts is at the same time a principal objective of the copyright system (see also African Proposal for a WIPO Instrument on Limitations and Exceptions for Educational, Teaching and Research Institutions, *op. cit.*, preamble No. 1). The formulation does not limit copyright policies of Contracting Parties to this aim (“a” principal objective), but highlights the significance of the developmental aspects of copyright law, which in turn is not an end in itself.

Preamble nos. 4 to 10 point out that the aforementioned normative foundations of the Instrument are recognized in existing international copyright treaties, with which the Instrument is indeed compatible. Relying on the preambles of the WCT (nos. 4 and 5), the Marrakesh VIP Treaty (nos. 3 and 9), and the WPPT (no. 4) and the Beijing Treaty (no. 5) in the area of related rights, **Preamble no. 4** reiterates the basic objectives of the international copyright system. It firstly recognizes the importance of copyright protection as an incentive and reward for literary and artistic creation, but secondly stresses that there is a need to maintain a balance between the effective protection of creators and the larger public interest, including, in particular, education, research and access to information. In addressing both sides of the coin, Preamble no. 4 is inherently linked to Preamble no. 1 (human rights) and 6 (TRIPS).

Preamble no. 5 concerns the structural relationship between the Instrument and existing international treaties in the area of copyright and related rights. The clarification that the Instrument does not derogate from treaties concerning copyright is inspired by the wording of Article 1(2) WCT and Article 1 of the Marrakesh VIP Treaty. It calls for an interpretation of

the Instrument that guarantees its conformity with the international copyright system. The final half sentence of the paragraph (“except where ...”) again resembles the wording of Article 1 of the Marrakesh VIP Treaty. In the context of the Instrument, “rights that a Contracting Party has under any such treaties” means for example the provisions regarding permitted uses of works and the leeway open to developing countries under the BC and its Appendix. Under these provisions, Contracting Parties have discretion to permit uses of copyrighted works. The Instrument does not take away this flexibility, but exploits it in a particular way (see *infra*, Preamble no. 8). However, any copyright-permitted use codified on the basis of other international treaties must not cause a serious conflict or threat to the objectives of the Instrument.

Preamble no. 6 links the Instrument to the TRIPS Agreement and in particular its general objectives and principles as set out in Articles 7 and 8 TRIPS. According to Article 7 TRIPS, the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations. Article 8 TRIPS provides that WTO Members may adopt measures necessary to protect public health and nutrition, to promote the public interest in sectors of vital importance to their socio-economic and technological development, and to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology. Two key aspects of these provisions are emphasized in Preamble no. 6. First, copyright protection must be implemented in a manner conducive to social and economic welfare (see also Preamble nos. 2, 3, 7). Second, copyright law has to maintain a balance of rights and obligations (see also Preamble nos. 1, 4).

Preamble no. 7 concretizes the overarching aim of a sustainable human and economic development (Preamble no. 2) by referring to the Development Agenda adopted in 2007 by the General Assembly of the WIPO (WIPO document A/43/13 Rev.). Like the Instrument, WIPO’s Development Agenda aims to ensure that development considerations, including a normative framework that is tailored to the development needs of all WIPO Member States, forms an integral part of the international copyright policy making. A nearly verbatim formulation is contained in preamble no. 2 of the Beijing Treaty.

Preamble no. 8 explains how the Instrument is technically embedded in existing international treaties on the protection of copyright and related rights. Aside from some mandatory permitted uses (consider for instance quotations according to Article 10(1) BC), international copyright treaties leave it to the legislation of the Contracting Parties to permit further uses, subject to certain conditions, in particular the three-step test. In other words, states enjoy considerable discretion to limit copyright or to provide for copyright-permitted uses. This room for maneuver, including the flexibility resulting from a balanced interpretation of the three-step test (see Part B.II.2.), forms the subject matter of the Instrument (see also preamble no. 7 Marrakesh VIP Treaty). Contracting Parties acceding to the Instrument exercise their legislative discretion concerning permissible uses of copyrighted works to the effect that they accept the obligation to implement certain mandatory permitted uses as set out in the main part of the Instrument. Whereas these uses *may* be declared lawful under existing copyright treaties, they *shall* be declared lawful under the Instrument.

Preamble no. 9 sets out an additional justification for the approach taken in the Instrument, i.e. to codify a list of mandatory minimum copyright-permitted uses. This justification concerns the classical purpose of international treaties in the area of private law including the TRIPS Agreement, i.e. “to reduce distortions and impediments” to international trade and communication resulting from differences in national laws. Differences in the availability and scope of permitted uses undermine the attainment of the primary objectives of copyright protection on an international scale, as do differences in the availability and scope of copyright protection. Both right holders and users benefit from the legal certainty that follows from the harmonization of copyright-permitted uses. The Instrument puts them in a position to foresee which uses are definitely permissible in all Contracting Parties.

Preamble no. 10 firstly confirms the basic insight that copyright law has to consider and respond to rapid technological change in order to provide an adequate regulatory framework for creativity and innovation. The need to recognize in particular the profound impact of the development and convergence of information and communication technologies is also highlighted in the preambles of the WCT (nos. 2 and 3) and the Beijing Treaty (no. 4). The Preamble, however, does not stop here. It secondly ties the need to adjust copyright law to new economic, social and technological realities to the promotion of freedom of competition. With this particular aim, Preamble no. 10 is closely related to Preamble no. 14 and Part C of the Instrument on competition and cases of abuse of copyright. It clarifies that copyright law forms

part of and complements the overall regulatory framework for economic competition, which should also promote sustainable human and economic development as well as education, science and the arts (see Preamble nos. 2 and 3). It finally provides a justification to subject certain exercises of copyright that distort or impede competition to competition/antitrust laws (see Part C).

Preamble no. 11 is the first of four paragraphs that directly address the objectives of the substantive provisions of the Instrument itself. No. 11 links parts two and three of the Preamble together in that it declares that the aforementioned functions and objectives of the existing international copyright law also apply to the Instrument, which accordingly aims at furthering these objectives, in particular the promotion of education, science and the arts (Preamble no. 3).

Preamble no. 12 is related to Preamble no. 8 in that it also addresses the regulatory flexibility of Contracting Parties in the area of copyright law. As explained with regard to Preamble no. 8, Contracting Parties can exercise legislative discretion regarding permissible uses of copyrighted works and thereby safeguard certain user freedoms in their territories. On the one hand, this move reduces their regulatory flexibility because they are then under an obligation to permit the uses set out in Part A. On the other hand, they do still maintain considerable discretion. According to Part B.II.1., Contracting Parties agree that it shall be a matter for their respective legislation to permit uses in certain special cases not mentioned in the Instrument, provided that they do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder (“three-step test”).

Preamble no. 13 reiterates the principal aims of the Instrument, namely to foster freedom of expression and information and further social, political and cultural objectives by setting out uses of copyrighted works that Contracting Parties shall permit. It thereby provides a teleological basis for the mandatory permitted uses of Part A, whose structure mirrors the objectives mentioned in Preamble no. 13, and the accompanying provisions on technological protection measures and contracts in Part B.III. and IV.

Preamble no. 14 is closely related to Preamble no. 10 and serves as a specific normative basis for Part C of the Instrument. According to this provision, Contracting Parties shall ensure that the exercise of exclusive rights in works and related rights is subject to the general rules and principles regulating competition. They are furthermore obliged to ensure the availability of compulsory licenses for the use of works and related rights in case of abusive conduct by right

INTERNATIONAL INSTRUMENT ON PERMITTED USES IN COPYRIGHT LAW
EXPLANATORY NOTES

holders. These provisions aim at controlling anticompetitive practices by right holders and at promoting the freedom of competition (Preamble no. 10).

A. PERMITTED USES

I. Freedom of expression and information

Text

- “1. *Contracting Parties shall permit uses serving freedom of expression and information to the extent justified by the purpose of the use.*
2. *Such uses shall include those for purposes such as:*
- a) quotation of works which have been lawfully made available to the public;*
 - b) reporting of news and other matters of public interest;*
 - c) criticism, review, parody and caricature;*
 - d) search, organization and analysis of data;*
 - e) any utilization of legislative, administrative and judicial works, including international treaties, as well as official translation of such works.”*

Notes

Goal of the provision

Freedom of expression is a fundamental right protected in international and regional human rights instruments and in national constitutions (see e.g. Article 19 of the UDHR; Article 19 of the ICCPR; Article 10 of the ECHR; Article 11 of the European Charter of Fundamental Rights; Article 13 of the ACHR; First Amendment to the US Constitution). All of these instruments are either directly binding or have to be implemented by national legislatures and the courts by virtue of customary international law. The right is widely recognized to include the freedom to receive and impart information and the freedom of artistic creativity (Article 19 ICCPR, for example, explicitly covers information and ideas “in the form of art”). More recently, the right to freedom of expression has been interpreted to include a genuine “right to Internet access” (see French Constitutional Council, Decision no. 2009-580 DC, 10 June 2009, [12]; ECtHR, *Ahmet Yildirim v. Turkey*, no. 3111/10, 18 December 2012, [31]). In order to prevent the exclusive right from unduly restricting free expression and the ways in which information can be disseminated, copyright law needs to secure free spaces within its legislation. This is the purpose of this provision, which lists non-limitative examples of uses that it is crucial to secure in a democratic society so as to allow the establishment of a vital creative ecosystem.

Content of the provision

Terminological premise

Where the term “use” appears in the Instrument, this term should be understood to cover all acts of use which are relevant to copyright and necessary to achieve the purpose underlying the respective permitted use (e.g., acts of reproduction in the sense of Article 9(1) of the Berne Convention and acts of communication to the public in the sense of Article 8 WCT). This is to be distinguished from the term “utilization”, which is used in this Instrument with a broader meaning. It includes any activities dealing with works, regardless of their relevance as copyright uses.

The openness of the provision and its justification

The phrase “to the extent justified by the purpose of the use” at the end of the first paragraph establishes a sort of proportionality test analogous to the open-ended clauses on copyright-permitted uses that can be found in, inter alia, US fair use and similar provisions (see for example the Israeli and Singapore Copyright Acts).

The proportionality test, which is based on a case-by-case approach, is already enshrined in some national and supranational legal orders. In Europe, for instance, it is established, among other places, in Article 5(4) of the TEU and Article 52(1) of the European Charter. It is also one of the guiding conflict-resolution tools used by the ECtHR throughout its case law. In the People’s Republic of China, the Supreme Court states the need of flexibility when applying copyright-permitted uses. According to the Court, the exhaustive list of permitted uses under Article 22 of the Copyright Law of the People’s Republic of China has to be assessed balancing diverse interests on a case-by-case basis. In particular, the combination of the “four-factor test” laid down in Article 21 of the Regulation for the Implementation of the Copyright Law of China and the three-step test should guide the courts in considering the nature and purpose of the use of the work; the nature of the work to be used; the quantity and quality of the part to be used, and the influence of the use on the potential market or value of the work. Thereby the Chinese Supreme Court makes the exhaustive list of copyright limitations under Article 22 an open list. (see Opinion No. 18 [2011], “Opinion of the Supreme People’s Court on giving full play to the judicial function of intellectual property rights, promoting the great development and prosperity

of socialist culture and promoting the independent and coordinated development of economy”, Article 8).

Putting copyright and freedom of expression in balance is happening already on the level of national judiciary, European and international tribunals. The CJEU, for example, conceded in a series of cases that certain permitted uses based on exceptions to copyright protection provided for by European law were covered by the right to freedom of expression and information (see CJEU, C-145/10, *Eva-Maria Painer v. Standard Verlags GmbH and Others*, 1 December 2011, for the quotation exception; C-201/13, *Johan Deckmyn and Vrijheidsfonds VZW v. Helena Vandersteen and Others*, 3 September 2014, for the parody exception; see furthermore C-469/17, *Funke Medien NRW GmbH v. Bundesrepublik Deutschland*, 29 July 2019; C-516/17, *Spiegel Online GmbH v. Volker Beck*, 29 July 2019). As a consequence, according to the CJEU, the narrow interpretation of such exceptions had to be rejected to give way to the fair balance between the rights of users of protected works and the exclusive rights conferred on right holders (see CJEU, C-145/10, *Eva-Maria Painer v. Standard Verlags GmbH and Others*, 1 December 2011, [134]-[135]; C-201/13, *Johan Deckmyn and Vrijheidsfonds VZW v. Helena Vandersteen and Others*, 3 September 2014, [25]-[28]). In the same manner, certain concepts of copyright law, such as communication to the public, were interpreted by the CJEU in the light of freedom of expression and information with the result, for example, that hyperlinking to unauthorized content, was not found infringing when the “hyperlinker” had no knowledge of the illegal nature of hyperlinked content (CJEU, C-160/15, *GS Media BV v. Sanoma Media Netherlands BV and Others*, 8 September 2016, [45]-[48]).

National courts also interpret copyright-permitted uses in the light of freedom of expression (among others see Delhi High Court (Republic of India), *Wiley Eastern Ltd. and Others v. Indian Institute of Management*, 6 November 1995; Kerala High Court (Republic of India), *Civic Chandran v. Ammini Amma*, 27 February 1996; Canadian Supreme Court, *CCH Canadian Ltd v. Law Society of Upper Canada*, (2004) 1 S.C.R. 339, 2004 SCC 13; Supreme Court of the Netherlands, *GS Media BV v. Sanoma Media Netherlands BV and Others*, 3 April 2015; French Supreme Court, 1st Civil Division, 15 May 2015, no. 13-27391; German Federal Constitutional Court, *Metall auf Metall*, 31 May 2016, 1 BvR 1585/13).

Specifics of the provision

Various individual uses recognized under Part A.I.2. have a foundation in the international copyright *acquis*, in particular the BC and the WCT. Article 10 BC, for example, contains one of the few existing mandatory exceptions: it provides for internationally recognised permitted uses for making quotations. That Article also encourages uses of copyrighted material for the purpose of teaching. Article 10bis concerns further permitted uses of works: disseminating news articles on current economic, political or religious topics; and reporting current events without limits imposed by copyright in works seen or heard in such reports. In the Agreed Statement concerning Article 10 the WCT addresses the right of states to provide for permitted uses of copyrighted material in the digital network environment: It explains that the three-step test as a horizontal norm permits states “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”. In addition, that norm “should be understood to permit Contracting Parties to devise new exceptions and limitations that are appropriate in the digital network environment” (see Agreed Statement concerning Article 10 WCT, in WIPO, Records of the diplomatic conference on certain copyright and neighbouring rights questions Geneva 1996, Vol. I, Geneva, 1999, p. 28, at https://www.wipo.int/edocs/pubdocs/en/wipo_pub_348_vol_i.pdf). This interpretative statement is given a concrete expression, for instance, in the permitted uses provided for purposes such as search, organization and analysis of data under Part A.I.2.d) of this Instrument.

Part A.I.2. a)-c): Quotation, news reporting, criticism, parody and caricature

Breathing space for quotations, parody, caricature and other creative transformations of copyrighted material is central to any copyright system. In all epochs, new cultural productions have been inspired by and based upon pre-existing cultural material. Against this background, copyright should leave room for permitted uses supporting further acts of creation. Copyright protection is not an end in itself. It is granted for a limited period of time to ensure a sufficient production of literary and artistic works for the overall welfare of society. The grant of protection is a vehicle to ensure a reservoir of diverse cultural resources that can serve as a source of inspiration and a basis for further acts of creation. By contributing to a rich cultural landscape, the copyright system supports cultural follow-on innovation. Therefore, it is a

primary goal of copyright to allow creators to build upon pre-existing works when embarking on the creation of a new literary or artistic work.

The uses permitted in Part A.I.2.a) and A.I.2.c) reflect this general objective. Copyright law cannot attain the goal of furthering cultural follow-on innovation by simply providing for broad exclusive rights as an incentive for investment in new cultural productions. Instead, the grant of protection must be counterbalanced by appropriate exemption for permitted uses that allow the use of protected material for the purpose of creating new works. Only in this way can the system fully support the overall goal of fostering cultural follow-on innovation. The permitted uses for quotation (I.2.a) and breathing space for parodies and other transformations (A.I.2.c)) constitutes an indispensable counterbalance in this respect. The freedom to include quotations in one's own productions and the freedom to criticize pre-existing works in the guise of parody and caricature are fundamental user rights. Creators depend on the use of pre-existing material for expressing themselves. As pointed out above, these permitted uses are covered by the fundamental guarantee of freedom of expression and information. The permitted uses for quotation, parody and caricature are indispensable for reconciling copyright protection with freedom of speech.

At the national level, permitted uses for the purposes of quotations, parody and other transformations need not be implemented in specific, precisely-delineated provisions. Instead, open-ended fair use provisions can be employed to establish an appropriate balance between copyright protection and freedom of making quotations and parodies. The most prominent example of an open-ended provision of this type – the U.S. fair use doctrine reflected in Section 107 of the US Copyright Act – allows courts to conduct a case-by-case analysis in order to determine whether a given use can be exempted from the control of the copyright holder, including use for the purposes of quotation, parody and other transformations. The notion of “transformative use” traditionally constitutes a decisive factor in this context. In the famous parody case *Campbell v. Acuff-Rose Music*, the Supreme Court of the United States explained with regard to the fair use analysis: “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’.” (Supreme Court of the United States of America, 7 March 1994, 510 U.S. 569 (*Campbell v. Acuff-Rose Music, Inc.*), section A).

Part A.I.2.d): Text and data mining

Part A.I.2.d) is intended to ensure that exclusive rights are not exercised in a manner that impedes research conducted by means of text and data mining (TDM). Through the application of such techniques researchers discover information of great social value. Performing text mining may require reproduction of works for the purpose, for instance, of “text normalization”, meaning transforming texts into a uniform and overall-searchable format. Part A.I.2.d) exempts from copyright all uses of works that are functional to perform TDM which in itself remains outside the scope of copyright protection on the ground of the idea/expression dichotomy. Increasingly, the desirability of exempting such uses from the control of right holders has been recognized at national level (see, for instance, Copyright Designs & Patents Act 1988, s 29A (UK); Intellectual Property Code (Code de la propriété intellectuelle), Article L122-5, para.10; Article L342-3 para. 5 (France); Law on Copyright and Related Rights (Urheberrechtsgesetz), § 60d (Germany); Japanese Copyright Act, Sec. 5, Article 47-7) and supranational levels (see C-DSM Directive, Articles 3 and 4).

Part A.I.2.e): Utilization of legislative, administrative and judicial works

Part A.I.2.e) is allowed by Article 2(4) BC. Most national laws exclude legislative, administrative and judicial works from domestic copyright protection. However, in some countries, mostly following the Anglo-Saxon copyright tradition (for example in Canada and India), this kind of public material is protected. Unimpeded access to these texts and full knowledge of their content is important from the point of view of general public interest and is the justification for this permitted use. This permission should also be extended to the utilization of these kinds of works protected by the copyright-related right to the first edition. (see Part B.VII. Related Rights).

Further guidance

Equally relevant practices to foster freedom of expression in the digital communication environment consist in linking to and indexing available works on the internet. The provision under Part A.I. however does not mention these activities since they do not imply copyright-relevant uses. Those wishing to communicate online are allowed to provide links to copies of works freely available on the internet. Also, works available online can readily be located through the use of search engines. Only in certain cases (i.e. when the indexing or linking concerns works made available to the public without permission) might these activities amount

to copyright infringement (e.g. infringement of the right of making available to the public). In the latter hypothesis it is left to Contracting Parties to find legal solutions that do not inhibit freedom of expression in the current communication environment. Generally, indeed, it will hardly be possible for those providing links, or operating search engines, to know whether or not copies of works communicated through such technologies have been made available with the consent of the relevant right holders. If those providing links, or operating search engines, risked liability for copyright infringement in such circumstances, this may chill freedom of expression online. By contrast, where they know or have reasonable grounds to know that their dealing with such works entails the infringement of copyright, the chill on legitimate expression is diminished and the fair balance of fundamental rights between internet user and right holder may generally favour the right holder. Hence, for instance, Contracting Parties may exempt users from liability on the grounds of rules based on due diligence.

II. Social, political and cultural objectives

Text

- “1. *Contracting Parties shall permit uses serving social, political and cultural objectives to the extent justified by their purpose.*
2. *Such uses shall include those for purposes such as:*
- a) *private utilization;*
 - b) *benefiting persons with disabilities;*
 - c) *education;*
 - d) *research;*
 - e) *preservation or restoration of works, by libraries, museums and archives;*
 - f) *reproducing and making available to the public of orphan works by libraries, museums and archives;*
 - g) *ensuring public security and the proper performance of administrative, parliamentary or judicial proceedings.”*

Notes

Goal of the provision

The mandatory permitted uses serving social, political and cultural objectives are modelled on international provisions, such as Article 10(2) BC offering room for the introduction of permitted uses for teaching purposes and the provisions for the benefit of visually impaired and print-disabled persons in the Marrakesh VIP Treaty, as well as national experiences in this area. In the light of the three-step test, the provision updates and extends relevant existing permitted uses to present needs, in particular against the background of the digital environment.

Content of the provision

The provision is structured in the same manner as the one laid down in Part A.I. (see also note there): It includes in the first paragraph an open clause that establishes a proportionality test giving flexibility for the application of the provision within the national law.

In respect of the permitted uses, the following guidelines should be considered.

Part A.II.2. a): Private utilization

Most national copyright systems allow a number of uses done for private utilization. However, the scope of this permitted use varies from one country to another.

The notion of “private” is differently understood within a spectrum of meanings ranging from the strict notion of private utilization as “personal” (individual) utilization to the notion that it can even involve more than one person. By referring to “private” and not to “personal” utilization, this provision adopts a broad approach, thereby requiring Contracting Parties to exempt from copyright protection not only uses strictly related to the personal utilization but also uses carried out within a certain group of persons (e.g. family) as long as these permitted uses comply with the three-step test (Part B.II). It is a matter for the national legislation of the Contracting Parties to find an appropriate solution balancing the interests at stake, and, in this context, it may be decisive whether national law provides for the payment of a remuneration or compensation to right holders.

Part A.II.2. b): Benefiting persons with disabilities

The provision under Part A.II.2. b) recognizes that the international consensus reflected in the Marrakesh VIP Treaty concerns only one type of disability, and that measures comparable to those in the Marrakesh VIP Treaty shall be required also with regard to other types of disability in order to offer beneficiaries sufficient access to literary and artistic works.

Part A.II.2. c): Education

The provision sub Part A.II.2. c) takes the long-standing exemption of illustration for teaching in Article 10(2) BC as a starting point and clarifies that under a modern interpretation of the provision, uses for the purpose of education in a more general sense should be exempted, including, for instance, the making available of illustrative material in digital education networks or the use of works for exams.

Part A.II.2. d): Research

The provision under Part A.II.2. d) should be understood to exempt not only reproduction by the person conducting research. Rather, the provision serves as a basis for the introduction of all permitted uses needed for research purposes including those uses allowing knowledge institutions, in particular libraries, museums and archives, to facilitate the work of researchers,

for instance, by dispatching copies of scientific articles on demand, or establishing digital reading terminals on the premises of the knowledge institution.

Part A.II.2. e): Preservation or restoration of works by libraries, museums and archives

The purpose of “preservation” laid down in this provision should be understood as encompassing any operation that would prevent an item in the collection of “libraries, museums and archives” from being lost or becoming unusable due to technical obsolescence, including in a digital format. Text and data mining is also covered by this provision if not already exempted by another copyright-permitted use (see *supra* Part A.I.2. d)) or principle. The term “libraries, museums and archives” need not be understood as a strict confinement to cultural heritage institutions falling within these categories. With regard to preservation and restoration copies, it may be advisable to also include educational institutions.

Part A.II.2. f): Reproducing and making available to the public of orphan works by libraries, museums and archives

The term “orphan works” in this provision refers to works whose right holders cannot be identified or found. It is a matter for the national legislation of Contracting Parties to determine the conditions, including the requirement of a diligent search and its modalities, leading to such absence of identification or localization. As clarified under Part A.II.2. e) the reference to “libraries, museums and archives” has to be interpreted as a sample list. In the area of orphan works, it may be advisable to include further institutions with important holdings of relevant cultural material, such as film or audio heritage institutions and public broadcasting organizations.

Part A.II.2. g): Ensuring public security and the proper performance of administrative, parliamentary or judicial proceedings

In pursuing the goals established in the provision under Part A.II 2. g), the Contracting Parties are free to define the beneficiaries of this permitted use according to their national conditions and needs. Also, this provision does not specify the circumstances under which the interests of public security can be invoked, as Contracting Parties enjoy a broad discretion in defining them when implementing this permitted use.

III. Use of software

Text

“Contracting Parties shall permit the use of software for purposes such as:

- a) *enabling the proper functioning of a computer program in accordance with legitimate uses for which it was acquired;*
- b) *testing and reverse engineering;*
- c) *enabling interconnection and interoperability of products offered, or used for provision of services, on derivative markets.”*

Notes

Goal and content of the provision

International treaties and national laws on copyright include rules specifically dedicated to software. This Instrument makes no exception and Part A.III. sets out permitted uses of software which already enjoy a certain degree of recognition in many jurisdictions.

Part A.III.a) refers to the objective concept of “legitimate use” that relies on the intended purpose of the contract and cannot be modified (too) easily by contractual stipulations placing heavy restrictions on the acquirer. On this matter, see also *infra* “Aspects not included”. Part A.III.b) enshrines the commonly accepted principle that reverse engineering of software must be permitted. Going beyond mere testing and reverse engineering, Part A.III.c) stipulates that emulating the structural elements of software is also permissible where it serves to offer goods or services on derivative markets, such as exchange of toner cartridges for printing and copying devices, or diagnostic tools needed for repair services. Arguably, such cases might already be captured by Part C.II.2. (Compulsory licensing in case of abuse). However, as the situation is quite specific with regard to software, and because access should be granted on a more regular basis than can be achieved by the usual case-by-case analysis preceding the grant of compulsory licenses, a separate, express regulation is called for.

Aspects not included

As mentioned above, the provision grounds permitted uses of software on the purpose served by the use and Part A.III.a) makes reference to the objective concept of “legitimate use” that relies on the intended purpose of the contract by which the user acquires the software. In

contrast, the provision does not limit permitted uses to the “lawful acquirer” (as, for example, the European Software Directive does). The approach undertaken is meant to prevent the interpretative doubts that arose at European level with regard to the notion of “lawful acquisition” in relation to digital exhaustion of software (see also *infra* under Part A. V. “Free circulation”). Indeed, at European level under Article 5(1) Software Directive only the “lawful acquirer” of software can enjoy permitted uses (including software reproduction as an “exception” to the exclusive right set forth by Article 4(1)(a) Software Directive). This gave rise to discussion of whether the acquirer of a used software license is a “lawful acquirer”. In particular, this opened interpretative problems with regard to the applicability of the digital exhaustion to software downloaded online. Free circulation of software and the creation of a secondary market for software acquired online is based on the circulation of the license under which the software was first downloaded. In case of transfer of the software license, the “acquirer” reproduces the software. Especially when the license prohibits the transfer of the contract, it is questionable whether the second user could qualify as a “lawful acquirer” and therefore it is not clear whether such a reproduction is permitted (under Article 5(1) Software Directive). In *UsedSoft*, the CJEU was called to decide exactly on this matter, and specifically on (1) whether the first licensee of a computer program received by the right holder under a non-transferrable license could nevertheless transfer his license to another person in application of the exhaustion doctrine and (2) whether the “second licensee” could be regarded as a “lawful acquirer” of that copy (see CJEU, C-128/11, *UsedSoft GmbH v. Oracle International Corp.*, 3 July 2012). In other words, the problem was whether the second user could qualify as a lawful acquirer in application of the exhaustion doctrine and regardless of the right holder authorization (and even in contravention of the contractual ban). In the end, the CJEU concluded that the acquirer of the “used licence” can be regarded as a “lawful acquirer”.

However, in order to avoid interpretative doubts, Part A.III. avoids making reference to the concept of “lawful acquisition” for the enjoyment of permitted uses of software. The problem of exhaustion and secondary markets for copyrighted contents is addressed *infra* in this Instrument, under Part A. V. “Free circulation”.

IV. Uses with minimal significance

Text

- “1. *Contracting Parties shall permit uses with minimal significance.*
2. *Such uses shall include but are not limited to*
- a) *the incidental use of a work in another work or material;*
 - b) *temporary uses which are necessary to enable a lawful use;*
 - c) *any other uses which have minimal or no independent economic significance.”*

Notes

Goal of the provision

This provision reflects a principle that may be implicitly found in most copyright laws and international instruments, but which has been rarely conveyed as a specific statutory provision: uses with minimal significance should be excluded from the scope of exclusive rights granted to right holders.

At a time of technological change, it is necessary to formalize this *de minimis* principle in a statutory provision to help define and interpret the scope of the exclusive rights.

The importance of this principle becomes apparent as the development of technology and markets constantly question the boundaries of copyright and the scope of the exclusive rights granted to right holders. At the same time, and precisely for the same reasons, it is paramount to allow for some degree of flexibility when interpreting the scope of exclusive rights and deciding copyright’s boundaries. The statutory definitions of the exclusive rights must be assessed according to the very goal of copyright, which is to foster creativity. Any uses that are not fit to serve this purpose should be excluded from the scope of copyright’s exclusive rights. Thus, the provision under Part A.IV. is not restricted to uses which have a minimal economic significance only; other relevant (significant) issues may also be considered in its application.

Content of the provision

When referring to uses with minimal significance, this provision not only considers the “economic” significance of the use, but is open to other non-economic arguments such as quantity, quality and duration of the use, so that the amount of use, the substance of the use and

the temporary nature of the use can be taken into consideration. Very often, minor digital (as well as non-digital) uses may be economically insignificant and still qualify as an act of exploitation; if these minor uses are temporary or insignificant on any other grounds, they should be also exempted.

The three cases listed are intended as examples (non-exhaustive).

Part A.IV.2.a): The incidental use of a work in another work or material

In this provision “material” can be anything whether protected or not. It is irrelevant, indeed, where the incidental use is done: be it in a new work (protected under copyright), in another protected subject matter (i.e., an audiovisual recording, a sound recording or a mere photograph) or in any other non-protected “container”.

The “incidental use” of a work in another work or material is meant to include any use which has minor importance (*de minimis*), in terms of the quantity and quality of the part used. Incidental uses are similarly exempted under Article 5(3) of the European InfoSoc Directive as (i) incidental inclusion of a work or other subject-matter in other material and (o) analogue uses of minor importance.

Part A.IV.2. b): Temporary uses which are necessary to enable a lawful use

“Temporary” relates to the instrumental character of the copy, which is made strictly as necessary to enable the “lawful use” that refers to any use that has been authorized by the copyright holder, by a third party with the right holder consent, or by law.

This provision is especially important in digital contexts to secure the efficiency of any licenses and statutory permitted uses. Temporary uses that are necessary to enable a lawful use include caching, proxy caching and random access memory (RAM) copies, as well as any other temporary actions (beyond copying) that are strictly necessary to achieve a lawful act of reproduction, distribution, communication to the public or transformation. The provision includes the mandatory exception in Article 5(1) InfoSoc Directive (regarding temporary copies) but goes beyond it, including any other uses as long as they are temporary and necessary to enable a lawful use. It is not subject to a requirement of “no independent economic significance” because any independent economic significance that these temporary uses might have should already be taken into account under the license (charging a higher price, for instance) or exempted (if applicable) under the permitted use.

Part A.IV.2. c): Any other uses which have minimal or no independent economic significance

Any other uses which have minimal or no independent economic significance include minor and economically non-substantial uses as compared to the normal exploitation of the work.

This could, for instance, cover several of the uses listed in Article 5(3) InfoSoc Directive, such as j) “use for the purpose of advertising the public exhibition or sale of artistic works, to the extent necessary to promote the event, excluding any other commercial use”, or l) “use in connection with the demonstration or repair of equipment; and even m) “use of an artistic work in the form of a building or a drawing or plan of a building for the purposes of reconstructing the building”. Moreover, thumbnail images and the snippets shown by search engines to display a list of results and to link to them could be – depending on the specific circumstances of the case – easily covered under this *de minimis* provision and so could some specific scenarios of user-generated content. However, this Instrument leaves Contracting Parties free to qualify these uses as “uses with minimal significance”.

Further guidelines

This provision is inherently related to basic general legal principles such as the doctrine that prohibits the abuse of right and the unfair exercise of property rights. These principles have been enshrined within copyright laws under the *de minimis* doctrine, as well as in the substantiality test used in some countries to identify the existence of an infringement. The same principles underlie several provisions in national and international copyright instruments, such as the three-step test (Article 9(2) BC and subsequent provisions), the temporary copies exception in Article 5(1) InfoSoc Directive and many of the permitted uses listed in national copyright laws.

De minimis and abuse-of-right principles within national copyright statutes and international instruments

General law principles, such as the prohibition of the abuse of right or the exercise of a right in a manner that is contrary to social needs, justify this provision. An example is provided by a ruling by the Spanish Supreme Court in 2012 which concluded in favor of the unauthorized use of fragments of the contents of websites through the Google search engine, despite the fact that none of the statutory limitations listed in the Spanish Copyright Act – Copyright, Royal Decree (Revised Text), 12/04/1996, No. 1 – (TRLPI) exempted such use. In order to do so, the court went beyond the text of the Spanish Copyright Act and turned to the general principles of the

law, which require that the enforcement of copyright must abide by the general principles of the law, such as good faith and the prohibition of an abusive exercise of rights (ex Article 7 Spanish Civil Code). Furthermore, according to the court, copyright – like property rights – is limited in nature and must endure any *ius usus inocui* (harmless uses done by third parties). See Spanish Supreme Court, Civil Ch., Sent. 172/2012, 3 April 2012.

Similarly, in the field of copyright the principle *de minimis non curat lex* (“the law is not concerned with trifles”) implies that insignificant (*de minimis*) uses that have not been authorized by the right holder or by law do not constitute an actionable infringement. The *de minimis* principle is often used in connection with the interpretation of permitted uses explaining that “exceptions to the rights granted in the relevant articles of the Convention must be concerned with uses of minimal, or no, significance to the author”. However, the application of this principle should not be restricted to the interpretation of the statutory permitted uses; after all, if all exempted uses were indeed *de minimis*, there would be no need for a permitted use at all. The scope and aim of the *de minimis* provision is precisely to correctly assess the scope of the exclusive rights a priori – before any permitted use is applied – excluding any uses that have a minimal significance from that scope.

Case law in some countries has also retained the *de minimis* test when considering the existence of infringement, under the so-called “substantiality test”: here the copying is deemed to be so minor, insubstantial or insignificant that no finding of infringement may derive from it. In addition, it should be mentioned that the substantiality test and the *de minimis* doctrine are also part of the fair use and fair dealing provisions/doctrines usually applied in common-law jurisdictions.

V. Free circulation

Text

- “1. *Contracting Parties shall ensure that further circulation of goods is not unduly impeded by copyright.*
2. *In particular, if copies of a protected work are made available in tangible form or on data carriers by the right holder or with right holder’s consent, it shall be permitted to*
- a) *re-sell such copies within the territory where they were subject to an authorized sale*
 - b) *offer such copies for public lending by public service institutions.”*

Notes

Goal of the provision

Part A.V. aims at addressing the inherent conflict between, on the one side, exclusive rights in works and related rights and, on the other side, the necessity to limit the “monopoly” of right holders and allow the further circulation of goods. For this purpose, this provision requires Contracting Parties to limit the right holders’ power of controlling the downstream distribution and use of goods that embody their works. The “free circulation” provision mainly reflects the widely accepted rationale behind the exhaustion doctrine and its Anglo-American counterpart, the first sale doctrine.

Content of the provision

The provision first states a general rule requiring Contracting Parties to provide that the further circulation of goods is not hindered by copyright in the absence of justifications. The second paragraph serves the objective expressed in the first paragraph and establishes a minimum standard with specific regard to tangible goods. Contracting Parties should grant permission at least for: (a) re-selling copies of a protected work made available in tangible form or on data carriers within the territory where they were subject to an authorized sale, and (b) offering such copies for public lending by public service institutions. Although the provision refers to “the right holder or with his consent”, Contracting Parties may extend the scope of this provision to the copies of a protected work made available by a party authorized by law.

It is worth noting that there is a distinction between the sales contract regarding the physical carrier of a copyright-protected work and the relationship between right holder and user with

respect to the work. If a book is sold, the work as such (in terms of copyright to the work) obviously is not sold. All the rights remain with the right holder, including the right to distribute the work, and by contract the buyer receives only the right to enjoy the copy of the book (and, therefore, the work). The “free circulation” rule allows for the existence of a secondary market for goods incorporating a work, as well as the possibility of other forms of “further circulation” of such goods (e.g. public lending).

It should be highlighted that the rule applies only to goods that are first sold by the copyright holder or with the right holder’s consent. In any case, the rule bans “undue” restrictions – not “any” restrictions – on further circulation of goods. The provision indirectly recognises that there might exist cases in which copyright-related reasons duly hamper the further circulation of goods. One example could be the further circulation of goods that are altered after their acquisition in a way that affects the work itself. Another example could be the further circulation of goods embedding copyrighted works in a territory different from the one where they were first subject to an authorized sale. On this point, it is worth noting that the provision laid down in Part A.V.2. a) (which sets a minimum standard of permission) does not require free circulation to apply beyond the territory of the country where the first sale took place. The definition of a wider geographical scope for resale is left to national states (see *infra* “Aspects not included”).

The term “goods” in the first paragraph of this provision can be read as referring to both tangibles and intangibles. Since the second paragraph of the provision expressly focuses on free circulation of copies of a protected work that are made available “in tangible form or on data carriers”, there is no doubt that Contracting Parties have to grant free circulation to tangible goods. Within the limited context of tangible goods, the minimum standard set out by this provision is free circulation in the forms described in Part A.V.2. a) and b). In contrast, the provision does not expressly mention intangible goods like digital contents as such (see *infra* “Aspects not included”).

Aspects not included

Digital free circulation

As was clarified in the Introductory Notes, the general approach of the Instrument is to set a minimum standard of permitted uses, which includes uses that are commonly acknowledged by international law and most national law systems. “Digital free circulation” still is a highly

debated issue. Therefore, the Instrument leaves Contracting Parties free to decide how to tackle digital free circulation and accordingly adapt their copyright systems, be they modelled on the exhaustion doctrine or on the first sale doctrine.

As a matter of fact, exhaustion and first sale doctrines were developed in a technological and economic environment in which the enjoyment and circulation of copyright-protected works presupposed their incorporation in physical carriers. These doctrines were essentially connected to the circulation of physical goods (such as books, records, etc.) and the right to enjoy the works embedded in those goods was inherent in the good itself. The digitization of contents has changed the modes of circulation and enjoyment of works. While initially digital copies of works took the place of analogue copies and tangible carriers such as DVDs and CDs remained the main focus of trade, later downloading of works on physical devices via the internet increasingly replaced the distribution of works via tangible carriers. Now, for certain works (e.g. music, movies) streaming through the Internet is the main means of access to digital works and obviously access by streaming requires neither distribution of works via tangible carriers nor downloading by users. The result is that *access* to works is progressively becoming more important to users than *ownership* of carriers incorporating protected works or even *possession* of downloaded contents.

It is not clear whether traditional legal rules on free circulation are suitable to be adapted to the new digital environment or whether further or different rules should be created in order to allow free circulation of digital contents in the era of the Internet. While the problem of the applicability of traditional legal constructs such as the exhaustion doctrine and the first sale doctrine with respect to downloaded contents remains, with respect to access to digital content, the issue of free circulation of “goods” no longer seems to be a relevant problem at all. Nonetheless, both access to and circulation of digital content remain among the most relevant policy issues in regulating the digital environment. In this context, other legal instruments, perhaps external to copyright (such as those provided for by consumer law), might prove to be a more appropriate tool of regulation. In any case, since no doctrinal consensus on these issues has yet been reached, this Instrument leaves Contracting Parties free to deal with both the political opportuneness and the legal suitability of “digital free circulation”.

Geographical extension

The geographical extension of the free circulation rule is not limited by the provision laid down in Part A.V.2. a). On the contrary, Contracting Parties are free to adopt a free circulation rule allowing further circulation of goods embedding copyrighted works internationally or within specific geographical areas, such as regional free trade zones (e.g. the European Union or Mercosur). This is a political choice with many implications – prominently economic ones – that are essentially related to “parallel trade”. This term refers to situations in which goods sold abroad at a lower price than that charged locally are imported (or reimported) to be sold domestically, in competition with the same goods sold through the local authorized distribution system designed by the copyright holders.

Supporters of international free circulation point out the benefits of increased competition and lower prices that parallel imports might bring about and view copyright-based prohibition of parallel trade as an unjustified barrier to international trade. On the other hand, supporters of national free circulation emphasize the benefits arising from strict control by right holders over their systems of works distribution and argue that parallel imports undermine the integrity of such systems to the detriment of both producers and consumers. One of the strongest arguments in support of national free circulation is price discrimination. When demand for a certain good varies across countries, limiting free circulation at national level allows right holders to set different prices for each country thereby adapting prices to the consumers’.

Furthermore, there are other, non-economic, arguments that might affect the definition of the geographical extension of free circulation rules. One example is cultural preservation. A broad geographical scope of free circulation rules opens up the possibility for a broader secondary market and helps in making (goods embedding protected) works available to a large public over time: the bigger the market, the greater are the opportunity to divulge and (possibly) preserve the work.

In conclusion, whether or not copyright law should be used for avoiding or facilitating parallel trade depends on many factors. In fact, the rules currently in place often vary among nations, as well as between intellectual property disciplines (i.e. patents, copyrights and trademarks). All these and other issues need to be assessed by Contracting Parties at national level, taking into consideration the economic and social conditions of each state.

B. GENERAL PRINCIPLES OF IMPLEMENTATION

I. Effectiveness

Text

- “1. *Contracting Parties are obliged to adopt the measures necessary to ensure the effective application of this Instrument.*
2. *Nothing shall prevent Contracting Parties from determining the appropriate method of implementing the provisions of this Instrument within their own legal system and practice.”*

Notes

Goal and content of the provision

The principles codified in Part B.I. represent two sides of the same coin. On the one hand, Contracting Parties are obliged to give effect to the provisions of the Instrument, in particular the permitted uses of copyrighted material it sets out. This obligation needs to be implemented in a manner that allows users of copyrighted material to enjoy the uses allowed under the Instrument in an effective way. Essentially, this first section is based on the idea that states have to honor their international treaty obligations (*pacta sunt servanda*), and that in order to do so, they need to implement the provisions they have agreed to in good faith.

At the same time, states enjoy flexibility to decide how they wish to give effect to the provisions of the Instrument. Since the Instrument does not establish a global, uniform copyright regime, its provisions need to be transposed into national law. In this process of implementation, each contracting party is best placed to judge how the provisions on permitted uses can be given effect in a way that lives up to the principles of *pacta sunt servanda* and good faith. Depending on the legal system operative in the implementing state, this may vary: for example, one country may prefer detailed statutory rules, while another opts for broader and open provisions, and yet another tasks its courts and perhaps administrative agencies with implementation via general principles. It is therefore for each state to decide on the method of implementation – as long as the permitted uses of copyrighted material are effectively available to users. For instance, extended collective licensing (ECL) is included in the diversity of methods of implementation. In fact, some of the permitted uses listed in this Instrument are already organised as ECL in some countries.

Further guidance

The overarching principle of effectiveness needs to be construed in relation to the objectives the provisions on permitted uses pursue. It is those underlying aims that an effective implementation needs to give effect to. In particular where a permitted use has its foundation in the human or fundamental rights of individuals, taking effective steps to realise such rights is what this principle calls for. This understanding of effectiveness aligns with the general idea that the permitted use provisions in this Instrument need to be interpreted in light of their object and purpose, which is also expressed in Part B.II. on the three-step test below. This in turn is conformant with the general and customary rules of treaty interpretation in international law, as codified in the VCLT.

To the extent the permitted use provisions are informed by individual or collective human and/or fundamental rights – such as those to access to science and culture, to freedom of expression, to health and to life – those rights and their international, accepted scope inform the implementation of the international Instrument. Here, an effective implementation may usefully be based on the general notion in international human rights law that frames state obligations for effective compliance as state conduct that respects, protects and fulfils the relevant human right.

As clarified elsewhere in these Explanatory Notes, effective implementation will normally start with the basic proposition that the permitted uses included in this Instrument function as minimum standards for the relevant permitted uses: from the perspective of this Instrument, states can certainly provide for broader and more extensive permitted uses. Existing permitted uses remain intact – provided they do not prevent the effective implementation of the provisions on permitted uses of this Instrument.

An effective implementation of the permitted uses set forth in this Instrument may often be threatened by bilateral, regional or even multilateral agreements that continue to extend the protection of IP in general, and of copyright in particular. As resolutions by international organizations, national parliaments and also the Max Planck Principles for Intellectual Property Provisions in Bilateral and Regional Agreements (available at http://www.ip.mpg.de/fileadmin/ipmpg/content/forschung_aktuell/06_principles_for_intellectua/principles_for_ip_provisions_in_bilateral_and_regional_agreements_final1.pdf) make

clear, these threats not only undermine existing flexibilities in the international intellectual property system, but further affect the ability to promote domestic development needs. The permitted uses codified in this Instrument should therefore not be negotiated away in trade negotiations or other *fora*. Doing so will as a rule involve a breach of the duty to give effect to the provisions of this Instrument.

As a duty to protect and fulfil individual rights underpinning the permitted uses, the principle of effectiveness also means that private contracts and technological protection measures imposed to limit such permitted uses cannot, in principle, be tolerated. As expressed in more detail in Part B.III. and IV., Contracting Parties are therefore under a general obligation to ensure that contractual and technological means are not employed in such a way as to prevent beneficiaries from enjoying the relevant permitted uses.

II. Three-Step Test

Text

- “1. *Contracting Parties agree that it shall be a matter for legislation of Contracting Parties to permit uses in certain special cases, provided that they do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder (“three-step test”).*
2. *The conditions in B.II.1. shall be considered as a whole in a comprehensive overall assessment and must 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 and other public interests, notably in scientific progress and cultural, social or economic development.*
3. *In assessing whether the extent of permitted use complies with the conditions in B.II.1., Contracting Parties shall in particular take into account*
 - a) *any remuneration or compensation provided to the right holder;*
 - b) *the type of right holder;*
 - c) *the type of work;*
 - d) *the remaining term of protection;*
 - e) *the commercial or non-commercial nature of the use;*
 - f) *the market situation; and*
 - g) *the extent to which the creator and the source are mentioned.*
4. *The scope of permitted uses shall be interpreted according to their purposes.”*

Notes

Goal of the provision

As indicated in the Introductory Notes, the so-called “three-step test” has evolved in international copyright law as a central yardstick for the assessment of permitted uses. The Instrument recognizes this development by including the three-step test in Part B.II.1. This decision is based on the consideration that the three-step test as such does not pose an obstacle to the adoption of copyright-permitted uses at the national level. On the contrary, the test has always been understood to offer room for the exemption of permitted uses at the national level. With its open-ended criteria, the test provides a flexible framework within which the

Contracting Parties are free to permit uses to achieve the objectives reflected in the provisions of the Instrument.

The three-step test (Article 9(2) BC) was first introduced in international copyright law at the 1967 Stockholm Conference to pave the way for the formal recognition of the general right of reproduction in Article 9(1) BC. In 1994, the three-step test reappeared in Article 13 TRIPS. Two years later, it was also included in Article 10 WCT. Referring to these provisions, Article 11 of the Marrakesh VIP Treaty recalls the general framework set forth by the three-step test.

The three steps of the test are: first, copyright-permitted uses must be confined to “special cases”; second, they must not conflict with a “normal exploitation of the work”; and third, they must not “unreasonably prejudice the legitimate interests of the author”. Traditionally, the three-step test is understood to require a step-by-step approach: a permitted use must pass the first step before reaching the second step; and the second step before arriving at the third step. However, modern interpretations of the three-step test underline inevitable overlaps between the contents of the different steps and the function of the three-step test to serve as a refined proportionality test. The three-step test sets limits to copyright-permitted uses. However, its aim likewise is to allow national legislation sufficient freedom to tailor permitted uses to domestic social, cultural and economic needs. The three-step test is thus both a limiting and an enabling clause. It is a proportionality test which enables the weighing of the different interests involved at the national level so as to strike a proper balance between exclusive rights and permitted uses. In this weighing process, the final, most flexible step concerning an unreasonable prejudice to legitimate interests can play a fundamental role. Against this background, it is preferable to support a holistic understanding of the three-step test which sees the test as an indivisible whole and its individual steps as parts of a comprehensive overall assessment of a permitted use in the light of countervailing values and the principle of proportionality. This understanding of the test is reflected in this provision (see also 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) 707).

In the context of Article 10 WCT, the function of the three-step test is described as follows in an Agreed Statement that was formally adopted by the 1996 WIPO Diplomatic Conference:

It is understood that the provisions of Article 10 permit Contracting Parties to carry forward and appropriately extend into the digital environment limitations and exceptions in their national laws which have been considered acceptable under the

Berne Convention. Similarly, these provisions should be understood to permit Contracting Parties to devise new exceptions and limitations that are appropriate in the digital network environment. It is also understood that Article 10(2) neither reduces nor extends the scope of applicability of the limitations and exceptions permitted by the Berne Convention (WIPO, Records of the diplomatic conference on certain copyright and neighbouring rights questions Geneva 1996, Vol. I, Geneva, 1999, p. 28, at https://www.wipo.int/edocs/pubdocs/en/wipo_pub_348_vol_i.pdf).

This balanced Agreed Statement, allowing the extension of traditional and the development of new permitted uses with regard to the digital environment, is the result of the deliberations at the 1996 WIPO Diplomatic Conference that led to the adoption of the WCT and the WPPT (so-called “WIPO Internet Treaties”). At the Conference, the intention to ensure permitted uses a proper ambit of operation occupied center stage. The basic proposal for the later WCT already noted with regard to permitted uses that, “when a high level of protection is proposed, there is reason to balance such protection against other important values in society. Among these values are the interests of education, scientific research, the need of the general public for information to be available in libraries and the interests of persons with a handicap that prevents them from using ordinary sources of information” (WIPO Doc. CRNR/DC/4, § 12.09).

In this vein, the concern about sufficient breathing space for socially valuable ends played a decisive role in the deliberations concerning permitted uses. The Minutes of Main Committee I mirror the determination to shelter use privileges. The US sought to safeguard the fair use doctrine (WIPO Doc. CRNR/DC/102, § 488). Denmark feared that the new rules under discussion could become “a ‘straight jacket’ for existing permitted uses in areas that were essential for society” (WIPO Doc. CRNR/DC/102, § 489). Singapore elaborated that it was “inconsistent with the commitment to balance copyright laws, where exceptions and limitations adopted by the Conference were narrowed, and protection was made broader” (WIPO Doc. CRNR/DC/102, § 492).

The Agreed Statement concerning Article 10 WCT is thus the outcome of an international debate in which the need to maintain an appropriate balance in copyright law was clearly articulated. Against this background, the three-step test is intended not only as a control mechanism but also as a guideline for the extension of existing permitted uses, and the introduction of new exemptions. This requires a flexible approach to traditional and new

permitted uses instead of a strict interpretation that offers little room for the further development of provisions seeking to reconcile copyright protection with competing social, cultural and economic needs.

Content of the provision

The *first step* of the three-step test refers to permitted uses as “certain special cases”. The term “certain” has been interpreted to mean that copyright-permitted uses must be clearly defined. This requirement of legal certainty, however, need not be seen in the light of the civil law approach with copyright-permitted uses being precisely defined or even restrictively delineated. There is no need to identify explicitly each and every possible situation to which a permitted use could apply, provided that its scope is known and particularized (WTO Panel Report, United States — Section 110(5) of the US Copyright Act, WT/DS160/R (15 June 2000)). Accordingly, provisions setting forth open-ended permitted uses, such as the US fair use doctrine, also meet the test’s requirements. The reference to “certain” in the three-step test must not be misunderstood as an obligation to devise very specific, narrow cases of permitted uses in national law. The requirement that cases be “special” means that a permitted use must rest on a rational justificatory basis, such as the objectives underlying the permitted uses in this Instrument. Part B.II.2 summarizes these legitimate objectives by referring to “interests deriving from human rights and fundamental freedoms, interests in competition, and other public interests, notably in scientific progress and cultural, social, or economic development.” Given this strict alignment of permitted uses with strong policy objectives, all permitted uses reflected in this Instrument constitute “special” cases in the sense of the three-step test.

In the context of the *second step* (“conflict with a normal exploitation”), only actual or potential markets of considerable economic or practical importance should be considered (WTO Panel Report, United States - Section 110(5) of the US Copyright Act, WT/DS160/R (15 June 2000)). This formula limits the scope of the second step to the economic core of copyright. The impact of a permitted use is to be assessed against the background of the overall commercialization of affected works. Accordingly, permitted uses which do not erode major sources of royalty revenue are not in conflict with a normal exploitation. For the assessment, Part B.II.3 provides several non-exhaustive influence factors that allow a balanced application of the “normal exploitation” test.

The *third step* (“unreasonable prejudice to legitimate interests”) comprises three elements. First, of all interests the right holder might have, only those interests will be considered that are “legitimate”. Second, the prejudice to these interests caused by the permitted use in question must reach an impermissibly unreasonable level. Third, in answering the second question, the payment of a remuneration or compensation to right holders can be considered (on this point see *infra*, “Participation of the creator”). With regard to the last point, at the 1967 Stockholm Conference, the principle was established that the payment of equitable remuneration could be taken into account in the context of the third step. Accordingly, an unreasonable prejudice to legitimate interests of the right holder can be reduced to a permissible reasonable level by providing for the payment of equitable remuneration. As the three-step test’s different steps are indivisible parts of an overall assessment of a permitted use in the light of the principle of proportionality (see above), it can be argued that the payment of equitable remuneration should also be taken into account in the context of the other steps.

In this context it is worth clarifying that the wording “remuneration or compensation” means any sum paid to right holders as a counterperformance for a permitted use. This double expression has the purpose of covering different national traditions. For instance, in European copyright law the InfoSoc Directive refers to the concept of “fair compensation” in Article 5(2)(a), (b) and (e). The amount collected against permitted uses has to be established by Contracting Parties and might be based on “remuneration” for the use of the works or “compensation” for damages caused by the use of works under permitted uses. The right holder who invests in the “production” and “commercialization” of the work, indeed, may suffer a direct economic harm from statutory permissions to use a work. One might even imagine a “remuneration” for the original right holder (the creator) and a “compensation” for harm for the derivative right holder (for example, the publisher or producer).

Concerning the concept of “legitimate interests”, an interest can qualify as legitimate if it is justifiable in the sense that it is supported by relevant public policies or other social norms, such as the policies and social norms underlying the provisions of the Instrument (WTO Panel Report, Canada — Term of Patent Protection, WT/DS170/R, 5 May 2000, concerning Article 30 TRIPS which also includes the unreasonable prejudice test). Inevitably, every permitted use prejudices the interests of the copyright holder to some extent. For this reason, the third step does not prohibit a prejudice as such but only a prejudice which reaches an unreasonable level. The question of whether or not a permitted use gives rise to an unreasonable prejudice can be

answered in the light of the justification given for its existence. The Instrument reflects this consideration by clarifying that the scope of permitted uses must be interpreted according to their purposes (see Part B.II.4) and providing for permitted uses “to the extent justified by their purpose” (see Part A.II.1 and A.II.2).

As already indicated, the payment of a remuneration is to be considered not only at the stage of the third “unreasonable prejudice” test but also – more generally – in the overall assessment of a permitted use in the light of the three-step test. This rule is expressed in Part B.II.3. a). The payment of a remuneration or compensation, thus, also informs the assessment of a permitted use in the context of the second “normal exploitation” test and the first “certain special cases” test. By providing for remuneration or compensation, the prejudice following from a permitted use can be reduced to a permissible reasonable level. Accordingly, remuneration or compensation must only be paid insofar as a permitted use does not keep within reasonable limits. The amount of the abovementioned payments should be measured in such a way that it appears fair and just under the given circumstances including, again, the consideration of the policy objectives listed in Part B.II.2.

III. Technological protection measures

Text

“Contracting Parties shall take appropriate measures to ensure that legal protection and effective legal remedies against the circumvention of effective technological measures do not prevent beneficiary persons from enjoying the permitted uses provided for in this Instrument.”

Notes

Goal and content of the provision

The provision on technological protection measures is modelled on international provisions, such as Article 7 of the Marrakesh VIP Treaty and the Agreed Statement concerning Article 15 of the Beijing Treaty.

It is understood that when the Contracting Parties choose to provide legal protection against the circumvention of technological measures, this legal protection should duly and adequately accommodate the permitted uses provided for in this Treaty. It is a matter of national law to decide upon the type of measures, including exemptions from the legal protection of technological measures, that could be put in place to ensure that beneficiary persons still enjoy the benefit of permitted uses provided for in this Instrument.

Nothing in this provision requires Contracting Parties to enact such legal protection of technological measures if they are not already under such obligation pursuant to other international treaties of which they are parties.

IV. No contracting out

Text

“Contracting Parties shall ensure that contractual terms in agreements between right holders and users do not unreasonably impede the benefits of permitted uses according to this Instrument.”

Notes

Goal and content of the provision

It is understood that the permitted uses provided for in this Instrument are considered to be of significant importance and that their inclusion achieves a balance between the effective protection of the right holders and the larger public interest, including, in particular, education, research and access to information.

This provision takes into account that right holders are in the position to write standard licensing agreements in a way that can in practice limit or even impede the benefits of permitted uses. As a consequence, Part B.IV. requires Contracting Parties to ensure that the enjoyment of such permitted uses is effective and may not be contracted out or unreasonably limited by right holders, particularly through standard contracts or end-user license agreements. Contractual arrangements may organize some modalities of the benefits of the permitted uses in favor of the users, provided they do not prevent altogether, or unreasonably limit, such benefits. It is a matter for Contracting Parties' legislation to determine the adequate instrument or method, according to their national law and legal tradition, to preserve the benefit of permitted uses against adverse contracts.

V. Participation of the creator

Text

“Contracting Parties shall ensure that the creator of a work is entitled to a reasonable share of any remuneration or compensation paid for the permitted use of that work.”

Notes

Goal of the provision

This provision reflects the concern that most creators are in a weak bargaining position vis-à-vis their contractual counterparts, most often the industry. This provision aims to ensure that whatever claims third parties might have, the creator of a work receives a reasonable share of the fees or royalties that are paid as compensation or remuneration for a permitted use of the work.

A permitted use reduces the scope of the exclusive right but it does not necessarily exclude the payment of a remuneration or compensation for the use at issue (see *supra* Part B.II. “Three-Step Test”). While it is fundamental that the protected interests of the users and the public not be hindered by the need for the consent of rights holders, it is also fundamental to ensure that the creator benefits from such payment, since the creator is the first (weak) link in the value chain from the creation to the dissemination of a work. As clarified in the Notes to Part B.II. “Three-Step Test”, the wording “remuneration or compensation” is intended to cover any sum paid as a counterperformance for a use that is statutorily permitted (see *supra* Part B.II.).

Content of the provision

This provision allows third parties to benefit from contractual transfers, but ensures that a “reasonable share” in any case benefits the creator. Especially when the creator transfers all rights in a work to a professional user (e.g. a buyout by a book publisher or a film producer), the principle underlying this provision commands that the contract should be overruled in order to ensure that the creator benefits from the protection of the material interests resulting from such scientific, literary or artistic productions and receives a reasonable share of the sums collected for the permitted use of the work.

According to Part B.V., Contracting Parties are free to implement the principle of a “reasonable share of any remuneration or compensation” including in their national provisions a statutory distribution key among rights holders granting a reasonable share to the creator.

Together with Part B.VII. (“Related rights”), this provision requires Contracting Parties to ensure that the performer of a work is entitled to a reasonable share of any remuneration or compensation paid for the permitted use of that performance. This aligns with Articles 15 and 16 of the WPPT but grants performers a better protection.

In line with Part B.IV. (“No contracting out”), the principle stated in this provision should be implemented in a manner that allows a contract to be overruled if it would deprive the creator or performer of the remuneration or compensation paid for the permitted use. Making the respective claims for remuneration or compensation unwaivable and/or providing for their mandatory collective management might be a way to implement this provision, following the example of Recital 12 and Article 5 of the European Rental Directive.

The involvement of a collective management organization – provided the contracting party ensures that it has a high degree of transparency and accountability – guarantees effective collection and distribution, as well as a mitigation of the possibly conflicting interests of rights holders sharing the remuneration or compensation. The point of this provision and of the possible involvement of a collective management organization is not to mistrust producers, publishers or any contractual counterparts of the creator or the performer, but to help them comply with the law that ensures the remuneration or compensation of rights holders for a permitted use.

VI. Right of attribution

Text

“To the extent that it is reasonable to do so, the source and the name of the creator shall be mentioned in all cases of permitted use.”

Notes

Goal and content of the provision

This provision reflects a common requirement in most permitted uses in national laws as well as international instruments, in line with the protection of the moral right of attribution or an equivalent interest (for instance, in common law countries, where the attribution of authorship results from sources other than copyright, such as unfair competition, consumer protection or trademark law).

Its wording is flexible enough to ensure that its compliance will not impair the effectiveness of the permitted uses. The right of attribution is to be enforced “to the extent that it is reasonable to do so”; enforcing the goal and the scope of permitted uses should always prevail over an unreasonable compliance with the right of attribution. It would be unreasonable to comply with the right of attribution if the copy of the original work does not expressly mention its creator, but also if the format of exploitation or the market custom does not allow for such attribution (e.g. text and data mining).

As an example, Article 10(3) BC states this requirement regarding the permitted uses of quotations and illustration for teaching: “Where use is made of works in accordance with the preceding paragraphs of this Article, mention shall be made of the source, and of the name of the author if it appears thereon.”

VII. Related rights

Text

“It is understood that the permitted uses provided for by this Instrument apply mutatis mutandis to related rights to the extent justified by the purpose of the use.”

Notes

Goal of the provision

Usually, legal provisions and doctrines in the area of copyright apply also to related rights, directly or by analogy. This Instrument makes no exception and Part B.VII. explicitly states that related rights are subject to the exemptions provided for copyrighted works.

This provision safeguards the effectiveness of permitted uses by avoiding the paradoxical situation in which a certain use is “permitted” with respect to copyright but not with respect to a related right. In such cases, the enforcement of related rights could hamper the actual exercise of copyright-permitted uses. For instance, the permitted reproduction for the purpose of preservation or restoration of musical works interpreted by a performer and incorporated in phonograms – regulated in this Instrument by Part A.II.2. e) – could be impeded by the holders of related rights in phonograms and performances if said permitted use were not applicable to related rights as well.

More generally, the rule laid down in Part B.VII. aims at expanding the application of permitted uses not only to cases in which copyright and related rights converge into a single product, but to all cases in which a related right exists, including – so to speak – “stand-alone” related rights (e.g., related rights to the first edition of a work in the public domain; related rights on non-creative photographs which in some legal systems do not enjoy copyright protection, etc.).

Content of the provision

Part B.VII. does not mention individual related rights. Indeed, making a list of related rights would be controversial. Although the existence of related rights has its foundation in international law – and, in particular, in the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of 26 October 1961 – national and regional laws have created new copyright-related rights, such as those for non-

creative photographs, press publications, sports events organization, theatrical sketches, engineering projects, scientific editions of works in the public domain, non-copyrightable databases etc. The proliferation of related rights and the different ways in which such rights are conceived by regional and national laws reveals that the underlying basic concepts are far from uniform. Accordingly, related rights are not defined or listed in this Instrument.

This provision is modelled on existing international provisions such as the Agreed Statement concerning Article 10(2) of the Marrakesh VIP Treaty, which reads: “It is understood that when a work qualifies as a work [...], including such works in audio form, the limitations and exceptions provided for by this Treaty apply *mutatis mutandis* to related rights as necessary to make the accessible format copy, to distribute it and to make it available to beneficiary persons.”

The provision in Part B.VII. requires Contracting Parties to apply permitted uses to related rights by changing those things which need to be changed in the different situations at stake (“*mutatis mutandis*”) and in a way that assures that the purpose of the permitted use is not frustrated (“to the extent justified by the purpose of the use”). Since the Instrument establishes a minimum standard and Contracting Parties are free to enlarge the area of permitted uses, the expression “to the extent justified by the purpose of the use” intends to set a “floor” rather than a “ceiling” in the implementation of this provision. In other words, related rights as well as copyright have to leave room for the permitted uses necessary to achieve adequate protection of the fundamental rights and the other public interests underlying such uses.

For instance, the issues raised by the circulation of online press publications has prompted the European legislature to introduce new exclusive rights in favor of publishers (see Article 15 C-DSM Directive, “Protection of press publications concerning online uses”). At the same time, reporting of news is necessary to guarantee the dissemination of information. In this respect, the permitted use under Part A.I.2.b) “reporting of news and other matters of public interest” ought to apply to online press publications rights as well. It is up to Contracting Parties to implement such a provision in a way that adequately achieves “the purpose of the use”.

C. COMPETITION; ABUSE

I. Application of competition law

Text

“Contracting Parties shall ensure that the exercise of exclusive rights in works and related rights is subject to the general rules and principles regulating competition.”

II. Compulsory licensing in case of abuse

Text

“1. Contracting Parties shall ensure compulsory licenses for the use of works and related rights in case of abusive conduct by right holders.

2. Such abuse may concern, but is not limited to

- a) refusal to license a work or other subject-matter where access to and use of that work or other subject-matter is indispensable on a derivative market;*
- b) excessive pricing due to the monopolistic structure or other malfunctioning of the relevant market.”*

Notes to Part C. I.; II.

Goal of the provisions

It is widely accepted nowadays that competition-related concerns can limit the exercise of rights as well as can other intellectual property rights. This is also true for copyright, at least insofar as the economic rights are concerned. Different from previous theories holding that copyright and competition law are completely antagonistic matters, it has been recognized that both serve the same goal, namely to protect and encourage creative achievements in the framework of dynamic competition. Thus, competition law is frequently addressed, together with fundamental rights, as a potential external limitation to copyright. Ideally, external limitations should be internalized, wherever the demand for such rules rises to a critical level. This is obvious for fundamental rights, where internalization of the respective principles drives the promulgation of limitations safeguarding free speech or securing access to information and education. Competition concerns as well account for a number of express limitations addressed

in this Instrument, such as permitted use of software (Part A.III.) or free circulation of goods (Part A.V.). However, not every competition-related concern can easily be translated into a particular kind of limitation. It is typical for issues involving such concerns that they are rather fact-specific and must therefore be examined on a case-by-case basis. The provisions set forth in Part C. are meant to ensure that no obstacles are imposed against such an examination (I.); furthermore, it is stipulated that compulsory licenses must be available as a remedy in case of abuse (II.).

The Instrument thereby adds to the thin groundwork of competition-related provisions currently found in international intellectual property law. This notably concerns Article 8(2) TRIPS, where it is acknowledged that appropriate (and TRIPS-compliant) measures may be needed to prevent the abuse of intellectual property rights, and Article 40 TRIPS, which addresses anti-competitive practices in contractual agreements. So far no international treaty in and beyond intellectual property has imposed any duty to monitor, and under certain conditions react to, abusive or anti-competitive conduct.

The Instrument as well does not oblige Contracting Parties to institute competition control where such measures do not exist at present. Only the laws and principles currently in force shall be applied. Furthermore, the Instrument does not specify the conditions under which conduct must be found anticompetitive, or which constellations are exempted from the strict application of the law. The latter aspect could be of interest for example when the law permits under certain conditions concerted efforts being undertaken by creators and performers in the negotiations with derivative right holders, in order to make up for their structural weakness vis-à-vis their counterparts. The Instrument neither prescribes that such carve-outs from general provisions prohibiting cartels etc. must be introduced, nor would such exemptions be precluded (on CRMOs see below, “Aspects not included”).

When competition rules apply it usually follows as a matter of course that compulsory licenses are issued as remedies for abusive behavior. However, until now the option has been rather theoretical, as the specific requirements of antitrust law such as market dominance or other criteria set forth in relevant case law are ill-fitting to the more subtle yet efficient coercive power exerted by strong right holders on other participants in the copyright market. The Instrument therefore encourages the use of compulsory licenses in a more pro-active manner, as a “third path” between specific permitted uses and the usual manner of monitoring and sanctioning abusive conduct under competition (antitrust) law. Based on that concept courts

would be entitled to grant non-voluntary licences in individual cases of abusive conduct without being tied to the same conditions as those applied by the antitrust authorities. By being more specifically tailored to the circumstances characterizing copyright markets, the remedy would become more efficient; furthermore, the often quite lengthy and cumbersome proceedings before the competition authorities could be skipped in favor of procedures before the ordinary courts. On the other hand, depending on the specificities of the legal systems, instituting such “hybrid” regulations merging elements of copyright and antitrust law might raise a number of issues that cannot be resolved satisfactorily in the framework of an international agreement. Therefore, the details of defining abuse as well as determining the relationship with antitrust regulations are left to national law.

Content of the provisions

Part C.I. enunciates that the exercise of exclusive rights under copyright or related rights cannot be exempted *en gros* from application of the rules and principles regulating competition. By referring to “competition” the provision applies equally to rules and principles under antitrust and unfair competition law, although in practice, the accent will regularly lie on the former. The provision also does not distinguish between economic and moral rights, *inter alia* because such a distinction does not apply universally. It is submitted, however, that the exercise of such rights, where they actually serve the individual concerns of right holders, will hardly be anti-competitive or abusive anyhow, whereas where they serve as a pretext for harassment or abuse, their exemption would not be justified. Also here, details of the regulation are left to the Contracting Parties.

Part C.II.1. stipulates that Contracting Parties must provide for compulsory licenses in case of abusive conduct by right holders. This obligation is not conditioned by the availability of such remedies under the current law; thus, where compulsory licenses are neither enshrined in competition (antitrust) nor in copyright law, Contracting Parties would have to amend their laws accordingly. While an exact definition of abusive conduct is not given, two examples are listed in Part C.II.2. a) and b), namely refusal to license in a situation when use of protected subject matter is an indispensable prerequisite for access to a derivative market, and excessive pricing, if that is due to the monopolistic structures or similar malfunctioning of the market. The provision therefore offers a rather broad spectrum of potential scenarios, including those which in many or most jurisdictions under current legal conditions would arguably not be

captured by antitrust law. In view of the complex structure of the legal issues raised thereby the rule enshrined in Part C.II.2. as well as the examples given in lit. a) and b) are formulated as an option; on the other hand, it is also made clear by the formulation that the scenarios listed are only of an exemplary character, and that the list is open to extension to similar cases.

Aspects not included

The provision does not address the interface between competition law and the activities of CRMOs and other constituencies managing large portfolios of rights and thereby typically acquiring a high degree of market power or even a factual or legal monopoly. While calibration of competition-related concerns and the need to leave sufficient room for such corporate actors representing the interests of creators and performers is a particularly relevant point in the copyright/competition law interface, dealing with CRMOs would clearly go beyond the aims and contents of an instrument on permitted uses which is envisaged here.

TABLE OF ABBREVIATIONS

International Instruments

ACHR – American Convention on Human Rights, 1978

BC – Berne Convention for the Protection of Literary and Artistic Works, Paris Text, 1971

Beijing Treaty – Beijing Treaty on Audiovisual Performances, 2012

European Charter of Fundamental Rights – Charter of Fundamental Rights of the European Union, 2000

ECHR – European Convention on Human Rights, 1950

ICCPR – International Covenant on Civil and Political Rights, 1996

Marrakesh VIP Treaty – Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled, 2013

TEU – Treaty on European Union, 2007

TRIPS – Agreement on Trade-related Aspects of Intellectual Property Rights, Marrakesh, 1994

TRLPI – Texto Refundido de la Ley de Propiedad Intelectual approved by Act 22/1987 of November 11

UDHR – Universal Declaration of Human Rights, 1948

VCLT – Vienna Convention on the Law of Treaties, 1980

WCT – WIPO Copyright Treaty, 1996

WPPT – WIPO Performances and Phonograms Treaty, 1996

European Union Directives

C-DSM Directive – Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC

InfoSoc Directive – Directive of the European Parliament and of the Council on the harmonisation of certain aspects of copyright and related rights in the information society (2001/29/EC), O.J. L 167/10

Software Directive – Directive of the European Parliament and of the Council on the legal protection of computer programs (2009/24/EC), O.J. L 111/16

Rental Directive – Directive of the European Parliament and of the Council on rental right and lending right and on certain rights related to copyright in the field of intellectual property (2006/115/EC), O.J. L 376/28

Acronyms

CJEU – Court of Justice of the European Union

CRMO – Collective Rights Management Organisations

EC – European Commission

ECtHR – European Court of Human Rights

HADOPI – Haute Autorité pour la diffusion des oeuvres et la protection des droits sur l’Internet
 (“High authority for the distribution and protection of creativity on the internet”)

MPI – Max Planck Institute for Innovation and Competition

OSI – Open Society Institute

UN – United Nations

WIPO – World Intellectual Property Organization

WTO – World Trade Organization

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INTRODUCTORY NOTES

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PREAMBLE

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A. PERMITTED USES

I. Freedom of expression and information

Lead

Christophe Geiger

Contributors

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II. Social, political and cultural objectives

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III. Use of software

Annette Kur

IV. Uses with minimal significance

Raquel Xalabarder

V. Free circulation

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B. GENERAL PRINCIPLES OF IMPLEMENTATION

I. Effectiveness

Henning Grosse Ruse-Kahn

II. Three-Step Test

Martin Senftleben

III. Technological protection measures

Séverine Dusollier

IV. No contracting out

Séverine Dusollier

V. Participation of the creator

Sylvie Nérisson

VI. Right of attribution

Raquel Xalabarder

VII Related rights

Reto M. Hilty, Valentina Moscon

C. COMPETITION; ABUSE

I. Application of competition law

II. Compulsory licensing in case of abuse

Annette Kur