

# **IS THE WTO/TRIPS AGREEMENT USER-FRIENDLY?**

**FINAL REPORT TO THE INTERNATIONAL TRADE TREATIES  
COMMITTEE OF THE CANADIAN LIBRARY ASSOCIATION**

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## **EXECUTIVE SUMMARY**

This study has been commissioned to review the WTO/TRIPS and its impact on domestic copyright law, particularly its impact on limitations and exceptions to the copyright monopoly. It is therefore fundamentally important to understand the policy that informs the WTO/TRIPS and the extent to which latitude exists for domestic policy-makers to determine the way in which they implement their international treaty obligations.

In order to provide a comprehensive assessment of the impact of WTO/TRIPS in shaping Canadian copyright law and with it, the rights and obligations of public sector libraries in particular, this study has been divided into a number of Parts.

Part I provides the general background to the WTO/TRIPS and its relationship with other international trade treaties.

Part II reviews the WTO/TRIPS specifically in relation to copyright and will explain why the WTO/TRIPS represents a paradigm shift in the international copyright legal landscape.

Part III focuses specifically on the provisions of WTO/TRIPS that relate to permitted uses of copyright works. This will include a discussion of the *Berne Convention for the Protection of Literary and Artistic Works*, the pre-eminent international copyright treaty and its relationship to the WTO/TRIPS. Specific attention will be given to Article 13 of WTO/TRIPS – the so-called “Three-Step Test”.

Part IV reviews Canadian copyright law. It will look specifically at the Canadian *Copyright Act* and recent authoritative decisions of the Supreme Court of Canada most particularly in relation to the ‘fair dealing’ exception. The question of whether ‘fair dealing’ complies with the “Three-Step Test” will be addressed.

Part V looks at initiatives at the international level designed to temper the blunt application of the WTO/TRIPS. On the domestic front, some discussion will be made of the latest round of copyright revision being undertaken jointly by Heritage Canada and Industry Canada. While this ‘digital agenda’ reform is not a WTO/TRIPS issue *per se*, to the extent that the WTO/TRIPS has served to foster uncertainty as to its impact on copyright law and policy, some reflection on the current situation would seem to be in order.

Part VI concludes the Report with a summary of findings and suggestions for further research.

The findings contained in this Report lead to the following conclusions:

- WTO/TRIPS is part of a much larger network of international copyright and international trade treaties that are setting the tone of copyright protection. It is

therefore important to stay abreast of developments at WIPO as well as at the WTO.

- The enforceability of WTO/TRIPS through the DSU is the single-most significant element in shaping national copyright laws. Prior to the WTO/TRIPS, there was no effective way of ensuring that domestic legislation complied with international copyright norms. This is definitely no longer the case and it is likely that progressive global harmonization of copyright laws will result from the coercive effect of WTO/TRIPS.
- While WTO/TRIPS has, to date, generally served the interests of rights-holder, nothing in that agreement obliges Member States to reject a balanced approach to copyright. Further, nothing in the WTO/TRIPS requires that Member States harmonize their laws to conform to one universal set of standards
- In this way then, Canadian policy-makers are not compelled to take a restrictive view of permitted uses nor are they required to adopt either a licensing model. Therefore, the necessary arguments must continue to be raised to ensure that domestic policy is not driven by a misapprehension about the extent of Canada's WTO/TRIPS obligations and to challenge policy-makers who invoke international obligations as a justification for restricting exceptions.
- That said, given that WTO/TRIPS is part of a much larger network of international trade and international copyright treaties, it would be prudent for 'user groups' and other public interest advocates to approach any proposals for permitted uses in light of the limits identified in the "Three-Step Test" in Article 13 of WTO/TRIPS and mirrored in other international trade and international copyright treaties.
- 'User groups' and other public interest advocates need to be familiar with the various existing international models relating to permitted uses as well to the commentary of experts in the field. Armed with this knowledge, these groups would best be able to advocate for the acceptable models that best serve their interests.
- There is some cause for optimism in that recent developments at the international level indicate a growing concern that the international agenda has been too dominated by industry interests to the exclusion of all others. These initiatives would suggest that there is some room within the international legal environment for the adoption of a more balanced view of copyright. Pressure must continue to be brought to bear at the international level. Further, efforts must be redoubled to ensure that domestic policy-makers adopt a similar approach to Canadian copyright law.

## **General Introduction**

In his Report for CLA on WTO/GATS, Steven Shrybman, referring to WTO/TRIPS, accurately suggests that “[t]he implementation of truly binding international disciplines concerning copyright is already shifting the locus of public policy debate concerning such matters to the international arena.”<sup>1</sup>

WTO/TRIPS, in the words of some commentators, has ‘internationalized’ copyright in a way that had not been the case before.<sup>2</sup> In effect, WTO/TRIPS has become the normative framework from which all subsequent international and domestic copyright standards are derived.

Public-sector libraries see their mandates as that of providing universal, unfettered access to knowledge and information<sup>3</sup> and have developed considerable expertise in influencing domestic copyright policy from a ‘user rights’ or ‘public interest advocacy’ perspective. However, with the advent of WTO/TRIPS the legal landscape within which domestic copyright law now exists has become much more complex.

This study has been commissioned to review the WTO/TRIPS and its impact on domestic copyright law, particularly its impact on limitations and exceptions to the copyright monopoly. It is therefore fundamentally important to understand the policy that informs the WTO/TRIPS and the extent to which latitude exists for domestic policy-makers to determine the way in which they implement their international treaty obligations.

In order to provide a comprehensive assessment of the impact of WTO/TRIPS in shaping Canadian copyright law and with it, the rights and obligations of public sector libraries, this study is divided into a number of Parts.

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Part III will focus specifically on the provisions of WTO/TRIPS that relate to permitted uses of copyright works. This will include a discussion of the *Berne Convention for the Protection of Literary and Artistic Works*, the pre-eminent international copyright treaty

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<sup>1</sup> Shrybman, S., “An Assessment of the Impact of the General Agreement on Trade and Services in Policy, Programs and Law Concerning Public Sector Libraries” (2001) [www.cla.ca/resources/gats.pdf](http://www.cla.ca/resources/gats.pdf)

<sup>2</sup> See for example, Gana (Okediji), R., “Has Creativity Died in The Third World? Some Implications of The Internationalization of Intellectual Property” (1995) 24 Denv. J. In’t L & Pol’y 109.

<sup>3</sup> “We believe that libraries and the principles of intellectual freedom and free universal access to information are key components of an open and democratic society” Canadian Library Association Values – [www.cla.ca/about/mission.htm](http://www.cla.ca/about/mission.htm)

and its relationship to the WTO/TRIPS. Specific attention will be given to Article 13 of WTO/TRIPS – the so-called “Three-Step Test”.

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Part VI will conclude the Report with a summary of findings and suggestions for further research.

I would be greatly remiss if I did not acknowledge the exceptional work of my research students, Marnie Settington who began the project and Leanne Fasciano who very ably took over the bulk of the research. Their contributions were truly indispensable. I am also grateful for the comments I received from individuals intimately acquainted with the subject-matter including Professor Margaret Ann Wilkinson from the University of Western Ontario, Ms Joan Dalton, Head, Access Services Department and Librarian, Leddy Library, University of Windsor and Professor Maureen Irish of my Faculty. Further contributions from Ruth Rikowsky were gratefully received. Finally, I am indebted to the members of the CLA International Trade Treaties Committee for their comments during our meeting at the CLA Annual Conference held in Victoria, B.C in June 2004.

## **PART I: Background to WTO/TRIPS and its Relationship to Other International Intellectual Property Treaties**

### **1) WTO/TRIPS: What is it and Why is it?**

The *Agreement on Trade-Related Aspects of Intellectual Property Rights* (“WTO/TRIPS”) is Annex 1C of the Agreement Establishing the World Trade Organization (the “WTO Agreement”) which came into force on January 1, 1995. It is one of a number of agreements designed to liberalize world trade resulting from the Uruguay Round of trade negotiations under the *General Agreement on Tariffs and Trade* (the “GATT”) that took place from 1986-1994.

The drive towards including intellectual property rights (“IP”) on the agenda during the Uruguay Round came as a result of a strong lobby from information and entertainment industries in the US, EU and Japan who had become concerned about the economic losses they were suffering as a result of global ‘piracy’ of their products. These industries argued vigorously, especially in the US, for the inclusion within the existing GATT international trade system of an agreement that emphasized the importance of strong, binding and uniform rules for the protection and enforcement of IP rights.

For their part, these industrialized governments, recognizing that their economic growth and comparative advantage would increasingly rest on global trade in knowledge and information products and services rather than on traditional manufactured goods, redefined their international trade interests.

The final outcome of the Uruguay Round resulted in the expansion of the international trade system to include, among other things, trade in services (the GATS) and trade in intellectual property (WTO/TRIPS). It also led to the creation of the WTO, a new multilateral governing body, that is, in its own words, “...the only global international organization dealing with the rules of trade between nations”<sup>4</sup>

### **2) Dispute Resolution under WTO/TRIPS**

One of the hallmarks of the WTO Agreement lies in its enforceability through a binding dispute settlement process designed to provide “security and predictability in the multilateral trading system”<sup>5</sup>. The *Dispute Settlement Understanding* (“DSU”), Annex 2 of the WTO Agreement, provides for a strong and effective process for the resolution of disputes between Member States following a judicial model of decision-making.

The Dispute Resolution Body (“DSB”) is entrusted with the administration of the dispute resolution process. Member States are required, at first instance, to attempt to resolve

<sup>4</sup> See [www.wto.org/english/thewto\\_e/whatis\\_e/whatis\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm). There are currently 148 WTO Member States including Canada. For further details see [www.wto.org](http://www.wto.org).

<sup>5</sup> Article 3(2) DSU



their disputes informally through consultations and conciliation or mediation. However, if this should fail, a formal complaint can be lodged and a dispute resolution Panel set up to rule on the complaint. Decisions of the Panel can be appealed to the Appellate Body.<sup>6</sup> The final decision, once adopted by the DSB, is binding on the Parties to the dispute.

Should a complaint be upheld by the DSB, the ‘offending’ Member will have to comply with the ruling under pains of having trade sanctions imposed on it by the successful Party. What is critical to understand here is that these trade sanctions need not be limited to the particular goods at issue in the complaint. Rather, trade sanctions can be imposed on any of the goods in respect of which the Parties customarily trade. So, for example, when Canada was found to have breached its WTO obligations by providing favourable postal and advertising rates for Canadian magazines, the US threatened to impose punitive duties on key Canadian exports such as steel rather than on Canadian magazines.<sup>7</sup>

The WTO/TRIPS agreement is made fully subject to the DSU and so, any complaints regarding a Member State’s IP laws will fall to the DSB for resolution with the full range of procedures and enforcement mechanisms to compel compliance.<sup>8</sup>

### 3. The WTO/TRIPS and Other International Trade Treaties

While the WTO/TRIPS is the pre-eminent multilateral international text to recognize the nexus between IP and trade, it was not the first trade treaty to regulate and enforce IP rights.

Uncertain about a successful outcome of the Uruguay Round, the US sought to secure, at the very least, an IP code within a smaller, North American regional trading area. The *North American Free Trade Agreement* (“NAFTA”) preceded WTO/TRIPS by a year and its provisions relating to IP rights are virtually identical to those found in the later multilateral agreement.<sup>9</sup>

In similar vein, negotiations for a larger regional international trade agreement for the Americas– the *Free Trade Area of the Americas* (“FTAA”) has been underway for a number of years. It is no surprise that IP rights are on the negotiating agenda and the draft text includes an IP code modelled on the WTO/TRIPS.<sup>10</sup> Further, over the course of the last decade, the US has been aggressively pursuing bilateral trade treaties that include, as

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<sup>6</sup> Pursuant to Article 17(6) DSU, the Appellate Body reviews the Panel decision solely in relation to “issues of law covered in the panel report and legal interpretations developed by the panel”.

<sup>7</sup> *Canada – Certain Measures Concerning Periodicals*, March 14, 1997, WT/DS31/R (Panel); June 30, 1997, WT/DS31/AB/R (Appellate Body)

<sup>8</sup> For further discussion of the impact of this decision on Canadian cultural autonomy see Tawfik, MJ., “Competing Cultures: Canada and the World Trade Organization – The Lessons from *Sports Illustrated*” (1998) *Cdn Yearbook of Int’l Law* 279.

<sup>9</sup> See NAFTA Chapter Seventeen.

<sup>10</sup> [http://www.ftaa-lca.org/ftaadrafts\\_e.asp](http://www.ftaa-lca.org/ftaadrafts_e.asp) - Chapter XX on Intellectual Property.

a matter of course, chapters relating to IP, the most recent of which is the *Australia-US Free Trade Agreement*.<sup>11</sup>

While a detailed review of the FTAA and other regional or bilateral trade agreements of a similar nature is beyond the scope of this Report, suffice it to say that these agreements represent the next generation of trade treaties and build upon their predecessors in a manner that tends towards broadening and strengthening IP rights.<sup>12</sup>

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<sup>11</sup> The US-Australia FTA (January 1, 2005); US-Chile FTA (January 1, 2004), draft US - Central America Free Trade Agreement (CAFTA), US-Singapore (January 15, 2003). For a full list of US bilateral initiatives and the various texts see the website of the Office of the United States Trade Representative at [www.ustr.gov](http://www.ustr.gov)

<sup>12</sup> See for example, Trosow, S., “Fast Track Trade Authority and the Free Trade Agreements: Implications for Copyright Law” (2003) CJLT 135.

## **Part II: The WTO/TRIPS and Copyright: Normative Framework**

### **1) General Principles and Objectives of WTO/TRIPS**

From the Preamble to the WTO/TRIPS<sup>13</sup>, we can identify the following key objective in relation to IP (which mirror the general tenor of the entire WTO Agreement): To eliminate trade distortions and trade barriers among countries by providing for ‘rules and disciplines’ for effective and adequate (read here ‘strengthened’) protection and enforcement of IP rights, including copyright.<sup>14</sup>

The significance of WTO/TRIPS lies in its integration of copyright as a trade issue. The impact of subsuming copyright to the binding ‘rules and disciplines’ set out in WTO/TRIPS results in subjecting it to the underlying assumptions upon which the international trade system is based. Thus, copyright works are considered exclusively as tradeable commodities to be circulated, without restrictions, across national territorial boundaries. No allowance is made for viewing copyright in any other dimension such as, for example, an integral tool for the dissemination of national culture.<sup>15</sup>

The Preamble itself reinforces this orientation by expressly declaring that intellectual property rights are private rights.<sup>16</sup> In this way, WTO/TRIPS tends to view copyright policy from a ‘rights-holder’ perspective rather than defining copyright as a ‘public good’ in which ‘user rights’ are equally important imperatives to be safeguarded.

Unfortunately but not surprisingly, the major proponents of the final text of the WTO/TRIPS, the US, the EU and Japan did not consider the opinions of copyright user interests or other public interest advocates in formulating their IP agendas, relying solely on the views of IP industries and even then, to a consortium of particular industry

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<sup>13</sup> See Preamble (Appendix 1). The first paragraph reads as follows:

*“Desiring to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade”*

<sup>14</sup> Article 1(2) WTO/TRIPS define IP as consisting of copyright and related rights, trademarks, geographical indications industrial designs, patents, integrated circuits topographies and undisclosed information (trade secrets).

<sup>15</sup> The [in]ability of the WTO to accommodate issues of fundamental human concern has been the subject of much commentary especially in relation access to patented medicines for catastrophic diseases. In relation to copyright, concerns have revolved around the hardships faced by aboriginal peoples in seeking to preserve and protect their indigenous culture and folklore. Similar issues have been raised by States themselves in relation to the need to protect national cultural identity and cultural pluralism in the face of the free trade ideology of the WTO. International organizations such as the World Intellectual Property Organization (WIPO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) have been studying these issues. See generally, [www.wipo.org](http://www.wipo.org) and [www.unesco.org](http://www.unesco.org). For further discussion of these initiatives, see Part V of this Report.

<sup>16</sup> See Preamble (Appendix 1).

interests. As a result, copyright ‘user groups’ and other public interest advocates had no voice in determining the shape and tenor of the WTO/TRIPS accord.<sup>17</sup>

Outside of the Preamble, Articles 1-8 of WTO/TRIPS set out General Provisions and Basic Principles as they relate to the entire gamut of IP rights and further reinforce the ‘rights-holder’ orientation of the agreement.

For example, Article 1 permits Member States to grant more extensive protection than that stipulated under WTO/TRIPS. Thus, the standards set out therein are only intended as minimum standards which countries are free to derogate from so long as the net result is to enhance IP rights.

Article 3 provides for national treatment i.e. that Member States must protect foreign nationals in the same manner as they treat their own citizens in relation to IP rights. Article 4 ensures most-favoured nation treatment to all WTO/TRIPS Members except under the conditions specified within that provision<sup>18</sup>.

Finally, Part III of WTO/TRIPS requires Member States to ensure that their national laws provide for effective mechanisms for the enforcement of IP rights domestically through the judicial system.

That said, the WTO/TRIPS is not totally weighted in favour of ‘rights-holders’. The agreement gives some general recognition of the need to balance IP rights with other competing public policy objectives. The Preamble expressly recognizes as an objective “the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives”.<sup>19</sup> This principle manifests itself in Articles 7 and 8 of WTO/TRIPS.

#### Article 7: Objectives

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

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<sup>17</sup> See Mathews, D., *Globalising Intellectual Property Rights – The TRIPS Agreement*, (London: Routledge, 2002). It is worth noting that the discourse surrounding WTO/TRIPS has generally been characterized as North-South i.e. the developed or industrialized world advocating for strong rights against the dissenting opinions of the developing world for whom the benefits of strong IP rights are not at all obvious. What this “North-South” polarization suggests, falsely, is that there is consensus within the industrialized world itself as to the need to strengthen IP rights. In fact, nothing could be farther from the truth, especially in relation to copyright.

<sup>18</sup> This provision obliges Member States not to discriminate against each other. This includes conferring any favours, privileges or other advantages equally.

<sup>19</sup> See Appendix 1. The Preamble also recognizes the special needs of the developing world under a separate heading.

## Article 8: Principles

1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.
2. Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed 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

These key provisions are of particular significance in providing guidance as to the manner in which the entire WTO/TRIPS agreement is to be interpreted. They ensure that the monopoly interests of the IP rights holder will be weighed against other, equally important public policy considerations such as public health and nutrition, fair technology transfer to the developing world and socio-economic development so long as the measures undertaken by countries to safeguard these interests are consistent with the WTO/TRIPS in its entirety.

It is not clear at this stage just how Articles 7-8 would be interpreted in practice where measures are adopted in respect of copyright that do not, for example, contribute to the dissemination of knowledge and technology or are in restraint of trade or abuse of monopoly. If nothing else, they serve to provide an interpretive tool to challenge domestic policy-makers who invoke their WTO/TRIPS obligations to justify severely narrowing or eliminating 'user rights'.<sup>20</sup>

### 2) In Respect of Copyright Specifically: Articles 9-14 WTO/TRIPS

The Preamble to WTO/TRIPS identifies a further objective namely, that of providing a mutually supportive relationship between the WTO and the World Intellectual Property Organization ("WIPO"). WIPO, a specialized agency of the UN originated as the administrative body for the two earliest IP treaties, the *Paris Convention for the Protection of Industrial Property* of 1883 and, importantly for our purposes, the *Berne Convention for the Protection of Literary and Artistic Works* (the "Berne Convention") of 1886.

During the course of the Uruguay Round negotiations, concern was expressed that the WTO would supplant WIPO in matters relating to international IP law. To the contrary, WIPO has found renewed vigour as the organization through which substantive IP

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<sup>20</sup> Further discussion of Articles 7 and 8 will follow in Part III of this Report.

standards are negotiated at the international level while the WTO provides the mechanism to compel adherence through the DSU.<sup>21</sup>

This on-going relationship between WTO and WIPO is very evident in the approach taken under WTO/TRIPS to substantive copyright norms.

By virtue of Article 9 (1) of WTO/TRIPS “[m]embers shall comply with Articles 1-21 of the Berne Convention (1971) and the Appendix thereto (excluding Article *6bis* on moral rights)”.

WTO/TRIPS takes what is generally described as a “Berne-plus” approach as it incorporates the copyright standards set out under the 1971 Paris Revision of the Berne Convention (“Berne 1971”) negotiated under the auspices of WIPO. The WTO/TRIPS did not ‘reinvent the wheel’ in relation to international copyright norms, relying instead on the existing substantive copyright norms contained in Berne 1971 with the exclusion of moral rights in Article *6bis*<sup>22</sup>. The few ‘stand-alone’ provisions in WTO/TRIPS (Articles 9(2) – 14) only serve to supplement Berne 1971 in light of newer technological developments.

It is therefore only fairly recently, with the advent of the WTO/TRIPS, that there developed two tracks for international copyright protection – the Berne Convention (an international copyright treaty) administered by WIPO and WTO/TRIPS (an international trade treaty) administered by the WTO– although, by virtue of Article 9(1) of WTO/TRIPS, they converge.

Both the specific provisions of Articles 1-21 of Berne 1971 (excluding Article *6bis* on moral rights) and the WTO/TRIPS stand-alone provisions will be discussed in turn.

a) Articles 1-21 of Berne 1971:

The Berne Convention is the oldest international copyright treaty and by far the most important one.<sup>23</sup> Over the course of its long existence, it has undergone a number of successive full-scale revisions in order to bring it up to date with technological developments.

The final such revision took place in Paris in 1971 i.e. Berne 1971 and represents the strongest articulation of author’s rights than any of its predecessors though this last revision represents an incremental evolution rather than a radical shift in the underlying objectives of the Berne Convention. The Berne Convention, especially Berne 1971 tends

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<sup>21</sup> See in this regard, Gervais D., *The TRIPS Agreement: Drafting History and Analysis* 2d ed., (London: Sweet & Maxwell, 2003)

<sup>22</sup> On-going US resistance to the concept of moral rights led to their exclusion from the purview of WTO/TRIPS. In fact, US copyright law does not, as yet, recognize moral rights in spite of it having acceded to Berne 1971 in 1989.

<sup>23</sup> Canada became a signatory to the Berne Convention in its own right, rather than as a British Colony, in 1928. There are presently 158 signatories to the Berne Convention. See generally [www.wipo.org](http://www.wipo.org)

towards a continental European vision of the policy underlying copyright, very much steeped in the ‘author’s rights’ (“*droit d’auteur*”) tradition.

The Preamble and Article 1 clearly identify the objective of the treaty: to protect the rights of authors.

Preamble: “The countries of the Union, being equally animated by the desire to protect, in as effective and uniform a manner as possible, the rights of authors in their literary and artistic works...”

Article 1: “The countries to which this Convention applies constitute a Union for the protection of the rights of authors in their literary and artistic works.”

Generally speaking, there have been two competing theories of copyright that have predominated in the legal landscape. The continental European civil law ‘*droit d’auteur*’ model takes the view that the legal entitlement is first and foremost designed to protect the rights of authors. This perspective is to be distinguished from the British common law tradition that copyright should reflect an appropriate balance between two competing imperatives – that of providing authors with protection for their works AND that of ensuring that the public has access to copyright works for the advancement of learning and the dissemination of knowledge. This ‘copyright as balance’ is seen reflected in the words of the Court of King’s Bench as far back as 1785 in the decision of *Sayre v. Moore*:

[W]e must take care to guard against two extremes equally prejudicial; the one, that men of ability, who have employed their time for the service of the community, may not be deprived of their just merits, and the reward of their ingenuity and labour; the other, that the world may not be deprived of improvements, nor the progress of the arts be retarded.<sup>24</sup>

Countries born of the British legal tradition such as Canada, Australia and the United States have taken a similar policy stance on copyright and consider the Berne Convention capable of accommodating the ‘copyright as balance’ perspective. In effect, as one of the original signatories to the Berne Convention, Great Britain ensured that the treaty would be flexible enough to permit these two different legal traditions to co-exist. In any case, given that the Berne Convention did not really have an effective dispute resolution mechanism, countries remained largely free to interpret their obligations under the treaty as they saw fit.<sup>25</sup>

The net result of the “Berne-plus” in WTO/TRIPS is that countries that are not members of Berne 1971 itself but are members of WTO/TRIPS would have to ensure that their copyright laws contained the same minimum standards as those found in Articles 1-21 of

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<sup>24</sup> 1 East 360 n. 102 Eng. Rep 139n (KB 1785)

<sup>25</sup> The only available recourse was to the largely ineffectual International Court of Justice. See generally Ricketson, S., *The Berne Convention for the Protection of Literary and Artistic Works: 1886-1996* (London: Centre for Commercial Law Studies, Queen Mary College, 1987)

Berne 1971 (excluding moral rights). Of course, given that Canada is a member of both WTO/TRIPS and Berne 1971<sup>26</sup>, it is bound by both treaties to their fullest extent.

Further, given that WTO/TRIPS now compels member countries to adhere to the principles set out in Berne 1971, one of the incidental effects of this appears to be an incremental harmonization of domestic copyright laws along continental European lines.<sup>27</sup>

A full review of the exclusive rights conferred under Articles 1-21 of Berne 1971 (excluding moral rights) is beyond the scope of the present Report. Rather, the focus of attention will be on the specific provisions in Berne 1971 relating to permitted uses of copyright works<sup>28</sup>. These will be discussed in detail in Part III.

#### b) WTO/TRIPS-Specific “Stand-Alone” Provisions: Articles 9(2) – 14

Among the handful of provisions, one notes Article 10 that obliges Member States to protect computer programs as literary works and Article 11 that requires that signatories provide for a new exclusive right namely, a rental right in computer programs.<sup>29</sup>

Finally, Article 13 is of greatest interest for our purposes as it provides for the parameters within which Members can provide for limitations and exceptions to exclusive rights. This provision will be the subject-matter of detailed analysis in Part III of this Report

#### 3) WTO/TRIPS and the WIPO Copyright Treaties

For the sake of completeness although not strictly speaking a WTO/TRIPS issue, at least for the moment, mention must be made of the 1996 *WIPO Copyright Treaty* (the “WCT”) and the 1996 *WIPO Performances and Phonograms Treaty* (the “WPPT”), which will be referred to together as the “WIPO Treaties”.

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<sup>26</sup> Canada acceded to Berne 1971 in 1998.

<sup>27</sup> See for example, Vaver, D., “The Copyright Mixture in a Mixed Legal System: Fit for Human Consumption?” [2002] *Juridical Rev.* 101; (2001) 5:3 *Electronic J. of Comparative Law* at [www.ejcl.org/ejcl/52/art52-3.html](http://www.ejcl.org/ejcl/52/art52-3.html). This state of affairs is somewhat ironic given that one of the reasons that the US sought to move copyright outside of the purview of the Berne Convention to the GATT was because the Berne Convention and WIPO were perceived to be too euro-centric and the US thought that it could better control the agenda under the GATT. See for example, Stanton S., “Development of the Berne International Copyright Convention and Implications of United States Adherence” (1990) 13 *Houston J. of Int’l Law* 149.

<sup>28</sup> For this Report, the terms ‘permitted uses’, ‘allowable uses’, ‘exceptions’ and ‘limitations’ will be used interchangeably.

<sup>29</sup> This new rental right extends to films as well subject to certain conditions as outlined in the Article itself. Other ‘stand-alone’ provisions include the reaffirmation that copyright does not extend to ideas (Article 9(2)) and that the term of protection must at be, at minimum, the life of the author plus 50 years after death (Article 12). Article 14 provides for neighbouring rights in performers’ performances, producers of phonograms and broadcasters



These WIPO Treaties, negotiated and signed after WTO/TRIPS, are the so-called “Internet Treaties” and are ‘special agreements’ under article 20 of the Berne Convention.<sup>30</sup> Whereas the WIPO Treaties are linked to the Berne Convention, they do not form part of WTO/TRIPS at this juncture.<sup>31</sup>

Canada has signed but not yet implemented the WIPO Treaties. In fact, it is the attempt to accede to these treaties that has resulted in the recent Federal Government copyright revision process that has led to, among other things, the May 2004 Interim Report on Copyright Reform of the Standing Committee on Canadian Heritage<sup>32</sup>. Apparently, draft legislation to implement the recommendations contained in the Interim Report is expected within the next few months.<sup>33</sup>

Once ratified, Canada would have to comply with all of the substantive requirements of the WIPO Treaties in addition to those already undertaken in relation to WTO/TRIPS. Once again, the main distinction to bear in mind is that only the specific obligations under WTO/TRIPS would be fully enforceable under the DSU.

That said, although the WIPO Treaties are not integrated into the WTO/TRIPS at this time, it does not follow that these international conventions are entirely separate and distinct legal constructs.

Firstly, the text of the WIPO Treaties incorporates in significant ways the language of the WTO/TRIPS agreement. In effect, WTO/TRIPS has provided the template not only for subsequent international trade treaties but it is also influencing the drafting of international copyright treaties.<sup>34</sup> The relationship is reciprocal as well as the WIPO Treaties are seen to be relevant to interpreting the WTO/TRIPS as they form an integral part of an ‘overall framework for multilateral copyright protection’.<sup>35</sup>

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<sup>30</sup> Article 20 Berne 1971:

The Governments of the countries of the Union reserve the right to enter into special agreements among themselves, in so far as such agreements grant to authors more extensive rights than those granted by the Convention, or contain other provisions not contrary to this Convention....

<sup>31</sup> Both the WCT and the WPPT expressly provide for this. For example, Article 1(1) of the WCT stipulates that: “This Treaty shall not have any connection with treaties other than the Berne Convention...”

<sup>32</sup> The Report can be found at

[www.parl.gc.ca/InfocomDoc/Documents/37/3/parlbus/commbus/house/reports/herirp01-e.htm](http://www.parl.gc.ca/InfocomDoc/Documents/37/3/parlbus/commbus/house/reports/herirp01-e.htm)

<sup>33</sup> The issues surrounding the ratification by Canada of the WIPO Copyright Treaties are contentious and have led to great disagreement among the various copyright constituents. Although CLA and other copyright ‘user groups’ have been involved throughout the revision process and have made their positions known with clarity and forcefulness, Canadian policy-makers appear to be wedded to the belief that digital technologies have made rights-holders particularly vulnerable to economic loss such that they require enhanced legislative protections. See further at Part V of this Report.

<sup>34</sup> See Ficsor, M., *The Law of Copyright and the Internet* (UK: Oxford University Press, 2002)

<sup>35</sup> As per WTO Panel in *US- Section 110(5) of the Copyright Act* WT/DS160/R, 15 June 2000 at para 6.70:

The WCT is designed to be compatible with this framework, incorporating or using much of the language of the Berne Convention and the TRIPS Agreement....[I]t is relevant to

Further, the intention is for each new copyright treaty to be incorporated into subsequent revisions of WTO/TRIPS:

Although there is no such kind of institutional relationship between the WCT (and the WPPT) and the TRIPS Agreement as, for example between the WCT and the Berne Convention, such a relationship may be established later, either as a result of a new WTO negotiation round or on the basis of the application of Article 71.2 of the TRIPS Agreement.<sup>36</sup>

Both the international trade and the international copyright systems will continue to converge in language as well as in substance. It is therefore critically important for ‘user groups’ such as CLA to keep abreast of all major international developments and to track not only those initiatives taking place at WTO but to continually review them in tandem with developments at the level of WIPO.

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seek contextual guidance also in the WCT when developing interpretations that avoid conflicts with this overall framework, except where these treaties explicitly contain different obligations.

This Panel decision will be discussed in detail in Part III of this Report.

<sup>36</sup> Ficsor *supra* note 34 at p. 419. Article 71.2 of WTO/TRIPS reads:

Amendments merely serving the purpose of adjusting to higher levels of protection of intellectual property rights achieved, and in force, in other multilateral agreements and accepted under those agreements by all Members of the WTO may be referred to the Ministerial Conference for action in accordance with paragraph 6 of Article X of the WTO Agreement on the basis of a consensus proposal from the Council for TRIPS.

Further Article 71(1) provides for the WTO/TRIPS Council to review the agreement “in light of any relevant new developments which might warrant modification or amendment” within specified time periods. See as well, Gervais, D., *The TRIPS Agreement Drafting History and Analysis*, 2<sup>nd</sup> ed., (London: Sweet & Maxwell, 2003).

### **Part III: WTO/TRIPS and Permitted Uses of Copyright Works**

#### **1) The Orientation of WTO/TRIPS on Permitted Uses**

As has been suggested, the underlying orientation of WTO/TRIPS reinforces a ‘rights-holder’ or ‘author-centric’ approach to copyright. This approach starts from the premise that copyright law is designed to maximize rights regardless of whether they vest with authors or non-author rights holders.<sup>37</sup> Further, by integrating copyright within the international trade system, the WTO/TRIPS serves to commodify creativity and knowledge.

Thus far, however, even the most ‘author-centric’ model of copyright would acknowledge the need to ensure that some uses of a copyright work be allowed without prior permission, with or without a royalty payment. However, it would not be legitimate to read into this a general recognition that copyright users have equal rights. Rather, the premise underlying the WTO/TRIPS is one that suggests that since copyright is designed to protect authors’ rights any allowable exceptions must be just that – exceptions that are to be restrictively construed.

To the extent that modern technological means make it easier and more convenient for users to secure copyright permissions directly from rights-holders, some rights holders and policy makers urge the adoption of a ‘licensing model’ of copyright. Under this model, near-absolute, if not absolute, control would vest with rights-holder to negotiate licenses for copyright permissions upon the terms they deemed fit. This would undermine the existing legal protections for those groups traditionally understood to require special treatment such as educational institutions and public libraries.

In this ‘market economy’ model in which copyright works are fully privatized, the very notion of ‘free uses’ or legislated allowances would be severely constrained. Governmental intervention would only be justified in cases of demonstrated excesses and abuses by rights-holders<sup>38</sup>

This model of copyright is the one that appears to be resonating among policy makers in Canada<sup>39</sup> and must be strongly resisted. In order to do this, the critical question that must

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<sup>37</sup> That said, the distinction between authors on the one hand and rights-holders on the other is extremely important and one should be wary of conflating them especially in advancing domestic policy concerns.

<sup>38</sup> On the question of permitted uses of copyright and the market failure argument see for example, Gordon, W., “Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors” (1982) 82 Columbia L. Rev 1600; Goldstein P., “Fair Use in a Changing World” (2003) 50 J. Copyright Soc’y USA 133, Ghosh, S. “Deprivatizing Copyright” (2003) 54 Case Western Reserve L. Rev. 387

<sup>39</sup> For example, the very recent Interim Report on Copyright Reform, May 2004 – the Report of the Standing Committee on Canadian Heritage urges the adoption of a licensing scheme to permit educational institutions and libraries to access material available through the Internet. See [www.parl.gc.ca/InfocomDoc/Documents/37/3/parlbus/commbus/house/reports/herirp01-e.htm](http://www.parl.gc.ca/InfocomDoc/Documents/37/3/parlbus/commbus/house/reports/herirp01-e.htm) Further, at a recent panel discussion on music file sharing held at the Faculty of Law, University of Windsor in Nov. 2004, Bruce Stockfish from Heritage Canada, argued vigorously that digital technologies have tilted the balance of copyright too far in favour of users and that the aim of copyright policy in this digital age was to

be asked is whether it is the inevitable effect of WTO/TRIPS that it lead to a gradual elimination of legislated permitted uses or whether a range of approaches including some more favourable to users of copyright works would be acceptable.

What will be demonstrated in what follows is that although WTO/TRIPS severely hampers the ability of Member States to freely adopt any permitted uses they choose, it does not eliminate choice entirely and can be interpreted in a manner more consistent with the interests of educational and library sectors.

## 2) Permitted Uses of Copyright Works under WTO/TRIPS

### a) Those Contained in Articles 1-21 of Berne 1971 (excluding moral rights) and Incorporated by reference into WTO/TRIPS

Berne 1971 expressly confers upon authors a number of exclusive rights: translation, reproduction, public performance, broadcasting, public recitation and adaptation. These are made subject to varying types of permitted uses that generally fall under three categories.

1. Limitations: In these situations, Member States are free not to recognize copyright at all in particular works such as official texts of a legislative, administrative and legal nature (Article 2(4)); news of the day (Article 2(8) and political speeches or speeches made during legal proceedings (Article *Bis*(1)).

2. Exceptions: In these cases, although the work itself is protected by copyright, the public interest would dictate that a third party be able to use the work without prior permission or payment ('no permission/no payment exception').

As with limitations, the decision as to whether or not to legislate an exception rests with the individual country save in one notable respect. Article 10(1) read with 10 (3) make it mandatory for Member States to permit third parties to quote from an already published copyright work without permission and without payment as long as the quotations are consistent with fair practice and the source is attributed

The discretionary exceptions include:

Article *Bis*(2): The public communication right can be the subject of an exception for press reporting, broadcasts or other public communications of lectures, addresses and similar works where such use is for the purpose of providing information.

Article 9(2): The reproduction of literary and artistic works can be permitted in "certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author."

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ensure that rights-holders are given as much control as possible over their works. See [www.uwindsor.ca/law/wipit](http://www.uwindsor.ca/law/wipit) to view the webcast of the "Rocking in the Not So Free Virtual World" Panel.

Article 10(2) read with 10(3): The use of literary or artistic works is permissible to the extent necessary for “illustration in publications, broadcasts or sound or visual recordings for the purposes of teaching” as long as such use is fair and the source is attributed

Article 10*bis* (1): The reproduction, broadcast or public communication by the Press of newspaper and periodical articles on current events is permissible where the reproduction or broadcast is not expressly reserved and the source is attributed.

Article 10*bis*(2): Artistic or literary works seen or heard during the course of a current event may be reproduced for the purpose of reporting of the current event by means of photography, film, broadcasting or communication to the public to the extent that such reproduction is for the purpose of providing information.

3. Compulsory Licenses: Here again, the public interest in access to a copyright work would override the rights of the copyright holder to the extent specified in these provisions. However, in these cases, although the use made by third parties would not require prior permission, payment would have to be made (“no permission/payment exception”). This remuneration would be fixed by ‘competent authority’ if the parties cannot themselves agree.

Among these discretionary compulsory licensing provisions one finds:<sup>40</sup>

Article 11*bis*(2) and (3): Exceptions to the exclusive broadcast or public communication rights, including permitting the making of ephemeral recordings, can be introduced so long they provide for, among other things, equitable remuneration.

Article 13: An exception to authorize the making of a new sound recording of a musical work without the author’s consent is permitted so long as the author has already authorized the sound recording of the work and equitable remuneration is paid.

#### b) Those Specifically Provided for in the WTO/TRIPS

WTO/TRIPS not only incorporates these Articles of Berne 1971 but it adds its own substantive provision in relation to copyright limitations and exceptions at Article 13.

Article 13: Limitations and Exceptions: Members shall confine limitations or exceptions to the exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.

<sup>40</sup> Appendix to Berne 1971 also provide for some ‘compulsory licensing’ provisions in favour of developing countries.

Article 13 of WTO/TRIPS is drafted in terms very similar to Article 9(2) of Berne 1971 and reproduces the so-called “Three-Step Test” enunciated therein. There is one salient difference however as Article 13 is much broader in scope than its counterpart in Berne 1971 in that it is not confined to circumscribing the reproduction right.<sup>41</sup>

However, the full breadth of Article 13 and its interplay with the permitted uses under Berne 1971 is not entirely clear and raise a number of difficult questions. Is Article 13 of WTO/TRIPS an overarching measure for gauging the legitimacy of all copyright limitations and exceptions or is its application limited to the rights created under the ‘stand-alone’ provisions of the WTO/TRIPS i.e. the rental right. If it is not so limited, is it as broad as to permit for the creation of new limitations and exceptions not provided for under Articles 1-21 of Berne 1971?

The WTO Panel decision in *US-Section 110(5) of the US Copyright Act*<sup>42</sup> has recently considered some of these issues.

### 3) Scope and Interpretation of Article 13 WTO/TRIPS: US - Section 110(5) of the US Copyright Act

Further to a complaint by the European Community, a WTO dispute resolution Panel was established on May 26, 1999 to determine whether the US was meeting its WTO/TRIPS obligations when it passed, in October 1998, its *Fairness in Music Licensing Act* amendments to section 110(5) of its *Copyright Act*.<sup>43</sup>

This section provided that certain public places especially bars, shops and restaurants could play a radio or television on their premises without having to get prior permission and without having to pay a fee for such use. Commonly referred to as the ‘homestyle exception’, the impugned provision allowed for two separate free uses. Section 110(5)A) permitted these public places to play dramatic musical works such as operas on their premises by radio or television. Section 110(5)B) provided more generally for permission for these public places to play musical works in a similar fashion.

The EU claimed that s. 110(5) offended article 11*bis*(2) of the Berne Convention 1971 as incorporated into WTO/TRIPS by Article 9(1). As alluded to earlier, Article 11*bis*(2) permits derogations from the exclusive right to authorize broadcasts, public performances and public communications of musical works. However, this provision sets up a

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<sup>41</sup> There is another textual difference that should be mentioned. Article 13 refers to the ‘unreasonable prejudice...of the right holder’ whereas Article 9(2) refers to the ‘unreasonable prejudice...of the author’. While the author is usually the first owner of copyright, the rights are often assigned to third parties. Sam Ricketson suggests that given this textual difference it would be possible for an exception that would otherwise fail under Article 9(2) of Berne 1971 to withstand scrutiny under Article 13 of WTO/TRIPS. See Ricketson, S., “The Three-Step Test, Deemed Quantities, Libraries and Closed Exceptions” Advice prepared for the Centre for Copyright Studies Ltd. This report can be found at [www.copyright.com.au/reports%20&%20papers/CCS0202Berne.pdf](http://www.copyright.com.au/reports%20&%20papers/CCS0202Berne.pdf)

<sup>42</sup> *Supra* note 35

<sup>43</sup> 17 USC 1976 as amended

‘compulsory licensing’ limitation and therefore requires that ‘equitable remuneration be paid’. Because the US ‘homestyle’ provision was drafted as a “no permission/no payment exception”, it was argued that it did not comply with the requirements of Article 11*bis*(2) of Berne 1971

The US argued that it was not in breach because the ‘homestyle’ provision met the dictates of Article 13 arguing that Article 13 of WTO/TRIPS applied even in cases in which the particular use was specifically provided for under Berne 1971. Article 13 therefore operated as an overriding, independent measure through which to assess any permitted uses contained in domestic legislation.

In its decision, the Panel upheld the EU claim in part. It determined that s. 110(5)A) was WTO/TRIPS compliant as it was limited to special cases i.e. dramatic musical works (turning on a radio or television broadcast of an opera, operetta, musical and the like). Further, since right-holders did not normally try to license the public transmission of these works, they suffered very little economic prejudice and the use did not conflict with their reasonable expectations.

In contrast, section 110(5)B) did offend as it targeted the public transmission of non-dramatic musical works in respect of which rights-holders would normally seek licenses.<sup>44</sup> Further, even though the statute limited the availability of the exception to ‘public places’ of a certain square footage in dimension, 73% of all bars, 70% of all restaurants and 45% of all retail stores were able to benefit.

In respect of the relationship between WTO/TRIPS and Berne 1971, the Panel held firstly that these two treaties are to be interpreted in harmony with each other such that any conflicting interpretations must be reconciled.

...one should avoid interpreting the TRIPS Agreement to mean something different than the Berne Convention except where this is explicitly provided for.<sup>45</sup>

In step with this, the Panel determined that not only did WTO/TRIPS incorporate the express limitations and exceptions of Berne 1971, it also introduced its various implied exceptions as well.<sup>46</sup>

These implied exceptions include the “minor exceptions” doctrine that allows domestic legislation to provide for trivial or minor derogations from the rights identified in Articles

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<sup>44</sup> The Panel determined that s. 110(5)B) offended each prong of the “Three-Step Test” and concluded, at paragraph 7.1 of the decision that:

...Subparagraph (B) of Section 110(5) of the US Copyright Act does not meet the requirements of Article 13 of the TRIPS Agreement and is thus inconsistent with Articles 11*bis*(1)(iii) and 11(1)(ii) of the Berne Convention (1971) as incorporated into the TRIPS Agreement by Article 9.1 of that Agreement.

<sup>45</sup> Paragraph 6.66

<sup>46</sup> Paragraph 6.92

11bis, 11ter, 13 and 14 of Berne 1971.<sup>47</sup> It was pursuant to the ‘minor exceptions doctrine’ that the ‘homestyle’ exception was enacted.

Further, the Panel declared that Article 13 was not limited to the ‘stand-alone’ provisions but, rather, applied to all Berne 1971 provisions incorporated into WTO/TRIPS.<sup>48</sup>

Finally, the Panel held that Article 13 and Article 11bis(2) of Berne 1971 were to be read independently<sup>49</sup> and that, therefore, US was not bound to follow the model in Berne 1971 in fashioning an exception. In other words, the Panel rejected the argument that Article 11bis(2) covered the field such that if the US wanted to legislate an exception to the right identified in Article 11bis(1) it was obliged to provide for a compulsory license.

...it is sufficient that a limitation or an exception to the exclusive rights provided under Article 11bis(1)...as incorporated into the TRIPS Agreement met the three conditions contained in Article 13 to be permissible. If these three conditions are met, a government may choose between different options for limiting the right in question, including use free of charge and without an authorization by the rights holder. This is not in conflict with any of the paragraphs of Article 11bis because use free of any charge may be permitted for minor exceptions by virtue of the minor exceptions doctrine which applies, *inter alia*, also to Article 11bis.<sup>50</sup>

Article 13 is not entirely open-ended however. Any exception to exclusive rights must still be confined to the express or implied exceptions provided for under Berne 1971 itself.

...it would not be open to a Berne member to rely on article 13 of TRIPS alone as providing the basis for a proposed exception in national law: the latter would have to find some basis in the existing exceptions that are allowed under Berne.<sup>51</sup>

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<sup>47</sup> The ‘minor exceptions’ doctrine applies to the rights of public performance, recitation, broadcasting, recording and cinematography. What exceptions can be made in respect of the translation right recognized under Berne 1971 is less clear. For more complete review of both the express and implied exceptions under Berne 1971 see Ricketson, S., “WIPO Study on Limitations and Exceptions of Copyright and Related Rights in the Digital Environment” SCCR/9/7 Report for the Standing Committee on Copyright and Related Rights, June 2003 which can be found at [www.wipo.int/documents/en/meetings/2003/sccr/pdf/sccr\\_9\\_7.pdf](http://www.wipo.int/documents/en/meetings/2003/sccr/pdf/sccr_9_7.pdf)

<sup>48</sup> Paragraph 6.80: In our view, neither the express wording nor the context of Article 13 or any other provision of the TRIPS agreement supports the interpretation that the scope of application of Article 13 is limited to the exclusive rights newly introduced under the TRIPS Agreement.”

<sup>49</sup> Paragraph 6.87

<sup>50</sup> Paragraph 6.88

<sup>51</sup> Ricketson supra note 41 at p. 46. See as well, Ficsor, M. “The International Protection of Copyright and Related Rights: From the Berne Convention For the Protection of Literary and Artistic Works to the Trips Agreement to the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WCCT)” WIPO/IP/TIP/03/0 April 2003 at [www.wipo.int/arab/en/meetings/2003/ip\\_tip/doc/wipo\\_ip\\_tip\\_03\\_3.doc](http://www.wipo.int/arab/en/meetings/2003/ip_tip/doc/wipo_ip_tip_03_3.doc)



Whatever the technical limits of the scope of Article 13, it would appear to be only a matter of time before the “Three-Step Test” becomes the prevailing normative principle to which domestic legislators will turn in assessing the validity of existing or proposed copyright exceptions to exclusive rights. Noted Berne scholar, Sam Ricketson has characterized this ubiquitous test as having achieved ‘holy writ’ status.<sup>52</sup> In fact, provisions embodying the “Three-Step Test” are being included as a matter of course in all new trade and copyright treaties such that it has become the guiding principle of choice within the international copyright environment.<sup>53</sup>

As such, it is important to understand the way in which the Panel interpreted the three elements of the test as set out in Article 13 WTO/TRIPS:

**Step 1:** “any limitation or exception must be confined to special cases”.

The Panel interpreted this to mean that “a limitation or exception in national legislation should be clearly defined and should be narrow in its scope and reach”.<sup>54</sup> It does not have to be ‘special’ in the sense of ‘meritorious’ and a decision-maker is not to make value judgments about the rationale behind the particular exception or limitation.<sup>55</sup> This interpretation can be viewed as salutary in recognizing that national laws can differ both in relation to the subject-matter of an exception as well as to how the exception is framed.

**Step 2:** “the limitation or exception should not conflict with a normal exploitation of the work”

The Panel held that conflict would arise if uses, “that in principle are covered by the right but exempted under the exception or limitation, enter into economic competition with the ways that rights holders normally extract economic value and thereby deprive them of significant or tangible commercial gains”.<sup>56</sup> By ‘normal’ the Panel suggested that this should anticipate not only the actual expectations of rights-holders but also what they could potentially ‘normally’ expect.<sup>57</sup>

**Step 3:** “the limitation or exception should not unreasonably prejudice the legitimate interests of the right holder”

The Panel was of the view that prejudice would be unreasonable where an exception or limitation “causes or has the potential to cause an unreasonable loss of income to the copyright holder.”<sup>58</sup> Obviously, this recognizes that there could be some reasonable loss of income that would be permitted in the public interest.

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<sup>52</sup> Ricketson *supra* note 47 at p. 20

<sup>53</sup> For example, the WIPO Treaties both contain “Three-Step Tests” as do the bilateral trade agreements cited *supra* at note 11.

<sup>54</sup> Paragraph 6.112

<sup>55</sup> Paragraph 6.157

<sup>56</sup> Paragraph 6.183

<sup>57</sup> Paragraph 6.184

<sup>58</sup> Paragraph 6.229

What the Panel decision offers is more clarity about the application and scope of Article 13 and its impact upon domestic policy-making in relation to permitted uses. Although the decision recognized that legislated permitted uses, including ‘no permission/no payment’ exceptions were legitimate per se, Article 13 requires that any permitted use be clearly identified, narrowly circumscribed and have the least impact on rights-holders. It is within these parameters that exceptions to exclusive rights will henceforth be assessed under the WTO/TRIPS.

#### 4) Final Comment on the ‘User-Friendliness’ of WTO/TRIPS and the “Three-Step Test”

As has been seen, the WTO/TRIPS and Article 13 place restrictions on domestic copyright policy in relation to permitted uses. It bears repeating, however, that the WTO/TRIPS as a whole and Article 13 specifically do not mandate a particular approach or compel a particular outcome.

As will be recalled, Articles 7 and 8 recognize the need to balance exclusive rights with competing public interest concerns. Some legal scholars, notably Sam Ricketson and Daniel Gervais, suggest that WTO/TRIPS is more accommodating to ‘user’ issues than Berne 1971 precisely because, unlike the Berne Convention, it incorporates explicit reference to this balance of interests.<sup>59</sup>

It could be argued as well that although the WTO Panel in the s110(5) case struck down the US ‘homestyle’ exception, it nevertheless took a favourable and robust view of permitted uses especially in having recognized that Member States would be free to formulate exceptions to serve their own national interests as long as these exceptions did not offend Article 13.

In the words of Professor Pamela Samuelson:

The true mission of TRIPs is not to raise levels of intellectual property protection to ever higher and higher planes, as some rightholders might wish, but to encourage countries to adopt intellectual property policies that promote their national interests in a way that will promote free trade and sustainable innovation on an international scale. WIPO and the TRIPs Council would do well to keep this larger goal in mind when crafting policies in the coming decades to regulate the global information economy. Doing so can help WIPO and the TRIPs Council achieve respect as sound regulators of a prosperous global economy.<sup>60</sup>

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<sup>59</sup> See Ricketson *supra* note 47 and Gervais, *supra* note 21 who further asserts at paragraph 2.10 that “public interest is a restriction on IP policy when IP protection becomes excessive and no longer fulfills the IP objectives”.

<sup>60</sup> Samuelson, P., “Challenges for the World Intellectual Property Organization and the Trade-Related Intellectual Property Rights Council in Regulating Intellectual Property Rights in the Information Age”, [1999] 21(11) EIPR 578 at p. 591.

With this framework in mind, the crucial question becomes that of determining how WTO/TRIPS gets translated into domestic law. The answer to this is as much dependent upon domestic policy-making and political will as it is upon the text of the treaty itself.

## **Part IV: Canadian Copyright Law and WTO/TRIPS Compliance**

### **1) How Treaties become Binding Under Domestic Law**

Under Canadian law, treaties are not self-executing and require domestic implementation in order to become binding. This is achieved through implementing legislation that will consequentially amend the relevant statutes to incorporate provisions deemed to satisfy international treaty obligations. It is the domestic implementing legislation and its consequential amendments that are the authoritative legal texts. The text of the treaty itself does not form part of Canadian law.

The *World Trade Organization Implementation Act*<sup>61</sup> is the implementing legislation that caused the Canadian *Copyright Act*<sup>62</sup> to be consequentially amended in the manner set out therein. The relevant amended provisions of the *Copyright Act* do not reproduce verbatim the text of the WTO/TRIPS. Rather, the amendments reflect the way in which the Parliament of Canada interpreted its international obligations.

In fact, Canada did not have to significantly amend its *Copyright Act* in order to implement its WTO/TRIPS obligations.<sup>63</sup> A good number of the relevant substantive WTO/TRIPS provisions had already been largely anticipated when Canada implemented NAFTA.<sup>64</sup>

There are therefore a number of distinct “interpretive layers” to consider in looking at the impact of WTO/TRIPS on Canadian copyright law and therefore on user groups such as libraries. The first relates to the way in which the text of the treaty is interpreted at the international level. Parts II and III of this Report have already addressed this issue.

The second and third interpretive layers relate to the way in which treaty obligations are translated into domestic legislation and then, finally, to the way in which the domestic legislation is itself interpreted by the courts. It is to these latter two aspects that this Report will now turn.

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<sup>61</sup> S.C 1994 c. 47 (the “WTO Implementation Act”)

<sup>62</sup> R.S.C 1985 c. C-42 as amended

<sup>63</sup> Part II: Related and Consequential Amendments, WTO Implementation Act. Sections 56-69 consequentially the *Copyright Act*.

<sup>64</sup> *The North American Free Trade Agreement Implementation Act* S.C 1993 c. 44. See as well: Industry Canada “Main Changes to Canadian Intellectual Property Legislation as a Result of the Agreement Establishing the World Trade Organization (WTO)” [http://strategis.ic.gc.ca/sc\\_mrksv/cipo/corp/module.html](http://strategis.ic.gc.ca/sc_mrksv/cipo/corp/module.html)

## 2) The Relevant Statutory Context

### a) Background to the *Copyright Act*

The first comprehensive Canadian *Copyright Act* was brought into force in 1924. It remained relatively unchanged for over 50 years until the so-called Phase I amendments were passed in 1988, followed nearly a decade later, by Phase II.

Phase I resulted in, among other things, the formal recognition of computer programs as literary works and the attendant creation of a rental right in their respect. Moral rights were enhanced and the existing compulsory licensing provision in relation to musical works was repealed. It was generally understood that this revision served the interests of authors and right-holders. Gains on the ‘copyright user’ side were fairly modest and the prevailing wisdom was that ‘user’ concerns would be addressed in Phase II of the process.

However, by the time the Government turned its attention to the Phase II reforms, much had changed in the international legal context – Canada had now become a member a member of NAFTA and of the WTO and this new ‘internationalized’ environment for copyright law had an impact upon the autonomy of domestic policy-making. The net result was a series of amendments that were driven by a number of disparate and often irreconcilable interests coming from both international and national levels.<sup>65</sup>

One of the key amendments in Phase II was to introduce a series of educational and library exceptions to the *Copyright Act* that received muted approval from the affected sectors.<sup>66</sup>

The specific educational and library exceptions are found at ss. 29.3-30.5 of the *Copyright Act* and I will comment on them to the extent relevant to the subject-matter of this Report.

As a general statement, the exceptions under the *Copyright Act* do not include any true limitations in spite of our having discretion to enact them pursuant to Berne 1971

Permitted uses fall mostly under the ‘exceptions’ category (no permission/no payment) the most important of which is the defence of “fair dealing” found in ss. 29 – 29.2

The Library Exceptions contained in ss. 29.3; 30.1-30.5 are ‘no permission/no payment’ exceptions subject to some conditions, notably that the library act without motive of gain and that there are no commercially available alternatives for the use. They are drafted with great precision.

<sup>65</sup> See in this regard, Knopf, H., ed., *Copyright Reform: The Package, the Policy and the Politics*, (Toronto: Insight Press, 1996), Knopf, H., ed., *The New Copyright Act*, (Toronto: Insight Press, 1997)

<sup>66</sup> *Ibid.*,

Of more general application is section 30.2 that shields libraries from liability if they perform any act on behalf of a patron that would constitute ‘fair dealing’ if done by that patron. This is qualified by the subsections that follow that prohibit the library from making copies of works of fiction or poetry, dramatic or musical works even if for private study or research. Further, 30.2(5) makes it clear that while a library can make one copy of a work for interlibrary loan purposes, this work cannot be given in digital form.

There is one compulsory license provision directed at libraries. Under s. 30.3(1) a library will not be found liable for copyright infringement for placing on its premises a photocopy machine as long as it has entered into an agreement with a collecting society for the payment of royalties for reprographic copies.

It will be assumed for the purposes of this Report that these provisions were designed to pass muster under Berne 1971 as well as under WTO/TRIPS.<sup>67</sup> They are, on the whole, drafted with great specificity, deal with ‘special cases’ and are extremely limited in terms of what they permit libraries to do either under as an exception or under a compulsory licensing scheme.

There is, however, one exception that merits a much closer look. The ‘fair dealing’ exception common to jurisdictions that follow the British copyright tradition has been the subject of some scrutiny internationally in light of the “Three-Step Test”. Further, ‘fair dealing’ was the focus of a recent Supreme Court of Canada (“SCC”) decision that is of special interest to libraries.

#### b) Section 29-29.2 – “Fair Dealing” under the *Copyright Act*

Sections 29 – 29.2 set out the fair dealing exception under Canadian law:

29. Fair dealing for the purpose of research or private study does not infringe copyright.

29.1 Fair dealing for the purpose of criticism or review does not infringe copyright if the following are mentioned:

- (a) the source; and
- (b) if given in the source, the name of the
  - (i) author, in the case of a work,
  - (ii) performer, in the case of a performer's performance,
  - (iii) maker, in the case of a sound recording, or

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<sup>67</sup> Under international law, domestic legislation is presumed to comply with Canada’s international obligations. See *the Vienna Convention on the Law of Treaties* (23 May 1969) 1155 UNTS 331 (entered into force January 27, 1980). This is, however, always open to challenge. See for example, Sam Ricketson’s analysis of the existing library exceptions under Australian copyright law, *supra* note 41.

(iv) broadcaster, in the case of a communication signal.

29.2 Fair dealing for the purpose of news reporting does not infringe copyright if the following are mentioned:

(a) the source; and

(b) if given in the source, the name of the

(i) author, in the case of a work,

(ii) performer, in the case of a performer's performance,

(iii) maker, in the case of a sound recording, or

(iv) broadcaster, in the case of a communication signal.

These are 'open-ended', inherently flexible provisions that would cover all the rights conferred under Section 3 of the *Copyright Act* on a 'no permission/no payment' basis. The scope and legitimacy of 'fair dealing' has implications both for traditional uses as well as for digital uses of copyright works.

The compatibility of 'fair dealing' with WTO/TRIPS is dependent upon the application of the exception to specific factual situations and a fairly complex exercise of treaty interpretation. In cases involving the reproduction right, whether the particular use at issue constitutes 'fair dealing' would be measured in light of the "Three-Step Test" contained in Article 9(2) of Berne 1971. As to the other rights provided for under Berne 1971, to the extent that 'fair dealing' limits their absolute exploitation for purposes of research, private study, criticism or review, the exception would have to be justified under the 'minor exceptions' doctrine or some other recognized implied exception. Following the reasoning of the WTO Panel, reliance on the 'minor exceptions' doctrine to justify an exception to an exclusive right would trigger the application of Article 13 of WTO/TRIPS.

It is only where an exclusive right is granted under domestic law that is not derived from Berne 1971 or WTO/TRIPS that policy-makers would be free to limit that right in any manner they deemed fit. For example, the right to communicate to the public by telecommunication in s. 3(1)f) of the *Copyright Act* is a right that is not specifically provided for under Berne 1971<sup>68</sup> or under WTO/TRIPS. Therefore the breadth of 'fair dealing' in relation to this particular right would not be constrained by a 'three-step' analysis'.<sup>69</sup>

By comparison, 'fair dealing' for the purpose of news reporting found in s. 29.2 would appear to be covered by Article 10*bis* of Berne 1971 which requires that the use be limited to the 'extent justified for the informatory purpose'. Arguably, this provision

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<sup>68</sup> Berne 1971 only applies to public communication by wire, loudspeaker or broadcasting.

<sup>69</sup> Once Canada implements the WIPO Treaties, which do provide for a broad public communication right, it will be bound to ensure that any exceptions meet the "Three-Step Test" as incorporated within those treaties.

would be measured in light of this latter condition rather than the ‘Three-Part Test’. In other words, so long as the dealing was justified for the purpose of providing information, it would be considered ‘fair’ although it may well be that what is considered to be ‘justified for the inforamatory purpose’ might be conditioned by the same considerations underlying the Three-Step Test.<sup>70</sup>

In sum, the ‘fair dealing’ exception operates as a ‘catch-all’ provision to allow for great discretion in dealing with uses as they arise. The only conditions the statute imposes is that the use be ‘fair’ and that it be for one of the enumerated purposes. It is precisely because of these features that ‘fair dealing’ raises concerns in relation to its conformity with Article 13 of WTO/TRIPS, as shall be discussed in greater detail in the following sections.

### 3) The SCC and “Fair Dealing” as a Library Right: *CCH Canadian Ltd v. Law Society of Upper Canada* (“CCH”)<sup>71</sup>

Given the fact that the scope of ‘fair dealing’ is not defined within the *Copyright Act* itself, its contours are left up to the courts to determine. Thus, reliance on the text of the statute alone is insufficient to properly understand the nature of ‘fair dealing’ under Canadian law.

As a general comment, the SCC had been quite active in the last few years in matters pertaining to copyright. In its decisions, it has been pronouncing on the policy underlying Canadian copyright law and it would appear from the general tone of these judgments that the highest court is trying to dispel an assumption that copyright in Canada is solely or almost exclusively about the rights of authors. The SCC has been making it clear that copyright law follows the ‘copyright as balance’ tradition.

Thus, in the decision of *Théberge v. Galerie d’Art du Petit Champlain*, Binnie J., speaking for the majority of the court stated:

The Copyright Act is usually presented as a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator (or, more accurately, to prevent someone other than the creator from appropriating whatever benefits may be generated).

...

The proper balance among these and other public policy objectives lies not only in recognizing the creator’s rights but in giving due weight to their limited nature...<sup>72</sup>

<sup>70</sup> See Ricketson *supra* note 41

<sup>71</sup> [2004] SCC 13

<sup>72</sup> [2002] SCR 336 at paragraph 6.



In *CCH* the court reiterated this position and confirmed that “[i]n interpreting the *Copyright Act*, courts should strive to maintain an appropriate balance between these two goals.”<sup>73</sup>

This analysis was reaffirmed and applied by the SCC in most recent *SOCAN v. Canadian Association of Internet Providers* (“Tariff 22”) decision in which the court held that the statutory provision designed to exempt certain telecommunication service providers was “...not a loophole but an important element of the balance struck by the statutory copyright scheme.”<sup>74</sup> These decisions can be read as clear and unassailable confirmation that Canadian copyright law is about a balance of competing rights.

It is through this policy lens that the SCC addressed the ‘fair dealing’ exception in rendering its decision which the Law Society of Upper Canada has characterized as having ‘far-reaching implications’.<sup>75</sup>

At issue in *CCH* was whether the Great Library at Osgoode Hall could make single copies of published judicial decisions including headnotes and other legal publications for patrons who were using those documents to research and prepare their cases on behalf of their client. Thus, the principal use here being claimed as fair dealing was in relation to the ‘reproduction right’.

The specific facts are well known and need not be set out in detail here. Rather, the focus of attention will be on the statements of principle articulated by the SCC in deciding that the activities of the Great Library constituted ‘fair dealing’ for the purposes of research and private study under s. 29 of the *Copyright Act*. It is these statements of principle and how they were applied by the court in its decision that are essential considerations in the assessment of how ‘fair dealing’ measures up in relation to Article 13 of the WTO/TRIPS.

The *CCH* court declared that the fair dealing exception is a ‘user’s right’ rather than a ‘loophole’ and is not to be restrictively construed if it is to maintain the appropriate balance between the competing interests of rights-holders and users.<sup>76</sup>

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<sup>73</sup> *CCH* at paragraph 10

<sup>74</sup> [2004] SCC 45 at paragraph 89

<sup>75</sup> [http://www.lsuc.on.ca/news/updates/mar1604\\_copyright.jsp](http://www.lsuc.on.ca/news/updates/mar1604_copyright.jsp). For further commentary on this decision see for example, Tjaden, T., “Fair Dealing Clarified: A Case Comment on the Supreme Court of Canada Decision in *CCH Canadian Ltd v. Law Society of Upper Canada*” at [www.callcbd.ca/ip0a037e.html](http://www.callcbd.ca/ip0a037e.html), Rimmer M., “A Canadian Rhapsody: Copyright Law and Research Libraries” (2004) 25 *Australian Academies and Research Libraries* 193

<sup>76</sup> Citing in this regard, Professor David Vaver at paragraph 48:

User rights are not just loopholes. Both owner rights and user rights should therefore be given the fair and balanced reading that befits remedial legislation.

In effect, it is arguably the case that as a result of *CCH*, Canadian policy-makers will have a higher burden placed on them to actively justify any proposed future restrictions on user access to copyright works. Whether they in fact do so is another matter entirely.

This expansive view of ‘fair dealing’ signals a change in Canadian law in that lower courts had, generally speaking, taken the view that ‘fair dealing’ was to be restrictively interpreted.<sup>77</sup>

In identifying ‘fair dealing’ as a ‘user right’ and in offering a robust view of its scope and application, the SCC held that ‘fair dealing’ could be invoked by third party intermediaries whose activities facilitate or encourage research or private study – so, in this case, by libraries who make single copies of copyright works for patrons who use the copy for ‘fair dealing’ purposes.

Again, in this aspect, the decision goes against the prevailing wisdom. Prior to the pronouncements by the SCC, the ‘fair dealing’ defence had always been thought of as limited to the patron making the copy for that patron’s own private study or research purposes. If libraries wanted to make copies for patrons they would have to avail themselves of the specific exception designed for that purpose under s. 30.2(1) of the *Copyright Act*<sup>78</sup>

Finally, not only did the SCC expand the categories of those eligible to claim ‘fair dealing’ it also interpreted the concept of ‘fair dealing’ in a more expansive manner than had previously been thought to be the case.

Inspired by both British and US precedents, the SCC introduced a number of factors to be considered in determining whether a particular use constituted ‘fair dealing’ that it considered would provide “a useful analytical framework to govern determinations of fairness in future cases”.<sup>79</sup>

In determining whether a particular dealing is fair, consideration must henceforth be given to the following:

- 1) the purpose of the dealing;
- 2) the character of the dealing;
- 3) the amount of the dealing;
- 4) alternatives to the dealing;
- 5) the nature of the work; and
- 6) the effect of the dealing of the work.

The court also elaborated on these individual factors by suggesting, among other things, that the concept of ‘research’ would not be limited to “non-commercial or private contexts” and could cover legal research. In addition, the court was emphatic that the availability of a license to cover the use was an irrelevant consideration to the

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<sup>77</sup> For example, see the Federal Court Trial Division in *Michelin & Cie v. CAW Canada* (1996) 71 CPR (3d) 348.

<sup>78</sup> One has to wonder whether *CCH* has not in fact rendered s. 30.2 (1) redundant as it is hard to see would be covered by this section that would not now be addressed under s. 29 as interpreted by the SCC

<sup>79</sup> *CCH* at paragraph 53.

determination of 'fair dealing'.

The availability of a license is not relevant to deciding whether a dealing has been fair...If a copyright owner were allowed to license people to use its work and then point to a person's decision not to obtain a licence as proof that his or her dealings were not fair, this would extend the scope of the owner's monopoly...in a manner that would not be consistent with the Copyright Act's balance between owner's rights and user's rights.<sup>80</sup>

The question that remains to be addressed is whether s. 29 of the *Copyright Act* as drafted and/or interpreted by the SCC in *CCH* is WTO/TRIPS compliant. Is 'fair dealing' an allowable limitation on exclusive rights in that it is a 'special case' that would not 'conflict with a normal exploitation of the work' and 'does not unreasonably prejudice the legitimate interests of the rights holder'?

#### 4) Is 'Fair Dealing' WTO/TRIPS Compliant?

As was alluded to, the six factors enunciated by the SCC in *CCH* were inspired in great measure by US copyright law. In effect, the jurisprudentially created factors are very reminiscent of the statutory 'fair use' exception under s. 107 of the US *Copyright Act*:<sup>81</sup> The US 'fair use' exception is generally considered to be the most liberal and flexible exception of its kind as it is drafted using very open-ended language that does not restrict the availability of the exception to particular uses or in respect of particular works. In not pre-determining what types of uses would be permitted, s. 107 permits US courts to apply 'fair use' on a case-by-case basis.

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<sup>80</sup> *CCH* at paragraph 70

<sup>81</sup> Sec. 107. - Limitations on exclusive rights: Fair use

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

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

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

It is this inherent vagueness in its formulation that distinguishes ‘fair use’ and other similar provisions from its continental European civil law counterparts. These civil law jurisdictions confer similar allowances on users but for specifically enumerated purposes listed in a closed or exhaustive manner. This type of drafting would seem to conform better to what Article 13 of WTO/TRIPS is trying to achieve.

For example, Article 5 of the EC Directive 2001/29/EC on the *Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society*<sup>82</sup> enumerates a series of allowable uses. For example, it provides that Member States can enact exceptions or limitations to the reproduction right ‘in respect of specific acts of reproduction made by publicly accessible libraries...which are not for direct or indirect economic or commercial advantage’ (Article 5(2)c)). Under Article 5(3)a) it is permissible to provide for ‘use for the sole purpose of illustration for teaching or scientific research, as long as the source, including the author’s name, is indicated, unless this turns out to be impossible and to the extent justified by the non-commercial purpose to be achieved.’”

Article 5 culminates in subsection 5, an iteration of the Three-Step Test under which all of the enumerated permitted uses in Article 5 are to be measured.

The exceptions and limitations provided for in paragraphs 1,2,3 and 4 shall only be applied in certain specific cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the right-holder.

Ricketson suggests that “[a]s a general organizing principle, the methodology adopted in Article 5 appears sounder than Section 107 of the US *Copyright Act*”<sup>83</sup> which he places at the other extreme of the spectrum and which, in his view, would not conform to Article 13. His conclusion is that:

It is quite possibly that any specific judicial application of Section 107 will comply with the three-step test as a matter of fact; the real problem, however, is with a provision that is framed in such a general and open-ended way. At the very least, it is suggested that the statutory formulation here raises issues with respect to unspecified purposes (the first step) and with respect to the legitimate interests of the author (third step).<sup>84</sup>

The EU had in fact asked the US, through the WTO, how it justified the ‘fair use’ exception under the WTO/TRIPS (especially in its treatment of parody and reverse engineering of computer software). The official US position was that the “... fair use doctrine of U.S. copyright law embodies essentially the same goals as Article 13 of

<sup>82</sup> Official Journal of the European Communities: L 167/10; 22.6.2001

<sup>83</sup> Ricketson *supra* note 47 at p. 72.

<sup>84</sup> *Ibid.*, at p. 69.

TRIPS, and is applied and interpreted in a way entirely congruent with the standards set forth in that Article”.<sup>85</sup>

The legitimacy of ‘fair use’ under the WTO/TRIPS is a question that US academics have also been closely watching.

Tyler Newby argues that Article 13 is broad enough to encompass the US ‘fair use’ exception especially given the absence of well-defined standards at the international level about what constitutes a fair treatment of a copyright work and the absence of WTO commentary on this issue. As well, nothing in WTO/TRIPS (especially in light of the Panel decision) requires harmonization of national laws such that there can be great divergence among Member states in the way in which they comply with their Berne 1971 and WTO/TRIPS obligations.<sup>86</sup>

Pamela Samuelson argues that given the fact that the US was admitted into the Berne Union in 1989, ‘fair use’ must have been deemed to be compatible with Article 9(2) of Berne 1971. She suggests that this same reasoning should therefore apply to ‘fair use’ under Article 13 of the WTO/TRIPS.

WIPO and the Berne Union have long tolerated a wide range of national exceptions and limitations...the US accession to the Berne Convention, for example, was premised on the acceptability of the US fair use doctrine and Article 9(2). Article 13 of TRIPS broadens the principle of Article 9(2) by extending it to all exclusive rights.<sup>87</sup>

Professor Ruth Okediji, however, takes a similar view to Sam Ricketson that ‘fair use’ as drafted would not withstand Berne 1971 or WTO/TRIPS scrutiny. She concludes that:

...the indeterminacy of the fair use doctrine violates the Berne Convention. Second, the breadth of the fair use doctrine violates the Berne Convention standard for permissible exceptions to authors’ rights. Third, with particular reference to the TRIPS Agreement, the fair use doctrine may be challenged as a nullification and impairment of the expected benefits that trading partners reasonably should expect under the TRIPS Agreement.<sup>88</sup>

In addition to the legal commentary, a number of research studies have been conducted to determine which national variations of ‘fair use’ or similar provisions would be allowed under Article 13.

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<sup>85</sup> Newby, T., “What’s Fair Here is not Fair Everywhere: Does the American Fair Use Doctrine Violate International Copyright Law” (1999) 51 Stanford L.Rev. 1633 at p. 1649 and accompanying notes.

<sup>86</sup> *Ibid.*,

<sup>87</sup> Samuelson, *supra* note 60 at p. 582. See in similar vein, Samuelson, P., “The U.S. Digital Agenda at WIPO” (1996) 37 Va. J. Intl L. 369.

<sup>88</sup> Okediji, R., “Toward an International Fair Use Doctrine” (2000) 39 Colum J. Trans’l L 75 at p. 117

In this regard, two studies conducted by Sam Ricketson, one commissioned by WIPO and the other by the Australian Centre for Copyright Studies Ltd.<sup>89</sup>, are worthy of note. In the latter study, Ricketson examined the Australian ‘fair dealing’ provisions in light of that country’s WTO/TRIPS obligations.

The relevant portions of the ‘fair dealing’ exception contained in the Australian *Copyright Act 1968* read as follows:

40. Fair dealing for purpose of research or study

(1) A fair dealing with a literary, dramatic, musical or artistic work, or with an adaptation of a literary, dramatic or musical work, for the purpose of research or study does not constitute an infringement of the copyright in the work.

(1A) A fair dealing with a literary work (other than lecture notes) does not constitute an infringement of the copyright in the work if it is for the purpose of, or associated with, an approved course of study or research by an enrolled external student of an educational institution.

(1B) In subsection (1A) the expression lecture notes means any literary work produced for the purpose of the course of study or research by a person lecturing or teaching in or in connection with the course of study or research.

(2) For the purposes of this Act, the matters to which regard shall be had, in determining whether a dealing with a literary, dramatic, musical or artistic work or with an adaptation of a literary, dramatic or musical work, being a dealing by way of reproducing the whole or a part of the work or adaptation, constitutes a fair dealing with the work or adaptation for the purpose of research or study include:

- (a) the purpose and character of the dealing;
- (b) the nature of the work or adaptation;
- (c) the possibility of obtaining the work or adaptation within a reasonable time at an ordinary commercial price;
- (d) the effect of the dealing upon the potential market for, or value of, the work or adaptation; and
- (e) in a case where part only of the work or adaptation is reproduced—the amount and substantiality of the part copied taken in relation to the whole work or adaptation.

Ricketson’s conclusion regarding section 40(1) is that, as drafted, it would not conform to Article 13 “because of the generality of the concept of ‘fair dealing’ and the lack of any guidelines to assist in determining the scope of what is ‘fair’”<sup>90</sup>

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<sup>89</sup> See *supra* notes 42 and 47.

<sup>90</sup> Ricketson, *supra* note 41 at p. 6

However, in respect of section 40(2), Ricketson arrives at the opposite result:

The factors listed in that subsection are directed specifically at the kinds of issues raised by the three-step test and allow, moreover, for a case-by-case determination of whether there will be a fair dealing for the purposes of research or study. This subsection, indeed, is a shining example of compliance with the three-step test.<sup>91</sup>

Because s. 40(2) is limited to a specific use namely, reproducing in whole or in part a literary, musical, dramatic, artistic work or any adaptations thereof, it defines the ‘special case’ to which it applies. The various factors contemplated in s. 40(2)a)-e) relate to avoiding a use that conflicts with the normal exploitation of the work and that does not unreasonably prejudice the legitimate interests of the right-holder.

Where does the Canadian ‘fair dealing’ formulation as conditioned by the SCC in *CCH* fall within this spectrum? Does the SCC save a doomed provision or does it exacerbate its vulnerability?

Under Ricketson’s analysis, it is doubtful that the Canadian provisions as drafted would survive for the same reasons as with respect to the US ‘fair use’ exception. Would ‘fair dealing’ as interpreted by the SCC in *CCH* survive scrutiny?

In respect of the findings in *CCH* one must ask:

- Is there an infringement of Article 13 of WTO/TRIPS as a result of fact that the SCC recognized ‘user rights’ and ‘balance’ in copyright? Probably not given the flexibility within WTO/TRIPS itself that allows for different national policies on copyright.
- Is the fact that the court considered the availability of licensing arrangements to be irrelevant fatal under Article 13 WTO/TRIPS? Once again, probably not given that WTO/TRIPS does not impose a licensing model of permitted uses. Fair dealing can exist as a ‘no permission, no payment exception’ even if individual countries prefer licensing schemes.
- Is the fact that the Courts adopted an analytical framework along the lines of US ‘fair use’ a problem under Article 13? Once again, probably not in and of itself given the flexibility within WTO/TRIPS and the commentary on ‘fair use’ emanating from the US. In fact, it was probably helpful for the SCC to have set out these guidelines in light of the fact that, as drafted, ‘fair dealing’ is extremely vague. As has been seen however, all ‘fair use’ or ‘fair dealing’ exceptions are vulnerable.
- Is the fact that the Great Library was able to benefit from ‘fair dealing’ as a library meeting the definition under s. 2 fatal? Maybe. The SCC held that the Great Library, although funded by lawyers whose businesses are for profit would still meet the definition under s. 2. This extension of ‘fair dealing’ to libraries

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<sup>91</sup> *Ibid.*,

such as the Great Library may have broadened the scope of the exception beyond what would generally be deemed to be acceptable.

- Is the fact that libraries benefit from s. 29 even though they themselves are not making the copies for their own personal research and study outside of the bounds of WTO/TRIPS? Maybe. The prevailing wisdom had been that only those who were themselves going to be using the copy for private study or research would be able to claim 'fair dealing'. Further, the fact that the SCC did not require that libraries prove that each and every patron for whom a copy was made did in fact use that copy for private study and research may have broadened 'fair dealing' beyond acceptable bounds.
- Is the fact that research includes legal research by practicing lawyers fatal? Maybe. Again, the prevailing wisdom has been to restrict private study or research to the sorts of activities undertaken generally in a non-profit, non-commercial educational purpose even though the statute does not define these terms nor have they been clearly jurisprudentially considered in Canada.<sup>92</sup>

What all of this should teach us is that 'fair dealing' under Canadian law is not inviolate. Until such time as there is some international consensus as to the legitimacy of 'fair dealing' or like-provisions under the WTO/TRIPS paradigm, Commonwealth countries need to be wary of extending the scope of this exception beyond the way in which it has traditionally been considered. What will most likely occur under Canadian law is that *CCH* will be restricted to its facts and will be restrictively construed in future decisions. If, however, subsequent cases expand the application of *CCH* to new uses, Canadian law might well be open to a WTO challenge.<sup>93</sup>

##### 5) Anticipating Future Permitted Uses: Open v. Closed Drafting

A conservative approach to permitted uses would suggest that they ought to be drafted in as 'closed' a manner as possible, following the European civil law model, in order to conform to the "Three-Step Test". Open-ended drafting therefore, such as that found in the US 'fair use' provision would be vulnerable to challenge.

A more liberal view would assert that open-ended provisions that have been recognized as legitimate under the Berne Convention, such as the common law 'fair dealing' or 'fair use' exceptions, should also be deemed to comply with WTO/TRIPS so long as they are interpreted by the courts in a manner that is consistent with the treaty.

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<sup>92</sup> It would seem that other jurisdictions are divided on this question. Ricketson suggests that Australian law would not extend 'research' to commercial research but that New Zealand and UK legislation might well. See *supra* note 41.

<sup>93</sup> A Member State that is concerned about the way in which another Member State's legislation has been interpreted in an authoritative judicial decision can complain under the WTO for a determination of whether the provision, as interpreted, is WTO compliant especially where the judicial decision creates mandatory obligations upon that State. If, however, as in the case of *CCH*, the decision sets down discretionary principles then it cannot be challenged until another case is decided in which the discretion is exercised in a non-WTO/TRIPS compliant way. See in this regard, WTO Panel decision in *Canada-Measures Relating to Exports of Wheat and Treatment of Imported Grain*, WT/DS276/R (6 April 2004)



Given this uncertainty and in an effort to play it safe, it is likely that Member States will increasingly draft exceptions in a closed manner. This has already occurred to some extent in Canada with the drafting of the Educational and Library Exceptions. More recently, some US scholars have noted with alarm how the language of the *Digital Millenium Copyright Act*, enacted in order to implement the WIPO Treaties, appears to have moved US copyright law away from its traditional 'fair use' approach towards a closed-system of exceptions.<sup>94</sup>

It is likely that pressure will continue to be brought to bear on domestic policy-makers to draft permitted uses with as much precision and specificity as possible. As a result, 'user rights' advocates should inform themselves about the qualitative differences between the existing approaches to permitted uses, most especially the continental European model in order to assess the impact that a 'closed-drafting' model would have on how they traditionally view copyright law and their place within it.

<sup>94</sup> See for example, Cohen J., "WIPO Copyright Treaty Implementation and the US: Will Fair Use Survive?" [1999] 21 EIPR 236 and Leaffer J., "The Uncertain Future of Fair Use in a Global Information Marketplace" (2001) 62 Ohio State L. J 849.

## **PART V: Advocacy Initiatives to Shape WTO/TRIPS Towards a “User-Friendly” Treaty**

As has been seen, the WTO/TRIPS allows for a certain amount of discretion on the part of individual Member States in terms of how they interpret their obligations. In other words, the WTO/TRIPS allows for some ‘wiggle room’.

This ‘wiggle room’ opens up the possibility of consensus building at the international level towards a more expansive recognition of the interests of users. To date, however, ‘user interests’ have been undermined by the pervasive and powerful voices of industry interests who still largely control their Governments’ agendas in this regard.

What this means for ‘user groups’ is that user-friendly arguments will have to be advanced on multiple fronts, both domestic and international to ensure that these arguments are heard in all of the key policy-setting milieus.

### **1) Some Reason for Optimism at the International Level?**

Within the WTO there has been some movement, albeit excruciatingly slow, to recognize the need for the WTO/TRIPS to be more responsive to fundamental human crises such as the need to provide access to patented medicines to combat HIV/AIDS in Africa.<sup>95</sup>

Further, an auspicious initiative is being undertaken by a number of concerned individuals and associations in respect of WIPO. The *Geneva Declaration on the Future of the World Intellectual Property Organization*<sup>96</sup> is a manifesto designed to affirm the need to ensure that interests other than those of rights-holders are given due consideration. It expresses the concern that “private interests misappropriate social and public goods, and lock up the public domain” and urges WIPO to adopt a more balanced view. The Declaration seeks a moratorium on ‘new treaties and harmonization of standards that expand and strengthen monopolies and further restrict access to knowledge’. Interestingly, the Declaration expressly recognizes that WIPO has recently “become more open to civil society and public interest groups....” and urges WIPO to address their concerns.<sup>97</sup>

Finally, UNESCO has been actively engaged in addressing the difficulties inherent in a view of cultural expressions as commodities under the trade regime. There is presently, in circulation, a *Preliminary Draft Convention on the Protection of the Diversity of Cultural*

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<sup>95</sup> Articles 7 and 8 of WTO/TRIPS provided the foundation for the formulation of the “Declaration on The TRIPS Agreement and Public Health” (Doha Ministerial Conference 2001) designed to address the acute problem of access by the poorest countries to patented HIV/AIDS medicines. See [www.wto.org/english/thewto\\_e/minist\\_e/min01\\_e/mindecl\\_trips\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm)

<sup>96</sup> See [www.cptech.org](http://www.cptech.org). The list and number of prominent individual and associations that have signed this Declaration is remarkable and includes a number of individual librarians and library associations. For those interested in adding their signature, send an e-mail to: [geneva\\_declaration@cptech.org](mailto:geneva_declaration@cptech.org)

<sup>97</sup> *Ibid.*,

*Contents and Artistic Expressions* upon which Library Associations, among others, have been invited to comment.<sup>98</sup>

I raise these initiatives not to suggest that it will be easy to shift the predominant vision of copyright at the international level or that any of these declarations or initiatives will prevail. What these examples serve to demonstrate though is that the WTO/TRIPS and the globalized system it advances are works-in-progress that require 'buy in' by a large number of diverse nations each with different views about the optimal approach to IP rights, including copyright.

Interestingly, these initiatives at the international level are in step with the approach to 'user rights' taken by the SCC in *CCH* in that they all seek to reaffirm a balanced conception of copyright. Unfortunately, this trend does not appear to have had a significant impact on Canadian Federal Government policy-makers who still seem to be fixed on a rights-holder trajectory.

## 2) What About the Local Level?

For 'user groups' and other public interest advocates in Canada the most immediate challenge lies in relation to proposals for Phase III copyright reform as identified in the Interim Report prepared by Heritage Canada.<sup>99</sup>

What is of greatest concern is that Canadian policy-makers, who appear to have bought into the rhetoric of copyright as a private right of rights holders, have silenced competing arguments by waving, among other things, Canada's international obligations as one justification for their actions.<sup>100</sup>

A full assessment of the recommendations of Heritage Canada is beyond the scope of this Report and further study would have to be made of the draft legislation when it is finally introduced. That said, to the extent that Canadian policy-makers invoke their obligations under WTO/TRIPS as a rationale for continuing to restrict access to copyright works, this Report should serve to dispel this sense of inevitability.

In fact, any arguments that are raised in favour of vesting absolute control on rights-holders and justified on the basis of the international context should be dispelled not only in light of the overall framework set by WTO/TRIPS but in light of the WIPO Treaties themselves. These two treaties provide, in their Preambles, an even clearer and more direct expression of the copyright balance than does the WTO/TRIPS.

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<sup>98</sup> See [www.unesco.org](http://www.unesco.org) and, for example, the response of the American Library Association at [www.ala.org](http://www.ala.org)

<sup>99</sup> See *supra* note 32

<sup>100</sup> *Ibid.*, The Interim Report suggested that one of the reasons it advocated for licensing for educational and library uses was because Canada had to comply with its international trade obligations.

WCT: “Recognizing the need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information, as reflected in the Berne Convention”

WPPT: “Recognizing the need to maintain a balance between the rights of performers and producers of phonograms and the larger public interest, particularly education, research and access to information”

It is therefore critical that efforts be redoubled to influence domestic policy- making in order to shape both the national and international contexts. Because developments at the national level contribute to the process of defining or redefining international copyright law, it is imperative to ensure that domestic policy recognizes the value of a more measured and balanced approach to copyright.

## **Part VI: Conclusions and Recommendations for Further Study**

The analysis of WTO/TRIPS and its impact on user groups such as public-sector library leads to the following conclusions:

- WTO/TRIPS is part of a much larger network of international copyright and international trade treaties that are setting the tone of copyright protection. It is therefore important to stay abreast of developments at WIPO as well as at the WTO.
- The enforceability of WTO/TRIPS through the DSU is the single-most significant element in shaping national copyright laws. Prior to the WTO/TRIPS, there was no effective way of ensuring that domestic legislation complied with international copyright norms. This is definitely no longer the case and it is likely that progressive global harmonization of copyright laws will result from the coercive effect of WTO/TRIPS.
- While WTO/TRIPS has, to date, generally served the interests of rights-holder, nothing in that agreement obliges Member States to reject a balanced approach to copyright. Further, nothing in the WTO/TRIPS requires that Member States harmonize their laws to conform to one universal set of standards
- In this way then, Canadian policy-makers are not compelled to take a restrictive view of permitted uses nor are they required to adopt either a licensing model. Therefore, the necessary arguments must continue to be raised to ensure that domestic policy is not driven by a misapprehension about the extent of Canada's WTO/TRIPS obligations and to challenge policy-makers who invoke international obligations as a justification for restricting exceptions.
- That said, given that WTO/TRIPS is part of a much larger network of international trade and international copyright treaties, it would be prudent for 'user groups' and other public interest advocates to approach any proposals for permitted uses in light of the limits identified in the "Three-Step Test" in Article 13 of WTO/TRIPS and mirrored in other international trade and international copyright treaties.
- 'User groups' and other public interest advocates need to be familiar with the various existing international models relating to permitted uses as well to the commentary of experts in the field. Armed with this knowledge, these groups would best be able to advocate for the acceptable models that best serve their interests.
- There is some cause for optimism in that recent developments at the international level indicate a growing concern that the international agenda has been too dominated by industry interests to the exclusion of all others. These initiatives would suggest that there is some room within the international legal environment

for the adoption of a more balanced view of copyright. Pressure must continue to be brought to bear at the international level. Further, efforts must be redoubled to ensure that domestic policy-makers adopt a similar approach to Canadian copyright law.

Finally, issues arising directly out of this Report that require further study are:

- A survey and assessment of the various developments at WTO, WIPO and other relevant agencies such as UNESCO should be undertaken insofar as they indicate some movement internationally to broaden the debate about copyright to include 'user rights'.
- A study of the texts of the various bilateral and regional free trade agreements negotiated by the US should be undertaken with a view to anticipating the future model for WTO/TRIPS II
- A comparative study of permitted uses under the continental European model and the British common law model should be conducted with a view to identifying their formal and substantive differences.
- An analysis of existing Canadian copyright exceptions and any future proposals should be undertaken in order to determine whether they would meet the requirements of the "Three-Step Test" in a manner similar to Ricketson's analysis of the Australian provisions. The objective of this study would be to formulate the optimal approaches to permitted uses that would best serve the interests of 'user groups' while at the same time meeting international obligations.