

# The three-step test, deemed quantities, libraries and closed exceptions

A study of the three-step test in article 9(2) of the Berne Convention, article 13 of the TRIPS Agreement and article 10 of the WIPO Copyright Treaty, with particular respect to its application to the quantitative test in subsection 40(3) of the fair dealing provisions, library and educational copying, the library provisions generally and proposals for an open fair dealing exception

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## Chapter 1: Instructions and synopsis of advice

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### 1.1 Setting the scene

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In the 156 years that have elapsed since the formation of the Berne Convention for the Protection of Literary and Artistic Works (“the Berne Convention”), the exclusive rights of authors have been extended and refined. With each new stage of technological development, there has been a corresponding reformulation and extension of exclusive rights to ensure that authors (and their successors) are not deprived of the fruits of the new fields of exploitation that have been opened up.

At the same time, there has been a growing concern to ensure that these claims are not pushed too far, that there is still a margin within which the users of protected works can have access to those works either freely or subject to conditions. Exclusive rights are one thing, so it is argued, but these claims cannot be made in absolute terms: there are other competing considerations that need to be taken into account. Hence, there has been an increasing preoccupation with exceptions and limitations to copyright protection, and the circumstances in which this should be allowed. There is nothing new here: even before the birth of the Berne Union, one of its founders, the Swiss official Numa Droz, reminded delegates to the first diplomatic conference at Berne that “limits to absolute protection are rightly set by the public interest”<sup>1</sup>.

But what is this “public interest” and how are these limits to “absolute protection” to be set? This is the background to the present study, which arose from a reference from the Centre for Copyright Studies in mid-2000. This reference was concerned with the operation of the “quantitative test” under subsection 40(3) of the *Copyright Act 1968* and its compliance with the “three-step” test under the Berne Convention and later international agreements, notably the Agreement on Trade Related Aspects of Intellectual Property Rights (“the TRIPS Agreement”) and the WIPO Copyright Treaty (“the WCT”).

The membership of the Berne Convention is now almost universal, and this provides the starting point for any consideration of the subject-matter and rights that must be protected, as well as the qualifications that may be provided to this protection under national laws. In strict terms, these international obligations only impinge on national laws as far as foreigners are concerned: member states are free to go their own way with respect to their domestic laws and their own citizens. But the transnational character of copyright exploitation, particularly in the networked environment, makes it nearly impossible to differentiate between foreigners and locals, and, in any event, throughout its history Berne Union members have always sought to align the protection of their citizens with the protection that the Convention requires to be given to foreigners. Hence, the reality is that the Berne Convention provides the template against which standards of protection, and exceptions to those

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<sup>1</sup> See *Actes 1884*, 67 (closing speech to the 1884 conference). See also A Baum, *The Brussels Conference for the Revision of Berne Convention*, Library of Congress, Washington, DC, 1949, (trans by W Strauss from [1949] *GRUR* 1), and G Koumantos, ‘Le droit d’auteur et la rémunération équitable’ [1983] *GRUR Int* 424.

standards, are to be measured. As will be seen below, these standards have now been incorporated in other international agreements that bind Australia, such as the TRIPS Agreement, or that may shortly do so, such as the WCT.

Compliance with international obligations involves a process of interpretation of those obligations and a careful comparison of them with the specific provision or provisions that are proposed for national legislation. Interpretation of treaty obligations, however, is a more fluid and open-textured process than the processes of statutory interpretation that we are familiar with in domestic law. Treaty interpretation has its own rules and principles, and these require careful consideration before the full and proper scope of a particular treaty obligation can be understood and applied.

The present study is concerned primarily with just one treaty provision, namely article 9(2) of the Berne Convention. This is often referred to as “the three-step test”, and it has come to be regarded as providing the international yardstick for exceptions to exclusive rights. It is a late addition to Berne, having been inserted only at the time of the Stockholm Revision in 1967, and is by no means the first Berne provision to deal with the matter of exceptions. However, the other provisions on exceptions are more specific and confined in their operation, while article 9(2) is framed as a general provision that establishes the criteria against which *any* exception to the reproduction right is to be assessed. These criteria have now been picked up as the bases for exceptions to other rights in both the TRIPS Agreement and the WCT. Accordingly, the proper interpretation of article 9(2) is a matter of some importance to national copyright legislators and policy makers who are striving to fashion appropriate exceptions to protection in both the digital and non-digital environments.

The present study therefore begins with an examination of the relevant rules of treaty interpretation and then moves to apply them to article 9(2) and the later treaty provisions that have adopted its wording. Having thus formulated a workable interpretation of the three-step test, the study then considers whether the quantitative test embodied in subsection 40(3) of the *Copyright Act 1968* is consistent with it. While, on the face of things, this is a very restricted inquiry, it has implications for other exceptions and limitations contained in the Act. Thus, the quantitative test in subsection 40(3) is picked up and applied in provisions dealing with uses by libraries and archives, as well as in the statutory licences for educational copying under Part VB, and the question of compliance with the three-step test is therefore relevant in these contexts.

The general conclusion of the study is that, in many respects, these provisions do not fulfil the requirements of the three-step test, and recommendations are made as to how these deficiencies might be met.

## **1.2 The instructions**

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In my original instructions dated 9 July 2000, I was asked to consider a series of questions concerning the compatibility of the quantitative test in the fair dealing, library and educational copying provisions of the *Copyright Act 1968* with Australia's international obligations under the latest text (Paris, 1971) of the Berne Convention, the TRIPS Agreement and the WCT. These questions turned on the correct interpretation of the three-step test that appears in each of these instruments as the

yardstick for determining the permissibility of exceptions and limitations to exclusive rights (article 9(2) of Berne, article 13 of TRIPS and article 10 of the WCT). Following the enactment and coming into force of the *Copyright Amendment (Digital Agenda) Act 2000*, these questions required some modification and were reformulated as follows:

1.2.1 *Quantitative test: Question 1*

- (a) Does the quantitative test contained in subsection 40(3) of the Copyright Act as it operates within the fair dealing exception for research and study and as part of the library exceptions and statutory licence for educational copying, comply with the three-step test as set out in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?
- (b) Does the amendment to the quantitative test contained in subsection 10(2A) added by the *Copyright Amendment (Digital Agenda) Act 2000* comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?
- (c) If your advice in (a) and/or (b) above is that the quantitative test in its current form does not comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty, in your opinion would the proposal canvassed in the House of Representatives Standing Committee on Legal and Constitutional Affairs Advisory Report on the Copyright Amendment (Digital Agenda) Bill 1999 that the quantitative test act as a presumption rather than as a deeming provision (see paragraphs 2.30–31) comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?
- (d) Does the proposed recommendation of the CLRC (in Part 1 of its Simplification Report)<sup>2</sup> to extend the quantitative test as a stand-alone provision comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?

1.2.2 *Library exceptions: Question 2*

- (a) In light of developing commercial uses of copyright works by libraries such as document delivery services, and the availability of the library exceptions to “for profit” libraries (i.e. libraries in for profit organisations provided the library itself is not for profit), did the library exceptions in the Copyright Act as they operated prior to the recent Digital Agenda Act amendments comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?
- (b) Does the recent extension of the library exceptions under the Digital Agenda Act amendments comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?

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<sup>2</sup> This refers to the Copyright Law Review Committee Report on the Simplification of the *Copyright Act 1968, Part 1, Exceptions to the Exclusive Rights of Copyright Owners*, September 1998 (“CLRC Exceptions Report”).

- (c) Did the proposed limitation of the library exceptions to not-for-profit libraries (excluding those in for-profit organisations except for universities) under the Digital Agenda Act amendments as originally introduced into parliament (see item 11 of the original Bill), but subsequently amended by the government comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?

### *1.2.3 Closed to open system of exceptions: Question 3*

Does the recommended change from the current closed system of exceptions to an open system of exceptions as formulated by the CLRC mean that Australia will move from a position of compliance with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty to a position of non-compliance?

The following study deals with each of these questions, though not necessarily in the precise order set out above. A synopsis of the principal conclusions is set out in the next section.

## **1.3 Synopsis of advice**

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### *1.3.1 Chapter 2: The interpretation of treaty provisions*

In this chapter, I consider the principal rules that apply to the interpretation of treaty provisions. Because of its age, even the latest text of the Berne Convention falls to be interpreted according to the rules of customary international law, rather than those contained in the Vienna Convention on the Law of Treaties, 1969 (“the Vienna Convention”). Nonetheless, it is generally accepted that the relevant articles of the Vienna Convention (articles 31 and 32) are codifications of customary international law, and so these articles are examined in detail. Essentially, they require that a treaty provision should be given its “ordinary meaning” in the light of its “context” and its “object and purpose”. It is only when there is ambiguity, uncertainty or absurdity that it is appropriate to consider supplementary aids to interpretation, such as the preparatory work for the treaty and the circumstances of its conclusion. Each of these components of articles 31 and 32 requires careful examination in order to elucidate their meaning and the way in which it is to be applied to a given treaty obligation.

### *1.3.2 Chapter 3: The three-step test and its interpretation*

In this chapter, I consider the origins of the three-step test and how this came to be adopted as article 9(2) of the Stockholm text of the Berne Convention. This provides as follows:

- (2) It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

The separate “steps” of the test are then analysed in detail, and the following interpretations thereof are proposed:

- *That reproductions may be permitted in certain special cases:* Any exception that is made under article 9(2) should be clearly defined and should be narrow in its scope and reach. There is no further requirement at this stage of the analysis to point to some specific public policy or exceptional circumstance justifying the exception.
- Provided they do not conflict with a normal exploitation of the work:
  - In determining what is the “normal exploitation” of a work, regard must be had not only to existing, but to potential, uses of a work.
  - Not all possible potential uses of the work are to be regarded as falling within the scope of “normal exploitation”, rather it is those that can be regarded as being of “considerable or practical” importance.
  - Neither existing nor future exceptions will be in conflict with a normal exploitation of a work simply because they involve uses that would otherwise be of a commercial benefit to the author: the test is whether they enter into or will enter into economic competition with the author. Possibly, this is subject to the qualification that they should not do so “to any appreciable extent”.
  - As a corollary to the above, an exception does not necessarily remain within the scope of the second step for all time. “Normal exploitation” is a dynamic concept, and it is possible that an exception may come into conflict with a normal exploitation as technology and circumstance of use change. In other words, it would be wrong to regard article 9(2) as a “grandfathering” clause that confers an immunity for all time on an exception under national law.
  - “Normative” issues of a non-monetary kind also are relevant to the above assessment. That is, it must be determined whether the use in question is one that the copyright owner should control, or whether there is some other interest that would justify this not being so. In light of the other exceptions allowed under the Berne Convention, such an interest would need to be one of some wider public importance, rather than one pertaining to private interests.
- And does not unreasonably prejudice the legitimate interests of the author:
  - This condition only comes into play after the first and second conditions have been satisfied.
  - “Legitimate interests of the author” includes both economic and personal (moral right) interests of the author and successors in title. This involves some consideration of the normative aspects of these claims.
  - The prejudice to these interests by the proposed usage may be substantial or material, but it must not be “unreasonable” in the sense of being disproportionate. This implies that “unreasonable prejudice” may be avoided by the imposition of conditions on the usage, including a requirement to pay remuneration.

This chapter then proceeds to an analysis of the incorporation of the three-step test into article 13 of the TRIPS Agreement, and concludes that the chief relevance of this, in relation to exclusive rights other than reproduction that are protected under the Berne Convention, will be to the implied minor exceptions doctrine, as discussed and applied by the World Trade Organization (WTO) Panel in its decision on the US homestyle exception.<sup>3</sup>

Finally, it considers the effect of the incorporation of the three-step test into the WCT, noting that this is not presently of direct relevance as Australia has not yet acceded to the treaty. However, it will become of great importance once this occurs, as its principal field of application will be with respect to limitations and exceptions to the new exclusive communication right.

### 1.3.3 Chapter 4: *The quantitative test in subsection 40(3)*

Before analysing the quantitative test contained in subsection 40(3), this chapter examines the preceding provisions in subsections 40(1) and (2), considering their compliance with the three-step test. This is an important preliminary inquiry, as these subsections provide the background against which the quantitative test operates and it is therefore critical to understand this wider context.

As to subsection 40(1), this provision deals with fair dealing generally and is not limited to the reproduction right (which is specifically the subject of the next two subsections). Accordingly, it falls to be assessed under the implied minor exceptions doctrine, as far as the Berne Convention is concerned, and, likewise, as far as article 13 of the TRIPS Agreement is concerned. As both these involve the application of the three-step test, this question is then examined. I conclude that none of these steps is sufficiently satisfied in the case of subsection 40(1), 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”.

By contrast, in the case of subsection 40(2), compliance with the three-step test is established without any great difficulty. 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.

Subsection 40(3), however, poses more difficulties. This provision, and the further deeming provisions in subsection 10(2) that are attached to it, are analysed in detail, and I reach the following conclusions: (a) overall, the exception is insufficiently defined for the purposes of the first step, particularly with respect to the minimum quantity tests (the “deemed minima”) that are prescribed for both periodical articles and reasonable portions of works; likewise, the provision is not narrow enough in its scope and reach for the purposes of the first step; (b) the provision conflicts with a normal exploitation of the work; and (c) the provision unreasonably prejudices the legitimate interests of the author. I also conclude that a similar result would follow under article 13 of the TRIPS Agreement, as well as article 10 of the WCT.

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<sup>3</sup> WTO Panel on *United States – Section 110(5) of the US Copyright Act*, 15 June 2000 (“WTO Panel”).

In this chapter, I also consider the incorporation of the deemed minima into section 49, which is concerned with reproductions and communications made by libraries and archives on behalf of users. My conclusion here is that the incorporation of these minima is in breach of the three-step test, for similar reasons that apply in the case of subsection 40(3). These minima are also adopted as part of section 50, which deals with inter-library and archives reproductions and communications, but the statutory scheme is more complicated here, and the question of compliance is therefore deferred until Chapter 7, where the library and archives provisions are considered in full.

Finally, I consider the incorporation of the deemed minima into the statutory licences for educational institutions in Part VB of the Act, and conclude that, while these licences otherwise meet the requirements of the three-step test, the incorporation of the deemed minima makes compliance with the first step problematic.

#### *1.3.4 Chapter 5: The Digital Agenda amendments to the quantitative test*

In this chapter, I consider the amendments made in the Digital Agenda Act, which apply a quantitative test, with certain deemed minima, in the digital environment. Again, I conclude that this test will fail to meet each of the steps of the three-step test.

#### *1.3.5 Chapter 6: Taking the quantitative test further – presumptive, rather than deeming; a general stand-alone provision?*

In this chapter, I consider two particular proposals to modify the quantitative test under subsection 40(3). The first was put to the House of Representatives Standing Committee on Legal and Constitutional Affairs in 1999, and proposed making it a presumptive rather than a deeming test. Depending on the strength of the presumption contained in the provision, I conclude that such a reformulated test would meet the three-step test.

By contrast, the second proposal would probably not meet the requirements of the test. This was made by the CLRC Exceptions Report and proposes a general stand-alone quantitative test for all types of dealings for research or study but limited to works in printed form. My conclusion is that this test would have particular difficulties in meeting the first part of the three-step test, and might well fail the other two as well.

#### *1.3.6 Chapter 7: The library provisions*

The provisions dealing with libraries and archives (sections 48A–53) are complex and carefully structured, covering both non-digital and digital exceptions to the reproduction right as well exceptions to the new communication right.

#### *Exceptions to the reproduction right*

So far as these exceptions are concerned, I approach the question of compliance on the basis that the three-step test under article 9(2) of Berne will be applicable to both

non-digital and digital uses alike. Even if this is not correct, the three-step test will become applicable to digital uses once Australia becomes bound by the WCT and the question of compliance will need to be considered in that context, in any event.

My conclusions on the application of the three-step test to sections 48A–53 are set out below. These are bare summaries only, and readers should consult the detailed reasoning that accompanies and supports each conclusion at the relevant point of Chapter 7. In some instances, at least, it will be clear that the fault could be rectified readily by appropriate drafting changes and, in the cases of sections 49 and 50, by reliance on the kinds of guidelines embodied in subsection 40(2), rather than the deemed minima contained in subsection 40(3).

- *Section 49 (reproductions made by libraries and archives in behalf of users):* This fails to meet all three steps: the first, because the incorporation of the deemed minima under subsection 40(3) leads to a lack of clarity in the definition of the exceptions provided by the section; the second, because these uses, even where subject to a commercial availability test, will lead to a conflict with a normal economic exploitation of the work and this is insufficiently counterbalanced by non-economic normative considerations; and the third, because there are no reasonable limits placed on the prejudice thereby caused to the legitimate interests of authors, for example through a requirement to pay remuneration.
- *Section 50 (reproductions made on behalf of other libraries and archives):* This provision also fails to meet all three steps: the first, because the purposes of the exceptions are too broad in their scope and reach, quite apart from problems of definition that arise from incorporation of the deemed minima under subsection 40(3); secondly, because the uses that are allowed conflict with a normal exploitation of the works reproduced, even where these are made subject to a commercial availability test; and thirdly, there are insufficient limits placed on the operation of the exceptions to prevent an unreasonable prejudice to authors' legitimate interests.
- *Section 48A (uses by parliamentary libraries):* Even though this provision may meet the requirements of the first step, and may even meet those of the second step (both points are problematic), its scope is too wide to be allowed under the third step, other than on the payment of remuneration.
- *Section 51(1) (reproduction and publication of unpublished works in libraries and archives):* This meets all the three steps.
- *Section 51(2) (reproduction of manuscripts and unpublished theses):* This fails to meet the third step.
- *Section 52 (publication of unpublished works):* In so far as this involves the making of reproductions, it meets the requirements of the three-step test.
- *Section 51AA (uses by Australian Archives):* The exceptions here are carefully limited and therefore appear to meet the requirements of the three-step test.
- *Section 51A (reproduction for purposes of preservation and storage):* This provision covers a number of different usages, some of which will comply with the three-step test, for example reproduction of manuscripts and original artistic works for the purposes of preservation. However, other uses authorised by the

section will not comply, notably the broad exception in subsection 51A(2) which permits the making of reproductions for “administrative purposes”.

- *Section 53 (accompanying illustrations)*: Compliance here with the three-step test depends, first, upon whether the particular exception to which this is linked is itself compliant. Secondly, even if the latter provision complies, it needs to be asked if the three-step test is met with respect to the specific artistic work that is contained in the accompanying illustration. In the case of digital uses, it is argued that artistic works can be readily excised, and that there will be non-compliance with both the second and third steps, at least in the absence of any requirement to pay remuneration for the use.

### *Exceptions to the communication right*

A prior question here is whether the new communication right is in fact implicated in the uses that are authorised under sections 48A–53, in particular whether these involve communications “to the public”. I conclude that this will be the case, and then move to a consideration of compliance with the three-step test. In this regard, we are concerned with its prospective application by virtue of article 10 of the WCT. In approaching this question, I have found it useful to divide the various exceptions contained in sections 48A–53 into two broad categories: those where the communication is ancillary or complementary to an initial act of reproduction, and those where it is a separate and unlinked use in its own right.

In the case of ancillary uses, I conclude that the question of compliance will fall to be judged in the same way as for the reproduction right. The relevant exceptions here are as follows:

- The communication of reproductions made pursuant to subsections 49(2), (2C) and (5A): subsection 49(7B).
- The communication of reproductions made pursuant to subsection 50(2): subsection 50(4).
- The communication of reproductions made pursuant to either subsections 51(1) or (2).
- The communication of reproductions made pursuant to subsection 51AA(10).
- The communication of reproductions made pursuant to subsection 51A(1)(a) for the purposes of research being carried out at another library or archives.
- The application of the above exceptions under sections 49, 50, 51 and 51A to the communication of reproductions of accompanying illustrations that may be made under section 53.

The second category of free-standing exercises of the communications right comprises the following exceptions:

- Acts of communication that occur pursuant to section 48A, in the course of assisting members of Parliament in the performance of their duties.

- Acts of communication occurring where works are made available online to library and archives users pursuant to subsection 49(5A).
- Acts of communication occurring through the making available online of reproductions of works made for “administrative purposes” to officers in libraries and archives pursuant to subsection 51A(3).
- Acts of communication that occur through the making available online of preservation reproductions of artistic works to users of libraries and archives pursuant to subsection 51A(3).

While some of the acts of reproduction that precede these exercises of the communication right meet the requirements of the three-step test – for example, the making of preservation reproductions pursuant to subsection 51A(1) – I conclude that none of the above acts of communication will satisfy the second step, in the absence of reference to a factor such as that contained in subsection 40(2)(d) (consideration of the likely impact on the potential market for such works).

#### *Changing the definition of library*

Question 2(c) raises the question of whether a restriction of the definition of “library” to not-for-profit libraries but including libraries in educational institutions, even where the latter are conducted for profit, would assist in achieving compliance with the three-step test. My conclusion is that this would be so.

#### *1.3.7 Chapter 8: The CLRC proposals*

This considers the proposed fair dealing model of the CLRC, in which there would be a non-exclusive list of purposes, coupled with a list of relevant factors. I conclude that such a provision should meet the requirements of the three-step test in so far as it provides for uses for specified purposes, but that this would not apply to the open-ended purposes that are also contemplated by the proposal.

## **Chapter 2: The interpretation of treaty provisions**

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Before considering the detailed questions set out above in Chapter 1, it is necessary to deal with a number of preliminary matters.

Each of the above questions involves an examination of whether a specific provision of the *Copyright Act 1968* – subsection 40(3), section 49 and so on – complies with the international obligations that Australia has under several international conventions, namely the Berne Convention and the TRIPS Agreement, as well as under a third treaty, the WCT, by which Australia is not presently bound but may become so in the future. Accordingly, it will be necessary to examine each of the relevant provisions of these conventions and to ascertain its scope and application. This task of interpretation is analogous to the process of statutory interpretation that arises in the case of domestic legislation, but has to be done in accordance with the rules of public international law, which differ to some extent from those applicable in the domestic sphere.

Accordingly, in this chapter I begin by setting out the general rules of interpretation that are applied to international agreements. I then describe briefly the three international agreements that are referred to in the above questions so that their broader context is understood. Following this, it will be possible to undertake the interpretation of the provisions of these instruments that are relevant to these questions; that is, those provisions that contain the three-step test (article 9(2) of Berne, article 13 of the TRIPS Agreement, and article 10 of the WCT). Having established my interpretations of these provisions, it will then be possible to test the question of compliance with respect to the particular sections of the *Copyright Act 1968* that are the subject of my instructions: see generally Chapters 3 to 8.

### **2.1 Rules for the interpretation of treaty provisions**

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The relevant rules of public international law governing the interpretation of international agreements are to be found in articles 31 and 32 of the Vienna Convention. Australia has been bound by this treaty since its entry into force on 27 January 1980.

While the Vienna Convention does not apply retrospectively to treaties entered into before this time, it seems generally agreed that both these articles are codifications of the customary rules of international law that would be applicable in any event.<sup>4</sup> The customary rules (as reflected in articles 31 and 32) will therefore apply to the interpretation of the provisions of the Berne Convention, the latest version of which (Paris, 1971) entered into force before January 1980. The same appears to be true of the TRIPS Agreement, as under article 3(2) of the Understanding on Dispute Settlement to which the TRIPS Agreement is subject, it is provided that dispute panels are to construe the TRIPS Agreement “in accordance with the customary rules of interpretation of public international law”. The reason for this provision is that the

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<sup>4</sup> I Sinclair, *The Vienna Convention on the Law of Treaties*, Melland Schill Monographs in International Law, Manchester University Press, 2nd ed, 1984, p 130.

USA, an important member of TRIPS (and of Berne) is not a party to the Vienna Convention, and so it was thought preferable to refer to the rules of customary international law.<sup>5</sup> At the same time, however, it appears that the US Government takes the view that the provisions of the Vienna Convention reflect custom,<sup>6</sup> and successive WTO disputes panels have regularly referred to the Vienna provisions.<sup>7</sup> For all intents and purposes, then, I can take the rules contained in articles 31 and 32 of the Vienna Convention as representing the rules of interpretation applicable to both the Berne Convention and the TRIPS Agreement. Although the WCT is not yet in force, in the absence of any contrary provision in the treaty, it will be covered by the Vienna Convention rules.

As for the rules themselves, article 31 contains the “general rule of interpretation” and article 32 is concerned with “supplementary means of interpretation”. They provide as follows.

- 31 (1) A treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose.
- (2) The context for the purpose of the interpretation of a treaty shall comprise, in addition to the text, including its preamble and annexes: (a) any agreement relating to the treaty which was made between all the parties in connexion with the conclusion of the treaty; (b) any instrument which was made by one or more parties in connexion with the conclusion of the treaty and accepted by the other parties as an instrument related to the treaty.
- (3) There shall be taken into account together with the context: (a) any subsequent agreement between the parties regarding the interpretation of the treaty or the application of its provisions; (b) any subsequent practice in the application of the treaty which establishes the agreement of the parties regarding its interpretation; (c) any relevant rules of international law applicable in the relations between the parties.
- (4) A special meaning shall be given to a term if it is established that the parties so intended.
- 32 Recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of article 31, or to determine the meaning when the interpretation according to article 31: (a) leaves the meaning ambiguous or obscure; or (b) leads to a result which is manifestly absurd or unreasonable.

#### 2.1.1 *The general rule of construction: article 31, Vienna Convention*

The primary task of interpretation under this provision is to ascertain the “ordinary meaning” of the terms of the treaty in their “context” and in the light of “its object

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<sup>5</sup> See further NW Netanel, “The Digital Agenda of the World Intellectual Property Organization: Comment: The Next Round: The Impact of the WIPO Copyright Treaty on TRIPS Dispute Settlement” (1997) 37 *Virginia Journal of International Law* 441, 449.

<sup>6</sup> 1 *Restatement (Third) of the Foreign Relations Law of the United States* 145 (1986).

<sup>7</sup> Netanel, *op. cit.*, note 31.

and purpose” (article 31(1)). So far as the “context” is concerned, the matters listed in article 31(2) and (3) are strictly objective in nature: the text itself, the preamble and annexes, any ancillary and subsequent agreements made by the parties, their subsequent practice in relation to treaty obligations, and such rules of international law as may be applicable to their interpretation. Each of these are matters that will require consideration in the construction of any treaty provision, but of particular relevance to the provisions containing the three-step test is the reference in article 31(2)(a) to “any agreement relating to the treaty which was made between all the parties in connexion with the conclusion of the treaty”. Such agreements would include any agreed statement concerning the interpretation of a particular provision that is adopted by the parties at the time of adopting the formal treaty text (this was not the case with the Stockholm or Paris Acts of the Berne Convention or the TRIPS Agreement but occurred in the case of the WCT in 1996). It also seems that such agreements may include “uncontested interpretations” given at a diplomatic conference, for example by the chairman of a drafting committee or plenary session.<sup>8</sup> Agreements of this kind are therefore not simply part of the “preparatory work” of the treaty, which may only be used as supplementary means of interpretation pursuant to article 32, but will form part of the context of the treaty for the primary task of interpretation under article 31(1). Such agreements have particular significance in the context of article 9(2) of Berne, as several uncontested statements were made by the chairman of Main Committee I of the Stockholm Conference (the distinguished German scholar Professor Eugen Ulmer) and will need to be taken into account in the interpretation of article 9(2).<sup>9</sup>

So far as the reference to the “object and purpose” of the treaty in article 31(1) is concerned, this is a secondary or subsidiary process in the application of the rules of treaty interpretation. The primary search is for the “ordinary meaning” of the terms of the treaty in their “context” (see previous paragraph), and “it is in the light of the object and purpose of the treaty that the initial and preliminary conclusion must be tested and either confirmed or denied”.<sup>10</sup> At this stage, there may be arguments as to how this process of confirmation or denial is to be effected, but the safest and least controversial way of proceeding is to begin by examining the text of the treaty, including its preamble. As the leading British commentator Sinclair notes, this is, after all, the expression of the parties’ intentions, and “it is to that expression of intent that one must first look.”<sup>11</sup> In the case of article 9(2) of Berne, the relevant statement of “object and purpose” is to be found in the preamble, which states, in the briefest possible manner, that:

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...

The protection of the rights of authors is also at the forefront of article 1, which states:

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<sup>8</sup> Yasseen, “L’interprétation des traites d’après la Convention de Vienne sur le Droit des Traités”, 151 *Recueil des Cours* (1976 – III), para 20, p 39 and cited with approval by the WTO Panel on *United States – Section 110(5) of the US Copyright Act*, 15 June 2000, p 18, note 56.

<sup>9</sup> Such statements, of course, need to be distinguished from interpretative or explanatory statements that are put forward by members of such committees in the course of deliberations. Such statements, at best, will fall to be considered as part of the preparatory works of the treaty under article 32.

<sup>10</sup> Sinclair, *op. cit.*, p 130.

<sup>11</sup> *ibid.*, p 131.

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

So far as this text is concerned, then, the object and purpose of the treaty seem quite unambiguous, namely that it is solely concerned with the protection of the rights of authors and there is no reference here to other kinds of competing or complementary objects and purposes, such as education and research or the promotion of public access to information. Contrasting objects and purposes of this kind, however, appear in the later texts in which the three-step test of article 9(2) is embodied, namely article 13 of the TRIPS Agreement and article 10 of the WCT, and their effect will need to be considered separately. Without pre-empting any conclusions that might be reached below after such an analysis, it is simply worth noting at this stage that it may be necessary to accord these later texts a somewhat less author-centred construction than is appropriate for the Stockholm Act itself.

### 2.1.2 *Supplementary means of interpretation: article 32, Vienna Convention*

It is also worth saying something, at this point, about article 32, which deals with the use of supplementary means of interpretation. The circumstances justifying the use of such means, as outlined in article 32, are quite restricted in scope. Thus, it is only permissible to have regard to these in one of two situations: (a) when the interpretation resulting from an application of article 31 leaves the meaning *ambiguous or obscure*, or (b) when this leads to a result that is *manifestly absurd or unreasonable*. The supplementary means that may be then employed are not defined exhaustively, but article 32 does refer to two specific means, namely “the preparatory work of the treaty” and “the circumstances of its conclusion”. Neither of these phrases is defined in the Vienna Convention, but so far as “preparatory work” is concerned, I suggest, in my commentary on the Berne Convention, that this would:

...comprise the documentation usually published as the ‘Actes’, ‘Documents’, or ‘Records’ of the diplomatic conferences leading to the conclusion of the Convention. This would include the conference programmes and the work of any advisory or expert committee that assisted in its preparation, the proposals and counter-proposals of the different delegations, the minutes of meetings, the reports of committees, and the resolutions or votes taken. Furthermore, although the words ‘preparatory work’ might, on a strict reading, be taken as referring only to the ‘preparatory work’ carried out in relation to the latest text that binds the parties, it seems reasonable to interpret them in a broad sense as comprehending all preparatory work done in relation to the Convention at each of its successive conferences.<sup>12</sup>

As noted above, it is possible that, in some instances, statements made in the course of such preparatory work may be elevated to the status of material that is part of the “context” of the treaty for the purposes of ascertaining the ordinary meaning of the text under article 31((2)(a). The example given above was that of an “uncontested statement” by a committee chair.

So far as the phrase “circumstances of the treaty’s conclusion” is concerned, this factor allows for consideration of such matters as the historical background against which the treaty was negotiated, and the individual characteristics and attitudes of

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<sup>12</sup> S Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886–1986*, Kluwer, London, 1987, p 136.

the contracting parties.<sup>13</sup> These matters may, in any event, be apparent from the preparatory work of the treaty, but may also emerge from a consideration of other supplementary means that are not specifically referred to in article 32. Without being exhaustive, such other means would encompass the following:<sup>14</sup>

- Sources which may be regarded as capable of providing a genuinely authentic (and, in some instances, binding) interpretation of the Convention's provisions. These include:
  - The International Court of Justice. Pursuant to article 30(1) of the Berne Convention it is provided that “any dispute between two or more countries of the Union concerning the interpretation or application of this Convention, not settled by negotiation, may, by any one of the countries concerned, be brought before the International Court of Justice by application in conformity with the Statute of the Court, unless the countries concerned agree on some other method of settlement.” Such a determination would be binding as between the countries concerned, but it is unclear whether it would have any more than persuasive weight in the case of other Berne countries, as article 30(1) goes on to state that “the country bringing the dispute before the Court shall inform the International Bureau; the International Bureau shall bring the matter to the attention of the other countries of the Union.” Promising, however, as article 30(1) may look as a potential source of convention jurisprudence, in practice it has never been used for this purpose. It is necessary for states to bring actions, and given that breaches of the Convention are usually going to be felt by private interests (i.e. authors and owners), it is very unlikely that such persons or groups are ever going to have the necessary influence to instigate their governments to take such action. More significant, perhaps, is the fact that reservations to article 30 are allowed, and many states have taken this course, declaring that they will not be parties to or bound by proceedings before the court.
  - Interpretations given by the “organs” of the Berne Union, such as a conference of revision or the assembly of the Union. Potentially, these could be of very significant effect, as such meetings will usually comprise all Berne members. Accordingly, any interpretation that is reached unanimously, or at least without dissent, at such meetings should be capable of binding all members, in effect, as a subsequent agreement within the meaning of article 31(3) of the Vienna Treaty. On the other hand, it would not be possible to ascribe such effect to any interpretations that might be offered by other, less representative organs of the Union, such as the Executive Committee.
  - A new interpretative source provided by the determinations of panels appointed under the dispute resolution procedures of the WTO, where a dispute arises between members as to the interpretation of any of the provisions of the Berne Convention (articles 1–21 and the Appendix, except for article 6*bis*). Strictly, these panel determinations will only bind those states that are party to the dispute and, in strict terms, the dispute concerns the provisions of the TRIPS Agreement rather than those of the treaties such as Berne that are incorporated therein. Moreover, as noted above, the objects

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<sup>13</sup> Sinclair, *op. cit.*, p 141.

<sup>14</sup> This suggested hierarchy is derived from Ricketson, *op. cit.*, pp 136–137.

and circumstances of an agreement such as TRIPS differ somewhat from those of Berne so it is possible that a panel might arrive at a different interpretation of a TRIPS–Berne provision than might arise in a case where the Berne provision was being considered on its own. Nonetheless, it will be hard to ignore the weight of any determination, and this is particularly so in the case of article 9(2) of Berne, given the recent decision of the WTO panel on the “homestyle” exemption under US law for the public performance of musical works.<sup>15</sup>

- Sources which, although not “authentic” in the sense used above, must nonetheless be regarded as extrinsic aids of great importance, such as the opinions and views of the International Office of the Union (these functions are carried out by the World Intellectual Property Organization (WIPO)) and the various expert advisory committees and working groups of the Union. At the very least, such documentation may expose the differences of interpretation and application that exist. In other instances, they may provide very authoritative statements of the effect of certain provisions of the Convention, particularly where they have been prepared by officials of long-standing international experience and/or at the request of member governments.<sup>16</sup> Decisions of national courts might also be of relevance here, although the latter could, in no sense, be regarded as providing “authentic interpretations” of a treaty provision in the international law sense.
- Other sources that may be of less weight again as an aid to interpretation, but may still cast light on the circumstances of the treaty’s conclusion. These would include: the diplomatic records of the governments that negotiated the original Convention and its successive revisions; the resolutions, reports and proceedings of various private bodies and congresses concerned with copyright;<sup>17</sup> and the writings of learned commentators.<sup>18</sup> It should be noted that the last-mentioned of these (referred to as the “teaching of the most highly qualified publicists of the various nations”) are listed specifically as a “subsidiary source for the determination of law” under article 38(2) of the Statute of the International Court of Justice.

There is also another sense in which materials of the kind described in the preceding paragraph may be of considerable importance in the process of interpretation under both articles 31 and 32. In the case of article 31, they may provide evidence of state

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<sup>15</sup> WTO Panel on *United States – Section 110(5) of the US Copyright Act*, 15 June 2000.

<sup>16</sup> One notable example occurred after the accession of the USA to the Berne Convention in 1989, when issues arose concerning the correct application of the retrospectivity requirements of article 18 of the Convention. On several occasions, WIPO provided opinions as to the interpretation and scope of these provisions and these were made publicly available to all Berne members.

<sup>17</sup> In this regard, the international non-governmental organisation with the longest history in relation to the Berne Convention is the International Literary and Artistic Association (*L’Association Littéraire et Artistique Internationale*), which also can fairly claim to be the body which initiated the diplomatic conferences that led to the adoption of the Convention in 1886: see further Ricketson, *op. cit.*, chap 2.

<sup>18</sup> There are numerous commentaries on all the texts of the Berne Convention in English, French, German, Spanish and Italian, to mention only the principal languages of the Convention to date. The WCT and TRIPS have, in turn, begun to generate their own expert commentaries in different languages. Two significant recent studies on the WCT and WPPT are: J Reinbothe and S von Lewinski, *The WTO Treaties 1996*, Butterworths LexisNexis, 2002 (“Reinbothe and von Lewinski”) and M Ficsor, *The Law of Copyright and the Internet*, Oxford University Press, 2002 (“Ficsor”).

practice in relation to the way in which particular terms of a treaty have been interpreted and applied. Thus, it is possible that the ordinary meaning of a treaty provision that would otherwise be arrived at on a straight reading of the text could be modified in the light of such evidence of subsequent state practice. It would seem that such practice would need to be unanimous, or, at the least, unchallenged by other member states. In the case of article 32, it is also clear that such material could perform a similar function in the process of establishing what were the circumstances of the conclusion of the provision that is in doubt. An obvious instance where this might occur is where there is ambiguity, obscurity or absurdity in the interpretation of a provision, but the proceedings and resolutions of relevant non-governmental organisations make clear what the particular problem was that the provision was seeking to overcome.

A further matter that is worth noting here, although it may not have ultimate relevance so far as the interpretation of article 9(2) of Berne is concerned, relates to the effect that is to be given to unilateral declarations made by states as to the way in which they intend to interpret or apply a particular provision of a convention. In the context of the Berne Convention, such declarations have been made at different times, but most usually during sessions of a conference of revision (and recorded either in the minutes or in the general report of the conference) or in a more formal way upon ratification of, or accession to, the new text. The legal status of such declarations is far from certain. If a declaration purports to modify the effects of a provision, it will constitute a reservation and its validity will depend on whether or not a reservation of that kind is permitted under the Convention.<sup>19</sup> If, on the other hand, the declaration by a state merely seeks to indicate which, of several possible interpretations, that state prefers, and will provisionally adopt, this can be seen as a conditional statement of position that will be abandoned in the event that one of the other interpretations comes to be accepted as the authentic and binding one, for example, through a subsequent agreement between the member states or through subsequent state practice.<sup>20</sup>

### *2.1.3 Treaty languages and the use of dictionaries*

A final issue of interpretation is raised by the recent decision of the WTO Panel on whether the US “homestyle exception” is consistent with article 13 of the TRIPS Agreement, which in turn incorporates the same three-step test as in article 9(2) of Berne. The views of the Panel are discussed below at relevant parts of this advice, but for the moment we are concerned with the question of methodology. In short, the Panel proceeded in a manner that is very familiar to common law judges when faced with the task of interpreting terms that are otherwise undefined and of uncertain scope: it had regard to the dictionary meaning or meanings of such terms. Is such a technique permissible when interpreting the terms of an international agreement?

No explicit mention of such aids to interpretation is to be found in either articles 31 or 32 of the Vienna Treaty, but a justification for referring to, and even adopting, dictionary meanings is to be found in article 31(1), which requires us to ascertain the

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<sup>19</sup> Reservations were initially a striking feature of the Berne Convention under earlier Acts, but the scope for them is now severely restricted under the later Acts: see further Ricketson, *op. cit.*, para 14.32ff.

<sup>20</sup> See further Ricketson, *op. cit.*, pp 141–142.

“ordinary meaning” of terms. This is then qualified by the need to do this in the light of the “context” and “object and purpose” of the treaty, but, in principle, there seems to be nothing objectionable in having recourse to dictionary meanings, at least as a starting point for analysis. Having said this, there is one qualification that needs to be borne in mind when considering the provisions of the Berne Convention. Under article 37(1), it is stated that the Convention is to be signed in both the French and English languages, with “official texts” being established in a number of other languages, including Spanish, Portuguese, German and Arabic. In the absence of any contrary provision, all texts might well be regarded as equally authentic. However, article 37(1)(c) provides that, in case of differences of opinion on the interpretation of the various texts, the French text is to prevail. This therefore makes references to English dictionaries somewhat problematic. While there are few, if any, apparent differences between the English and French texts, it would be wrong to allow an interpretation to be guided solely by the English dictionary meaning, without first ensuring that the same result would follow in the case of the French text. Such a process of double-checking would make the process of interpretation a slow and cumbersome one, and suggests that references to dictionary meanings, particularly when this is done in English, should not be allowed to dominate the task of interpretation. While they may provide starting points for analysis – indications of what the “ordinary meanings” of terms are – the broader issues referred to in articles 31 and 32 of the Vienna Treaty should be kept firmly to the forefront. In the case of the WTO Panel determination, however, it should be said that there was no restriction on the Panel having regard to English dictionary meanings as there is no corresponding provision to article 37(1)(c) in the TRIPS Agreement.

#### *2.1.4 The international agreements to be interpreted*

It is now necessary to say something briefly about the three international agreements in which the “three-step test” appears and against which the question of compliance by Australian law will need to be judged. The expression “three-step test” refers to the three criteria for determining exceptions to the exclusive reproduction right that are contained in article 9(2) of the Berne Convention 1886 (Stockholm/Paris Acts 1967–1971). The three-step test has now come to have a potentially wider sphere of application, following its incorporation in article 13 of the TRIPS Agreement 1994 and article 12 of the WCT 1996. Australia is bound by the first two of these instruments; the third has only recently come into force and Australia has yet to accede to it.<sup>21</sup> The three-step test therefore provides the criteria against which exceptions that are made to the reproduction right (and other rights in the case of the last two treaties) in domestic copyright laws are to be judged. Accordingly, it is critical to understand the proper scope and application of the test at the international level, in order to ensure that there has been appropriate compliance with it at the national level.

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<sup>21</sup> Under article 20, this required the lodging of thirty instruments of accession or ratification with WIPO. The requisite number was achieved at the end of 2001, with the result that the WCT entered into force on 6 March 2002 (see generally [www.wipo.org](http://www.wipo.org)). Australia has not acceded to the WCT, and, although represented at the Diplomatic Conference, was not a signatory to the final text.

### *The Berne Convention*

This is the oldest extant multilateral copyright treaty, and Australia has been a member of the “Union” constituted by the Convention since the nation’s accession as a self-governing dominion of the then British Empire in 1928. However, the history of the Convention goes back to 1886, when it was adopted by a small but powerful group of European nations.<sup>22</sup> The initial substantive basis for protection was the principle of national treatment, in other words, that each country would protect the works of nationals of other Union countries and works first published in those countries in the same way as it protected the works of its own nationals and works first published in its own territory. In subsequent revisions (Paris 1896, Berlin 1908, Rome 1928, Brussels 1948, Stockholm 1967 and Paris 1971), the Convention has come to embody a significant corpus of substantive norms of protection that Union countries must accord to works emanating from other Union countries, in addition to whatever protection may otherwise apply under the principle of national treatment. These include a number of important exclusive rights, a bar on the imposition of formalities, a minimum term of protection, and provisions setting out the permissible range of exceptions that may be made to protection (these include the three-step test in article 9(2)). While it has a number of gaps, particularly so far as digital exploitations of works are concerned, the Berne Convention nonetheless embodies a strong statement of basic principles for the protection of copyright and provides the template against which domestic copyright laws need to formulate their own protection, at least so far as the protection of foreign works and authors is concerned. It also now has a membership that makes it a truly “global” international agreement, including the USA, the Russian Federation, the People’s Republic of China, all of Europe and the vast majority of Asian, African and American countries.<sup>23</sup>

### *The TRIPS Agreement*

The TRIPS Agreement (1994) was negotiated as part of the Uruguay Round that revised the General Agreement on Tariffs and Trade (“the GATT”). In the early 1980s, there was much concern, most notably on the part of the USA, at breaches of intellectual property rights that were occurring in many countries, particularly those in the developing world.<sup>24</sup> A further matter for concern was the lack of adequate enforcement measures that were available in countries that were otherwise committed to high levels of protection because of their adherence to the major intellectual property conventions administered by WIPO, such as Berne and the Paris Convention for the Protection of Industrial Property (“the Paris Convention”). The solution ultimately adopted was the incorporation of the principal norms of protection embodied in these conventions into a separate trade agreement (TRIPS), which also contained detailed and specific norms with respect to enforcement of

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<sup>22</sup> See generally Ricketson, *op. cit.*, chapters 1–3.

<sup>23</sup> As of 15 October 2002, there were 149 member states of Berne, the vast majority of which have adhered to the Paris text (see [www.wipo.org](http://www.wipo.org)).

<sup>24</sup> For a brief history of this, see P Goldstein, *International Copyright: Principles, Law, and Practice*, Oxford University Press, Oxford and New York, 2001, pp 52ff. See further JC Ross & JA Wasserman, “Trade-Related Aspects of Intellectual Property Rights” in TP Stewart (ed), *The GATT Uruguay Round: A Negotiating History (1986–1992)*, Kluwer, Deventer and Boston, 1993, vol II, pp 2241ff, in particular pp 2246–2264.

intellectual property rights (“IPRs”).<sup>25</sup> The steel in the spine of TRIPS, however, was that breach of any of its provisions (either those relating to substantive or enforcement standards) would allow complainant countries to invoke the dispute resolution machinery of the GATT,<sup>26</sup> which was now given permanent international status as the WTO. In international legal terms, TRIPS is a very effective instrument that builds on what was already contained in the major or traditional intellectual property conventions, such as Berne and the Paris Convention. The starting point here, in the case of copyright, is article 9(1) which provides that members are (with one exception discussed below) to comply with articles 1–21 and the Appendix of the Berne Convention. It then adds to these a series of enforcement and dispute resolution measures that members are to adopt, as well as a number of additional substantive obligations (sometimes called “Berne-plus” measures). These last-mentioned deal with issues that are not resolved under, or covered by, the existing Stockholm/Paris texts of Berne, such as the status of computer programs as literary works,<sup>27</sup> the protection of compilations of data as literary works,<sup>28</sup> and the granting of rental rights to computer programs and films (in limited circumstances).<sup>29</sup> A further substantive obligation is to be found in article 13, which closely tracks the language of article 9(2) of Berne with respect to limitations and exceptions that may be made to exclusive rights.

### *The WCT*

This was finalised at a diplomatic conference in Geneva in December 1996, and was the result of a significant process of revision of the Berne Convention that had begun in 1991 under the auspices of WIPO. However, the WCT is not a revised text of the Berne Convention that is intended to replace the previous revisions of Stockholm and Paris. Rather, it is declared to be a “special agreement” under article 20 of the Berne Convention,<sup>30</sup> that deals with a number of issues arising from the advent of the networked digital environment. These include the recognition of new exclusive rights of distribution,<sup>31</sup> rental<sup>32</sup> and communication to the public,<sup>33</sup> protection against anti-circumvention measures<sup>34</sup> and protection of copyright management information.<sup>35</sup> Other provisions are intended to clarify matters that are unclear under the present

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<sup>25</sup> It seems that the immediate proposal to do this came from Australia: *Standards and Norms for Negotiation on Trade-Related Aspects of Intellectual Property Rights – Communication from Australia*, GATT doc no MTN.GNC/NG11/W/35 (10 July 1989), referred to in Ross & Wasserman loc. cit.

<sup>26</sup> TRIPS, article 64. See further articles XXII and XXIII of the General Agreement on Tariffs and Trade 1994.

<sup>27</sup> TRIPS, article 10(1).

<sup>28</sup> TRIPS, article 10(2).

<sup>29</sup> TRIPS, article 11.

<sup>30</sup> WCT, article 1(1).

<sup>31</sup> WCT, article 6.

<sup>32</sup> WCT, article 7.

<sup>33</sup> WCT, article 8.

<sup>34</sup> WCT, article 11.

<sup>35</sup> WCT, article 12.

Berne text, such as the status of computer programs<sup>36</sup> and compilations of data.<sup>37</sup> Contracting parties are further required to comply with the provisions of articles 1–21 of the Berne Convention and the Appendix, although they need not be members of that agreement. Of particular relevance for our present purposes is article 10, which deals with the question of exceptions and limitations, both under the WCT and the Berne Convention. In doing this, it adopts the language of the three-step test of article 9(2) of the Berne Convention as to the criteria against which the permissibility of such exceptions and limitations will need to be judged.

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<sup>36</sup> WCT, article 4.

<sup>37</sup> WCT, article 5.

## **Chapter 3: The three-step test and its interpretation**

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Having set out the necessary background, the task now is to interpret each of the separate provisions of the above agreements, namely article 9(2) of Berne, article 13 of TRIPS and article 10 of the WCT, in the light of the applicable rules of interpretation under the Vienna Convention. As article 9(2) of Berne is the *Grundnorm*, or starting point, for the two later provisions, the bulk of the following analysis will focus on that provision.

### **3.1 The three-step test in Berne**

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#### *3.1.1 Origins of the test*

The “three-step test” has only been a feature of international copyright law since 1967, when it was added in article 9(2) of the Stockholm Act of the Berne Convention. It was retained in this form in the Paris Act in 1971, and Australia has been bound by the latter text since 1 March 1978. Article 9(2), in turn, has to be read in the context of article 9(1), which embodied the first recognition in the Berne Convention of the exclusive right of reproduction. As adopted in the Final Act of the Stockholm Revision Conference in 1967 (and then in the Paris Act of 1971), these provisions state:

- 9 (1) Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorising the reproduction of these works, in any manner or form.
- (2) It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

#### *Before the Stockholm/Paris Acts*

Prior to the Stockholm/Paris Acts, the Berne Convention contained no general stipulation with respect to the reproduction right. It has been argued that there was still an implicit requirement under earlier Acts of the Convention for countries to protect such a right,<sup>38</sup> because there were a number of provisions that either recognised it in specific instances or appeared to assume its existence in more general terms. Thus, in the Brussels Act of 1948 (by which Australia became bound in May 1969 after enacting the *Copyright Act 1968*), article 9(1) explicitly prohibited the reproduction of “serial novels, short stories and all other works, whether literary,

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<sup>38</sup> This was the view put by the Bureau of the Berne Union (the predecessor of BIRPI) in the programme for the Brussels Revision Conference of 1948 (*Documents de la Conference réunie a Bruxelles du 5 au 26 juin 1946*, p 58); see further Nordemann, Vinck, Hertin & Meyer, *International Copyright and Neighbouring Rights Law*, VCH, English ed, 1990, p 107.

scientific or artistic” that were published in newspapers or periodicals where this was done without the consent of their authors, while article 9(2) allowed press reproduction of articles on current economic, political and religious topics in the absence of a reservation of permission by the author. Article 10 then allowed for the making of short quotations from newspapers and periodicals, and for countries to legislate for themselves the circumstances in which excerpts from literary and artistic works might be used in educational or scientific publications or chrestomathies, while article 10*bis* also left it to member countries to determine the conditions under which short extracts might be reproduced for the purposes of news reporting by means of photography, cinematography and radio-diffusion. More particularly, article 12 specifically recognised the right of authorising adaptations, arrangements and other alterations of works, while article 13 conferred the right of mechanical reproduction on the authors of musical works. All in all, these provisions appeared to presuppose the existence of a more general, underlying reproduction right, but there were obviously significant gaps as to how far it might extend. The better view, therefore, is that there was no obligation to recognise such a right under the Convention.<sup>39</sup> The question of whether this should be done explicitly in the Convention was discussed at the Revision Conference in Brussels in 1948, but the proposals in this respect were withdrawn and were not taken up by the Conference.<sup>40</sup> As a consequence, provided that member countries observed their obligations under articles 9, 10 and 10*bis* they were otherwise free to impose whatever restrictions they wished on reproduction rights, or even to deny such rights altogether in cases not falling under those articles. In reality, of course, the vast majority of Berne countries (if not all) did acknowledge a general reproduction right, but the exceptions or limitations that were allowable to this right differed considerably from country to country. Some were quite widely drawn, particularly in countries that had, at the time, a concern about public access to protected materials;<sup>41</sup> others, with a stronger commitment to the ideal of authors’ rights, such as the French, were couched in more narrow terms.<sup>42</sup>

### *The preparatory work for the Stockholm Revision Conference*

Until such time as an exclusive general reproduction right was recognised in the Convention, there was no occasion to discuss the permissible restrictions that would have to be applied to this right.<sup>43</sup> While this was the starting point of those preparing for the Stockholm Revision Conference,<sup>44</sup> as these preparations gained momentum, it

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<sup>39</sup> Ricketson, *op. cit.*, paras 8.12, 9.2.

<sup>40</sup> *Documents de la Conférence réunie à Bruxelles du 5 au 26 juin 1946*, p 237.

<sup>41</sup> See, for example, the Finnish Copyright Law of 8 July 1961, articles 11–21, and the Indian *Copyright Act 1957*, section 57.

<sup>42</sup> French Copyright Law of 1957, article 41.

<sup>43</sup> This was the view of the Study Group that was set up by the Swedish Government and the *Bureaux internationaux réunis pour la protection de la propriété intellectuelle* (“BIRPI”, the predecessor to WIPO), at the time that preparations for the Stockholm Conference began: Swedish/BIRPI Study Group, June 1963, DA/20/2, p 44: “If this question [that of whether there should be a reproduction right] is passed by in silence, there would seem to be no occasion to discuss the restrictions which would have to be applied to a general right of reproduction.”

<sup>44</sup> *ibid.*

was concluded that a provision on the right of reproduction should be proposed. In the words of the relevant group (the 1964 Swedish/BIRPI Study Group):<sup>45</sup>

This prerogative was of fundamental importance in the legislation of member countries of the Union; the fact that it is not recognised in the Convention would therefore appear to be an anomaly. However, if a provision on the subject is to be incorporated in the text of the Convention, a satisfactory formula will have to be found for the inevitable exceptions to this right.

On the one hand, it is obvious that all forms of exploiting a work which have, or are likely to acquire, considerable economic or practical importance must in principle be reserved to the authors. Exceptions that might restrict the possibilities open to the authors in these respects are unacceptable. On the other hand, it must not be forgotten that national legislations already contain a series of exceptions in favour of various public and cultural interests and that it would be vain to suppose that States would be ready at this stage to do away with these exceptions to any appreciable extent.

The same Study Group provided the following taxonomy of “exceptions most frequently encountered in national legislation”, namely uses of works in the following ways:

- public speeches;
- quotations;
- school, books and chrestomathies;
- newspaper articles;
- reporting current events;
- ephemeral recordings;
- private use;
- reproduction by photocopying in libraries;
- reproduction in special characters for the use of the blind;
- sound recordings of literary works for the use of the blind;
- texts of songs;
- sculptures on permanent display in public places, etc;
- artistic works used as a background in films and television programmes;
- reproduction in the interests of public safety.<sup>46</sup>

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<sup>45</sup> This was a further report of the same Swedish/BIRPI Study Group that reported in 1964 and was adopted by a Committee of Governmental Experts in 1965: DA/22/2, pp 47 ff.

<sup>46</sup> *ibid.*, note 23.

Of the exceptions listed above, the text of the Convention then in force (the Brussels Act) contained exceptions with respect to the first six, although under the programme ultimately adopted and approved by the Stockholm Revision Conference, the fourth of these exceptions was deleted. Leaving aside these “established” exceptions, however, the balance of those listed by the Study Group were all acceptable limitations so far as national laws were concerned, and would remain so until the principle of an exclusive reproduction right was recognised under the Convention. At that point, and at that point only, would it become necessary for the Convention to contain provisions as to the scope of permissible exceptions and limitations.

It was this latter consideration that then gave rise to extensive discussion and consideration in the preparations for the Stockholm Conference. The 1964 Study Group, having decided to propose the adoption of an exclusive reproduction right, went on to formulate a general provision that would allow the making of exceptions and limitations to the new right in accordance with certain broad criteria. This was in contradistinction to an approach that sought to specify in advance particular kinds of exceptions. The proposal of the 1964 Study Group was as follows:

Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorising the reproduction of these works, in any manner or form.

However, it shall be a matter for legislation in the countries of the Union, having regard to the provisions of this Convention, to limit the recognition and the exercising of that right, for specified purposes and on the condition that these purposes should not enter into economic competition with these works.

In putting forward this formulation, the Study Group noted the following:

- It was to sit alongside the other exceptions and limitations already recognised in the Convention, eg articles 10, 10*bis* and 11*bis*(3).
- Exceptions were only permissible for “clearly specified purposes”, eg for private use, the interests of the blind, the composer’s need for texts. “Exceptions for no specified purpose, on the other hand, are not permitted.”
- Exceptions should not enter into economic competition with the work: “all the forms of exploiting a work, which have, or are likely to acquire, considerable economic or practical importance, must be reserved to the authors. At the same time, the formula chosen opens the way for other exceptions of lesser importance.”

The Group also commented that the proposed formula expressed the “thought that it is advisable to take special precautions before countenancing exceptions that may be applied without giving authors the right to claim remuneration. If this right is granted, the right to make exceptions widens to some extent”. In this regard, it should be noted that, in an interesting precursor to the modern debates about exceptions to protection, the Group had considered, but rejected, the possibility of adopting an exclusive list of exceptions:

On the one hand, a list of this kind – even if it were to be limited to the main exceptions – would be very long and would considerably restrict the authors’ rights. At the present time, most countries only recognise some of the exceptions indicated above – they vary from country to another – or else they grant a remuneration to the authors for the use permitted by certain of these rules of exception, as in the case of the Nordic countries. There is every reason to fear

that the introduction of a list of this kind would encourage the adoption of all the exceptions allowed and abolish the right of remuneration. On the other hand, a list, however long, would be inadequate, because it could never cover all the special cases existing in national legislation.<sup>47</sup>

The 1965 Committee of Governmental Experts, which considered the recommendations of the 1964 Study Group, took the view that some specific exceptions should be mentioned in the proposed provision. It opted first, though by the barest of margins, for a French proposal specifying “private and personal use” and, then, by a larger majority, to the modified wording of “private use”. Secondly, the Committee unanimously adopted an exception “for judicial and administrative purposes” and, after considerable debate, agreed to a final residual category of exceptions which could arise “in certain particular cases where the reproduction is not contrary to the legitimate interests of the author and does not conflict with a normal exploitation of the work.” The final formulation adopted by the Committee that was then included in the programme for the 1967 Conference was as follows:

- 9(1) [in the form proposed by the 1964 Study Group]... It shall be a matter for the legislation in the countries of the Union to permit the reproduction of such works (a) for private use; (b) for judicial and administrative purposes; (c) in certain particular cases where the reproduction is not contrary to the legitimate interests of the author and does not conflict with a normal exploitation of the work.

At the Diplomatic Conference which took place in Stockholm in 1967, this proposal was the subject of numerous amendments. A number were directed at restricting its scope, such as a French amendment which proposed the substitution of the words “for individual or family use” for the words “for private use”, so as to avoid the possibility of commercial users claiming that their copying was for private purposes.<sup>48</sup> Likewise a Dutch amendment qualified paragraph (b) by making this for “strictly judicial or administrative purposes”, and further proposed qualifying (c) by referring to the “legitimate interests of the author or his successors in title” and inserting a condition that the legislation of the country where protection was claimed “expressly permits this method of reproduction.”<sup>49</sup> A German proposal required a third condition for paragraph (c) to the effect that the reproduction should not conflict with the author’s right to obtain equitable remuneration.<sup>50</sup>

In contrast to these proposals was a second group of amendments that sought to widen the number of exceptions that would be allowable. Most striking among these was an Indian proposal that would have added a fourth paragraph allowing a general compulsory licence on the basis that such a provision was necessary to ensure that monopolistic interests did not restrict the dissemination of works that had been made lawfully available to the public.<sup>51</sup> This, and other similar proposals, were decisively rejected by the Conference which ultimately accepted a compromise proposal advanced by the UK that sought to embrace all possible exceptions within a single generalised exception consisting simply of paragraph (c). Although this attracted

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<sup>47</sup> *ibid.*, p 49, note 24.

<sup>48</sup> *Records of the Intellectual Property Conference of Stockholm, June 11 to July 14, 1967*, Vol 1, p 690, Doc S/70 (this is the same as the formulation in the French Law of 1957, article 41).

<sup>49</sup> Doc S/81: *ibid.*, p 691.

<sup>50</sup> Doc S/67: *ibid.*, p 690.

<sup>51</sup> Doc S/86: *ibid.*, p 692.

some criticism, it found its way into the final form of words that was adopted by a special Working Group under the chairmanship of Italy and which was, in turn, accepted by Main Committee I of the Conference as article 9(2) of the Stockholm Act:

- (2) It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

This, then, is how the provision that is known as the “three-step test” came into the Berne Convention.

### 3.1.2 Interpretation of article 9(2)

Although article 9(2) was ultimately adopted by unanimous vote, there is still considerable room for debate over its scope. Before considering this in more detail, several preliminary points should be noted:

- As part of the Stockholm and Paris Acts, it was only concerned with the newly recognised reproduction right (in subsequent texts, such as the TRIPS Agreement and the WCT, it has been given a much wider potential application: see 3.2 and 3.3 below).
- Although the provision makes no reference to other provisions of the Convention, it is clear that it sits alongside the other exceptions to the reproduction right that are contained in articles 10, 10*bis* and 2*bis*(2).

This then leads to a consideration of the three-step test itself; that is, the separate but cumulative conditions that must be satisfied before the national law of a country may rely upon the exception contained in article 9(2). These are:

- that the reproduction is only allowed “in certain special cases”;
- it should “not conflict with a normal exploitation of the work”; and
- it should “not unreasonably prejudice the legitimate interests of the author”.

It is against these requirements that the permissibility or otherwise of any exception or limitation contained in a national law, such as subsection 40(3) of the *Copyright Act 1968*, falls to be judged. Each condition therefore needs to be examined carefully and interpreted. This will need to be done in accordance with the general rules governing the interpretation of treaty provisions contained in articles 31 and 32 of the Vienna Convention that have been outlined above.

- The first step: “certain special cases” (“certains cas spéciaux”)

These words embody a general threshold criterion that national laws must meet before the basis for an exception to the reproduction right recognised under article 9(1) can be mounted. The first step is to ascertain the ordinary meanings of the individual words “certain”, “special” and “cases”.<sup>52</sup> Using the *New Shorter Oxford*

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<sup>52</sup> This was the approach taken by the WTO Panel on the US “homestyle exception”: WTO Panel on *United States – Section 110(5) of the US Copyright Act*, 15 June 2000, p 33 (“WTO Panel”).

*English Dictionary* (1993) as a starting point, and confirming this by reference to *Harrap's New Shorter French and English Dictionary*, the following "ordinary" meanings of these words can be given:

- "Certain" – "known and particularised, but not explicitly identified", "determined, fixed, not variable; definitive, precise, exact."<sup>53</sup> As to this, the WTO Panel on the US homestyle exception (15 June 2000) stated (in relation to the same language that is used in article 13 of the TRIPS Agreement): "...this term means that...an exception or limitation in national law must be clearly defined. However, there is no need to identify explicitly each and every possible situation to which the exception could apply, provided that the scope of the exception is known and particularised. This guarantees a sufficient degree of legal certainty."<sup>54</sup> As noted above, in the case of the Berne Convention (though not in the case of TRIPS), the French text prevails in the presence of any possible conflict between the French and English texts. No conflict in meanings, however, appears to arise here: the adjective "certains" in French in the phrase "certains cas spéciaux" bears the same meaning.<sup>55</sup>
- "Special" – "having an individual or limited application or purpose", "containing details; precise, specific", "exceptional in quality or degree; unusual; out of the ordinary" or "distinctive in some way".<sup>56</sup> As to this, the WTO Panel noted that this means that more is needed

...than a clear definition in order to meet the standard of the first condition. In addition, an exception or limitation must be limited in its field of application or exceptional in its scope. In other words, an exception or limitation should be narrow in a quantitative as well as in a qualitative sense. This suggests a narrow scope as well as an exceptional or distinctive objective. To put this aspect of the first condition into the context of the second condition ("no conflict with a normal exploitation"), an exception or limitation should be the opposite of a non-special, i.e. a normal case.<sup>57</sup>

Again, this seems the same as the French word "*spéciaux*".<sup>58</sup>

- "Case" – "an occurrence", "circumstance" or "event; or "fact".<sup>59</sup> This also seems consistent with the meaning of "cas" in the French text: "case, instance."<sup>60</sup> In the present context, this is the most amorphous of the terms used in the first condition, but it can be taken as referring to a "situation" or "occurrence" that can be described by reference to some kind of criterion. In the "homestyle" dispute between the USA and the European Community ("the EC"), the WTO Panel suggested that the dispute there (which concerned an exemption under US copyright law with respect to the public performance of musical works in venues

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<sup>53</sup> *New Shorter Oxford English Dictionary* (SOED), 1993, p 364.

<sup>54</sup> WTO Panel, p 33.

<sup>55</sup> *Harrap's New Shorter French and English Dictionary*, Part 1, 1967, gives the meanings of "certain, sure, unquestionable ... fixed, stated".

<sup>56</sup> *New SOED*, p 2971.

<sup>57</sup> WTO Panel, p 33.

<sup>58</sup> *Harrap's*, S:29: "special, especial".

<sup>59</sup> *New SOED*, p 345.

<sup>60</sup> *Harrap's*, C:10.

operated by retail establishments, food service and drinking establishments) could be described “in terms of the beneficiaries of the exceptions, equipment used, types of works or by other factors”.<sup>61</sup>

Applying the above dictionary definitions, it can be said that the “ordinary meaning” of the phrase “certain special cases” in the first condition of article 9(2) is that the exception in question should be clearly defined and should be narrow in its scope and reach. This interpretation seems consistent with the context and object and purpose of the Convention; that is, as a treaty to constitute a Union for “the protection of the rights of authors in their literary and artistic works”. Any provision allowing for exceptions for this protection should therefore be clearly defined and narrow in its reach and scope. In analytical terms, this will involve a consideration of all aspects of the proposed exception, including such matters as the right(s) and works covered, the persons who may take advantage of it, and the purpose of the exception.

Does the phrase “certain special cases”, however, require that there should be some “special purpose” or justification underlying the exceptions that are made in a national law? In my 1987 commentary, I argue that some such justification is required: not only should the use in question be for “a quite specific purpose”, but that there must also be “something ‘special’ about this purpose, ‘special’ here meaning that it is justified by some clear reason of public policy or some other exceptional circumstance.”<sup>62</sup> I go on to suggest that this would not include exceptional circumstances that were external to the use itself, eg it would not be open to a country which had a foreign currency crisis to claim that this was a special case justifying it to take advantage of article 9(2) for the purpose of allowing the general reproduction of textbooks from abroad. However, it should be noted that this is not a point that is addressed by any of the other earlier commentators on the Berne Convention.<sup>63</sup>

Although the WTO Panel on the “homestyle exception” used the adjectives “exceptional” and “distinctive” in this context (see the passage quoted above), it nonetheless took some pains to indicate that it was not thereby equating the term “certain special cases” with “special purpose”. In this context, of course, the Panel was dealing with the meaning of the phrase “certain special cases” as it appears in article 13 of the TRIPS Agreement rather than article 9(2) of Berne. The former deals with permissible exceptions and limitations to other exclusive rights of the copyright owner and not just the reproduction right. Furthermore, the Panel was dealing with a provision (article 13 of TRIPS) that appears as part of a wider series of WTO obligations and, in this context, it was relevant for the Panel to have regard to the interpretations that have been applied by the Appellate Body to other WTO rules, such as the national treatment clauses of the GATT and the GATS (General Agreement on Trade in Services), where the latter had rejected interpretative tests based on the subjective aim or objective pursued by national legislation.<sup>64</sup>

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<sup>61</sup> WTO Panel, p 33.

<sup>62</sup> Ricketson, *op. cit.*, p 482.

<sup>63</sup> For example, the WIPO *Guide to the Berne Convention*, 1978, pp 55–56, does not comment on the meaning of the phrase “certain special cases”; neither do the leading German commentators, Nordemann et al, *op. cit.* pp 108–9, nor the leading French commentators, Desbois, Françon & Kéréver, *Les Conventions internationales de droit d’auteurs et des droits voisins*, Dalloz, 1976, paras 172–173. Note, however, that Ficsor agrees with my 1987 position: Ficsor, *op. cit.* p284. To similar effect, see Reinbothe and von Lewinski, *op. cit.* pp 124–125.

<sup>64</sup> In this regard, the Panel referred to the Appellate Body Report in *Japan – Alcoholic Beverages*, adopted 1 November 1996, WT/DS8, 10,11/AB/R, pp 19–23 (rejection of the so-called “aims and

Accordingly, in the context of article 13 of the TRIPS Agreement, the Panel took the view that the first condition should be interpreted without reference to the policy underlying it:

In our view, the first condition of Article 13 requires that a limitation or exception in national legislation should be clearly defined and should be narrow in its scope and reach. On the other hand, a limitation or exception may be compatible with the first condition even if pursues a special purpose whose underlying legitimacy in a normative sense cannot be discerned. The wording of Article 13's first condition does not imply passing a judgment on the legitimacy of the exceptions in dispute. However, public policy exceptions stated by law-makers when enacting a limitation or exception may be useful from a factual perspective for making inferences about the scope of a limitation or exception or the clarity of its definition.<sup>65</sup>

In taking this view, the WTO Panel acknowledged that it was adopting a "cautious" approach that differed from that stated in the "teaching of the most highly qualified publicists of the various nations" (referred to as a "subsidiary source for the determination of law" under article 38(2) of the Statute of the International Court of Justice).<sup>66</sup> The only "publicist" cited by the Panel in this regard is myself: as noted above, this is not a matter that is specifically considered by other commentators on the Berne Convention, such as Nordemann and Desbois. But, even apart from the views of the "publicists", a valid basis for distinguishing the "cautious" approach taken by the Panel is that already given above, namely that the Panel was concerned with a broader kind of provision that is applicable to all exclusive rights of copyright owners, not just reproduction rights, and one, moreover, that appears in a trade agreement rather than a treaty purely concerned with intellectual property rights.

These factors alone might justify the "cautious" approach taken by the Panel, but it should be noted that the Panel's approach has received cogent support from another leading commentator on the Berne Convention, Professor Ginsburg.<sup>67</sup> In her view, the phrase "certain special cases" should not receive a normative interpretation, noting that the purpose behind any given exception will fall to be tested by the second and third steps of the test; that is, whether it conflicts with the normal exploitation of the work and whether it is unreasonably prejudicial to the legitimate interests of the author. She also argues that there is nothing in the drafting history of article 9(2) which indicates that the adjective "special" is to have such a connotation, noting that (i) it was to be presumed all existing exceptions under national laws would fall within the category of "certain special cases", and (ii) not all of these could be regarded as having a clear public policy justification. Professor Ginsburg's conclusion is that "special cases" can include "unworthy as well as laudable exceptions as long as they are sufficiently narrow. The normative inquiry is deferred to the second two steps." More colourfully, she comments that the records of the Stockholm and Paris conferences do not "clearly preclude pork barrel-type exceptions (if they are

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effects" test in the context of the national treatment clause of article III of GATT 1994) and the Appellate Body Report on *European communities – Regime for the Importation, Sale and Distribution of Bananas*, ("EC – Bananas III"), adopted on 25 September 1997, WT/DS27/AB/R, paras 241, 243, 246 (rejection of the "aims-and-effects" test in the context of the national treatment clause of article XVII of GATS).

<sup>65</sup> WTO Panel, p 34.

<sup>66</sup> *ibid.*, p 33, note 114.

<sup>67</sup> J Ginsburg, "Towards Supranational Copyright Law? The WTO Panel; Decision and the 'Three-Step Test' for Copyright Exceptions" [2001] *Revue internationale du droit d'auteur*, January 2001.

sufficiently discrete), and the WTO may be ill-suited to condemn local giveaways of this kind.”

In strict terms, the Panel’s finding and the comments of Professor Ginsburg are directed at article 13 of the TRIPS Agreement, not article 9(2) of Berne. After careful consideration, however, I find it difficult and, indeed, unnecessary, to maintain my earlier interpretation of the expression “certain special cases” as requiring also that these have an underlying public policy justification. While the object and purposes of the Berne Convention are more confined than those of the TRIPS Agreement, and may therefore support the argument that the expression bears a different meaning in the context of article 9(2), the preparatory work for the Stockholm Conference tends to bear out the Ginsburg approach:

- Not all of the exceptions recognised under national laws prior to the adoption of article 9(2) were characterised by a clear public policy justification. Thus, of the list of exceptions formulated by the 1964 Study Group (see 3.1.1 above), the exceptions for “private use”, “ephemeral use” and “texts of songs” do not immediately suggest any rationale for their recognition other than convenience for the user or the fact that they are possibly *de minimis* uses that will not affect the copyright owner. While the other categories of exceptions listed by the Study Group have more obvious justifications, such as the reporting of news and educational purposes, it is clear that the intention of the Group and the subsequent Diplomatic Conference was to find a formula that would cover existing exceptions, some of which might be “worthy” while others might not. On this basis, the expression “certain special cases” means simply that the exceptions are finite and limited in scope.
- Normative questions, that is, justifications for any given exception, are more appropriately considered under the second and third steps of the three-step test, the scope of which is to be discussed below.

*Interpretation to be adopted*

Accordingly, for the purposes of the following advice, the first step of article 9(2) will be interpreted as follows:

*Any exception that is made under this provision should be clearly defined and should be narrow in its scope and reach. There is no further requirement at this stage of the analysis to point to some specific public policy or exceptional circumstance justifying the exception.*

*The second step: “Conflict with the normal exploitation of the work” (“ne porte pas atteinte à l’exploitation normale de l’oeuvre”)*

Applying the same mode of analysis adopted above, I will begin by ascertaining the ordinary meanings of the words “normal” and “exploitation”. Taking the second of these first, the English dictionary meanings of “exploit” and “exploitation” are

“making use of” or “utilising for one’s own ends”,<sup>68</sup> and the French word “*exploitation*” has a similar meaning (“exploitation, exploiting,...getting, winning (coal); cultivation (of land)”).<sup>69</sup> In the context of “works”, “exploitation” therefore refers to the activity by which copyright owners employ the exclusive rights given to them, including the reproduction right, to “extract economic value from their rights to those works”.<sup>70</sup>

As for “normal”, this is defined in the dictionaries as “constituting or conforming to a type or standard; regular, usual, typical, conventional...”<sup>71</sup> Again, this has a similar meaning in French: “normal” and “norm” meaning “standard”.<sup>72</sup> In the view of the WTO Panel on the US “homestyle” exemption, these definitions gave rise to two possible connotations of the phrase “normal exploitation”: the first of an empirical nature (i.e. what is regular, usual, typical or ordinary in a factual sense), and the second reflecting a “somewhat more normative, if not dynamic approach, i.e. conforming to a type or standard.”

Under the empirical approach, the question to ask would be whether the exempted use would otherwise fall within the range of activities from which the copyright owner would usually expect to receive compensation. Framing the question in this way, however, involves “an obvious circularity”, as Professor Goldstein has noted: “At least historically, an author will normally exploit a work only in those markets where he is assured of legal rights; by definition, markets for exempted uses fall outside the range of normal exploitation. Consequently, it might be thought that to expand an exemption is to shrink the ‘normal market,’ while to expand the definition of ‘normal market’ is to shrink the permitted exception.”<sup>73</sup> A preferable way of approaching this question might therefore be to postulate that the owner has the capacity to exercise his rights in full, without being inhibited one way or another by the presence of an exemption, and ask simply whether the particular usage is something that the copyright owner would ordinarily or, perhaps, reasonably seek to exploit. This would involve looking at what presently is the case, and would disregard potential modes of exploitation that might arise in the future. The “normative” or dynamic approach, on the other hand, would look beyond this purely quantitative assessment and would seek to take into account technological and market developments that might occur, although these might not presently be in contemplation. It is also conceivable that uses that are presently not controlled by copyright owners might subsequently become so, as the result of technological change – an example might be private copying where the transaction costs involved in monitoring such uses might now be reduced because of the new technologies. On this more qualitative or dynamic approach, “normal exploitation” will therefore require consideration of potential, as well as current and actual, uses or modes of extracting value from a work. For reasons that are explained below, this second approach is not really “normative” in the true sense, if that term is taken to be understood as referring to what “should be” as well as what “is and could be” within the scope of the copyright owner’s control.

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<sup>68</sup> *SOED*, p 888.

<sup>69</sup> *Harrap’s*, E:43.

<sup>70</sup> WTO Panel, p 44.

<sup>71</sup> *SOED*, p 1940.

<sup>72</sup> *Harrap’s*, N:8.

<sup>73</sup> Goldstein, *op. cit.*, para 5.5.

Differences will clearly arise, depending upon which of these approaches is followed. Article 31 of the Vienna Convention enjoins us to interpret treaty provisions “in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose.” In this regard, both the context and the object and purpose of the Stockholm Act of Berne make it clear that the latter is concerned with the protection of the rights of authors in their literary and artistic works. Accordingly, it would be inappropriate to adopt the quantitative approach alone, particularly if this were to lead to the exclusion of forms of exploitation that are presently not part of the author’s normal mode of exploiting their work but might well become so in the future. It therefore seems reasonable to apply an interpretation that enables these future and potential forms of exploitation to be taken into account. Support for this broader approach is, in turn, to be found in article 32 of the Vienna Convention, which permits the use of supplementary means of interpretation to confirm this more beneficial of the proposed interpretations. In this instance, the preparatory work of the treaty includes the work of the Swedish/BIRPI Study Group. Relevant passages from its 1964 Report are quoted at 3.1.1 above, in particular its statement that:

Exceptions should not enter into economic competition with the work...all forms of exploiting a work, which have, or are likely to acquire, considerable economic or practical importance, must be reserved to authors.

Accordingly, the phrase “normal exploitation” here appears to bear a broader connotation, including “in addition to those forms of exploitation that currently generate significant or tangible revenue, those forms of exploitation which, with a certain degree of likelihood and plausibility, could acquire considerable economic or practical importance.”<sup>74</sup> Thus, it could be assumed that an exception would not conflict with a normal exploitation of works if it was confined to a scope or degree that did not enter into economic competition (present or potential) with non-exempted uses.

Does the converse follow, namely that all forms of use of a work that create an economic benefit for the user should therefore be considered to be within the scope of a normal exploitation of that work? In this regard, it must be borne in mind that article 9(2) was intended to embrace, or at least to accommodate, those exceptions already existing under national laws: some, at least, of these exceptions could have been regarded as capable of creating an economic benefit to the user. This point was brought out in more detail by the commentary in the Swedish/BIRPI programme for the Stockholm Conference:

In this connexion, the [1964] Study Group observed that, on the one hand, it was obvious that all the forms of exploiting a work which had, or were likely to acquire, considerable economic or practical importance must in principle be reserved to the authors; restrictions that might restrict the possibilities open to authors in these respects were unacceptable. On the other hand, it should not be forgotten that domestic laws already contained a series of exceptions in favour of various public and cultural interests and that it would be in vain to suppose that countries would be ready at this stage to abolish these exceptions to any appreciable extent.<sup>75</sup>

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<sup>74</sup> WTO Panel, p 48, para 6.180.

<sup>75</sup> *Records* 1967, Vol I, p 112 (Doc S/1).

No further comment on this particular matter is to be found in the minutes or Report of Main Committee I of the Stockholm Revision Conference, but, it is worth noting that the WTO Panel – in interpreting the same phrase (“does not conflict with a normal exploitation”) as it appears in article 13 of the TRIPS Agreement and having regard to the passage of the Swedish/BIRPI programme quoted above – made the following observation:

...in our view, not every use of a work, which, in principle is covered by the scope of exclusive rights and involves commercial gain, necessarily conflicts with a normal exploitation of that work. If this were the case, hardly any exception or limitation could pass the test of the second condition and Article 13 might be left devoid of meaning, because normal exploitation would be equated with full use of exclusive rights.<sup>76</sup>

The Panel goes on to note:

We believe that an exception or limitation to an exclusive right in domestic legislation rises to the level of a conflict with a normal exploitation of the work (i.e., the copyright or rather the whole bundle of exclusive rights conferred by the ownership of the copyright), if uses, that in principle are covered by that right but exempted under the exception or limitation, enter into economic competition with the ways that right holders normally extract economic value from that right to the work (i.e., the copyright) and thereby deprive them of significant or tangible commercial gains.<sup>77</sup>

Of the principal commentaries on the Berne Convention, most appear to focus on what the Panel calls the “empirical” aspect of the term “normal exploitation”.<sup>78</sup> As Professor Ginsburg notes, my own work “hints” at a normative as well as an empirical criterion, but goes no further.<sup>79</sup> Furthermore, the Panel itself, while alluding to this second aspect of “normal exploitation”, still appears to be concerned only with attempting “to anticipate what the empirical situation will be, rather than an explanation of what the right holder’s markets *should* cover.”<sup>80</sup> This might be considered to be the real normative question here, and there is nothing in the Panel’s decision that provides any guidance as to how this question might be resolved. On the facts before the Panel in the “homestyle” case, there was no real need to consider this, as the “pork barrel” exception in issue there had none of the significant justifications that often underlie copyright exceptions, such as free speech, scholarship, education and so on.<sup>81</sup> But the question is a live one in the present case, where it may be argued that there are research and scholarship justifications that are applicable. Are these “markets” that the copyright owner should control in a normative sense? “Normative” here suggests an inquiry that looks to non-economic as well as economic considerations, and inevitably involves some kind of balancing process.

There is little, if anything, in the text of the Stockholm Act that expressly mandates or sanctions such an approach: indeed, if one has regard to the stated objects of the Convention, as contained in the preamble, these unambiguously refer only to the

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<sup>76</sup> WTO Panel, p 48, para 6.182.

<sup>77</sup> WTO Panel, p 48, para 6.183.

<sup>78</sup> *WIPO Guide*, para 9.7; Desbois, Françon & Kéréver, para 173 (1976); Goldstein, para 5.5.

<sup>79</sup> Ginsburg, op. cit., p 13. Thus, I refer at para 9.7 to “the ways in which an author *reasonably* might be expected to exploit his work”. To similar effect, see Ficsor, op. cit. pp 284–285.

<sup>80</sup> Ginsburg, loc. cit.

<sup>81</sup> *ibid.*

interests of authors (“...a Union...to protect, in as effective and uniform manner as possible, the rights of authors in their literary and artistic works”). This would suggest that any balancing of other interests, in the context of a provision such as article 9(2), is not permissible: the sole or principal inquiry should be concerned with the impact of a proposed exception on authors. Interpretation of treaty provisions, however, requires that this be done in the “context” of the treaty as well as its objects and purposes, and this involves consideration of the text of the treaty as a whole. In the case of the Berne Convention, there are a number of clearly recognised situations in which authors’ rights under the Convention have been made subject to exceptions or limitations that are justified by other non-economic “public policy” considerations. To cite just some of the exceptions contained in the Stockholm text:

- Article 2(4) – the possibility for member countries to “determine the protection to be granted official texts of a legislative, administrative and legal nature” – a clear recognition of the wider public interest in having access to this kind of material.
- Article 2*bis*(1) – it is left to national laws to “exclude, wholly or in part” the protection to be given to political speeches and speeches delivered in the course of legal proceedings – a limitation that recognises that there might be a greater public interest in having access to this kind of material, even to the extent of this being completely free of any protection.
- Article 10(1) – the making of quotations “compatible with fair practice” and to the extent “justified by the purpose”.
- Article 10(2) – the use of works by way of illustration in teaching.
- Article 10*bis*(1) – the use of articles in newspapers or broadcasts dealing with “current economic, political or religious topics”.
- Article 10*bis*(2) – the use of works, “to the extent justified by the informatory purpose”, for the reporting of current events.

Each of these exceptions and limitations is subject to differing conditions, but can be seen to be underpinned by some kind of non-author centred and non-economic normative consideration, such as freedom of information and “participatory democracy” in the cases of articles 2(4) and article 2*bis*(1), criticism and review in the case of article 10(1), educational purposes in the case of article 10(2), and news reporting in the cases of article 10*bis*(1) and (2).<sup>82</sup> The only difference between these provisions and article 9(2) is that the former embody (to greater or less extent), in the text of each provision, the results of the balancing process that has been achieved by the successive revision conferences that have adopted them, whereas article 9(2) is consciously framed as an omnibus or umbrella provision that is both retrospectively and prospectively applicable to all exceptions to the reproduction right. Viewed against this wider context of the treaty, it therefore seems logical to conclude that the scope of the inquiry required under the second step of article 9(2) does include consideration of non-economic normative considerations, i.e. whether this particular kind of use is one that the copyright owner *should* control. Further support for this interpretation can be gained from the following considerations:

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<sup>82</sup> For a fuller treatment of the origins and development of these different exceptions, see Ricketson, *op. cit.*, chap 9. See further Ficsor, *op. cit.*, pp 257–296.

- Article 32 of the Vienna Convention permits the use of supplementary aids to interpretation in the event of ambiguity or obscurity, and this includes reference to the preparatory work of the treaty. If this is thought to be the case in relation to the above interpretation of “normal exploitation”, it would be relevant to have regard here to the statement in the BIRPI/Swedish Government programme for the Stockholm Conference quoted above, namely “that it should not be forgotten that domestic laws already contained a series of exceptions in favour of various public and cultural interests and that it would be in vain to suppose that countries would be ready at this stage to abolish these exceptions to any appreciable extent.”<sup>83</sup>
- The various amendments proposed at the Stockholm Conference (see 3.1.1 above) indicate that delegates were seeking to reach some general description of the purposes for which exceptions might be made that would accommodate the existing public interest exceptions in national laws.
- If a wholly economic approach is taken to the interpretation of the second step, this will mean that there will be very little, if any, work left for the third step of article 9(2), which is concerned with the question of unreasonable prejudice to the legitimate interests of the author, to perform. Leaving aside uses that are purely de minimis, the great bulk of uses that fall within article 9 could be regarded as being within the scope of the normal exploitation of a work, at least potentially, as technology reduces transaction costs. Any free use that is permitted under article 9(2) will therefore have the potential of being in conflict with a normal exploitation of the work, with the result that the third step will never be reached. Bringing non-economic considerations and justifications into the second step, however, means that there may well be uses that will not be in conflict with what should be within the normal exploitation of the work (in a truly normative sense), but may not satisfy the third step (see further below).
- Considering non-economic normative factors at this second stage seems logical. I have excluded these issues at the first step, in the interests of defining a threshold that can be determined in relatively objective terms. The balancing process then occurs at the second stage, leaving it to the third stage to consider the specific impact on the author (although as we shall see below, the third step seems to require some further balancing).

The foregoing has the semblance of coherence, but it leaves the application of the second step of article 9(2) more open-ended and uncertain. The words “normal exploitation” give no guidance as to the kinds of non-economic normative considerations that may be relevant here, and the extent to which they may limit uses that would otherwise be within the scope of normal exploitation by the copyright owner. Striking this balance is left as a matter for national legislation. Value judgments will need to be made, and these will clearly vary according to the society and culture concerned. In keeping with the first step, however, these non-economic purposes will need to be clearly and specifically articulated, and set against the stated objective of the Convention, which is the protection of the rights of authors. This indicates that such justifications will need a clear public interest character that goes beyond the purely individual interests of copyright users. In this regard, it can be said

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<sup>83</sup> *Records* 1967, Vol I, p 112 (Doc S/1).

that they should be of analogous significance to those already accepted as appropriate under other provisions of the Berne Convention, such as articles 10 and 10bis.

*Interpretation to be adopted*

In the light of the above, the following approach to the interpretation of the second condition of article 9(2) is proposed:

*In determining what is the “normal exploitation” of a work, regard must be had not only to existing, but to potential uses of a work from which the copyright owner can extract economic benefit.*

*Not all potential uses of the work are to be regarded as within the scope of “normal exploitation”, rather it is those that can be regarded as being of “considerable or practical” importance.*

*Neither existing nor future exceptions will be in conflict with a normal exploitation of a work simply because they involve uses that would otherwise be of a commercial benefit to the author: the test is whether they enter into or will enter into economic competition with the author. Possibly, this is subject to the qualification that they should not do so “to any appreciable extent”.*

*As a corollary to the above, an exception does not necessarily remain within the scope of the second condition for all time. “Normal exploitation” is a dynamic concept, and it is possible that an exception may come into conflict with a normal exploitation as technology and circumstance of use change. In other words, it would be wrong to regard article 9(2) as a “grandfathering” clause that confers an immunity for all time on an exception under national law. By the same token, it is possible that new kinds of exceptions may arise that will fit within the second condition.*

*It is not only economic issues that are relevant to the assessment required by the second step. “Normative” issues of a non-economic kind also are relevant; that is, it must be determined whether the use in question is one that the copyright owner should control, or whether there is some other countervailing interest that would justify this not being so. In light of the other exceptions allowed under the Convention, such an interest would need to be one of some wider public importance, rather than one pertaining to private interests.*

*The third step: “does not unreasonably prejudice the legitimate interests of the author” (“ne cause un préjudice injustifié aux intérêts légitimes de l’auteur”)*

In the formulation in the original Swedish/BIRPI programme for the Stockholm Revision Conference as well as in the compromise proposal of the UK (see 3.1.1 above), this condition came second rather than third. This order, however, was deliberately reversed by Main Committee I on the following ground:

85. The Committee also adopted a proposal by the Drafting Committee that the second condition should be placed before the first, as this would afford

a more logical order for the interpretation of the rule. If it is considered that the reproduction does not conflict with the normal exploitation of the work, the next step would be to consider whether it does not unreasonably prejudice the legitimate interests of the author.<sup>84</sup>

No further guidance, however, is provided in the Report of Main Committee I as to the meaning of the expressions “unreasonably prejudice” and “legitimate interests of the author.” The Swedish/BIRPI programme is also of limited assistance, apart from the observation that there was “the considerable difficulty of finding a formula capable of safeguarding the legitimate interests of the author while having a sufficient margin of freedom to the national legislation to satisfy important social or cultural needs.”<sup>85</sup> The additional comment is made that the formulation proposed in the programme (based on the suggestion of the 1965 Committee of Experts) “seems likely, however, to offer a guarantee to all the opposing interests concerned.”

These remarks indicate that some further balancing of interests is required by the third step of article 9(2), and this is confirmed by a consideration of the ordinary (dictionary) meanings of the key words used in its formulation:

- “Interests” includes a legal right or title to a property or to the use or benefit of a property (including intellectual property). It may also refer to a concern about a potential detriment or advantage and is not necessarily limited to actual or potential economic or pecuniary advantage or detriment.<sup>86</sup> The French word “intérêt” has similar meanings: “Interest”, “Share, stake (in the game)...”, “Advantage, benefit”.<sup>87</sup> In the present context, it is also worth noting the interests with which we are concerned, namely those of the “author”, not those of the “right holder” as in article 13 of the TRIPS Agreement. As the rights of authors that are protected under Berne include both economic and non-economic (moral) rights, it is clear that the term “interests” in article 9(2) encompasses both pecuniary and non-pecuniary interests. In the case of article 13 of TRIPS, however, this would not necessarily be the case as moral rights are expressly excluded from the scope of TRIPS.<sup>88</sup>
- “Legitimate” has the meaning of “conformable to, sanctioned or authorised by law or principle; lawful; justifiable; proper”,<sup>89</sup> a meaning that the WTO Panel characterised in its US “homestyle” report as relating to “lawfulness from a legal positivist perspective”.<sup>90</sup> But the Panel goes on to note that it has also the connotation of legitimacy from a more normative perspective<sup>91</sup> and this is reflected in the meaning of the French word “légitimes”: “Legitimate, lawful...”,

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<sup>84</sup> *Records* 1967, Vol II, p 1145.

<sup>85</sup> *ibid.*, Vol I, p 113 (Doc S/1, p 43).

<sup>86</sup> *SOED*, p 1393. See also WTO Panel, p 57.

<sup>87</sup> *Harrap's*, I:20.

<sup>88</sup> Nordemann et al at p 109 make the point that the reference to the “author” in article 9(2) should always be interpreted to read “author and his successors in title or other holder of exclusive exploitation rights” and go on to say: “The balancing of interest undertaken here...concerns not only the personal interests of the author but also the economic interests that can be represented by copyright proprietors.”

<sup>89</sup> *SOED*, p 2496.

<sup>90</sup> WTO Panel, p 58.

<sup>91</sup> *ibid.*

“Justifiable, rightful; well-founded...”, “Sound”.<sup>92</sup> It therefore seems reasonable to conclude that the phrase “legitimate interests” is capable of encompassing all the interests (economic and non-economic) that are to be protected under the exclusive rights conferred by the Stockholm/Paris Acts of the Berne Convention, but that this is not an unqualified or absolute conception: there must be some normative justification underpinning these interests. Another way of expressing this is to say that the adjective “legitimate” implies that there is a “proper” sphere of application for authors’ interests, and that this should not be overreaching or pursued regardless of other considerations. This appears to bring us back again to the kind of balancing process that applies under the second step of article 9(2), although clearly the third step goes further than consideration of just the economic interests of the author.

- “Prejudice” connotes “harm, damage or injury”. Likewise, in French: “Prejudice, detriment; (moral) injury; wrong, damage...”<sup>93</sup>
- “Unreasonable” and “not unreasonable” have the connotation of not being “proportionate” or “within the limits of reason, not greatly less or more than might be thought likely or appropriate” or “of a fair, average or considerable amount or size”.<sup>94</sup> The WTO Panel took the view that “not unreasonable” connoted a slightly stricter threshold than “reasonable”, but it is difficult to identify precisely what the difference between these two is. So far as the French word “injustifié” is concerned, it is not so clear that this is an exact equivalent of “not unreasonably” in so far as this does not necessarily have the connotation of proportionality or “within reason”: the usual translations which render this as “unjustified, unwarranted” appear more open-ended.<sup>95</sup> In this regard, however, it should be noted that the expression “ne cause pas un préjudice injustifié” was an attempt to translate wording that came from a UK proposal.<sup>96</sup> This gave rise to some criticism, on the basis that the concept of “unreasonable prejudice” was “too typically British to be easily understood by judges in continental countries.”<sup>97</sup> On the other hand, the records of the 1967 Stockholm Conference indicate that the English meaning is the appropriate one to apply, as the Conference was attempting to give effect to the English wording.

It will be clear from the above analysis that the words “not unreasonably” and, to a lesser extent, “legitimate” play an important role in modifying the application of the third step of article 9(2). It will obviously be more difficult to show “unreasonable prejudice” than would be the case if the test were “prejudice” alone. If the question were only whether the proposed exception would cause prejudice to the legitimate interests of the author, it might follow that any exception whatsoever to the right of reproduction would inevitably cause prejudice to those interests.<sup>98</sup> On the other hand,

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<sup>92</sup> *Harrap’s*, L:7.

<sup>93</sup> *Harrap’s*, P:51.

<sup>94</sup> *SOED*, p 2496 (meaning of “reasonable”).

<sup>95</sup> *Harrap’s*, I:16.

<sup>96</sup> *Records 1967*, Vol II, pp 884–885 (minutes of Main Committee I) and p 1147 (Report of Main Committee I).

<sup>97</sup> *ibid.*, p 858 (delegate of the Netherlands).

<sup>98</sup> *Records 1967*, Vol II, p 883 (observation of Professor E Ulmer, chairman of Main Committee I). So also to the same effect is the *WIPO Guide* which states at p 56: “...all copying is damaging to some

the words “not unreasonably prejudice” allow the making of exceptions that may cause prejudice of a significant or substantial kind to the author’s legitimate interests provided that (a) the exception otherwise satisfies the first and second conditions stipulated in article 9(2), and (b) it is proportionate or within the limits of reason – that is, if it is not unreasonable. The requirement of proportionality clearly implies that there may be conditions placed on the usage that will make any prejudice that is caused “reasonable”, for example, where these interests are protected through a requirement that the usage should be done subject to certain conditions or within certain guidelines, that there should be attribution (where there might otherwise be unreasonable prejudice to an author’s moral rights), or even that payment should be made for the use.

This last point is sometimes controversial, but specific support for it is to be found in the preparatory work for the Stockholm text. The discussions of Main Committee I indicate that “unreasonable prejudice to the legitimate interests of the author” may be avoided by the payment of remuneration under a compulsory licence (although this would not, of course, “cure” a use that conflicted with a normal exploitation of the work<sup>99</sup>). Thus, in its report, Main Committee I expanded upon the following example given by Professor Ulmer in the course of the Committee’s discussions:

...a rather large number of copies for use in industrial undertakings...may not unreasonably prejudice the legitimate interests of the author, provided that, according to national legislation, an equitable remuneration is paid. If a small number of copies is made, photocopying may be permitted without payment, particularly for individual or scientific use.<sup>100</sup>

This clearly envisages that exceptions under article 9(2) may take the form of either free uses or compulsory licences, depending essentially on the number of copies made.<sup>101</sup> This “interpolation” of a “halfway” house has been strongly criticised by the French commentators Debois et al as being unjustified on the ground that the demarcation between the two kinds of provision (free use or compulsory licence) will always be difficult to draw in practice and that the correct choice therefore should simply be between permission and prohibition.<sup>102</sup> Nonetheless, the statement of Professor Ulmer, as endorsed in the report of Main Committee I, was uncontested and can legitimately be regarded as part of the “context” of the treaty (for the purposes of article 31(1) of the Vienna Convention). Furthermore, as I note in my commentary, as a matter of language, “it also makes sense.” I go on to state:

The power under article 9(2) is to permit the reproduction of works in certain special cases, and there is nothing in the wording of the provision which forbids the imposition of conditions on the grant of such permission, such as an obligation to pay for it (or to acknowledge the source of the work reproduced, for that matter). It must also be borne in mind that article 9(2) was conceived of as

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degree: a single photocopy may mean one copy of the journal remaining unsold and if the author had a share in the proceeds of publication he lost it.”

<sup>99</sup> By definition, the receipt of royalties under a compulsory licence should not be regarded as part of the normal exploitation of a work if it is assumed that a compulsory licence should only be instituted because of some kind of market failure.

<sup>100</sup> *Records* 1967, Vol II, pp 1145–1146. Professor Ulmer’s comments appear at p 883.

<sup>101</sup> To similar effect, see Nordemann et al, op. cit., p 109.

<sup>102</sup> Desbois, Françon & Kéréver, op. cit., p 207: “A la vérité, l’introduction de la licence obligatoire procède d’une interpolation, car le formule de l’art.9, al.2 n’en fait pas état. Le choix paraît devoir être restreint a la permisison ou a l’interdiction.”

being capable of covering all existing exceptions to reproduction rights under national laws, apart from those already covered by other provisions of the Convention. As some national laws already had compulsory licences for particular kinds of use, it cannot be presumed that it was intended that such licences were to be precluded by the new provision. In this regard, the fact that the Indian proposal which expressly allowed for compulsory licences was rejected by Main Committee I is irrelevant: during the course of that Committee's discussions, it was made clear that compulsory licences were within the scope of article 9(2).<sup>103</sup>

#### *Interpretation to be adopted*

Accordingly, the following interpretation of the third condition of article 9(2) is proposed:

*The condition only comes into play after the first and second conditions have been satisfied.*

*“Legitimate interests of the author” includes both economic and personal (moral right) interests of the author and successors in title. This involves some consideration of the normative aspects of these claims.*

*The prejudice to these interests by the proposed usage may be substantial or material, but it must not be “unreasonable” in the sense of being disproportionate. This implies that “unreasonable prejudice” may be avoided by the imposition of conditions on the usage, including a requirement to pay remuneration.*

### **3.2 Incorporation of the three-step test into the TRIPS Agreement**

Article 9(2) of Berne is concerned only with defining the parameters within which exceptions may be made under national laws to the exclusive reproduction right that is protected under article 9(1). Nonetheless, the language of the three-step test has been picked up in the provisions of two subsequent international agreements with a potentially wider sphere of application, namely the TRIPS Agreement and the WCT.

In the case of the TRIPS Agreement, this appears in article 13, which provides:

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

There is no doubt that this is a direct adaptation of the three-step test in article 9(2), but, as a separate provision of TRIPS, it has to be interpreted as part of that agreement rather than as part of Berne. It also has a wider sphere of operation, at least potentially, than article 9(2). A series of questions therefore present themselves, and these are considered in the following paragraphs.

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<sup>103</sup> Ricketson, op. cit., pp 484–485.

### 3.2.1 *To what exclusive rights does article 13 apply?*

Is it limited to those rights that must be protected under the TRIPS Agreement itself, or does it also apply to those exclusive rights under articles 1–21 of Berne that TRIPS members are obliged to protect by virtue of article 9(1) of TRIPS? If the first of these interpretations is correct, article 13 will have a very limited sphere of application, and one that is of no relevance to the present advice, as the only non-Berne exclusive right required to be protected under TRIPS is the rental right, which applies only in limited cases (computer programs and films).<sup>104</sup> The better view therefore must be that article 13 applies to all the exclusive rights listed in Berne, including that of reproduction, as well as the rental right in TRIPS. This was the interpretation taken by the WTO Panel that considered the complaint of the European Communities against the USA in relation to the “homestyle” and business exemptions under section 110(5) of the *Copyright Act 1976*,<sup>105</sup> and it seems to be a reasonable interpretation of the unqualified phrase “exclusive rights” that appears in article 13.

### 3.2.2 *What factors are relevant to the interpretation of article 13?*

In the case of article 9(2) of Berne, I have examined carefully at 3.1.2 above the interpretation to be given to each of the criteria outlined in that provision in accordance with the rules of interpretation contained in articles 31–32 of the Vienna Convention. As a starting point, these interpretations have a clear relevance to article 13, if only because of the close identity of language and subject-matter. At the same time, it is also relevant to point to specific features of the TRIPS Agreement that may indicate that the individual components of the three-step test in article 13 should bear a different nuance or emphasis. These matters include the following:

- The TRIPS Agreement is a trade agreement, and is concerned with removing barriers to trade among member countries, in this case with respect to trade in intellectual property rights (IPRs), including copyright. Thus, the need to have effective protection of IPRs is put squarely at the beginning of the preamble of the agreement, along with the declaration that “intellectual property rights are private property rights”. In the light of these statements, it might be possible to argue that, above all, TRIPS is concerned with maximising the protection of IPRs and that a “maximalist” pro-rights interpretation should be taken, wherever necessary. Such an approach would generally be quite consistent with the author-centric goals of the Berne Convention, on the basis that the interests of rights owners and authors will usually coincide (moral rights being the one area where this may not happen).
- The TRIPS preamble, however, contains other objectives that need to be taken into account. Among other things, these include recognition of “the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives”. More specifically, articles 7 and 8 point to other factors that member states are to take into account in implementing their TRIPS obligations. Thus, article 7 is headed “Objectives” and provides:

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<sup>104</sup> See generally, TRIPS, article 11.

<sup>105</sup> WTO Panel, WT/DS/160/R, p 30.

The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge, and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

Article 8(1) then provides that member states 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”. Article 8(2) allows further for “appropriate measures...consistent with the provisions of this Agreement” that may be needed to prevent the abuse of IPRs or “practices which unreasonably restrain trade or adversely affect the international transfer of technology.” It is clear from these provisions that, when interpreting TRIPS provisions in their context and in the light of its object and purpose, it will be permissible, indeed necessary, to adopt a more balanced approach that weighs the interests of rights holders against other competing public interests, such as educational and developmental concerns. In other words, it would be mistaken to adopt the maximalist view referred to above.

- Having said this, the TRIPS Agreement contains further provisions that deal specifically with its relationship to the Berne Convention and these, in turn, modify the application of the “balanced” approach outlined above. Of particular relevance here is article 2(2) of TRIPS, which provides that “nothing in Parts I–IV of this Agreement shall derogate from existing obligations that Members may have towards each other under...the Berne Convention.” Thus, to the extent that article 13 of TRIPS might permit further limitations or exceptions to the exclusive rights protected under Berne than are presently allowed under that text, article 2(2) of TRIPS would require that article 13 should not be applied in this way, as that would represent a derogation from these rights. This would be so, even though application of article 13 might otherwise permit a more generous range of exceptions because of the balancing process referred to above at 3.1.2. Article 2(2) will only operate as between Berne members, but, given the wide present membership of Berne, this will cover virtually all states that are also parties to TRIPS.<sup>106</sup> Support for this limiting approach is also to be found in article 30(2) of the Vienna Convention, which provides that when a treaty specifies that it is “subject to, or that it is not to be considered as incompatible with” an earlier or later treaty on the same subject-matter, the provisions of that other treaty prevail.<sup>107</sup>
- A further limiting factor is to be found in article 20 of Berne, which is incorporated into TRIPS by virtue of article 9(1) of that agreement. This provides

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<sup>106</sup> As at 15 April 2002, there were 149 members of Berne; as at 1 January 2002, there were 144 members of the WTO (information available from [www.wipo.org](http://www.wipo.org) and [www.wto.org](http://www.wto.org)). There are some notable absences, however, at present from WTO membership from countries that are Berne members, notably the People’s Republic of China and the Russian Federation.

<sup>107</sup> However, as the Vienna Convention does not appear to apply to the Berne (see 2.1 above), article 30(2) could not itself be directly relied on for this conclusion. Furthermore, it seems generally that article 30 of the Vienna Convention, unlike articles 31 and 32, is not a codification of the relevant customary rules of international law, but rather is a statement of residuary rules that may be applied by states when faced with competing successive treaty obligations: Sinclair, *op. cit.*, pp 94–98. Given that the language of article 2(2) of TRIPS is reasonably clear in its intent, it is unnecessary to consider what the situation would be, in the absence of such a provision.

that Berne members can make “special agreements among themselves” (TRIPS would be an example of such an agreement) 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”. The second limb of article 20 is particularly relevant in the case of limitations and exceptions to exclusive rights other than the reproduction right. In the words of one leading commentator, it has the consequence that article 13 of TRIPS cannot be regarded as providing Berne members with “a general charter for imposing such limitations on rights other than the reproduction right” and cannot therefore be used “to justify derogation of any minimum right established by Berne”.<sup>108</sup> Thus, exceptions to any of the rights protected under Berne (apart from that of reproduction) will need to find a basis under that Convention, rather than in the general language of article 13 of TRIPS.

### 3.2.3 *What kinds of derogations from exclusive rights does article 13 allow?*

Although article 13 adopts virtually the same language as article 9(2) of Berne in relation to the three-step test, its opening words are somewhat different. While article 9(2) says that it is a matter for legislation in Union countries “to permit the reproduction” of works subject to satisfying the three-step test, article 13 is more directive in tone, saying that members “shall confine limitations or exceptions to exclusive rights” in accordance with the three-step test. Thus, article 9(2) does not use the words “exceptions” or “limitations”, nor do these terms appear elsewhere in Berne. What meanings, therefore, do these terms bear, as used in article 13? Their ordinary dictionary meanings indicate that they are interchangeable; in other words, an “exception” to a rule is probably no different from a “limitation” on that rule. In either instance, the result will be that the rule does not apply to the particular situation or instance. There appears to be no consistency in the way in which these terms are used in national laws,<sup>109</sup> and for our present purposes it seems reasonable to regard both as interchangeable. It is also reasonable to assume that article 9(2) is concerned with exceptions and limitations to the reproduction right, although it does not use these terms. In both instances, therefore, the capacity to make exceptions or limitations is subject to the three-step test.

### 3.2.4 *What is the proper sphere of application for article 13?*

In the light of article 2(2) of TRIPS and article 20 of Berne, it does not seem possible to argue for any wider application of the three-step test under article 13 of TRIPS than would otherwise be allowed under the Berne Convention. However, this does not mean that article 13 has no distinct sphere of operation as a substantive provision of the TRIPS Agreement. It is therefore necessary to examine this proposition more closely in relation to the different exclusive rights to which article 13 may be applied.

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<sup>108</sup> Goldstein, *op. cit.*, p 294.

<sup>109</sup> See JH Spoor, “General Aspects of Exceptions and Limitations to Copyright: General Report”, presented to ALAI Study Days, *The Boundaries of Copyright*, Cambridge, UK, 14–17 September 1998, p 27ff.

*The exclusive reproduction right*

The exclusive reproduction right protected under article 9(1) of Berne must also be protected under TRIPS by virtue of article 9(1) of that agreement. In this regard, with one qualification discussed below, the three-step test in article 13 of TRIPS simply replicates the three-step test in article 9(2) of Berne. To the extent that the differing objectives of TRIPS might allow for a more generous interpretation of the various components of the three-step test, it has been suggested above that the non-derogation clause in article 2(2) of TRIPS and article 20 of Berne do not allow for this. However, one qualification to this is found in the wording of the last of the three steps outlined in article 13, namely that the exception or limitation in question must “not unreasonably prejudice the legitimate interests of the right holder”. By contrast, in article 9(2) of Berne, the reference is to the “author”. While “authors” and “right holders” may frequently be the same persons, in many cases this will not be so, and this may therefore lead to a significant difference in the application of the third step. It will be recalled that it was suggested at 3.1.2 above that the “legitimate interests” of authors include non-monetary (moral) interests as well as monetary ones. On the other hand, right holders who are not authors will not have moral rights concerns to be protected. Accordingly, it would be possible for an exception to the reproduction right that was allowable under article 13 to contravene article 9(2) if, for example, it did not require attribution of authorship or it contravened the right of integrity, and these represented an unreasonable prejudice to the author’s legitimate interests. Such cases may not be very likely, but, if they arose, how would the conflict between the provisions be reconciled? This would clearly be a derogation from existing obligations under Berne (article 2(2) of TRIPS) and therefore, on the face of it, not allowable. However, article 2(2) would have to be read here subject to a specific provision concerning moral rights that appears in the Berne-incorporating provision in article 9(1) of TRIPS. Thus, the latter provides that members do not have rights or obligations under this Agreement with respect to the rights conferred under article 6*bis* of Berne or of the “rights derived therefrom”. In such a case there would be a breach of Berne (if the country in question was a member of that Convention), but not of article 13 of TRIPS. This, in turn, would mean that the dispute resolution procedures under TRIPS would not be available to a country that wished to complain of the breach.<sup>110</sup>

*Exclusive rights other than reproduction*

Article 13 of TRIPS also goes beyond the reproduction right, applying to “exclusive rights” generally. As noted above, this includes not only the rental right, which is the sole exclusive right to be protected under TRIPS alone, but also the other exclusive rights, apart from reproduction, that are protected under articles 1–21 of Berne, namely translation (article 8), public performance (article 11), broadcasting (article 11*bis*), public recitation (article 11*ter*) and adaptation (article 12). Article 13 of TRIPS will have a different mode of application with respect to these different rights.

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<sup>110</sup> A possible argument against this is to say that such an exception, albeit allowable under article 13, would nonetheless fall foul of article 20 of Berne which is incorporated into TRIPS via article 9(1) of that Agreement. Thus, to the extent that the provision was contrary to article 6*bis* of Berne, this would also represent a breach of article 9(1) of TRIPS. But such a reading of article 20 would seem to run directly against the clear intent of article 9(1), which specifically excludes moral rights from the ambit of TRIPS, and cannot be correct.

So far as the rental right is concerned (and any other exclusive right that may be added to subsequent versions of TRIPS), article 13 will allow the making of exceptions or limitations in accordance with the three-step test, without the need to refer to any qualifications that may arise because of the incorporation of articles 1–21 of Berne pursuant to article 9(1). This is because it is a stand-alone TRIPS provision, and it would therefore be open to a national legislature to allow for a more generous range of exceptions to this on the basis that TRIPS requires a more balanced approach to the interpretation of its provisions. Whether this will lead to any appreciable difference in the exceptions that are actually formulated in national laws is quite another matter that need not concern us here.

So far as the remaining Berne rights (apart from reproduction) are concerned, it would be tempting to argue that article 13 allows member states to enact similar exceptions to those in article 9(2) of Berne, but it will be clear that this will not be permissible in the face of the non-derogation article 2(2) of TRIPS and article 20 of Berne. Thus, any exceptions or limitations in relation to these rights will need to be consistent with what is already allowed under articles 1–21 of Berne. Various bases for such exceptions already exist under these provisions, for example, the specific teaching and news reporting exceptions in articles 10 and 10*bis*, the restrictions on broadcasting and other communication rights that are permitted under article 11*bis*(2), and the “minor exceptions” or “minor reservations” that have been implied into the text of the Convention with respect to performing, recitation, broadcasting, recording and cinematographic rights.<sup>111</sup> The proper scope of these exceptions, particularly the implied minor exceptions, is far from clear, as they do not expressly rely on the same kinds of criteria that are contained in article 9(2) of Berne, and some, such as article 11*bis*(2) contemplate that the usage in question can take place on the payment of remuneration. In the case of the minor exceptions, it might also be possible to argue that they are not incorporated into the TRIPS Agreement via article 9(1) as they are not part of the actual text of articles 1–21 of Berne, but come into that text as “subsequent agreements” by virtue of article 31(3)(a) of the Vienna Convention. In this regard, however, it should be noted that the WTO Panel on the US “homestyle” and business exemptions was called on directly to consider this question, and reached the view that the incorporation in article 9(1) also included the applicable interpretations and agreements that had been made under the Berne text by successive revision conferences; that is, the Berne *acquis* rather than just the Berne provisions *simpliciter*. Accepting this to be so, any exception under the national law of a Berne country that is also a member of TRIPS will need to be consistent with the express and implied exceptions provided for in Berne if it is not to fall foul of the non-derogation provision of article 2(2) of TRIPS. Accordingly, 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>112</sup>

The question then arises whether article 13 adds anything further with respect to exceptions that are allowed under articles 1–21 of Berne. In answering this, it is necessary to distinguish between exceptions that are allowable under specific

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<sup>111</sup> The basis for these “minor reservations” is to be found in the general reports of both the Brussels and Stockholm Revision conferences: Records 1967, p 1166, para 209 (Report of Main Committee I) and *Documents de la Conférence réunie à Bruxelles*, 1948, p 100. See further Ricketson, *op. cit.*, pp 532ff.

<sup>112</sup> Professor Goldstein also suggests that this would put the country in question in breach of article 20 of Berne: Goldstein, *op cit*, p 294.

provisions and those that come within the less clearly defined implied category of “minor exceptions”.

In the case of the specific exceptions allowed in articles 10, 10*bis* and 11*bis*(2), these generally specify the limits within which the exception in question may be made under national law, including obligations to attribute authorship and pay compensation. Is the three-step test in article 13 to be superimposed on these provisions for the purposes of compliance under TRIPS? This argument was put by the EC in its submissions to the WTO Panel on the US “homestyle” and business exemptions. The relevant Berne provision was article 11*bis*(2), which allows the imposition of conditions on the exercise of broadcasting and public communication rights under article 11*bis*(1), subject to protection of the author’s moral rights and the right to receive equitable remuneration. The Panel held that it would be inappropriate to make this provision subject to the three-step test, in addition to these requirements, and further that it was not the basis of the US exemptions in any event (as they were not subject to any obligation of payment). On the other hand, this did not prevent an exception to the broadcasting right being made if this fell within the “minor exceptions” doctrine (see further below).<sup>113</sup>

Would the same argument apply in the case of the exceptions allowable under articles 10 and 10*bis*? In principle, there should be nothing wrong in article 13 *adding* to the limits of any existing Berne exception, as this would hardly constitute a derogation from the existing obligations of members under article 2(2) of Berne. On the other hand, difficulties of interpretation and application will arise if there is some inconsistency or simple uncertainty that arises as between the requirements of an express Berne exception, such as article 10(1), and the three-step test in article 13. To take the example of article 10(1), which deals with rights of quotation, this requires that the quotation be “compatible with fair practice” and should not exceed the amount “justified by the purpose”. It is not immediately clear how these requirements align with those of the three-step test. Article 10(2) then deals with use in teaching “to the extent justified by the purpose” where this is “by way of illustration”, and both article 10(1) and article 10(2) are subject to specific requirements of attribution under article 10(3). Rather than seek to reconcile these with the three-step test, it could be said that these requirements “codify” what is needed for the application of these specific provisions and that article 13 of TRIPS does not apply in such cases (*generalibus specialia derogant*). On the other hand, where the Berne exception is undefined or unqualified in scope, it would be appropriate to look to the three-step test in article 13 to provide the content or scope of such an exception. This is probably not the case with any of the express exceptions contained in Berne, but has particular relevance in the case of the “minor exceptions” doctrine, which is discussed in the next sub-paragraph.

As noted above, the basis for the “minor exceptions” doctrine is to be found in subsequent agreements between member states at both the Brussels and Stockholm revision conferences. While not directly relevant to the present advice (which is principally concerned with exceptions to the reproduction right), the “minor exceptions” were of critical importance to the WTO Panel’s determination in the “homestyle” and business exemption case. The applicable rights in that case were those of broadcasting and public performance, and the only possible justification for the two US exemptions had to be found in the minor exceptions doctrine – or not at

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<sup>113</sup> WTO Panel, pp 29–30.

all. The scope of the minor exceptions doctrine is far from clearly defined, apart from a number of *de minimis*-type examples that were given in the Brussels General Report – exemptions for religious ceremonies, military bands and the needs of child and adult education. Accordingly, the Panel concluded that article 13 of TRIPS had a very positive role to play here, in articulating and defining the criteria that should apply in the case of minor exceptions. It was by this route that the Panel then came to apply the three-step test to US “homestyle” and business exemptions to broadcasting and public performance rights.<sup>144</sup>

### **3.3 Incorporation of the three-step test in the WCT**

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The three-step test is incorporated into the WCT in two ways: first, indirectly under article 1(4), and, secondly, explicitly under article 10. These provisions need to be considered separately.

#### *3.3.1 Under article 1(4)*

This article applies directly to the reproduction right, as it requires Contracting Parties to comply with articles 1–21 and the Appendix of the Berne Convention. Accordingly, if a Contracting Party is not a member of Berne, it will still have to apply the three-step test to the reproduction right by virtue of article 9(2) of Berne. More problematic, however, is the effect of an “agreed statement” to article 1(4) of the WCT which was adopted by the 1996 Diplomatic Conference at the time of adopting the text of the WCT itself. This provides for a possible extension of the operation of article 9(1) and (2) through the adoption of the following interpretation:

The reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, apply fully in the digital environment, in particular to the use of works in digital form. It is understood that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Article 9 of the Berne Convention.

On its face, this statement appears to remove any doubts that might otherwise exist as to whether the reproduction right under article 9(1) of the Berne Convention, and the exceptions permitted under article 9(2), apply to digital/electronic usages. It is a moot point, in any event, whether such an interpretation was required in the light of the original generous formulation of the reproduction right in article 9(1) of Berne, namely as the “exclusive right of authorising the reproduction of...works, in any manner or form.” Presumably, though, as article 9(1) was adopted over thirty years ago, when the digital advances of recent years had not yet occurred, it was thought that it was now necessary, or at least useful, to spell out the scope of the reproduction right more explicitly. This, indeed, was the position adopted in the Basic Proposal for the 1996 Diplomatic Conference, which proposed a specific article on reproduction to be included in the WCT.<sup>145</sup> This declared that the exclusive right in article 9(1) of Berne included “direct and indirect reproduction..., whether permanent or

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<sup>144</sup> *ibid.*

<sup>145</sup> *Records of the Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, Geneva 1996*, WIPO, Geneva 1999, Vol I, p 189 (this was to be article 7(1) of the WCT) (“Records 1996”).

temporary, in any manner or form.” There was much debate about the need for this article in Main Committee I of the Conference, in particular over a further proposal concerning the possibility of limitations on the reproduction right in the case of temporary reproductions made for the “sole purpose of making the work perceptible or where the reproduction is of a transient or incidental nature, provided that such reproduction takes place in the course of use of the work that is authorised by the author or permitted by law”.<sup>116</sup> While there seemed to be general support for the first part of this proposed article, there were differing views expressed by delegates about the meaning and scope of the second part, particularly in the light of their own national laws.<sup>117</sup> It was therefore ultimately decided that it would be preferable to leave these matters to be dealt with under the existing article 9 of Berne, but supplemented or elaborated upon by an “agreed statement” in the terms set out above. In order to assess the significance of this statement in terms of international law, however, it is necessary to consider this in three contexts: first, its operation as a possible agreement between the parties at the Diplomatic Conference with respect to the interpretation and application of a provision of the WCT (article 1(4)); secondly, as a possible subsequent agreement between Berne Convention members as to the interpretation and application of a provision of that Convention (article 9); and thirdly, as a possible subsequent agreement between TRIPS members as to the interpretation and application of an incorporated provision of that agreement (article 9 of Berne).

*As part of the WCT*

In the case of article 1(4), the argument would be that the agreed statement represents an agreement relating to a provision of the treaty that was made between the parties in connexion with the conclusion of that treaty. Under article 31(2)(a) of the Vienna Convention, this could then be taken into account as part of the “context” of the treaty, and could therefore be used as a guide by WCT members in their interpretation and application of their obligation under article 1(4) of the WCT to comply with articles 1–21 of the Berne Convention (including article 9). In other words, quite apart from any obligation that such states might have under the Berne Convention itself, membership of the WCT would require the interpretation of article 9 of Berne as incorporated into the WCT, in accordance with terms of the agreed statement.

The only difficulty with this interpretation of the agreed statement is that article 31(1) of the Vienna Convention requires that such an agreement should be made by “all the parties” at the time of conclusion of the treaty, and this was not the case with the agreed statement to article 1(4). Thus, the Conference *Records* explicitly note that the statement was adopted by majority vote, rather than by consensus (fifty-one votes in favour, five against and with thirty abstentions<sup>118</sup>). It appears that the minority was concerned by the second sentence of the statement relating to electronic storage. While there was “consensus” during the discussions of Main Committee I with

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<sup>116</sup> *ibid.*

<sup>117</sup> See, in particular, the summary of the first debate on this draft article in Main Committee I by the chairman at *Records 1996 op. cit.*, pp 674–75.

<sup>118</sup> *Records 1996, op. cit.*, p 628.

respect to the first sentence,<sup>119</sup> this was not the case with respect to the second. In the plenary session of the Conference, however, the statement was voted on as a whole, meaning that it cannot therefore be said that either the first or second sentence was agreed to “by all parties” within the terms of article 31(2)(a) of the Vienna Convention. This, then, relegates the significance of both sentences of the agreed statement as an aid to the interpretation of WCT obligations under article 1(4) with respect to article 9(1) and (2) of the Berne Convention.<sup>120</sup> This point was made by several delegates during the discussions in Main Committee I, who pointed to the need for an “agreed statement” to be reached by consensus rather than a majority vote for the purposes of article 31(2)(a).<sup>121</sup> While the majority of delegates (led by the USA) pushed for a vote to be taken on the issue, it is unclear what they thought this would achieve. Article 31(2)(a) of the Vienna Convention is quite definite on the need for unanimity, and it would hardly be open to delegates at a diplomatic conference unilaterally to vary the terms of an established rule of customary international law (as embodied in article 31(2)(a)) so as to allow a majority vote to have the same status as one reached by consensus. As a matter of treaty interpretation, the relevance of the agreed statement will have to be under article 32, as a supplementary means of interpretation where an interpretation according to article 31 leaves the meaning ambiguous or obscure or leads to a manifestly absurd or unreasonable result. In this regard, the majority agreed statement could be regarded as forming part of “the circumstances of [the treaty’s] conclusion”.<sup>122</sup>

The effect of this would therefore be as follows: where country A (a party to the WCT though not necessarily to Berne and therefore bound by article 1(4) to comply with article 9 of Berne) has doubts as to whether the right of reproduction required to be protected under article 9(1) includes digital uses, it would be permissible for that country to refer to the agreed statement as a supplementary aid to interpretation. This would be on the basis that there is “ambiguity”, or possibly “obscurity”, in relation to the correct interpretation of article 9, which then brings article 32 of the Vienna Convention into play. In such a case, it would then be open to Country A to have regard to the majority interpretation embodied in the agreed statement to article 1(4) and to change its national law accordingly. On the other hand, there would be no obligation on Country A to adopt the interpretation embodied in the agreed statement (unless, of course, that interpretation had become crystallised in subsequent state practice under article 31(3)(b) of the Vienna Convention). In other words, so far as article 1(4) of the WCT is concerned, it will be up to contracting parties whether or not to give effect to it. At present, of course, this question remains academic for Australia as long as we remain outside the WCT.

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<sup>119</sup> *Records 1996*, op. cit., pp 784–98.

<sup>120</sup> *Records 1996, 1996*, op. cit., pp 628–29.

<sup>121</sup> *Records 1996*, op. cit., pp 789 (delegate of Cote d’Ivoire), 791–792 (delegate of the Philippines). Note the view of Ficsor that unanimity is not required for the purposes of article 31(2)(a) of the Vienna Convention: Ficsor, op. cit., p 447.

<sup>122</sup> It might be difficult to regard it as part of the “preparatory work of the treaty”, although it clearly arose from the work that preceded the 1996 Diplomatic Conference.

*As part of the Berne Convention itself*

The second context in which the agreed statement to article 1(4) of the WCT needs to be considered is in relation to the Berne Convention itself and in relation to those members of the WCT that are also Berne members. Thus, the statement may become binding on those states if it represents a “subsequent agreement” between these states regarding the interpretation of that treaty or the application of its provisions (in this case, article 9) pursuant to article 31(3)(a) of the Vienna Convention. Unlike article 31(2)(a), article 31(3)(a) does not refer to the subsequent agreement having to be between “all parties” to the Berne Convention, but it is hard to see how it could be effective as constituting a binding interpretation of article 9 of Berne in the absence of unanimity between all Berne members (or at least as between all those that are parties to the Stockholm/Paris texts.) It is possible, however, that it could operate as a limited agreement between those Berne members that have ratified or acceded to the WCT as to the way in which those states will henceforth apply article 9 of Berne as between themselves. Australia will therefore be under no obligation with respect to the agreed statement and article 9 until such time as it accedes to the WCT. At this point, it would become bound to apply the statement to those other WCT members that are also Berne members as a “*Berne acquis*” obligation.

*As part of TRIPS*

A final way in which the agreed statement to article 1(4) could operate is in relation to the TRIPS Agreement as a subsequent agreement between the parties for the purposes of article 31(3)(a) of the Vienna Convention. Under TRIPS (as under the WCT) parties are required to comply with articles 1–21 of Berne, and in this regard it can be argued that the agreed statement to article 1(4) of WCT operates as a subsequent agreement between those TRIPS parties that are also signatories to the WCT with respect to the way in which article 9 of Berne is to be interpreted *as part of* TRIPS. Similar arguments arise here as in relation to the Berne Convention itself (see above). But the difference is that the agreed statement to article 1(4) makes no reference at all to TRIPS, and the better view must be that the agreed statement has no relevance to the TRIPS obligations with respect to article 9.

*3.3.2 Under article 10*

The exegesis above in relation to article 1(4) covers many of the same issues of interpretation that arise in relation to article 10. In the case of article 10, however, the three-step test appears directly in the text, and has a much wider potential application than just to the reproduction right. Article 10 provides:

- 10 (1) Contracting Parties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty in certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.
- (2) Contracting Parties shall, when applying the Berne Convention, confine any limitations of or exceptions to rights provided therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.

The draft of this provision is to be found in the Basic Proposal that was presented to the 1996 Diplomatic Conference. In the Notes to the Basic Proposal (prepared by the WIPO secretariat), it is made clear that the provision in article 10(1) (which was article 12(1) in the Basic Proposal) was intended to be identical to article 9(2) of Berne.<sup>123</sup> Its sphere of application, however, was clearly different, as it applied only to the rights granted under the WCT, namely the new rights of distribution (article 6), rental (article 7) and communication to the public (article 8). Its interpretation, therefore, is only relevant to the present discussion in a prospective way; that is, in legislating for any exceptions to these rights, in particular the communication right, the Australian Government should ensure that it complies with the three-step test on the basis that this will be necessary in the event that Australia ultimately accedes to the WCT. This will become relevant in our discussion in Chapter 7 concerning exceptions to the communication right that are allowed in the amendments to the library and archives provisions of the *Copyright Act 1968* that were made as part of the Digital Agenda amendments in 2000.

Article 10(2), on the other hand, is more problematic in that, like article 13 of TRIPS, it purports to apply to all the rights protected under Berne. It is unclear, however, what effect it is intended to have so far as existing Berne exceptions and limitations are concerned. The Basic Proposal for the Diplomatic Conference, which was prepared by the WIPO secretariat, suggests that article 10(2) (and, by inference, article 13 of TRIPS) may imply greater restrictions on the scope of permissible exceptions than would otherwise apply to these rights. It went on to postulate that this might arise in the case of the indeterminate implied category of “minor reservations”. Thus, if a minor reservation applied under national law exceeded the limits set by the three-step test, the Basic Proposal indicated that this would no longer be allowable under article 10(2) of the WCT. It went on to state that:

It bears mention that this Article is not intended to prevent Contracting Parties from applying limitations and exceptions traditionally considered acceptable under the Berne Convention. It is, however, clear that not all limitations currently included in national legislations would correspond to the conditions now being proposed. In the digital environment, formally “minor reservations” may in reality undermine important aspects of protection. Even minor reservations must be considered using sense and reason. The purpose of the protection must be kept in mind.<sup>124</sup>

In the discussions in Main Committee I of the 1996 Diplomatic Conference, it became clear that some delegates viewed the proposed article 10(2) (then article 12(2)) as having a wider effect, namely that it might make a “straightjacket” for existing exceptions in areas essential for society,<sup>125</sup> and that these limitations should not be curtailed by the change from a physical to a digital format.<sup>126</sup> Quite apart from the “minor reservations”, one delegate (from Singapore) pointed to the possibility that article 10(2) might narrow what was already permitted by the following articles of the

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<sup>123</sup> See *Records 1996*, p 212. There were, in fact, some slight differences in wording that were removed in the final text of article 10(1) that was adopted at the Diplomatic Conference. Thus, article 12(1) of the Basic Proposal referred to limitations and exceptions that might be granted “only in certain special cases that do not conflict with the normal exploitation of the work...” The word “only” was removed in the final text while “a” was substituted for “the”. Thus, the wording of the tests in article 9(2) of Berne and article 10(1) of the WCT is identical.

<sup>124</sup> *Records 1996*, op. cit., p 214.

<sup>125</sup> *Records 1996*, op. cit., p 704 (delegate of Denmark).

<sup>126</sup> *Records 1996*, op. cit., p 705 (delegate of India)

Berne Convention, namely articles 2(4), 2(8), 2*bis*(1), 10(1), 10*bis*(1), 10*bis*(2) and 11*bis*(2), with the consequence that article 10(2) would be in breach of article 20 of the Berne Convention.<sup>127</sup> Other delegations, however, expressed the view that article 10(2) should not affect existing limitations and exceptions either way, although it should be possible to carry these over into the digital environment.

The final text of the WCT addresses these concerns in several ways: through express provisions of the treaty itself and through the device of agreed statements of the kind already discussed above. Thus, under article 1(1), the WCT is declared to be a “special agreement” within the meaning of article 20 of Berne, which indicates that the WCT is to be interpreted according to the criteria expressed in that provision; that is, as only granting authors more extensive rights than those granted in the Convention or as not containing provisions contrary to the Berne Convention. Article 1(2) then follows article 2 of TRIPS in providing that “nothing in this Treaty shall derogate from existing obligations that Contracting States have to each other under the Berne Convention...” As membership of Berne is not a prerequisite for membership of the WCT, article 1(4) completes the circle by requiring that all Contracting Parties will comply with articles 1–21 and the Appendix of Berne (see 3.3.1 above).

Quite apart from the above, article 10 is itself the subject of an “agreed statement” that was adopted by the December 1996 Diplomatic Conference. This provides:

It is understood that the provisions of Article 10 permit Contracting Parties to carry forward and appropriately extend into the digital environment limitations and exceptions in their national laws which have been considered acceptable under the Berne Convention. Similarly, these provisions should be understood to permit Contracting Parties to devise new exceptions and limitations that are “appropriate in the digital environment”.

It is also understood that Article 10(2) neither reduces nor extends the scope of applicability of the limitations and exceptions permitted by the Berne Convention.

Unlike the agreed statement to article 1(4), this statement was adopted by consensus at the 1996 Diplomatic Conference, and can therefore to be regarded as part of the context of the WCT for the purposes of article 31(2)(a) of the Vienna Convention. Having said this, it is uncertain that the statement takes us much further along the road to an understanding of the effect of article 10. The following remarks can be made about the statement and its effect:

- For a start, it does not have any direct application to article 10(1), which is concerned only with the new rights established under the 1996 Treaty. The reason I use the adjective “direct” is because the new communication right under the WCT inevitably includes the rights covered under existing article 11*bis*(1) of Berne, and this is subject to exceptions allowable under article 11*bis*(2) of the kind that were the subject of consideration by the WTO Panel in the “homestyle” case. A possible conflict may therefore arise between what is permissible by way of exception to article 8 of the WCT and article 11*bis*(2) of Berne, although clearly the homestyle case will be influential here in suggesting that the three-step test will be superfluous in the case of article 11*bis*(2).

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<sup>127</sup> *Records 1996*, op. cit., p 705.

- So far as existing exceptions under Berne are concerned (these would include exceptions to the reproduction right under article 9(2)), article 10(2) of the WCT neither reduces nor extends the scope of applicability of these. However, the relevant criterion here that is specified in the agreed statement is that these limitations and exceptions must be “permitted by the Berne Convention”, which is a meaningless criterion in this context. It is clear from the discussions in Main Committee I of the 1996 Diplomatic Conference that the intention here was not to alter the status quo under Berne, but it is equally clear that it was accepted that some, at least, of the existing exceptions and limitations under national laws might not meet the three-step criteria although they fell within the scope of either other express provisions of Berne or the minor exceptions doctrine. While the views expressed in the Basic Proposal indicate that it was intended to modify these existing exceptions, where necessary, so as to conform with the three-step test, this was not accepted by the delegates, and the wording of the second paragraph of the agreed statement confirms this.
- The agreed statement also contemplates the extension of existing exceptions and limitations which have been considered “acceptable” under the Berne Convention into the digital environment, provided that this is done “appropriately”. Again, there is an element of question begging here: what is “acceptable” and what is “appropriate”? Article 10(2) makes this subject to the three-step test, but again, if the scope of what existing exceptions and limitations permits goes beyond this, there will be the danger of running foul of article 20 of Berne.
- The final matter contemplated by the agreed statement is the making of new exceptions and limitations that are “appropriate in the digital environment”. By definition, these will not already be covered by existing exceptions or limitations (see above) or by the extension of existing exceptions or limitations (see above), but must be new, in the sense of being different, exceptions and limitations that only become relevant because of the advent of the digital environment. In principle, such exceptions and limitations will not fall under any of the existing Berne provisions, and will therefore need to find their justification (in Berne terms) under the minor exceptions doctrine. The question will then be whether this can be done by reference to the three-step test, as postulated in article 10(2), or whether this will be contrary to Berne. Given that the scope of implied exceptions doctrine is so open-ended and indeterminate, there is a lot of force in holding that the three-step test provides a necessary codification of the appropriate criteria to be applied here, adopting the approach taken by the WTO “homestyle” panel in relation to article 13 of TRIPS.

## Chapter 4: The quantitative test in subsection 40(3)

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*Question 1(a): Does the quantitative test contained in subsection 40(3) of the Copyright Act as it operates within the fair dealing exception for research and study and as part of the library exceptions and statutory licence for educational copying, comply with the three-step test as set out in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?*

### 4.1 Introduction

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I now come to consider the application of the three-step test to specific provisions of the *Copyright Act 1968*, in particular the quantitative test contained in subsection 40(3) as it applies to fair dealing for research or study, and the library and educational copying provisions. However, before doing this, it is necessary to consider briefly the role of section 40 generally in relation to “fair dealings” for the purposes of “research or study”.

### 4.2 Fair dealing generally under section 40

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Section 40 embodies an important exception to the rights of owners of copyright in works. Under subsection 40(1), there will be no infringement of the copyright in a literary, dramatic, musical or artistic work or in an adaptation of a literary, dramatic or musical work where there is a *fair dealing* with the work or adaptation *for the purposes of research or study*. This applies generally to any dealings with the work; that is, any use of the work that is covered by the exclusive rights that are conferred on the copyright owner under subsection 31(1). However, where there is a dealing *by way of reproducing*<sup>128</sup> *the whole or a part of the work or adaptation*, subsection 40(2) lists a number of inclusive factors that are relevant to determining whether that dealing is “fair”. These have their origins in the recommendations of the Copyright Law Committee on Reprographic Reproduction which reported in October 1976 (“the Franki Committee”),<sup>129</sup> and were added to the *Copyright Act 1968* in 1980.<sup>130</sup> The factors are as follows: the purpose and character of the dealing, the nature of the work or adaptation, the possibility of obtaining the work or adaptation within a reasonable time at an ordinary commercial price, the effect of the dealing on the potential market for, or value of, the work or adaptation, and the amount and substantiality of the part reproduced<sup>131</sup> in relation to the whole work (where part only is copied). It will be clear that the application of these factors may vary from case to

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<sup>128</sup> The term “reproduction” was inserted by section 42A of the *Copyright Amendment (Digital Agenda) Act 2000*; prior to this, subsection 40(2) was limited to dealings *by way of copying*.

<sup>129</sup> Copyright Law Committee on Reprographic Reproduction, Report, AGPS, Canberra, October 1976, para 2.60 (“the Franki Committee”).

<sup>130</sup> *Copyright Amendment Act 1980*.

<sup>131</sup> The term “reproduced” was inserted by section 42B of the *Copyright Amendment (Digital Agenda) Act 2000*; prior to this, subsection 40(3)(b) referred to the situation where part only of a work or adaptation was *copied*.

case, and makes it difficult to determine, in advance, specific quantities that will fall within the scope of the fair dealing exception.

For this reason, and following a further recommendation of the Franki Committee,<sup>132</sup> subsection 40(3) deems certain minimum quantities to be within the scope of the exception. These are (a) where the work or adaptation reproduced comprises an *article in a periodical publication*, and (b) in any other case, where no more than a *reasonable portion* of the work or adaptation is reproduced.<sup>133</sup> Both the periodical article and reasonable portion criteria are used in a similar context in several other provisions of the Act: subsections 49(1), (4) and (5) (copying by libraries and archives for users), 50(7A) (copying for other libraries and archives), section 135ZJ (multiple copying of periodical articles by educational institutions) and section 135ZL (multiple copying of works by educational institutions). In each of these provisions, they are used as touchstones for determining whether particular uses of copyright works fall within the realm of non-infringing uses (sections 40, 49 and 50) or for defining the conditions under which remunerated uses may occur (sections 135ZJ and 135ZL).

The expressions “article in a periodical publication” and “reasonable portion” receive further interpretation in the Act:

- **Article in a periodical publication:** Subsection 10(3)(k) provides that a reference to an article in a periodical publication is to be read as a reference to an issue of a periodical publication and that a reference to “articles contained in the same periodical publication” shall be read as a reference to articles contained in the same issue of that periodical publication. Subsection 40(4) provides that subsection 40(3) does not apply to a “dealing by way of reproducing the whole or a part of an article in a periodical publication if another article in that publication, being an article dealing with a different subject-matter, is also reproduced.”
- **Reasonable portion of a work or adaptation:** This expression is itself subject to a deeming provision which is contained in subsection 10(2) as follows:

10(2) Without limiting the meaning of the expression reasonable portion in this Act, where a literary, dramatic or musical work (other than a computer program) is contained in a published edition of that work, being an edition of not less than 10 pages, a copy of part of that work, as it appears in that edition, shall be taken to contain only a reasonable portion of that work if the pages that are copied in the edition:

- (a) do not exceed, in the aggregate, 10% of the number of pages in that edition; or

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<sup>132</sup> Franki Committee, op. cit.

<sup>133</sup> Subsection 40(3) reads as follows:

Notwithstanding subsection (2), a dealing with a literary, dramatic or musical work, or with an adaptation of such a work, being a dealing by way of the reproducing, for the purposes of research or study:

- (a) if the work or adaptation comprises an article in a periodical publication – of the whole or a part of that work or adaptation; or
- (b) in any other case – of not more than a reasonable portion of the work or adaptation;

shall be taken to be a fair dealing with that work or adaptation for the purpose of research or study.

Prior to the *Copyright Amendment (Digital Agenda) Act 2000*, subsection 40(3) referred to a dealing by way of *copying* and the word “reproducing” was inserted by section 43C of that Act.

- (b) in a case where the work is divided into chapters exceed, in the aggregate, 10% of the number of pages in that edition but contain only the whole or part of a single chapter of the work.

The effect of this is to provide a deemed minimum quantity that is to be taken as a “reasonable portion” that, in turn, is deemed to be a fair dealing for the purpose of research or study under subsection 40(3). This applies under the following conditions:

- the work reproduced is a literary, dramatic or musical work;
- it is contained in a published edition of that work (this would appear to exclude a work that is published along with others in, say, a collection of essays or readings or a book of poetry; it would also appear to be limited to hard-copy editions under Part IV of the Act);
- the edition must be more than ten pages;
- the portion copied does not exceed:
  - a) in the aggregate, 10% of the number of pages in that edition; or
  - b) in a case where the work is divided into chapters and the whole or part of a single chapter is copied, the number of pages copied exceed, in the aggregate, 10% of the number of pages in that edition; and
- the portion copied must be a copy of “part of the work, as it appears in the edition”; this wording appears to limit the deeming provision under subsection 10(2) to hard-copy reproductions of the work as it is contained in that edition.

The reference to “in the aggregate” means that it is permissible to copy a series of sections of a work and to aggregate these to make up the 10%, rather than reproduce just a single block of material amounting to 10%. This would have the effect, therefore, of allowing a user to “cherry-pick” the best or most relevant parts from the work.

It will be seen that the above interpretation of “reasonable portion” in subsection 10(2) is limited in its operation, namely to published editions of not less than ten pages of literary, dramatic or musical works (other than computer programs). However, this is not the limit to the kinds of works that can be copied under subsection 40(3)(b). Thus, the opening words to subsection 10(2) are, “Without limiting the meaning of the expression ‘reasonable portion’...”, which means that, while the minima designated in paragraph (a) and (b) are deemed to be “reasonable portions” for the purposes of subsection 40(3)(b), there will be other portions of works not within these minima that can still be “reasonable portions” for the purposes of that subsection. Given, however, that this possibility exists, there is no further guidance on how to determine whether a given quantity is or is not a “reasonable portion”, apart from the adjective “reasonable” itself. This uncertainty has implications for the question of compliance with the Berne Convention and is discussed below.

The expression “reasonable portion” is the subject of further interpretative provisions that now appear in subsections 10(2A), (2B) and (2C). These were added by the Digital Agenda amendments in 2000, and came into force on 4 March 2001. Essentially, they are intended to deal with reproductions of works in “electronic

form” and seek to apply similar criteria in that environment to those that are applied under subsection 10(2). For ease of exposition, these Digital Agenda provisions are dealt with separately in the following chapter of this advice.

Subsection 40(3) does not prevent other and larger quantities of a work that are reproduced from being allowable as a fair dealing under subsection 40(1), but such dealings would fall to be assessed by reference to the factors given in subsection 40(2) (see above). Thus, in some instances, it may even be permissible to reproduce the whole of a work, for example, where it is an old published work that is now out of print and where the user’s purpose is purely for private scholarly research. Subsection 40(3) therefore provides a degree of certainty to users and relieves them of the obligation of having to apply the guidelines *de nova* in each case. It should be said, however, that subsection 40(3) may provide an immunity for reproductions that would otherwise not constitute fair dealing because the guidelines under subsection 40(2) could not be satisfied. This question is taken up further below.

### **4.3 Compliance with the three-step test: subsections 40(1) and (2)**

The bulk of the discussion that follows is concerned with the question of compliance in the case of the quantitative test contained in subsection 40(3), but the question of compliance also arises in relation to the two preceding subsections of section 40, namely subsections 40(1) and (2). While I have not been asked to consider the issue of compliance with respect to either of these provisions, it is nonetheless relevant to do so, as both subsections provide the foundations on which the quantitative test in subsection 40(3) comes into play. Accordingly, I commence this analysis with a brief consideration of subsections 40(1) and (2), before moving to a more detailed examination of compliance with respect to subsection 40(3).

#### *4.3.1 Compliance in the case of subsection 40(1)*

##### *Questions of terminology – “dealing”, “fair” and “research or study”*

###### *“Dealing”*

As noted above, this provision is concerned with “dealings” with works generally: there is no limitation, as in subsections 40(2) and (3), to dealings by way of reproduction. The term “dealing” is not defined in the Act, but its statutory origins are to be found in subsection 2(1)(i) of the *Copyright Act 1911* (UK), which was applied to Australia by the *Copyright Act 1912* (Cth). No change to this term was made at the time the *Copyright Act 1968* was enacted, and there was no discussion of this in the report of the Spicer Committee, which preceded that Act. However, a proposal by the Whitford Committee to rename the defence “fair use” or “fair practice”<sup>134</sup> in UK law was rejected by the British Government on the basis that, while

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<sup>134</sup> *Report of the Committee to Consider the Law on Copyright and Designs*, Cmnd 6732, paras 672–77 (“Whitford Committee”).

“dealing” might be deceptive in that it implies some sort of transaction, it was a phrase that was “understood by lawyers and others in the field”.<sup>135</sup> The term still remains in both the UK and Australian Acts, and is probably best understood as comprehending any use of a work that would otherwise be an infringement of copyright; that is, the unauthorised doing of any of the acts covered by the exclusive rights conferred on owners of copyright in works under subsection 31(1) of the Act. The only limitations imposed under subsection 40(1) are that the dealing must be “fair” and that it should be for the purposes of “research or study”. Both expressions are undefined, but as they are critical for both subsections 40(2) and (3) as well as subsection 40(1), it is useful to consider their meaning in more detail at this stage.

“Research or study”

The principal case in which these terms have been considered by an Australian court is *De Garis v Neville Jeffress Pidler Pty Ltd*<sup>136</sup> which involved the activities of a news clippings service that gathered press clippings for the purposes of commercial subscribers. In that case, Beaumont J of the Federal Court adopted the following *Macquarie Dictionary* definitions: “research” as “1. diligent and systemic inquiry or investigation into a subject in order to discover facts or principles: *research into nuclear physics*”, and “study” as “1. application of the mind to the acquisition of knowledge, as by reading, investigation or reflection. 2. the cultivation of a particular branch of learning, science, or art: *The study of law*. 3. a particular course of effort to acquire knowledge: *to pursue special medical studies*...5. a thorough examination and analysis of a particular subject...” His Honour held that neither of these terms extended to the activities of the respondent in that case, where the activity was simply the collection of data rather than the analysis and evaluation of that data. Fundamental to this conclusion was his assumption that the activity of research or study must be carried on by the person who actually claims the benefit of the fair dealing defence, in that case, the subscriber to the press clipping service. For an agent simply to gather and transmit the information for the use of another was not “research” or “study” in any relevant sense.<sup>137</sup> In other words, the purposes of the client who received the clippings, and which might well fall within the scope of “research” or “study”, were not to be attributed to its agent.<sup>138</sup>

Prior to 1980, the word “study” in subsection 40(1) was qualified by the adjective “private”, on the assumption that “research or study” should not cover the use of materials for classroom use, as opposed to individual study, for example where a teacher or student was preparing materials for class. The Franki Committee, however, took the view that this was a difficult distinction to maintain, and that such uses could still be

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<sup>135</sup> *Copinger and Skone James on Copyright*, Sweet & Maxwell, London, 14<sup>th</sup> edn, eds K Garnett, J Raynor James & G Davies, 1999, p 497, note 45 (referring to *Hansard*, H1 vol 491, cols 85–89.

<sup>136</sup> (1990) 18 IPR 292.

<sup>137</sup> Other exceptions under the Act do expressly seem to contemplate the use of agents to do particular acts in particular circumstances: for example libraries and archives under sections 49 and 50, and educational institutions for students under the statutory licence in Part VB.

<sup>138</sup> It is worth noting the robust criticism of Beaumont J’s holding on this point by the redoubtable authors of Laddie, Prescott & Vitoria, *The Modern Law of Copyright and Designs*, 3<sup>rd</sup> edn, Butterworths, London, 2000, vol I, p 750, note 7, where they say, of the efforts of a media-monitoring service: “There may be research in finding a needle in a haystack.”

regarded as being for the purposes of “research or study” as long as it was qualified by the requirement of fair dealing.<sup>139</sup>

The *De Garis* case indicates that the scope of the research or study activity is to be interpreted narrowly, in that it is to be confined to the activities of individuals acting on their own behalf. However, it does not deal with the question of what the object of that individual research or study should be. Would it, for example, apply to research or study undertaken in commercial or governmental organisations for purposes that are clearly commercial or public in character? Likewise, would it apply to work undertaken by academics and other professionals in the preparation of reports and other advices to third parties on a fee for service basis,<sup>140</sup> or to work done by a financial analyst reviewing (and reproducing) company documentation for the purpose of making share purchase recommendations to clients (where payment may come by way of a commission on orders rather than a fee)? Much of this kind of activity is commonly described as “research” or “research and development”, but it is light years removed from the graduate student writing their thesis, the amateur genealogist preparing a family tree or the school student preparing desperately for the next class or for an examination.

There is no relevant Australian authority on this question, but the CLRC in its *Exceptions Report* noted a 1991 opinion of the then Chief General Counsel to the Commonwealth Attorney-General’s Department (Dennis Rose QC) that research might well be limited to activities for the purpose of increasing knowledge in the community as a whole (i.e. basic research, as distinct from research directed at particular commercial objectives, such as product development or research in a government department for the purpose of advising a minister on proposed legislation). A much broader view, however, has been taken in New Zealand where Blanchard J of the New Zealand High Court has stated (though only by way of *obiter*) that there could still be a fair dealing for the purpose of research where there was a “commercial end in view”.<sup>141</sup> In the UK, there is some evidence in the legislative record at the time of the introduction of the equivalent “research or private study” provision in the *Copyright, Designs and Patents Act 1988* that this includes research for a commercial purpose, but there is no judicial decision on this question.<sup>142</sup> While this is obviously a matter of considerable importance across the whole range of business, industrial and professional activities, it becomes of particular significance in the area of computer software development where users and/or competitors may reproduce programs in the course of testing for errors, security testing and making interoperable products. Specific exceptions to cover these kinds of uses were introduced in the *Copyright Act 1968* in 1999,<sup>143</sup> and it might therefore be argued that their introduction indicates that uses of these kinds would not otherwise be within the scope of “research or study” under subsection 40(1). In the same way, there is another specific exception in subsection 43(2)(a) covering the giving of professional advice by legal practitioners and patent and trade mark attorneys, which also suggests

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<sup>139</sup> Franki Committee, *op. cit.*

<sup>140</sup> It would be tempting here to use the example of a barrister or solicitor preparing an advice, but this is now covered explicitly by subsection 43(2)(a).

<sup>141</sup> *Television New Zealand v Newsmonitor Services Ltd* (1993) 27 IPR 441 at 463 (Blanchard J). Note that his Honour’s holding was in relation to section 191 of the then *Copyright Act 1962* (NZ), which referred to fair dealing for the purposes of “private study or research”, and his Honour held that “private” qualified only “study” and not “research”.

<sup>142</sup> The Whitford Committee in 1978 had recommended that commercial research should be excluded from the scope of fair dealing: Whitford Committee, *op. cit.*, paras 676–77.

<sup>143</sup> See generally sections 47AB–47H.

that the “research” activities of these persons might not otherwise be within subsection 40(1). But these exceptions probably go beyond the activities of research or study in any event, and have other rationales for their inclusion in the Act. It is therefore difficult to use them as a basis for arguing that the terms “research” or “study” in subsection 40(1) do not extend to activities that are conducted with a commercial end in view. Furthermore, as a matter of ordinary language, there is no basis for limiting these terms in this way, and such an express limitation can be drawn readily enough, as in the case of the UK database right where the research or study exception is framed as a “fair dealing for the purpose of illustration for teaching or research and not for any commercial purpose”.<sup>144</sup> For the purposes of the present advice, I therefore assume that the terms “research or study” within subsection 40(1) are to be interpreted broadly and can include research or study that is conducted with a commercial end in view. Accordingly, compliance with article 9(2) needs to be considered on this basis.

Subsection 40(1) is, of course, qualified by the requirement that the research or study in question is a “fair dealing”, and it is to this matter that I now turn. There is no statutory definition of the term “fair”, but this has received some judicial consideration in relation to each of the principal fair dealing defences in both Australia and the UK. As a starting point, there is the famous dictum of Lord Denning MR in *Hubbard v Vosper*<sup>145</sup> that this is a “question of degree”. More recently, Conti J of the Federal Court has said, “it is to be judged by the criterion of a fair minded and honest person, and is an abstract concept”, and is to be “judged objectively in relation to the relevant purpose...; in short, it must be fair and genuine for the relevant purpose...”<sup>146</sup> Most of the cases in which the question of “fairness” has been raised have concerned the reporting of news and criticism or review defences, but two factors that appear equally relevant to research or study and that will usually lead courts to treat a dealing as being “unfair” are where the defendant’s use competes commercially with the copyright owner and where the work in question is unpublished.<sup>147</sup> In addition, in the case of subsection 40(1) there is nothing to preclude a court looking to, and taking into account, the specific guidelines that apply to the making of reproductions under subsection 40(2). Indeed, there is some older judicial authority that these kinds of factors, in particular the effect of the proposed dealing on the market for the work, are relevant to the general question of whether something is a “fair dealing”.<sup>148</sup>

### *Applying the three-step test*

The preceding discussion has sought to interpret the scope of subsection 40(1) and its terminology in the light of Australian law. It now remains to consider its compliance with the Berne Convention. For a start, it should be noted that the three-step test under article 9(2) will only be applicable to subsection 40(1) in so far as it covers reproductions and the latter, in turn, are specifically subject to the guidelines

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<sup>144</sup> The Copyright and Rights in Databases Regulations 1997, regulation 20(1)(b).

<sup>145</sup> [1972] 2 QB 84, 98.

<sup>146</sup> *TCN Nine Pty Ltd v Network Ten Pty Ltd* (2001) 50 IPR 335, 381; approved on appeal by the Full Court: [2002] FCAFC 146 (22 May 2002).

<sup>147</sup> See further Laddie, Prescott & Vitoria, *op. cit.*, p 754 and the cases referred to at note 2, p 757.

<sup>148</sup> See, for example: *Bramwell v Halcomb* (1836) 3 My & Cr 737; 40 ER 1110; *Johnstone v Bernard Jones Publications Ltd* [1938] Ch 599; *Beloff v Pressdram Ltd* [1973] 1 All ER 241 (Ch D); *Hubbard v Vosper* [1972] 2 QB 84 (CA).

contained in subsection 40(2) (as to which, see 4.3.2 below). Accordingly, the exceptions to other exclusive rights that might be allowable under subsection 40(1) will need to find their validation under other provisions of the Berne Convention or the implied minor exceptions doctrine. It should also be noted that there will be aspects of the new communication to the public right that will not be covered by obligations under the Berne Convention,<sup>149</sup> and accordingly there are no present restrictions here on the scope of any possible exception or limitation.

There is no specific reference to research or study under any of the provisions of Berne such as articles 10 or 10*bis*, so resort would have to be made to the implied minor exceptions doctrine. As subsection 40(1) has been in the 1968 Act since its inception (and prior to that in subsection 2(1)(i) of the *Copyright Act 1911* (UK)), it can be assumed that it can be justified on this basis, although it is difficult to determine the extent of the dealings that the minor exceptions doctrine would justify in the case of rights other than reproduction. Under article 13 of the TRIPS Agreement, however, the three-step test would be relevant in this situation (following the approach of the WTO Panel in the US “homestyle” case under which the validity of exceptions justified by the minor exceptions doctrine was made subject to these criteria). In the future, the three-step test will also come into play with respect to the full communication right, if and when Australia adheres to the WCT.

In so far as the three-step test applies to subsection 40(1), does it meet the requirements of that test? “Research or study” were not expressly mentioned in the list of standard exceptions recognised under national laws that was prepared by the 1964 Study Group, although it is arguable they would have been included within the more general category of “private use” that appeared in that list. Nonetheless, the exception for research or study has been part of Australian (and UK) law since 1911,<sup>150</sup> so it is permissible to make the initial presumption that this must meet the requirements of the three-step test. On the other hand, this is a presumption only, and it is still necessary to test the presumption against each of the components of the three-step test. In particular, it is important to examine subsection 40(1), both in its own terms and in its wider statutory context.

*Does the provision define “certain special cases”?*

This requires that it is an exception that is clearly defined and narrow in its scope and reach. Subsection 40(1) is broadly framed, in so far as it applies to all works and to all exclusive rights (leaving aside the reproduction right which is dealt with separately under subsection 40(2)). However, it is limited to dealings for the purposes of “research or study”, even if this may extend to research carried out for a commercial end (see above). Furthermore, it is confined to the actions and purposes of the person actually carrying out the research or study, and does not apply to the activities of proxies (see above). Do these restrictions meet the requirements of the first step?

While the purpose of subsection 40(1) – dealings for “research or study” – may be defined with sufficient clarity, the scope of what this allows is much less certain. The

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<sup>149</sup> This covers only the broadcasting of works through wireless diffusion and communication through some forms of wired diffusion: see generally article 11*bis*.

<sup>150</sup> *Copyright Act 1911*, subsection 2(1)(i).

only qualification here is that it must be “fair”, but there is no indication in the subsection as to how this is to be determined in any particular case. Ultimately, therefore, this will be a matter for judicial determination. As noted above, there is nothing here to preclude a court looking to, and taking into account, the specific guidelines that apply to the making of reproductions under subsection 40(2), and there is older judicial authority that these kinds of factors, in particular the effect of the proposed dealing on the market for the work, are to be considered.<sup>151</sup> At the end of the day, however, the absence of legislative direction in subsection 40(1) means that there is no compulsion for a court to have regard to these matters, and the guidance to be found in the prior case law has hardly the same precision as the statutory guidelines that appear in subsection 40(2). It could even be argued that the absence of guidelines in subsection 40(1) (and their inclusion in subsection 40(2)) indicates that the “fairness” of a dealing in the case of the first is a somewhat broader matter than in the case of the second. Accordingly, it is submitted that the single and unqualified criterion of “fairness” in subsection 40(1) is too uncertain and open-ended to be regarded as defining a “certain special case” within the first part of the three-step test.

By way of contrast, this deficiency is overcome in the CLRC proposal for a revised fair dealing defence (discussed in Chapter 8 below):<sup>152</sup> this recommends that the fairness of all dealings under subsection 40(1) or its equivalent should be subject to a similar set of guidelines to those appearing in subsection 40(2). A useful comparison may also be drawn with the “fair use” provision in US law, which likewise subjects a broadly drawn exception to the application of similar kinds of conditions. As will be seen below, however, there are other objections to the CLRC proposal that will mean it fails the first part of the three-step test.

*Does the provision conflict with a “normal exploitation of the work”?*

In view of my conclusion in relation to the first step, it is strictly unnecessary to consider the question of compliance with respect to the second step. But here, again, compliance appears problematic. The only touchstone to be applied is the general requirement of “fairness”, and this seems to beg the question of whether or not there will be a conflict with the normal exploitation of a work. Thus, it might be presumed that a “fair dealing” for the purpose of research or study will be one that does not conflict with the normal exploitation of a work, but there are no guidelines or criteria defined as to what is “fair”. As noted above, compliance with the second step requires a careful assessment of the kinds of uses that a particular exception allows, and whether these are uses that copyright owners may wish reasonably to exploit for themselves. It is also relevant to take account of changes in time, as uses that were previously not significant become so (the move to digital and online uses is an example). Furthermore, it is relevant to have regard to normative considerations; that is, the merits and utility of the claimed exception *vis-à-vis* the copyright owner. Australian courts cannot directly refer to the terms of Australia’s international obligations for the purpose of interpreting domestic legislation that is said to give effect to, or to be consistent with, those obligations. International obligations are not

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<sup>151</sup> See, for example: *Bramwell v Halcomb* (1836) 3 My & Cr 737; 40 ER 1110 *Johnstone v Bernard Jones Publications Ltd* [1938] Ch 599; *Beloff v Pressdram Ltd* [1973] 1 All ER 241 (Ch D); *Hubbard v Vosper* [1972] 2 QB 84 (CA).

<sup>152</sup> CLRC Exceptions Report, *op. cit.*, chap 6.

self-implementing in the Australian legal system, and it would be asking too much of the unqualified notion of “fairness” in subsection 40(1) to read all the matters that arise under article 9(2) into it. These are matters that must be addressed in subsection 40(1) itself, and the uncertainty that infects the first step of the three-step test is also fatal so far as the second step is concerned. Subsection 40(1) provides no basis for determining whether or not a particular act of research or study will be in conflict with a normal exploitation of a work, and, in consequence, that subsection, as presently formulated, does not comply with the second part of the three-step test.

*Is there “unreasonable prejudice [to] the legitimate interests of the author”?*

This question only arises for consideration if the preceding two steps have been satisfied, but even if this were the case, it is submitted that the third step will not be satisfied. This step requires an assessment of whether the exception imposes a *disproportionate* prejudice to either or both of the economic or personal interests of the author (although in the case of article 13 of TRIPS, only prejudice to economic interests will be relevant). It is assumed that some prejudice must arise to the author from the proposed use; the question is whether there are limits or boundaries to the use that will prevent it from being disproportionate or unreasonable. While there are limitations contained in subsection 40(1), these are relevant to the first and second steps not the third; that is, the limitation as to purpose (“research or study”) and the further, implicit, restriction to individuals acting on their own behalf. No other limitations, however, are contained in the subsection, such as conditions on the way in which the use is to occur or a requirement to pay remuneration for some or all of such uses. Accordingly, it is doubtful that the third step will be made out in the case of subsection 40(1).

#### 4.3.2 Compliance in the case of subsection 40(2)

*The structure of the provision*

As noted above, subsection 40(2) is of more limited scope than subsection 40(1), being concerned only with dealings by way of reproducing the whole or a part of a work or adaptation. Prior to 1980, the open-ended character of what was a “fair” dealing under subsection 40(1) gave rise to concern on the part of users of copyright material, particularly those in the educational and library sectors. Following the recommendations of the Franki Committee, subsection 40(2) was inserted in the Act. This contains an inclusive list of matters to which regard is to be had in determining whether a dealing with a work or adaptation of a work by way of reproduction constitutes a fair dealing for the purposes of the section. By and large, these are similar to the types of factors taken into account in the case law dealing with fair dealing in general prior to the amendment,<sup>153</sup> but they also owe something in their formulation to the factors that are listed in the “fair use” defence which is part of US law.<sup>154</sup> These

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<sup>153</sup> See, for example: *Bramwell v Halcomb* (1836) 3 My & Cr 737; 40 ER 1110; *Johnstone v Bernard Jones Publications Ltd* [1938] Ch 599; *Beloff v Pressdram Ltd* [1973] 1 All ER 241 (Ch D); *Hubbard v Vosper* [1972] 2 QB 84 (CA).

<sup>154</sup> *Copyright Act 1976* (US), section 107.

guidelines still leave considerable room for judicial interpretation, and may, indeed, be criticised as giving insufficient guidance as to what will be a fair dealing by way of reproduction in any given instance. In the Franki Committee's view, however, this was unavoidable as it saw this as:

...being a section mainly directed to the acts of an individual, and there are so many factors which may have to be considered in deciding whether a particular instance of copying is "fair dealing", that we think it is quite impracticable to attempt to remove entirely from the Court the duty of deciding the question whether or not a particular instance constitutes "fair dealing".<sup>155</sup>

Having said this, the guidelines in subsection 40(2) indicate that at least the following kinds of matters will be relevant in assessing whether a particular dealing by way of reproduction for the purpose of research or study is "fair":

- The purpose and character of the dealing (subsection 40(2)(a)): "Purpose" and "character" involve discrete but related inquiries. Thus, "purpose" looks to the motives of the user, and clearly any commercial aim that lies behind the research or study will be relevant here, as one of the factors to be weighed up in the overall assessment of whether or not it is "fair".<sup>156</sup> As for the "character" of the dealing, this is concerned with what the user actually does with the copyright material. In the USA, courts are more likely to find that a "fair use" of a work has occurred where the new use is in some way "transformative"; that is, where the defendant has added some value to the work and has turned it into something different.<sup>157</sup> In the Australian context, it can be said that this was also a relevant factor in the *De Garis* case,<sup>158</sup> where there had been a completely unproductive use of the works by the defendant; that is, the works were simply copied by the defendant news clipping service for use by its clients.
- The nature of the work or adaptation (subsection 40(2)(b)): This guideline appears to contemplate that there are some works or adaptations which, by their very nature, are more susceptible to unfair dealings – for example, artistic works, short literary works such as poems and stories, and the like. No reference is made here to the weight (if any) that is to be given to the fact that a work is unpublished, but in principle this would also be a relevant factor falling within the phrase "the nature of the work or adaptation".<sup>159</sup>
- The possibility of obtaining the work or adaptation within a reasonable time at an ordinary commercial price (subsection 40(2)(c)): This highlights that section 40 should not be used simply for the sake of convenience. If the work or adaptation is readily available for purchase, then the user should purchase their own copy, bearing in mind that insubstantial parts can always be reproduced freely as well

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<sup>155</sup> Franki Committee, *op. cit.*, p 29.

<sup>156</sup> See further *De Garis v Jeffress* (1990) 18 IPR 292, 301, and *Associated Newspaper Group v News Group Newspapers Ltd* [1986] RPC 515 at 518.

<sup>157</sup> See for example: *Campbell v Acuff-Rose Music Inc* (1994) 114 S Ct 1164 at 1171; *American Geophysical Union v Texaco Inc* (1994) 29 IPR 381 at 396. See further CLRC Exceptions Report, pp 43–45.

<sup>158</sup> (1990) 18 IPR 292, 301. To similar effect, see also *Hubbard v Vosper* [1972] 2 QB 84 at 94; *British Broadcasting Corporation v British Satellite Broadcasting Ltd* [1992] Ch 141 at 158.

<sup>159</sup> See further: *Hubbard v Vosper* [1972] 2 QB 74; *Beloff v Pressdram* [1973] RPC 765 at 786 (Ungoed-Thomas J); *Commonwealth v Fairfax* (1980) 147 CLR 39; CLRC Exceptions Report, pp 45–46.

as portions that fit within the minima outlined in subsection 40(3) (see further below).

- The effect of the dealing on the potential market for, or value of, the work or adaptation (subsection 40(2)(d)): This is always a relevant factor in determining the fairness of the dealing. Even where a dealing is of an entirely non-commercial character, it may still affect the market for a work. For example if all the students in a particular educational course copy large slabs of a prescribed text for their own study purposes, this may mean that none of them will buy the book and the value of the copyright is thereby reduced.
- The amount and substantiality of the part copied in relation to the whole work or adaptation (subsection 40(2)(e)): By definition, section 40 only becomes applicable where a substantial part or more of a work or adaptation is taken. Nonetheless, there are “degrees of substantiality”, for example while 20% and 50% of a work may each be substantial parts, it will be clear that 50% will be far more significant, particularly as far as the effect on the potential market for the work is concerned. At the same time, the opening words of this guideline (“in a case where part only of the work or adaptation is copied”) indicate that, in appropriate circumstances, it may be a fair dealing where the whole of a work is reproduced. Presumably, in such a case the nature of the work (is it large or small?) and its availability (for example, a book that is long out of print and would be extremely costly to obtain) will be highly relevant in determining the ultimate question of whether the particular dealing is fair. In addition, the Franki Committee suggested that it would not be outside these guidelines where more than one reproduction of a substantial part of a work was made for research or private study, for example, where references were marked up on one copy and comments and criticism on another.<sup>160</sup>

#### *Compliance with the three-step test*

Unlike subsections 40(1) and 40(3), this question can be answered much more readily: there seems little doubt that subsection 40(2) does satisfy each of the three steps.

- Is this a “certain special case”? While all works are covered by the exception, it is limited to the reproduction right. Although this is clearly broader than the pre-Digital Agenda Act version of the provision which was confined to “copying”, it is still considerably narrower than subsection 40(1) and is also “clearly defined” for the purposes of the first step of article 9(2). Its scope is also obviously narrowed by the limitation to the purposes of “research or study”.
- Does it conflict with a normal exploitation of the work? The guidelines in subsection 40(2)(a), (c), (d) and (e) expressly address this question, and reflect the balancing of empirical and non-economic issues that are relevant here.
- Does this unreasonably prejudice the legitimate interests of the author? The guidelines in subsection 40(2)(a) and (b) appear to be directed at this question.

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<sup>160</sup> Franki Committee, *op. cit.*, p 30.

Above all, the virtue of subsection 40(2) is that it allows for a case-by-case assessment of each kind of reproduction, and is in keeping with the clear spirit of article 9(2).

#### **4.4 Compliance with the Berne three-step test: subsection 40(3)**

Giving subsection 40(2) a “tick” for the purposes of Berne compliance is one thing; the costs and uncertainties in applying such a provision, at least from the point of view of users, are quite another. Hence, when subsection 40(2) was added in 1980 as the result of the Franki Committee recommendations, this was complemented by subsection 40(3), which was intended to go some way towards reducing the transaction costs to copyright users. As noted above, subsection 40(3) deems reproductions for the purpose of research or study of certain specified minima (the “deemed minima”), being either articles in periodical publications or not more than “reasonable portions” of works (which is the subject of further interpretation in subsection 10(2)), to be within the fair dealing exception under subsection 40(1). Leaving aside subsection 40(3), the reproduction of such portions of works would usually be infringements of the reproduction right in such works unless saved by the application of the guidelines contained in subsection 40(2). This is because a reasonable portion of a published work (10% of the pages of that work) would normally fall within the scope of a “substantial part” of that work under subsection 14(1), while, in the case of an article in a periodical publication, this will normally be a work in its own right and therefore the whole of the work will have been reproduced. Subsection 40(3) therefore allows such articles and portions to be freely reproduced by third parties without the copyright owner’s permission as long as this is for the purposes of research or study, and without any need to consider the kinds of factors listed in subsection 40(2).

Do the deemed minima in subsection 40(3) comply with the three-step test contained in article 9(2) of Berne? A more detailed analysis is required here than in the cases of subsections 40(1) and 40(2).

##### *4.4.1 Is this a “certain special case”?*

As noted above, this requires that any exception that is made under this provision should be clearly defined and narrow in its scope and reach. In considering whether these requirements are met in relation to subsection 40(3), it is useful to analyse the provision in the following steps:

- The clarity with which the exception in subsection 40(3) is defined; this, in turn, requires separate consideration of the following matters:
  - the exclusive right that is the subject of the exception;
  - the categories of material covered; and
  - the amounts of usage that are permitted.

In the discussion that follows, for ease of exposition, the second and third points are dealt with together.

- The narrowness of the scope and reach of this exception.

*The clarity with which the exception in subsection 40(3) is defined*

*The exclusive right in question*

This is the exclusive reproduction right, and it should be noted that this embodies a change that was only made to section 40 as part of the Digital Agenda changes in 2000. As a result of further amendments that were made to the Digital Agenda Bill 1999, when the Bill was reintroduced into the Federal Parliament in August 2000, the word “copy” was replaced by the word “reproduction” wherever it occurred throughout the Act.<sup>161</sup> In the case of section 40, the guidelines listed in subsection 40(2) were applicable to dealings “by way of copying”, and the same was true of the quantitative test in subsection 40(3). The change in terminology is significant and represents a substantial extension in the scope of the exclusive right that is the subject of the exception in subsection 40(3). While “copying” is clearly encompassed within the general concept of reproduction, it seems that the use of “copying” in section 40 in its pre-Digital Agenda form was intended to apply to hard-copy facsimile reproductions only. As noted above, subsections 40(2) and (3) resulted from the 1980 amendments that followed the recommendations of the Franki Committee. There can be no doubt that the latter was principally concerned with photocopying, and the term “copying” was therefore apt to cover such kinds of usage. Viewed in this way, the term “copying”, where it was used in subsections 40(2) and (3), was limited to facsimile types of “hard-copy” reproductions, while the term “reproduction” itself clearly has a much wider meaning. Thus, subsection 31(1)(a)(i) defines the exclusive right of reproduction as the right to “reproduce the work in a material form”, and subsection 10(1) defines “material form” as including “any form (whether visible or not) of storage from which the work or adaptation, or a substantial part of the work or adaptation, can be reproduced”. Although this was probably the position before the Digital Agenda amendments, the latter now make it clear that the reproduction right includes conversions of a work from and into digital formats. Thus, new subsection 21(1A) provides:

- (1A) For the purposes of this Act, a work is taken to have been reproduced if it is converted into or from a digital or other electronic machine-readable form, and any article embodying the work in such a form is taken to be a reproduction of the work.

A further note has been added to this provision to take account of concerns (probably unjustified) of the parliamentary select committee that considered the Digital Agenda amendments. This enshrines the “right of first digitisation” as part of the broader reproduction right and reads as follows:

Note: The reference to the conversion of a work into a digital or other electronic machine-readable form includes the first digitisation of the work.

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<sup>161</sup> Supplementary Explanatory Memorandum, Copyright (Amendment (Digital Agenda) Bill 1999, 20 July 2000, para 18.

In the light of these amendments, it will be seen that subsection 40(3) now has a wider operation than prior to the amendments, covering any kind of reproduction that comes within the minima defined in paragraph (a) and (b) of that subsection. On the other hand, it seems that the deeming provision in relation to a “reasonable portion” under subsection 10(2) is limited to copies and, more particularly, hard copies of published editions of works.

As far as the first condition of article 9(2) is concerned, subsections 40(3) and 10(2) can be regarded as “clearly defined” in that there is little doubt as to the scope of the right that is covered by the section. Whether they are “narrow in scope and reach” is another matter, which is taken up below.

*The categories of material covered by the exception and the amounts that may be reproduced*

As noted above, these questions are best considered together. The two categories of material to consider here are (a) articles in a periodical publication, and (b) reasonable portions of works. In the case of (b), it is necessary to distinguish the case of published editions of works from works generally.

*Articles in a periodical publication*

As noted above, under subsection 10(3)(k), “periodical publication” refers to an “issue” of the publication in question. “Periodical publication” is otherwise undefined, and seems apt to cover any publication that is published at intervals and in sequence. In the somewhat different context of subsection 35(4) (which deals with journalists’ copyright), the CLRC<sup>162</sup> drew on both the *Oxford English Dictionary* and the *Macquarie Dictionary* definitions of “periodical” to arrive at the following interpretation of that term: “‘periodical’ – a magazine, journal or miscellany the successive issues of which are published at regularly recurring intervals but longer than a day, such as a weekly or a monthly”. This might therefore exclude daily newspapers (which are expressly referred to in subsection 35(4)), but would include popular and cultural magazines, academic reviews, and trade and professional journals that are published at weekly, monthly or longer intervals. It might even extend to publications that appear at longer intervals again, such as looseleaf services (as in law and accountancy), books published in parts, and yearbooks or annual reports.

The term “publication” also deserves some comment. This term is not explicitly defined in the Act, but subsection 29(1)(a) provides an interpretation of “published” in relation to works, deeming this to have occurred where “reproductions of a work or edition have been supplied (whether by sale or otherwise) to the public”. “Reproductions”, in turn, must refer to reproductions “in a material form” (using the language in which the exclusive reproduction right in subsection 31(1)(a)(i) is framed), and “material form” is broadly defined in subsection 10(1) as including “any form (whether visible or not) of storage from which the work or adaptation, or a substantial part of the work or adaptation, can be reproduced.” It therefore follows

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<sup>162</sup> Copyright Law Review Committee, *Report on Journalists’ Copyright*, Commonwealth of Australia, Canberra, 1994, para 4.10.

that the term “periodical publication”, as it is used in subsection 40(3), is capable of covering something that is embodied in digital form and that is then distributed online to subscribers (this being a “supply” of a reproduction, which is stored on the computer hard disk of the recipient or printed off in hard-copy). If that material is distributed on a periodic basis, then it should be a periodical publication for the purposes of subsection 40(3), while “articles” (see below) that are embodied in this “publication” will be just as much within the scope of the deeming provision as are their hard-copy counterparts.

The term “article” is also undefined,<sup>163</sup> but a relevant dictionary definition refers to “a literary composition in a journal, magazine, encyclopaedia etc but treating a topic independently”.<sup>164</sup> Another dictionary definition refers to “A piece of writing on a specific topic, forming an independent part of a book or literary publication, esp. of a newspaper, magazine or other periodical.”<sup>165</sup> The dictionary limitation to “literary works”, however, does not appear to be part of subsection 40(3), which refers to “a dealing with a literary, dramatic or musical work, or with an adaptation of such a work,...(a) if the work or adaptation comprises an article in a periodical publication.” The inference from this is that an article may also consist of a dramatic or musical work, which would bring a film script or musical composition within the scope of the exception if it is contained within the covers of a periodical publication. This extension of the ordinary dictionary meaning of “article” may not be of any great significance, as the great bulk of articles in such publications will be of a literary kind. The following therefore appear to be the essential features of an “article” for the purposes of subsection 40(3): (1) something that is a literary work, but may also be a dramatic or musical work or an adaptation of any of the foregoing; and (2) something that is a work in its own right but contained in a larger compilation or collection (the “periodical publication”).

So understood, it is clear that the expression “article” is capable of covering works of widely differing lengths and kinds – from the brief short magazine editorial to the weighty 100 page-plus endeavours that are to be found in North American law reviews – and would also be capable of covering other creative efforts such as poems and stories that may be quite short in length but are nonetheless complete and independent creations. The possibility also exists that it might include a computer program (as within the definition of “literary work” in subsection 10(1)), although it is not easy to envisage how a computer program might come to find itself part of a periodical publication. Under subsection 40(3), each “article”, so defined, may be freely reproduced where this is for the purpose of research or study and, because of the deeming effect of that provision, there will be no need to consider the application of the guidelines in subsection 40(2) (bearing in mind the opening words of subsection 40(3), namely “Notwithstanding subsection (2)...”).

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<sup>163</sup> Compare the specific interpretation that appears in section 48 with respect to the library and archives provisions: “...a reference to an article contained in a periodical publication shall be read as a reference to anything (other than an artistic work) appearing in such a publication”.

<sup>164</sup> *Shorter Oxford English Dictionary*, 3<sup>rd</sup> edn, 1973, p 110.

<sup>165</sup> *The Macquarie Dictionary*, 1981, p 136.

*More than one article from the same issue of the publication*

In the absence of any contrary stipulation, subsection 40(3)(a) would allow a user to make reproductions of each of the articles in an issue of a periodical publication, as long as each reproduction was considered as a separate act for the purposes of subsection 40(3). It would not seem to matter if the reproductions were made at the same time, shortly afterwards or at some later time. Not surprisingly, there is a restriction on this occurring and this is to be found in subsection 40(4). This provides that subsection 40(3) does not apply to a “dealing by way of reproducing the whole or a part of an article in a periodical publication if another article in that publication, *being an article dealing with a different subject-matter*, is also reproduced.”<sup>166</sup> This is not a bar on reproducing more than one article in an issue, but it would mean that such additional reproductions would need to be justified under the guidelines in subsection 40(2) rather than having the benefit of the deeming provision in subsection 40(3). On the other hand, the wording of subsection 40(4) is curious and its operation may be reduced significantly in two respects:

- The use of the present tense (“an article...is also reproduced”) implies that the limitation in the subsection only applies where the reproductions of the articles are made at the same time as part of the same overall transaction. If this is correct, there would be no barrier to a user making a reproduction of another article in that issue at a later time, even if this was only a few minutes later, as long as this could be regarded as a separate transaction. The restriction is stated to apply where the article that is reproduced deals with a different subject-matter from that of the other articles in that same issue.
- The converse of this appears to be that subsection 40(3) could still apply to the reproduction of more than one article from that issue if each article dealt with the “same subject-matter”. In other words, each of these acts of reproduction could be considered together and fall within the deeming provision of subsection 40(3) where the articles did not deal with a different subject-matter. This then invites an inquiry into the meaning of the phrase “a different subject-matter”. How great must the similarities and differences in subject-matter be before an article is to be regarded as dealing with a “different subject-matter”? At one end of the spectrum is the general magazine or review that contains articles covering a whole range of topics, from politics, economics and business to entertainment, literature and the arts. Each of these could clearly be regarded as dealing with a “different subject-matter”. At the other end of the spectrum might be a learned professional journal that has a special issue dealing with a single topic, for example, “perspectives on the role of fair dealing in copyright” in a legal journal. On any view, the articles in the publication in this case would have to be regarded as dealing with the same subject-matter. In between, however, are journals that deal with broader but still clearly defined areas of interest, such as law, computers, medicine, etc, and with sections of these areas, such as intellectual property and trade practices in the case of law, different medical specialties or different aspects of computer technology. The articles in such publications will clearly have common links, but if they are regarded as dealing with the same subject-matter, this will enable subsection 40(3) to apply to each successive reproduction.

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<sup>166</sup> Subsection 40(4) in this form was inserted by item 42D of the *Copyright Amendment (Digital Agenda) Act 2000*.

In light of the above, it must be doubted that the exemption contained in subsection 40(3)(a) with respect to “articles in periodical publications” is clearly defined. The meaning of “article” is not settled in a number of respects – for example, does it include non-literary creations and, indeed, does it include all of the literary creations suggested above? In addition, the scope of the restriction in subsection 40(4) is also unclear, leaving considerable uncertainty as to what acts are covered by subsection 40(3). Lack of definition, particularly with respect to the subject-matter covered by the exception, must almost inevitably give rise to a conclusion that it is also insufficiently “narrow in its scope and reach”, but this question is discussed separately below.

#### *Reasonable portions of works*

I have already described above the deeming provision in subsection 10(2) that deals with certain minimum quantities of published works that are to be taken as “reasonable portions” of those works. It is reasonable to suppose that these minima were intended to be those that would be most often used. It is therefore appropriate to test their compliance with the first condition of article 9(2), before considering what else might come within the scope of the wider phrase “reasonable portion” of a work or adaptation.

#### *Reasonable portions of published editions – subsection 10(2)*

The limitation here to published editions in which a “literary, dramatic or musical work (other than a computer program) is contained” is clear enough, as is the further limitation to published editions in excess of ten pages. It also seems clear that the published edition must comprise that work alone (“where a literary, dramatic or musical work (other than a computer program) is contained in a published edition of *that work*”), and thus published editions such as volumes of poetry, essays or papers will not be included. Finally, the reference to “published edition” appears to be limited to hard-copy and not electronic editions. In consequence, the limitations as to the kind of subject-matter that may be copied (not reproduced) under the deeming provision in subsection 10(2) seem quite clearly defined. The quantum that may be copied under subsection 10(2)(a) is also precise: no more than 10%, in aggregate, of the number of pages in that edition. This is an appropriate measure of length for works that exist in hard-copy format, and, while not defined in technological terms, seems limited to hard-copy reproductions – that is, to a “copy of part of that work, as it appears in that edition”. Accordingly, the 10% page limit should be straightforward to apply. In this regard, it should be noted that new subsection 10(2A) embodies a different deeming measure for works in electronic form that is based on the number of words copied, and that this may give rise to difficulties in application (see Chapter 5 below). So far as subsection 10(2)(a) is concerned, however, these difficulties do not arise with respect to hard-copy published editions, and there can be no complaint here of a lack of clear definition.

On the other hand, there are definitional problems with respect to the quantum specified in subsection 10(2)(b). This provides for an alternative measure in cases where the work is divided into chapters. While this alternative may leave the upper limit that may be reproduced in terms of a percentage uncertain, the limitation to “the whole or part of a single chapter” appears to embody an alternative criterion that is “clearly defined”. On closer analysis, however, it is not so obvious that this is so, as the following examples indicate:

- Most books are divided into chapters or divisions of a similar kind. The lengths of individual chapters, however, may vary greatly, so it may be possible that a single chapter will contain significantly more than 10% of the number of pages of the work. It will therefore be an entirely arbitrary matter as to whether, in any given case, a user will be able to reproduce more than 10% of the number of pages in the work.
- A proportion of published works will contain less than ten chapters, for example short monographs, novellas, reports and the like. In such cases, it may follow that more than 10% of the number of pages can be copied. For example, in a book with ten chapters and 200 pages, the 10% limit will mean that only twenty pages can be copied. However, if there are individual chapters of more than twenty pages, say one of thirty pages and another of twenty-five pages, either of these can be copied within the parameters of subsection 10(2) although the percentages of pages would now be 15% and 12.5% respectively. In the case of a work with, say, five chapters, the percentages become far higher. Take, for example, a report of 100 pages divided into five chapters. The 10% limit means that only ten pages can be copied, but, assuming that each chapter is twenty pages in length, this will mean that 20% of the work can be copied if the chapter limit is applied. In practice, of course, the chapters may be of differing lengths. For example, chapter 1 could be ten pages, chapter 2 fifteen pages, chapter 3 thirty pages, chapter 4 twenty-five pages and chapter 5 twenty pages, meaning that the range within which copies could be made would be from 10% to 30%, depending upon which chapter was copied. It is difficult to describe limits that are set in this way as being “clearly defined”.

#### *Reasonable portions of works generally*

As noted above, apart from the minima defined in subsection 10(2), there is a further category of reproduction that is allowed by subsection 40(3) but lies outside the minima specified in subsection 10(2). This is confirmed by the opening words to that section which provide, “without limiting the meaning of the expression ‘reasonable portion’...” The obvious meaning of this is that, while the minima referred to in paragraphs (a) and (b) of subsection 10(2) are deemed to be “reasonable portions” for the purposes of subsection 40(3)(b), there are other portions not within these minima that are still “reasonable portions” for the purposes of that subsection. In this regard, subsection 40(3) refers to dealings with “a literary, dramatic or musical work, or with an adaptation of such a work”. This is not limited to published editions of these works (as in subsection 10(2)), nor is there a minimum page length specified. It would also cover computer programs, which are expressly excluded from the operation of subsection 10(2) (following the Digital Agenda amendments in 2000). In addition, it covers adaptations of these works, which are likewise excluded from subsection 10(2). Accordingly, up to “reasonable portions” of these works and adaptations may be reproduced for the purposes of research or study and be deemed fair dealings within subsection 40(3)(b).

This leaves the problem of determining what constitutes a “reasonable portion” in the absence of the presumptive minimum quantities that apply under subsection 10(2). A criterion of reasonableness may not, in itself, be objectionable but, as with the concept of “fairness” in relation to fair dealing under subsections 40(1) and (2), there is a need for guidelines to indicate how this is to be determined. In the absence of guidelines, all that can be said is that there is an indeterminate category of reproductions permitted by subsection 40(3)(b) that lies outside the minima in

subsection 10(2) and that there is no way of really telling in advance what proportions of a work will fall within the “reasonable portion” criterion. “Reasonable” must mean something, and, if it is to operate in aid of a deeming provision such as subsection 40(3) so as to provide a quick and immediate exception that does not require the case-by-case analysis that applies under subsections 40(1) and (2), it needs clear and readily applicable criteria. This is the obvious attraction of subsection 10(2), and one way of avoiding this problem would have been to define “reasonable portion” in that provision in an exhaustive manner that would therefore have controlled the whole operation of subsection 40(3). This has not been done, and the result is that, to the extent that subsection 40(3) provides for a category of reproduction outside the minima specified in subsection 10(2), this lacks the clear definition that is required for the purposes of article 9(2).

### *Conclusions*

The above analysis indicates that, while some of the criteria adopted in subsections 40(3) and 10(2) are clearly defined, others are not. An example of the first is the 10% page limit in subsection 10(2), while instances of the latter are the expression “article” in subsection 40(3)(a) and the unfixed content of the expression “a reasonable portion of the work or adaptation” in subsection 40(3)(b) where this does not fall within the minima defined in subsection 10(2).

Overall, the conclusion must be that the exception contained in subsection 40(3) is insufficiently defined for the purposes of the first part of the three-step test.

### *The narrowness of the exception*

Quite apart from issues of definition, it is relevant to consider the narrowness or otherwise of the exception contained in subsection 40(3). It is necessary to consider the rights and categories of subject-matter covered by the subsection separately.

### *The scope of the exclusive right covered by subsection 40(3)*

As noted above, before the Digital Agenda amendments, subsection 40(3) was confined to dealings “by way of copying”, which essentially meant hard-copy facsimile reproductions of a work. While the change to “reproducing” is still sufficiently clear from a definitional point of view, it will be obvious that the scope of the exception has expanded considerably to cover reproduction in a number of different contexts: (a) from one hard-copy format to another, (b) from hard-copy to digital/electronic machine-readable formats, (c) from digital/electronic machine-readable formats to hard-copy formats, and (d) from one digital/electronic machine-readable format to another.<sup>167</sup> In these respects, therefore, the scope of the exception provided in subsection 40(3) has clearly been expanded in scope, although there is a restriction of this to hard copies in relation to “reasonable portions” of works in published editions under subsection 10(2) (see above). However, any judgment on the question of whether the overall scope of the exception is too wide also needs to

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<sup>167</sup> See further subsection 21(A).

take account of the categories of subject-matter to which it applies, and it is to this inquiry we must now turn.

*Subject-matter covered by the exception*

*Articles in periodical publications*

Even if it were to be accepted (which it is not) that the expression “article in a periodical publication” is a clearly defined category, it still embraces a wide and open-ended range of material. In particular, the term “article” is capable of covering an enormous spectrum of items of any length, especially short works that may be peculiarly susceptible to reproduction, such as poems and short stories. The immunity conferred by subsection 40(3)(a) extends to the whole of any article that is reproduced, regardless of whether such a reproduction would otherwise be justified under the guidelines in subsection 40(2). As a class of works, therefore, articles in periodical publications are removed from the general run of works, and are made open to users in a way that might well not be the case if they were separately published. In particular, there is no distinction drawn between the motivations and capacities of the authors of different articles. For example, it is possible that under the subsection 40(2) guidelines an article by an academic author written for peer recognition and approval might be treated differently from an article by a journalist in a popular “lifestyle” magazine, where the article is written as part of the journalist’s activities in earning a livelihood. Yet subsection 40(3)(a) draws no such distinction and treats all articles as being deemed fair dealings if the purpose of the user is research or study. Depending also on how the expression “dealing with a different subject-matter” is interpreted, it is possible that more than one article per issue of a periodical publication can be reproduced if each relates to the same subject-matter. It may even be the case that more than one article per issue can be reproduced, regardless of the subject-matter, where this is done on different occasions. The conclusion must therefore follow that, within the exception in subsection 40(3), this is a category of subject-matter that is hardly “narrow in its scope and reach”.

*Reasonable portions of works*

It is also arguable that the “reasonable portion” criterion suffers from the same vice. In the somewhat different context of the “business exemption” of subsection 110(5)(B) of the US *Copyright Act 1976*, the WTO Panel found that that provision could hardly be described as “narrow in its scope and reach” because it would automatically allow the free public performance of all “nondramatic musical works” by very large percentages of the businesses that were covered by the exemption (a “substantial majority” of eating and drinking establishments and “close to half” of retail establishments).<sup>168</sup> The exception was not defined by reference to the purpose of the eating and drinking establishments in causing the musical works to be heard by their customers and made no reference to the kinds or quantities of musical works that could be played. Rather, it defined the limits of what was permissible by reference to such physical factors as the size of the establishments, the number of speakers used and so on. These limits were so generously drawn as to exempt the

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<sup>168</sup> WTO Panel, para 6.133, p 38.

majority of establishments from liability, and, on this basis, the WTO Panel found that the exemption did not satisfy the first condition of article 13 of the TRIPS Agreement as being a “certain special case”; that is, it was too broad and open-ended.

It is not so easy to apply the same sort of quantitative analysis to subsection 40(3), in that the latter does not define a large class of potential users, which it then exempts without any further restriction. On the other hand, the status or character of the user is irrelevant in the case of subsection 40(3), as long as the purpose is that of research or study, and that class of users is otherwise undefined or limited. “Research or study”, although limited to the activities of individuals, in themselves, are wide-ranging purposes, and the section does not specify or qualify the kind of study or research it allows. Rather, it deems certain minima (those defined in paragraphs (a) and (b)) to be “fair dealings” as long as they are for the purposes of research or study.

Does this define an exception that is “narrow in its scope and reach”? It might be easier to reach this conclusion if the kind of research or study was specified, for example, “research for individual scholarly purposes” (this would exclude commercial and industrial researchers). In this regard, an obvious contrast can be drawn with subsection 40(1) which requires that any dealing for the purposes of research or study must be “fair” and then amplifies the kinds of factors that are relevant to this requirement in the case of reproduction in the list given in subsection 40(2). As noted above, this is a case-by-case assessment that will inevitably limit the kinds of dealings that may occur and the quantities that may be reproduced. In some instances, it is possible that the factors in subsection 40(2) will permit the reproduction of considerably more than 10% of a work, perhaps even the whole of it; in others, the reproduction of far less than 10% will fail to meet the requirement of “fairness”. In consequence, there will be a proportion of reproductions allowed by subsection 40(3)(b) that would otherwise not be permitted by subsection 40(2), and *vice versa*. To the extent that there is more reproduction allowed by virtue of subsection 40(3) than there is under subsections 40(1) and (2), this represents an exception that is less narrow in its scope and reach. Whether this is insufficiently narrow in its scope and reach for the purposes of the first condition of article 9(2) is another question, but given my conclusions above with respect to the expanded scope of the reproduction right and the open-ended meaning of “articles in a periodical publication” it is difficult to resist the conclusion that subsection 40(3)(b) is not “narrow in its scope and reach”.

Following the enactment of the Digital Agenda amendments, the above analysis would be incomplete without taking into account a new provision, subsection 10(2C). This applies to both the existing subsection (2) (which is unchanged by the amendments) and the new subsection (2A) (which is discussed in Chapter 5 below). New subsection 10(2C) provides:

- (2C) If:
- a) a person makes a reproduction of a part of a published literary or dramatic work; and
  - b) the reproduction is taken to contain only a reasonable portion of the work under subsection (2) or (2A):
- subsection (2) or (2A) does not apply in relation to any subsequent reproduction made by the person of any other part of the work.

This is clearly a limitation on the operation of subsection 10(2), but only in relation to subsequent acts of reproduction by the same person in relation to the same work.

Accordingly, the deeming provision in subsection 10(2) only applies once and cannot be relied on in relation to any further acts of copying by that person in relation to that work. This is not to say that such further acts of reproduction may still not fall within the fair dealing guidelines of subsection 40(2), but simply that the deeming provision under subsection (2) is “spent” so far as these later acts of copying are concerned. On the other hand, the insertion of subsection 10(2C) has no effect on the prior question of whether subsection 10(2) meets the requirements of the three-step test.

### *Conclusions*

The above analysis indicates that the exceptions established under both subsection 40(3)(a) and (b) will also fail to meet the second aspect of the first step of the three-step test; that is, they define exceptions that are insufficiently narrow in their depth and scope. This is certainly the case with respect to articles in periodical publications, and is arguably so in the case of “reasonable portions” of works other than periodical publications.

#### *4.4.2 Does this conflict with a normal exploitation of the work?*

With its presumptive and quantitative approach in relation to both periodical articles and reasonable portions of published works, subsection 40(3) encompasses a proportion of reproductions that would not otherwise be “fair” if the factors in subsection 40(2) were applied. While it is difficult to quantify what this allows with any precision, it is clear that it will cover reproduction that is done for research or study in the industrial and commercial context as much as it will cover reproduction done in the context of individual private study. That is, it permits the researcher in a commercial research laboratory or in a business setting to reproduce as much as the postgraduate student working on their thesis. If these different kinds of reproduction were to be evaluated by reference to the factors listed in subsection 40(2), it is likely that the former would not fall, or would not fall so readily, within the scope of a “fair dealing”, having regard, for example, to the different purpose and character of the dealing (to advance an ultimate commercial goal), the possibility of obtaining the work within a reasonable time at an ordinary commercial price, and the effect of the dealing on the potential market for, or value of, the work or adaptation.

A strong case can therefore be made that these kinds of reproductions would otherwise be uses that the copyright owner would normally seek to license, at least within narrower limits than deemed by subsection 40(3). Furthermore, even if such reproduction was not of a kind that the copyright owner would normally have sought to license at the time of the enactment of subsection 40(3) in 1980 (because of the transaction costs involved), there have been significant changes in technology and licensing arrangements since that time (including the establishment of the Copyright Agency Ltd (CAL)) that may now bring such copying within the scope of a normal exploitation. To conflict with a normal exploitation of the work within the meaning of article 9(2), such uses must be of some significance and enter into economic competition with the author/copyright owner. There are no figures to indicate the proportion that such kinds of reproduction bear to reproductions that do meet the criteria of fairness outlined in subsection 40(2), but it is reasonable to conclude that it would be far from minimal. If this is so, subsection 40(3) falls squarely foul of the second condition of article 9(2).

The above analysis has only considered the economic aspects of “normal exploitation”. However, it has been argued above that it is necessary to take into account other normative considerations of a non-economic kind in applying the second step of article 9(2). Clearly, there is a strong public interest rationale in an exception that is directed towards research or study – this promotes the attainment of knowledge and is ultimately to the benefit of society. Nonetheless, as the discussion indicates, the kinds of research or study that can be carried on under section 40 are wide and various in character, and it cannot be the case that the copyright owner’s economic interests should be displaced or reduced in all cases of research or study, eg where this is for a commercial end. Under a carefully calibrated approach, such as subsection 40(2), it is easier to balance these competing concerns, with the consequences that some kinds of research or study for commercial ends might well still be justified but others might not. However, the quantitative approach embodied in subsection 40(3) prevents this occurring at all. Whether this can still be justified by reference to the underlying research or study rationale is a difficult question, but it is submitted that the answer lies in considering whether it is possible to formulate a quantitative test that is more precisely targeted at relevant forms of research or study. The answer is surely “yes”: it would be possible to limit such a provision to specific categories of research or study; that is, those carried on by individual researchers for scholarly or self-educational purposes or even, more generally, non-commercial purposes. A quantitative test in these terms, even if it still created some economic competition with the copyright owner, might then be justified on non-economic normative terms – that is, these would not be uses that the copyright owner should be able to control. On the other hand, research or study for commercial ends would not fall within the quantitative test, and would have to be assessed by reference to the guidelines in subsection 40(2).

#### *4.4.3 Does this “unreasonably prejudice the legitimate interests of the author”?*

If the second condition of article 9(2) is not satisfied, it will be unnecessary to consider the question of prejudice to the legitimate interests of the author. However, even if the second condition is met, it is arguable that the legitimate interests of the author would be affected by the kinds of reproduction presumptively permitted by subsection 40(3). This might be the case, for example, with respect to research or study carried out for commercial ends, if (contrary to the conclusion reached in the preceding paragraph) this still falls outside the normal exploitation of the work. Prejudice alone would not be enough in such a case: the question would be whether this was an unreasonable prejudice of these interests. To the extent that subsection 40(3) allows such reproductions to occur without being subject to any condition, such as the requirement of “fairness” or the need to pay remuneration, it could be argued that there is unreasonable prejudice to the author’s legitimate (economic) interests, in that there is no attempt to confine this prejudice within reasonable or proportionate boundaries. One way of avoiding such unreasonable prejudice would be to make reproduction of this kind subject to an obligation to pay remuneration that could then be collected by a collecting society such as CAL, but this has not been done here.

#### *4.4.4 Conclusions*

In the light of the above analysis, subsection 40(3) does not meet the first condition of article 9(2) with respect to periodical articles and probably reasonable portions of

works as well. In addition, it fails to satisfy the second condition with respect to both categories of material, and also fails to satisfy the third. Accordingly, it does not comply with article 9(2) of the Berne Convention.

## **4.5 The three-step test in other international agreements**

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My instructions also raise the question of compliance with the three-step test as contained in the TRIPS Agreement and the WCT. For our present purposes, the instruments can be dealt with briefly.

### *4.5.1 The TRIPS Agreement*

The three-step test is contained in article 13 and has already been discussed at 3.2 above. With the exception of the words “right holder” rather than “author”, this formulation is identical to that in article 9(2). The reference to “right holder”, however, is consistent with a general restriction of the TRIPS Agreement to exclusive economic rights only: moral rights are excluded from its scope under article 9(1). In the context of the exclusive reproduction right, the application of the three-step test under article 13 of TRIPS leads to the same result as under article 9(2) of Berne. The only situation in which a different result might arise would be if the analysis of article 9(2) above had led to the conclusion that the only aspect in which the three-step test was breached was in respect of a consequence that was unreasonably prejudicial to the moral rights or personal interests of the author. In such a case, if this were the only basis on which there was a failure to comply with article 9(2), there would be no breach of article 13 of TRIPS. In the light of our discussion above, this scenario does not arise.

### *4.5.2 The WCT*

The three-step test here is embodied in the WCT in several ways that have been discussed above at 3.3: through article 1(4) (which requires contracting states to comply with articles 1–21 of Berne) and through article 10, which directly applies the three-step test both to new rights, including that of communication, required to be protected under the WCT as well as to existing rights already protected under Berne.

While the WCT is now in force, Australia has not yet acceded to it and it is therefore strictly irrelevant to the present advice. On the other hand, it seems that the government’s ultimate intention is to accede to the WCT. If and when this occurs, the WCT will become relevant to subsection 40(3) in the following ways:

- As far as the three-step test in article 9(2) of Berne is concerned, there will be a further or renewed obligation to apply this by virtue of article 1(4) of the WCT. So far as the pre-Digital Agenda form of subsection 40(3) is concerned, the question of compliance should therefore be resolved in precisely the same way as under article 9(2): article 1(4) will simply underline or duplicate this obligation. On the other hand, it will be recalled that there is an “agreed statement” to article 1(4) concerning the application of exceptions under article 9(2) into the digital environment, although the status of this in terms of a binding international obligation is uncertain. It is a moot question, of course, whether such an

obligation already applies under article 9(2), but this depends on the scope that national legislation accords to the reproduction right (see above). For present purposes, however, it can be said that the agreed statement under article 1(4) seeks to make explicit the application of reproduction rights, and exceptions thereto, into the digital environment. Accordingly, the three-step test will apply here as well. This will be of particular relevance to the deemed minima that are now to be found in subsection 10(2A) and which are discussed in the following chapter.

- The three-step test will also become applicable to subsection 40(3) by virtue of article 10(2) of the WCT, which requires members to apply the three-step test generally when “applying the Berne Convention”. To the extent that this replicates the obligation under article 1(4) with respect to reproduction rights, it is superfluous in the present context. Once again, however, the agreed statement to article 10 underlines the ability of contracting states to devise new exceptions and limitations “appropriate to the digital environment”. Under article 10(2), this obviously has to be done in accordance with the criteria established in the three-step test.

#### **4.6 The quantitative test as incorporated into other provisions of the Act (library and educational copying)**

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The quantitative test is not confined to section 40 and the research or study exception: its different components are picked up and incorporated in a number of other exceptions in the Act that deal with particular kinds of uses, both unremunerated and remunerated. These provisions are:

- Reproduction and communication of works by libraries and archives for users: Under subsections 49(4) and (5), the quantitative test criteria (articles in periodical publications and reasonable portions of works other than periodical publications) are incorporated as the deemed minima for the operation of the exception.
- Reproduction and communication of works by libraries and archives for other libraries or archives: The minima in relation to articles and reasonable portions of works are applied in differing ways under subsections 50(1), (2), (7), (7A), (7B) and (7C).
- Reproduction by educational institutions under Part VB: The minima in relation to reproductions in hard-copy are utilised in subsections 135ZJ(2) and 135ZL(2), and, in relation to electronic reproductions in subsections 135ZMC(2) and 135ZMD(2).

Question 1(a) of my instructions requires me to consider the applicability of the three-step test in relation to the quantitative step as incorporated into these exceptions.

#### 4.6.1 *Library and archives exceptions*

These provisions are considered in detail in Chapter 7 of this advice, and it is difficult to consider their incorporation of the statutory minima in isolation from their context. Nonetheless, it is possible to make the following comments at this stage of the analysis.

- To the extent that sections 49 and 50 adopt the statutory minima from subsection 40(3) as the bench-mark for uses that are deemed to be allowable, the same problems of compliance with the three-step test will arise.
- In the case of section 49, this issue arises in relation to subsection 49(4), which allows the reproduction of one article in the same periodical publication or of two or more where these relate to the “same subject-matter”. The difficulties of definition in relation to these expressions have been dealt with at 4.4 above in relation to subsection 40(3), and likewise arise here. In particular, subsection 49(4) operates as a deeming provision in relation to single articles, bringing these within the scope of the exception without reference to any other criteria. As in the case of subsection 40(3), this must fall foul of both the first and second parts of the three-step test (see 4.4 above).
- A similar objection arises in relation to “reasonable portions” of works other than articles in periodical publications, which may be freely reproduced pursuant to subsection 49(5). This is another deemed exception that picks up the further deemed minima that appear in subsection 10(1). It also stands in contrast to the making of reproductions of whole works or parts that are greater than a reasonable portion, that may only be reproduced if certain other conditions specified in subsection 49(5) are satisfied (these are analysed in Chapter 7). So far as “reasonable portions” are concerned, however, subsection 49(5) must offend against the three-step test in the same way as does subsection 40(3).
- The incorporation of the deemed minima in relation to articles and reasonable portions of works other than periodical publications is more complex in the case of section 50, and readers should refer here to the detailed analysis that appears in Chapter 7.

#### 4.6.2 *Educational copying provisions*

The deemed minima appear here in the context of the statutory licence established under Part VB of the Act, notably in sections 135ZJ and 135ZL with respect to hard-copy reproductions, and in subsections 135ZMC and 135ZMD, in relation to electronic reproductions. In determining the compatibility of these provisions with the three-step test, rather different considerations apply than in the cases of sections 40, 49 and 50:

- The use of the terms “article in a periodical publication” and “reasonable portion” of other works suffers from the same uncertainties that apply to subsections 40(3), 10(2) and 10(2A). Prima facie, then, both should fail the first part of the three-step test, as defining exceptions that are insufficiently defined and narrow to be “certain special cases”.

- However, the exceptions under these provisions are statutory licences, for which equitable remuneration is payable, and the context in which the deemed minima operate is different from that in subsection 40(3) and sections 49 and 50:
  - In the case of articles, they provide the outside limit as to what may be reproduced under the statutory licence: no more than one article per periodical publication unless the articles relate to the same subject-matter (subsections 135ZJ(2) and 135ZMC(2)).
  - In the case of other works, it is provided that no more than a reasonable portion thereof can be reproduced under the statutory licence in the absence of further inquiries as to the commercial availability of reproductions (subsections 135ZL(2) and 135zMD(2)).
- Leaving aside the use of the deemed minima, it is likely that the statutory licences here would otherwise meet the requirements of the first part of the three-step test. Thus, applying the analysis used above, the following can be said:
  - The entities that may avail themselves of the licence (that is, educational institutions) are a limited class and one that is exhaustively and carefully defined in subsection 10(2).
  - The rights in relation to which the licences operate are clearly defined: reproduction in the case of hard-copy material, and reproduction and communication in the case of electronic material.
  - The subject-matter to which the licences can be applied is also clear: works and periodical articles, in hard-copy and electronic form.
  - The purposes for which the licence may be invoked are clearly defined: they must be solely for the “educational purposes” of that institution (see, for example, subsection 135ZJ(1)(b)).
- In the light of the above, it could be concluded that the licences constitute a “certain special case” for the purposes of article 9(2). The incorporation of the deemed minima into the licences, however, make them less clearly defined:
  - In the case of periodical articles, it will be difficult to know where the licence will cut out. This would not occur if there were no limitation as to one article per publication dealing with the same subject-matter, or if “article” was defined more precisely (see the discussion at 4.4 above in relation to subsection 40(3)). In such cases, there would be less or no uncertainty of definition, and the permissibility of the exception would then fall to be judged under the second and third steps of the three-step test (see below).
  - In the case of other works, the uncertainty that arises is different and perhaps less fatal: reproduction under the licence is not forbidden, but it is necessary to conduct certain inquiries where more than a reasonable portion is to be reproduced. The actual minima defined in subsection 10(2) are probably clear enough for this purpose, but it will be recalled that this provision leaves open the possibility that there will be other portions of works outside these minima that will still be “reasonable portions”. This introduces an uncertainty into the operation of the statutory licences that could readily have been met by the inclusion of a more specific provision, or, alternatively by a requirement that

inquiries should be made in all cases, or even not at all. Outstanding questions would then have fallen to be judged entirely against the second and third steps of the three-step test.

- Accordingly, it is submitted that the incorporation of the deemed minima into the statutory licences introduces a lack of clarity that makes compliance with the first step of the three-step test problematic. This is unfortunate, as it is unlikely that the licences would otherwise fail to comply with the second and third steps. Consideration of this is outside the scope of the present advice, but I note, in passing, the following matters that will be relevant in such an examination:
  - The question of whether there is a conflict with the normal exploitation of works will turn on the scope of the licences and the limits that are placed on their operation. Obviously, the deemed minima play a spoiling effect here (as noted above), because they place uncertain limits on what may be reproduced and communicated under the licences. Leaving these aside, other relevant factors here will be:
    - the account that is taken of non-monetary normative considerations (that is, the educational purposes of the statutory licences);
    - the fact that these are markets that otherwise, and to date, have not been ones that could be adequately serviced by individual copyright owners (the “transaction costs” issue);
    - the fact that there is a declared collecting society that represents all copyright owners with respect to remuneration received under the statutory licences;
    - the fact that these uses must be remunerated and that this remuneration must be “equitable”; and
    - the fact that copyright owners may still grant their own licences to educational institutions in respect of these uses (section 135ZZF).
  - The above factors will also be relevant to the question of compliance with the third step of the three-step test.
- In light of the above analysis, it is likely that, in the absence of the incorporation of the deemed minima under subsection 10(2) the statutory licences for educational institutions under Part VB will meet the requirements of the three-step test. A similar conclusion will apply in relation to the deemed minima for electronic/digital reproductions which are the subject of the next chapter.

## Chapter 5: The Digital Agenda amendments to the quantitative test

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*Question 1(b): Does the amendment to the quantitative test contained in subsection 10(2A) added by the Copyright Amendment (Digital Agenda) Act 2000 comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?*

### 5.1 The amendments

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The Digital Agenda amendments were enacted to meet the needs of online and digital uses of works. In relation to subsection 40(3), the relevant amendments now appear as subsections 10(2A), (2B) and (2C), and provide as follows:

- 10(2A) Without limiting the meaning of the expression *reasonable portion* in this Act, if a person makes a reproduction of a part of:
- (a) a published literary work (other than a computer program or an electronic compilation, such as a database); or
  - (b) a published dramatic work;
- being a work that is in electronic form, the reproduction is taken to contain only a reasonable portion of the work if:
- (c) the number of words copied does not exceed, in the aggregate, 10% of the number of words in the work; or
  - (d) if the work is divided into chapters – the number of words copied exceeds, in the aggregate, 10% of the number of words in the work, but the reproduction contains only the whole or part of a single chapter of the work.
- (2B) If a published literary or dramatic work is contained in a published edition of the work and is separately available in electronic form, a reproduction of a part of the work is taken to contain only a reasonable portion of the work if it is taken to do so either under subsection (2) or (2A), whether or not it does so under both of them.
- (2C) If:
- (a) a person makes a reproduction of a part of a published literary or dramatic work; and
  - (b) the reproduction is taken to contain only a reasonable portion of the work under subsection (2) or (2A):
- subsection (2) or (2A) does not apply in relation to any subsequent reproduction made by the person of any other part of the work.

Subsection 10(2A) is intended to mirror the “reasonable portion” requirement in the digital environment; that is, to define the minimum quantities that may be copied in that context and that are to be deemed presumptively as a “reasonable portion” of the work in question. However, there are some differences from the definition of “reasonable portion” in subsection 10(2) that should be noted:

- The works must be “published”, presumably within the meaning of subsection 29(1), which requires that reproductions of the works must have been issued to the public in order to satisfy their reasonable needs. This is the same as in subsection 10(2), but unlike subsection 10(2), there is no requirement that the published edition must be ten pages or more.
- Published musical works are not included, and, while published literary and dramatic works are, there is a specific exclusion for computer programs and electronic compilations.
- The work must be in “electronic form”; that is, if a person were to make their own electronic version of a part of a published literary or dramatic work in hard-copy form, this would not come within the scope of subsection 10(2A), although this could still amount to a fair dealing for the purposes of subsection 40(1) having regard to the factors listed in subsection 40(2). The term “electronic form” is not otherwise defined in the Act, although another amendment added by the Digital Agenda amendments of 2000 contains the following provision (subsection 21(1A)) concerning the meaning of the term “reproduced”:

(1A) For the purposes of this Act, a work is taken to have been reproduced if it is converted into or from a digital or other machine-readable form, and any article embodying the work is in such form is to be taken to be a reproduction of the work.

Note: The reference to the conversion of a work into a digital or other electronic machine-readable form includes the first digitisation of the work.

Accordingly, it seems reasonable to interpret the reference to “electronic form” in subsection 10(2A) as a reference to a published literary or dramatic work that has been reduced to a digital or other machine-readable form. In principle, this could include both works that originally existed in hard-copy and works that have been initially reduced into an electronic form before any hard-copy was made. On the other hand, the reference to “published” implies the need for there to have been the making available of reproductions of the work and this would usually have occurred in the form of hard-copy, although if reproductions had been distributed in the form of floppy disks or CDs, this would equally satisfy the requirements of subsection 29(1)(a). The only issue remaining, then, would be whether there is publication within the meaning of subsection 29(1) when a work in digital form is simply made available online. Resolution of this last question is not really required for the purposes of the present advice, and, as far as subsection 10(2A) is concerned, it suffices to note that the following are required: (a) that the literary or dramatic work should be published, and (b) that it should be in electronic form.

The maximum quantity that may be copied under subsection 10(2A) is determined by reference to the number of words copied, rather than the number of pages (as in subsection 10(2)). “Words” rather than “pages” have been chosen as the appropriate unit of measurement for dealing with a work that is in a digital form. However, it will be seen below that the use of words as a unit of measurement may not be as easy or as precise as pages.

Subsection 10(2B) recognises that both subsections 10(2) and (2A) may be applicable to the same case; that is, where a published literary or dramatic work is contained in a published edition of the work and is separately available in electronic form. The reference here to “published edition” is more limiting than the references to “published literary work” and “published dramatic work” in subsection 10(2A), in

that it seems clear that “published editions” under Part IV of the *Copyright Act 1968* applies only to hard-copy editions, whereas it was suggested above that “published works” under subsection 29(1) could extend to works supplied to the public in such forms as disks and CDs. However, it is clear that in some cases both subsections 10(2) and (2A) may be potentially applicable. In such a case, subsection 10(2B) therefore makes it clear that it suffices if one or other, but not both, of these provisions is satisfied. Thus, to the extent that the reasonable portion requirement under subsection 10(2A) is satisfied, but not that under subsection 10(2) (and *vice versa*), a user will be able to take advantage of the deeming provision in subsection 40(3) by meeting the requirements of one alone. It is difficult to determine, in abstract, the frequency with which it will happen that one rather than the other of subsections 10(2) or (2A) is satisfied. Given the differences in the areas of application of the two provisions, all that can be said is that there will be a (possibly) large number of instances in which this will be so, but there will also be identifiable cases where this will not happen. One example will be where a published work that is in electronic form is less than ten pages in length – here, subsection 10(2A) alone will apply. Another is where the published work is a musical work of more than ten pages in length that exists also in an electronic form – here, only subsection 10(2) will be capable of applying. On the other hand, if the musical work were less than ten pages in length, neither provision would apply. Each of these examples, while intellectually intriguing to identify, may be of no particular significance in the overall scheme of things, but they clearly evidence a legislative scheme of considerable subtlety.

The effect of subsection 10(2C) has been discussed above in relation to subsection 10(2). Its operation is the same with respect to subsection 10(2A), namely to prohibit reliance on it in relation to subsequent acts of reproduction of the same work by the same person. Accordingly, the deeming provision in subsection 10(2A) applies only once and cannot be relied on in relation to any further acts of reproduction by that person in relation to that work. This is not to say that such further acts of reproduction may not still be allowed under the fair dealing guidelines of subsection 40(2), but simply that the deeming provision under subsection 10(2A) will be exhausted so far as these later reproductions are concerned.

## **5.2 Applying the three-step test**

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Applying the test to new subsection 10(2A) leads to a similar conclusion as for subsection 10(2), but with some differences. At this stage, it should be noted that I will only be applying the three-step test as contained in article 9(2): the explicit extension to the digital environment that is embodied in article 1(4) of the WCT and its agreed statement does not yet apply to Australia, and the same is true of article 10 and its agreed statement (with its reference to the need for exceptions and limitations in the digital environment to be made “appropriately”). In principle, therefore, it might be open to the Australian Government to take the position that its international obligations under article 9 generally extend only to reproductions within the non-digital environment, and that it is not bound to apply the three-step test under article 9(2) in relation to the digital environment.

For the purposes of the present advice, however, I assume that this is not the case, and do so for two principal reasons:

- There is nothing in the public record, either at the domestic or international levels, to indicate that Australia has taken this view of the scope of its obligations

under article 9. This also seems reflected in Australia's domestic legislation and jurisprudence, both before and after the Digital Agenda amendments.

- To the extent that the scope of the reproduction right is clarified under the provisions of the WCT (see above), Australia has indicated its general intention to be bound by such an interpretation through its enactment of the Digital Agenda amendments that seek to give effect prospectively to the WCT.

Accordingly, in the discussion that follows, I apply the three-step test in article 9(2) to the new subsection 10(2A) on the basis that this test is equally applicable in the digital environment. Although not strictly bound to do so, it seems correct to do this according to the same criterion as adopted in the agreed statement to article 10 of the WCT, namely that such exceptions and limitations should be "appropriate".

### 5.2.1 *Is this a "certain special case"?*

As noted above, this requires that an exception should be clearly defined and narrow in its scope and reach. These questions are considered in turn.

#### *Clearly defined?*

The limitation to "published literary works (other than a computer program or an electronic compilation, such as a database)" and "published dramatic works" defines clear classes of works that are covered by the provision. The 10% word limit then provides a further restriction on what may be copied.

Unlike the page limit in subsection 10(2), however, the word limit in subsection 10(2A) is not so clear. The use of "words" as the unit of measurement must relate, ultimately, to the published and printed version of the work as the "words" contained in a work in electronic form are only apparent when displayed on screen. Determining the quantities required for this task will not be an immediately simple exercise. While it is ordinarily possible to ascertain quite quickly the number of pages in a printed work, counting the number of words is far more difficult and time consuming, if not completely unrealistic. In the case of a work in electronic form, whether this can be readily done will depend on whether there is a word count mechanism associated with the work or with an appropriate word processing program, such as Word 2000. For this to be done, however, it would normally be required for the whole work to be downloaded for the purpose of carrying out the word count.

These difficulties therefore make it impossible to conclude that the exemption conferred under subsections 40(3) and 10(2A) is "clearly defined", in the sense of being clear to apply by a potential user. In this regard, it is relevant to note that the CLRC in its report on exceptions to copyright,<sup>169</sup> recommended against the use of words as the unit of measurement in any quantitative test that was to be introduced in the digital context. This recommendation was not followed by the government in the final provision that now appears in subsection 10(2A), although the CLRC's

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<sup>169</sup> CLRC Exceptions Report, op. cit., paras 6.53–6.63.

observation that such a test would, in any event, be inappropriate in the case of computer programs and electronic compilations does seem to have been accepted.

*Narrow in its scope and reach?*

The number of words copied must not “exceed, in the aggregate, 10% of the number of words in the work; or if the work is divided into chapters – the number of words copied exceeds, in the aggregate, 10% of the number of words in the work, but the reproduction contains only the whole or part of a single chapter of the work.” Several comments can be made about this formulation:

- As with subsection 10(2), the words “in the aggregate” indicate that it is not necessary to take a single block of words, but that a series of blocks might be taken and this will be permissible, as long as they do not exceed overall the 10% limit. Given the capacity of word processing programs to cut and paste passages of a text, it will be easier for a user to pick out most, if not all, of the crucial parts of a work and string them together, while leaving out irrelevant or extraneous material that might otherwise have to be copied under subsection 10(2) where a hard-copy version was photocopied. In other words, a user will be more able to “cherry-pick” important passages from the work, even where these are individually quite short, and thereby gain much of the full value associated with the work.
- As there is no ten-page limitation (as in the case of published works under subsection 10(2)), 10% of the words of works of any length may be reproduced under subsection 10(2A), including poems and short stories, provided, of course, they are published.
- As noted above, there may be practical difficulties in actually computing the number of words without exceeding the minimum quantity. Thus, if a user has to download the whole work into the RAM of their computer to carry out the word count and determine how much is 10%, inevitably this will mean that the limit is exceeded. What therefore is framed as an apparently narrow exemption may become impossible to comply with as a matter of practice.
- Where the work is divided into chapters, these operations will become even more complicated where the reader seeks to determine whether the number of words of the chapter in question exceeds the number of words in the work as a whole. A further practical problem will arise where the work, being divided into chapters, is stored in a number of files corresponding to the separate chapters. Each will need to be downloaded in order to determine whether the user wishes to make a reproduction of that particular chapter and/or to calculate the number of words in the work as a whole in order to carry the comparison that is required by subsection 10(2A)(b). This process will inevitably involve the reproduction (even if transitorily) of the whole of the work in the RAM of the user’s computer. Temporary reproduction of a work in this way is probably not intrinsically offensive to the copyright owners’ interests, but the fact remains that it is not specifically provided for under the 1968 Act.<sup>170</sup> Thus, the new provisions added by

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<sup>170</sup> Note that this is an issue on which there are presently differing opinions among several Federal Court judges who have considered it at first instance: see further *Microsoft Corporation v Business*

the Digital Agenda amendments in 2000 to cover temporary reproductions made in the course of communications and simulcasting (new sections 43A and 47AA) will not be of any assistance where the temporary reproduction is made, say, from an electronic version of a work that is stored on a floppy disk or CD-ROM from which the user downloads the work. On the other hand, it is possible that such a temporary reproduction of the whole work, and any more permanent reproduction that is subsequently made of part of that work, could be allowable under the guidelines provided in subsection 40(2). This will be a case-by-case judgment, and will make it difficult for users to be certain in advance what was permissible. The answer would lie in the adoption of a more general temporary reproduction provision in the 1968 Act, although it would be necessary for this also to satisfy the three-step test in article 9(2) of Berne. In this regard, it is worth noting that proposals to allow for temporary reproduction in circumstances such as this were made at the time of the Geneva Diplomatic Conference which adopted the WCT.<sup>171</sup> These were ultimately not adopted as treaty provisions, and were also not dealt with in any of the Agreed Statements that were adopted by the Conference.

For present purposes, I conclude that: (a) subsection 10(2A) will only be capable of precise application in a relatively few number of cases (that is, those where there is no actual temporary reproduction of the whole of the work for the purpose of determining the percentage of words and/or chapters that may be taken), and (b) that in the balance of cases, an amount of reproduction will occur that is outside the scope of the provision and may well fall outside the general protection of subsection 40(2) (that is, where the guidelines in that subsection are not satisfied).

In these respects, subsection 10(2A) can hardly be described as being “narrow in its scope and reach”.

### 5.2.2 Does this conflict with a normal exploitation of the work?

This part of the three-step test has already been discussed above in relation to subsection 10(2). In general, the same analysis and conclusions must follow in relation to subsection 10(2A). To the extent that the minima specified by subsection 10(2A) will permit the reproduction of larger quantities of a work that might otherwise be allowable under subsections 40(1) and (2), one begins to enter the sphere of “normal exploitation” of a work. As with subsection 10(2), it might be possible to conceive of a past time in which it would have been impractical for a copyright owner ever to seek control over these kinds of reproductions, but this is much less certain today. In the digital age, it may now be technologically feasible for a copyright owner to deliver the 10% or single chapter quantities specified in subsection 10(2A) and to extract remuneration for this – that is, to “exploit” the work in this way. In applying the second step of the three-step test in article 9(2), it is relevant to take account of potential as well as current or actual modes of exploitation of the work by the author/copyright owner. Accordingly, to the extent that subsection

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*Boost Pty Ltd* (2000) 49 IPR 573, 577 (Tamberlin J); *Australian Video Retailers Association Ltd v Warner Home Video Pty Ltd* (2001) 53 IPR 242, 262–263 (Emmett J) and *Kabushiki Kaisha Sony Computer Entertainment v Stevens* [2002] FCA 906 (26 July 2002), paras 147–150 (Sackville J) (currently in appeal).

<sup>171</sup> *Records 1996*, op. cit., p 189 (this was to be article 7(1) of the WCT).

10(2A) permits such quantities of a published literary or dramatic work to be reproduced free of charge, it is sufficient that this is now a potential mode of exploitation of the work that the author/copyright owner might wish to capture, not that this is presently happening.<sup>172</sup>

Do non-economic normative considerations alter this conclusion? That is, what weight is to be given to the fact that the provision is based on research or study needs? These are, of course, well-established grounds for exceptions to copyright infringement, but, as noted above in the case of subsection 10(2), these provisions allow for the copying of material for a wide range of research or study purposes and do so without any discrimination. Some of these research or study purposes – those directed to commercial ends – may well not be outside the scope of the copyright owner’s exploitation of their work under the guidelines in subsection 40(2) but are deemed to be so under subsections 10(2) and (2A). To the extent that this is the case, both provisions will not comply with this part of the three-step test.

### 5.2.3 Does this “unreasonably prejudice the legitimate interests of the author”?

As with subsection 10(2), if the second condition of article 9(2) is not satisfied with respect to subsection 10(2A), it will be unnecessary to consider the question of prejudice to the legitimate interests of the author. However, even if the second condition were fulfilled, it would still be arguable that the legitimate economic interests of the author would be affected by the kinds of reproduction permitted by subsections 40(3) and 10(2A). As noted above, prejudice alone is not enough: it must be shown this is an unreasonable prejudice of these interests. To the extent that the reproduction permitted by subsections 40(3) and 10(2A) can cover reproductions that would not otherwise be covered by subsections 40(1) and (2), the answer to this must be “yes”. Such reproduction can occur without being subject to any condition such as the requirement of fairness or the need to pay remuneration. Accordingly, prejudice to the author’s legitimate (economic) interests is caused without being confined within reasonable or proportionate boundaries, and, by definition, this must represent an unreasonable prejudice. One way of avoiding such unreasonable prejudice would be to make copying of this kind subject to an obligation to pay remuneration that could then be collected by a collecting society such as CAL, but this has not been done here.

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<sup>172</sup> It may, of course, be that this is now happening in specific contexts. Works in electronic form online are often made available in separate files for each chapter or division of the work. This technological division of the work can readily correspond to a commercial division for the purposes of exploitation of the work by the copyright owner. Most notable in this regard was the release by the author Stephen King of his most recent novella, *The Plant*, on a chapter-by-chapter basis, with a request for payment for each chapter. In the case of Stephen King, of course, the incentive for readers to pay was that the next chapters would not be written and made available in the absence of payment. On the other hand, this points to a form of exploitation of a work that might not previously have been thought to be possible and, for the purposes of our present discussion, serves to underline the proposition that these uses can now be viewed quite realistically as being within the potential modes of exploitation of a work.

### **5.3 Compliance with the TRIPS Agreement and the WCT**

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In the light of the analysis of these provisions that has already been carried out in relation to subsection 10(2) above, it is unnecessary to go through the same process with respect to subsection 10(2A). The conclusions in relation to subsection 10(2) will apply equally here.

## **Chapter 6: Taking the quantitative test further – presumptive, rather than deeming; a general stand-alone provision?**

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*Question 1(c): If your advice in response to Question 1(a) and/or Question 1(b) is that the quantitative test in its current form does not comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty, in your opinion would the proposal canvassed in the House of Representatives Standing Committee on Legal and Constitutional Affairs Advisory Report on the Copyright Amendment (Digital Agenda) Bill 1999 – that the quantitative test act as a presumption rather than as a deeming provision (see paragraphs 2.30–31) – comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?*

*Question 1(d): Does the proposed recommendation of the CLRC (in Part 1 of its Simplification Report) to extend the quantitative test as a stand-alone provision comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?*

### **6.1 Introduction**

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Two issues fall for consideration here. The first is whether a quantitative test would be Berne-compliant in the event that it was framed as a presumptive test rather than as a deeming test. This flows from a proposal that was put to the House of Representatives Standing Committee on Legal and Constitutional Affairs (“the Committee”) during its deliberations prior to its report on the Digital Agenda Bill 1999. The second is whether there might be scope for the adoption of a stand-alone quantitative test to apply to all fair dealings for research or study with exclusive rights generally. This flows from a proposal made by the CLRC in its report on simplification of exceptions under the *Copyright Act 1968*. Both of these proposals are considered in turn in this chapter.

### **6.2 A presumptive quantitative test**

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This proposal is now mainly of historic interest, as the Digital Agenda amendments have retained the deeming test in the hard-copy environment (under subsection 10(2)) and have extended it to the digital environment in the form of subsection 10(2A). Nonetheless, it is relevant to consider whether such a proposal would have been Berne-compliant in the event that it had been adopted, as this may provide the basis for future legislative change. In this regard, the relevant distinction to be drawn here is between a quantitative test that deems reproductions of copyright works that occur within certain limits to be fair dealings, regardless of whether this might be so under a multi-factorial approach such as that contained in subsection 40(2), and a quantitative test that merely operates as a presumption that there is or has been a fair dealing where these limits are met. Both kinds of provisions have an appeal from the perspective of reducing transaction costs between copyright owners and users, although greater certainty clearly arises where the limits are deemed to be “fair”.

6.2.1 *The Committee's discussion*

The proposal for a presumptive test to operate in the digital environment was canvassed before the Committee by a number of groups in a joint submission. These included the Australian Copyright Council (ACC), CAL, the Australian Society of Authors (ASA), the Australian Publishers Association (APA) and Screenrights.<sup>173</sup> These groups were strongly opposed to applying fair dealing to works in electronic form without equitable remuneration, but submitted that, if the reasonable portion test was to be applied in this context, it could be “presumed that copying a reasonable portion is fair for the purposes of the fair dealing provision but not deemed to be fair for the purposes of the fair dealing provision.”<sup>174</sup> In support, it was argued that, by removing the deeming provision, fairness would then fall to be determined by reference to the factors listed in subsection 40(2) of the existing legislation. Copyright owners would not be unfairly prejudiced by a test that deemed the copying of a fixed proportion to be fair in all circumstances, and a court would not be precluded from determining that something that was a fair dealing in the hard-copy environment was not a fair dealing when translated to the digital environment. This was characterised as a “qualitative” approach that would take account of the “radically different nature” of digital works.<sup>175</sup> It was suggested further that such a qualitative approach would be in line with “international standards governing exceptions to the exclusive rights of copyright owners” (presumably a reference to article 9(2) of Berne).<sup>176</sup> Against objections that this would lead to uncertainty for users, it was argued that certainty could be achieved through joint industry guidelines rather than legislation.<sup>177</sup>

The Committee rejected the qualitative/presumptive test proposal, principally on the grounds of uncertainty, concluding that it would be “impracticable and administratively unworkable to expect the average user to assess the fairness of any copying under subsection 40(2) factors, such as its impact on potential markets.”<sup>178</sup> This decision was reached without any express consideration of Berne requirements, but not without stating some hesitations, such as whether a quantitative test would be workable in the digital environment in any event. However, it concluded by saying that the issue of a quantitative test might require further examination in the government’s proposed three-year review of the legislation and took comfort from the fact that the proposed exclusions of musical works and computer databases from the application of the test “adequately covers the interests of copyright interests”.<sup>179</sup> In relation to the last comment, it should be noted that the exclusions contained in subsection 10(2A) as finally enacted extend to computer programs as well.

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<sup>173</sup> House of Representatives Standing Committee on Legal and Constitutional Affairs, *Advisory Report on Copyright Amendment (Digital Agenda) Bill 1999*, November 1999, paras 2.29–230.

<sup>174</sup> *ibid.*

<sup>175</sup> *ibid.*, para 2.31 (submission of CAL).

<sup>176</sup> *ibid.*

<sup>177</sup> *ibid.*

<sup>178</sup> *ibid.*, para 2.37.

<sup>179</sup> *ibid.*, para 2.38.

### 6.2.2 *Compliance with the three-step test*

As noted above, this question was not considered by the Committee, which based its rejection of the proposal on essentially practical grounds. However, it has been argued above that both the existing quantitative test in subsection 10(2) and the new quantitative test in subsection 10(2A) are in breach of the three-step test, not the least because each covers situations that may not fall within the criteria listed in subsection 40(2) and, as a corollary, the criteria listed in the three-step test itself. Would these difficulties be avoided if a presumptive, rather than a deeming, test was adopted in either or both of these cases?

An initial uncertainty arises here in defining the strength of the presumption that would operate under this proposal, and this was not made entirely clear in the discussions before the Committee. It is possible that a presumption may operate merely as a default provision; that is, something will be presumed to exist if the matter is not put in issue by the other party (this could be called an “evidentiary presumption”). A good example is found in subsection 126(a), which presumes that copyright subsists in a work unless the question of subsistence is put in issue by the defendant. If this occurs, it will then be necessary for the person seeking to rely on the issue as part of their case to prove it in the ordinary course of evidence. Applying such an approach to a defence such as subsections 10(2) or (2A) would mean the following: once the copyright owner alleges that the copying does not fall within one or more of the guidelines in subsection 40(2), the defendant would then have the persuasive or legal burden of establishing that this is so.<sup>180</sup> Alternatively, a presumption may operate in a more binding sense; that is, a particular fact or circumstance will be presumed to be the case unless the contrary can be established. In such a situation, the party against whom the presumption operates will then need to adduce positive evidence that shows, on the balance of convenience (the civil standard of proof), the particular fact or circumstance does not exist (this could be called a “persuasive presumption”). An example of such a provision is section 127, which contains certain presumptions as to the authorship of works. The difference between the two kinds of presumptive tests then turns on which party will bear the ultimate burden of establishing the particular issue or issues covered by the presumption.

In the context of the quantitative test, the distinction between these two kinds of presumptions is of some significance. If it is persuasive, it will then be up to the copyright owner to show positively (as part of its case) that the dealing in question is not fair, presumably by reference to the factors listed in subsection 40(2). If it is evidential, the copyright owner will need only to put some evidence in issue on this point, and the user will no longer be able to rely on the quantitative test and will have the burden of establishing that his or her use is justifiable under the criteria in subsection 40(2). On the assumption that these criteria are consistent with the three-step test in article 9(2) (see above), it can be concluded that an evidentiary presumptive test would also be consistent with article 9(2), in that there would only be a relatively low barrier that the copyright owner would need to clear before the subsection 40(2) criteria come into play. However, a stronger presumptive test that requires the copyright owner to discharge a persuasive burden to rebut the presumption places this barrier higher, and would be more problematic, as it would operate on the basis that the non-Berne compliant quantitative test would apply

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<sup>180</sup> The classification of presumptions and burdens of proof is a complex matter, as the discussion in chapter 7 of *Cross on Evidence*, 7<sup>th</sup> Australian edn, ed JD Heydon, 2000, reveals.

unless the contrary was established. Possibly, the answer to this question will lie in the third step of article 9(2), namely, would the fact that the copyright owner has the persuasive burden with respect to showing non-compliance with the guidelines in subsection 40(2) represent an “unreasonable prejudice” to the legitimate interests of the author? As this is not an irrebuttable presumption, the copyright owner will ultimately have access to the benefit of subsection 40(2), and it could therefore be argued that this does not represent an unreasonable constraint on the legitimate interests of the author. If this argument is correct, then either form of presumptive test would satisfy the requirements of article 9(2), but an evidentiary presumptive test will do so the more readily.

### **6.3 A general stand-alone quantitative test**

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In its Exceptions Report, the CLRC proposed the adoption of a new quantitative test based on subsection 40(3) that would be limited to published literary, dramatic and musical works or adaptations of such works in printed form. The CLRC considered that a quantitative test would not be appropriate to the digital context where it would be far more difficult to specify amounts, whereas this was far easier in relation to printed works where the basic unit is the page. This test would be defined exclusively through reference to articles in periodical publications and, in the case of other works, to a “prescribed portion” of such a work which reflected the limits currently described in relation to a “reasonable portion” in subsection 10(2), and would apply to all dealings for the purpose of research or study rather than to dealings by way of copying only. It proposed further that this would be a stand-alone provision, separate from its proposed new fair dealing provision (as to which see below) and that it would operate as a single deemed exception, notwithstanding the factors described in subsection 40(2). The following model provision was included in the CLRC’s report:

- (1) A dealing with copyright material being a literary, dramatic or musical work, or an adaptation of such a work, for the purpose of research or study, being a dealing where
  - (a) the copyright material is contained in an article in a printed periodical publication—of the whole or part of that copyright material, or
  - (b) the copyright material is contained in a printed published edition of 10 pages or more—of not more than a “prescribed portion” of the copyright material,shall not be an infringement of copyright in that copyright material.
- (2) Paragraph (1)(a) does not apply to a dealing with the whole or a part of an article in a periodical publication if another article in that publication, being an article dealing with a different subject-matter, is also dealt with.<sup>181</sup>

The CLRC recommended further that the expression “prescribed portion” should be defined in the same way as the term “reasonable portion” is presently defined under subsection 10(2), with its alternative measures of a percentage of pages or a single chapter (whichever is longer).

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<sup>181</sup> CLRC Exceptions Report, op. cit., para 6.144.

### 6.3.1 *Compliance with the three-step test*

Would such a provision, if enacted, comply with the three-step test? Most of the issues relevant here have already been canvassed in relation to the existing subsections 10(2) and (2A), and can be briefly rehearsed here.

- Is it a “certain special case”? In particular, is it clearly defined and narrow in its scope and reach? In terms of the rights and works covered, there is probably no difficulty in concluding that it is “clearly defined”. As to whether it is “narrow in its scope and reach”, it is limited to the purposes of research and study and, further, to works “in printed form”. Nonetheless, the continuing reference to “articles in periodical publications” is still very open-ended, and likewise the retention of chapter lengths in the definition of a “prescribed portion” is still uncertain. Accordingly, the first step of article 9(2) would not be satisfied.
- Does it conflict with a normal exploitation of the work? In this respect, the proposed test would be no different from those in the existing subsections 10(2) and (2A), and would therefore fail to meet this second step in article 9(2).
- Does it “unreasonably prejudice the legitimate interests of the author”? Again, a similar conclusion would follow as under subsections 10(2) and (2A) and this third step would not be satisfied.

## Chapter 7: The library provisions

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*Question 2(a): In light of developing commercial uses of copyright works by libraries such as document delivery services, and the availability of the library exceptions to “for profit” libraries (that is, libraries in for-profit organisations provided the library itself is not for profit), did the library exceptions in the Copyright Act as they operated prior to the recent Digital Agenda amendments comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?*

*Question 2(b): Does the recent extension of the library exceptions under the Digital Agenda amendments comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?*

*Question 2(c): Did the proposed limitation of the library exceptions to not-for-profit libraries (excluding those in for profit organisations except for universities) under the Digital Agenda amendments as originally introduced into parliament (see item 11 of the original Bill), but subsequently amended by the government comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?*

### 7.1 Introduction

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Following the enactment of the Digital Agenda amendments, both Questions 2(a) and 2(b) can be considered together, and this is done in the analysis that follows in this chapter. As each of the relevant library and archives provisions (sections 48A–53) is concerned with exceptions to two exclusive rights (reproduction and communication), I consider these rights in turn, provision by provision. In the case of the exceptions to the reproduction right, these are assessed by reference to the three-step test as contained in article 9(2) of Berne and then, more briefly, by reference to the three-step test as embodied in article 13 of TRIPS and articles 1(4) and 10 of the WCT. I then consider whether the exceptions to the new communication right will meet the requirements of the three-step test as incorporated in article 10 of the WCT. Question 2(c), which concerns a proposed change to the definition of “library”, is dealt with at the end of the chapter.

### 7.2 An overview

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The library provisions are to be found in section 48–53 of the Act, and are concerned with the following free uses by “libraries” and “archives” (the meanings of these terms are considered below):

- Copying by parliamentary libraries for members of Parliament: section 48A.
- Reproducing and communicating works by libraries and archives for users: section 49.

- Reproducing and communicating works by libraries and archives for other libraries and archives: section 50.
- Reproducing and communicating unpublished works in libraries or archives: section 51.
- Reproducing and communicating works in Australian Archives: section 51AA.
- Reproducing and communicating works for preservation and other purposes: section 51A.
- Publication of unpublished works kept in libraries or archives: section 52

The second and third of these are the most important for present purposes, but the remaining provisions will be considered briefly for the sake of completeness.

### 7.3 History of the provisions

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These provisions are of comparatively recent origin. Prior to the 1968 Act, there were no particular provisions concerned with the use of works by libraries (and archives) and their users.<sup>182</sup> Such provisions came into the 1968 Act as a result of recommendations from the Spicer Committee,<sup>183</sup> which, in turn, based its recommendations on the presence of similar provisions in the *Copyright Act 1956* (UK) and on submissions from the Australian Library Association.<sup>184</sup> Further substantial changes to these provisions were made in 1980,<sup>185</sup> and their operation was extended to archives. These changes followed the investigations of another expert committee, the Franki Committee,<sup>186</sup> which reported on the impact of the new technology of photocopying. Further substantial amendments were made in the *Copyright Amendment (Digital Agenda) Act 2000*, which extended the scope of these provisions to cover the new communication to the public right.

### 7.4 The terminology used

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These provisions are replete with their own particular terminology, which can, at times, become cumbersome and repetitive. Of particular importance, however, are the key concepts of “library” and “archives”.

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<sup>182</sup> Under the *Copyright Act 1911*, which was then in force in Australia, exceptions to copyright infringement were all gathered together in subsection 2(1).

<sup>183</sup> *Report of the Committee Appointed by the Attorney-General of the Commonwealth to Consider What Alterations are Desirable in the Copyright Law of the Commonwealth*, Commonwealth Government Printer, Canberra, 1959 (“Spicer Committee”).

<sup>184</sup> *ibid.*, paras 130–132. See further the discussion in I McDonald, *A Comparative Study of Library Provisions from Photocopying to Digital Communications*, Centre for Copyright Studies Ltd, Sydney, 2001, pp 12–14.

<sup>185</sup> *Copyright Amendment Act 1980*. In particular, sections 49 and 50 received substantial amendment and a new section 51AA was added.

<sup>186</sup> *Report of the Copyright Law Committee on Reprographic Reproduction*, Australian Government Publishing Service, Canberra, October 1976.

#### 7.4.1 “Archives”

The second of these terms can be dealt with quite quickly. Under an amended definition added by the Digital Agenda Act,<sup>187</sup> this term refers to archival material in the custody of certain specified “official” bodies, such as the Australian Archives, the Archives Offices of NSW and Tasmania, and the Victorian Public Record Office, as well as collections of documents or other material, where:

- (a) a collection of documents or other material of historical significance or public interest that is in the custody of a body, whether incorporated or unincorporated, is being maintained by the body for the purpose of conserving and preserving those documents or other material; and
- (b) the body does not maintain and operate the collection for the purpose of deriving a profit;<sup>188</sup>

#### 7.4.2 “Library”

This term is not defined in the Act, but in its traditional meaning referred to a collection of books, journals and other printed materials maintained for the purposes of consultation by users (the advent of the “electronic library” obviously extends this traditional conception). The Act also contemplates that library collections may include audiovisual material (films and sound recordings)<sup>189</sup> as well as artistic works.<sup>190</sup>

Furthermore, sections 49 and 50 – though not sections 51, 51A and 52 – apply only to libraries that are not conducted for the profit, direct or indirect, of an individual or individuals.<sup>191</sup> At first impression, this qualification appears to exclude libraries maintained by commercial organisations, but reference needs to be made to section 18, which provides that a library is not to be taken to be established or conducted for profit by reason only that it is owned by a person carrying on business for profit. This, then, would cover reference and research libraries conducted by commercial organisations and profit-making statutory corporations, as long as the library itself is not conducted for profit.<sup>192</sup> Presumably, a charge could be made for admission and use of the library’s facilities, as long as this is not for the purposes of generating a profit, and it would be immaterial that other parts of the organisation are profit centres.

The repeal of section 18 and insertion of the following definition of “library” was proposed in the Digital Agenda Bill, as originally introduced to parliament in 1999:

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<sup>187</sup> *Copyright Act 1968*, subsection 10(1).

<sup>188</sup> Subsection 10(4).

<sup>189</sup> See sections 110A and 110B.

<sup>190</sup> See, for example, sections 51, 51A and 52.

<sup>191</sup> Subsections 49(9) and 50(9).

<sup>192</sup> The source of this provision was a recommendation of the Spicer Committee (at para 137) that accepted a submission from the Australian Library Association that “special libraries”; that is, libraries established in “industrial concerns”, should be able to take advantage of sections 49 and 50, as long as the libraries themselves were not run for profit. This was on the basis that such libraries “frequently have requests for copies of material contained in technical periodicals.” See further McDonald, *op. cit.*, p 17.

*library* includes a library owned by an educational institution, being an institution that is conducted for profit, but does not include a library owned by any other person or body carrying on business for profit if the person maintains the library mainly or solely for the purposes of that business.

The effect of this would have been to exclude libraries in the commercial or business sector, while including libraries in profit-making educational institutions, regardless of whether those libraries were themselves run for a profit. Inevitably, the proposed amendments led to strong objections from library organisations and other professional and commercial groups (arguing for retention of the existing section 18),<sup>193</sup> while copyright owner groups were in favour of the proposed definition or an even narrower one.<sup>194</sup> The House of Representatives Legal and Constitutional Affairs Committee recommended the removal of the new definition, pending further consultations with the interested parties,<sup>195</sup> and this was duly removed from the Bill when it was enacted while section 18 was retained.

Accordingly, libraries in for-profit organisations remain able to take advantage of the exceptions contained in sections 49–50, as long as they fall within the qualification contained in section 18. It is clear from the submissions to the House of Representatives Legal and Constitutional Affairs Committee that libraries of this kind provide access to a wide body of valuable and specialised resources. Examples given to the Committee by the Australian Library and Information Association (ALIA) included the following:

- library resource-sharing between public and private hospitals and the health sector;
- pharmaceutical industry library services to hospital staff and medical practitioners in regional areas;
- university library services accessed by industries and corporations;
- specialist services to the public such as the Australian Stock Exchange library; and
- access to corporate library resources by parliamentary and government libraries.<sup>196</sup>

These examples indicate something of the range of institutions that fall within the scope of the expression “library”, and it will be seen that this is an important factor in determining the question of compliance with the three-step test.

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<sup>193</sup> House of Representatives Legal and Constitutional Affairs Committee, *Advisory Report on Copyright Amendment (Digital Agenda) Bill 1999*, Canberra, November 1999, paras 2.45–2.50.

<sup>194</sup> *ibid.*, para 2.43–2.44.

<sup>195</sup> *ibid.*, paras 2.51–2.53.

<sup>196</sup> *ibid.*, para 2.45.

## **7.5 The three-step test: Berne and the WCT**

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Before commencing a detailed analysis of the library and archives provisions, we need to be clear about the version of the three-step test that is to be applied. Our starting point is article 9(2) of Berne, as this obligation has bound Australia at all relevant times. However, it will be recalled that the effect of articles 1(4) and 10 of the WCT and their Agreed Statements is to clarify the application of article 9 in the digital environment, with the qualification that any exceptions and limitations must be made “appropriately”.

Australia is not yet a member of the WCT and it would therefore be possible to argue that its obligation to comply with the three-step test under article 9(2) does not extend to digital uses. This issue was raised above in relation to subsection 10(2A), which was added at the time of the Digital Agenda amendments in 2000, and the view that I took there was that Australia, in enacting such a provision (and those in the library and archives provisions to be examined below), has proceeded on the basis that it was obliged to protect the reproduction right under article 9 of Berne in both the digital and non-digital environments. In other words, the obligation to do so does not wait on accession to the WCT, but has been implicit in article 9 from the start.

In the analysis that follows, I therefore apply the three-step test under article 9(2) to exceptions arising in relation to digital uses under sections 48A–53 in the way that is now explicitly envisaged by the provisions of the WCT (articles 1(4) and 10 and the Agreed Statements thereto). This allows for a seamless exposition; that is, it is not necessary to separate non-digital from digital uses (which would not be easy to do, in any event, because of the drafting of sections 48A–53). However, even if the contrary view was correct, it would still be necessary, for the purposes of the present advice, to consider the question of compliance with the three-step test under the WCT on the assumption that, at some future date, Australia will become bound by this treaty.

## **7.6 Reproduction and communication of works for users (section 49)**

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### *7.6.1 Scope and purpose of the provision*

Although this section was included in the original *Copyright Act 1968*, it was made more comprehensive in 1980, following the recommendations of the Franki Committee. Further revisions were made in 1984.

The competing interests of scholars and researchers, on the one hand, and copyright owners, on the other, were clear enough, particularly with the advent of widespread photocopying. After receiving extensive submissions from the different parties, the Franki Committee recommended that, subject to certain conditions, such copying should remain unremunerated,<sup>197</sup> basing this on a tightly drawn notion of agency that permitted libraries and archives to do, on behalf of readers and users, anything that those individuals might themselves legitimately do under the fair dealing provision in

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<sup>197</sup> Franki Committee, *op. cit.*, pp 35–36.

section 40. The only concern of section 49, however, was with the legal liability of libraries and archives, not that of the individual user on whose behalf copies were made.

In its 1980 manifestation, section 49 dealt only with the “copying” of articles in periodical publications and other works. Under the Digital Agenda amendments of 2000, however, the section has been extended to apply to “reproduction” generally, as well as the “communication” of the reproductions that are so made. Exceptions to the communication right under section 49 (or any other provision of the 1968 Act) are not subject to the three-step test under any international obligation currently binding Australia, although such an obligation will arise once Australia becomes bound by the WCT (see above). Accordingly, in the discussion that follows, consideration of this question is deferred until the end of this chapter.

### *7.6.2 Operation of the provision*

As amended, the section works as follows.

#### *Initiating the exception*

Under subsection 49(1), a person may furnish to the officer in charge of a library or archives a written request to be supplied with a reproduction of an article, or part of an article, contained in a periodical publication, or of the whole or a part of a published work other than an article, being a periodical publication or published work held in the collection of the library or archives. This request must be accompanied by a written declaration signed by the person that states two things:

- that the reproduction is required for the purpose of research or study and will not be used for any other purpose, and
- that the person has not previously been supplied with a reproduction of the same article or work by the library or archives.

#### *Acts exempted – reproduction and communication to the public*

On receipt of such a request and declaration, an authorised officer of the library or archives<sup>198</sup> may, without infringing copyright, and unless the declaration contains a statement that to the officer’s knowledge is untrue in a material particular, make, or cause to be made, a reproduction of the article or work referred to in the request and supply the reproduction to the person making the request: subsection 49(2). Subject to certain restrictions discussed below, this will not infringe the reproduction right in these works: subsections 49(6) and (7). The use of the word “reproduction” here obviously expands the scope of the section considerably beyond the making of a

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<sup>198</sup> This phrase is defined in section 10(1) to mean the officer in charge of the library or archives, or a person authorised by that officer to act on his or her behalf. The term “officer in charge”, to whom the request and declaration must be furnished under subsection 49(1), is further defined in subsection 10(1) as meaning the archivist, librarian or other person (as the case may be) “having, for the time being immediate care and control of the collection comprising the archives/library...”

“copy” under the pre-Digital Agenda provision (see further below), while the term “supply” also has a wider meaning than the supply of a physical or hard-copy. Thus, “supply” is interpreted to include “supply by way of a communication”,<sup>199</sup> which under subsection 10(1) means to “make available online or electronically transmit (whether over a path, or combination of paths, provided by a material substance or otherwise) a work or other subject-matter”. Accordingly, when a reproduction is made in electronic form (see further below), any transmission or making available of this online will be a supply “by way of communication”. To the extent that this implicates the new exclusive right of communication to the public that was introduced pursuant to the Digital Agenda amendments,<sup>200</sup> such a communication is exempted from liability pursuant to subsection 49(7B). As noted above, exceptions to the communication right are not presently subject to the three-step test by virtue of either the Berne Convention or TRIPS. Accordingly, consideration of the scope of the communication right in this context, and in relation to the potential application of the three-step test under the WCT, is dealt with separately at the end of this chapter.

### *Retention of declarations made by users*

There is a requirement under subsection 203A(1) for the library or archives to retain the declaration made under subsection 49(1) in its records for the period prescribed in the regulations,<sup>201</sup> and failure to do so is a criminal offence on the part of the body administering the library or archives and the officer in charge.<sup>202</sup>

These request and declaration requirements of subsection 49(1) appear to be predicated on the physical presence of the person requesting the reproduction in or close to the library or archives in question. These requirements led to complaints from “remote” users, whose needs are now dealt with in subsections 49(2A)–(2C). The latter allow for the making of oral requests and declarations where, by reason of the remoteness of the person’s location, the person “cannot conveniently furnish” to the officer in charge the required written request and declaration soon enough to enable the reproduction to be supplied before the time by which the person requires it.<sup>203</sup> These “declarations”, made presumably over the telephone, need to cover the same matters as under subsection 49(1), with the added requirement of a statement to the effect that the remoteness of the requester’s location means that he or she cannot “conveniently furnish” the required written request and declaration.<sup>204</sup> However, even though the requester is relieved, in these circumstances, from making a written request and declaration, the authorised officer of the library or archives concerned must make a declaration stating that the declaration made by the requester does not contain a statement that is to the knowledge of the officer untrue, and that the officer is “satisfied” that the requester’s assertions of remoteness and inconvenience are true: subsection 49(2C)(a) and (b). When these conditions are

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<sup>199</sup> Subsection 49(9).

<sup>200</sup> Subparagraphs 31(1)(a)(iv) and (b)(iii).

<sup>201</sup> The prescribed period is four years from the making of the copy: Copyright Regulations 1969 (Cth), regulation 25A.

<sup>202</sup> Subsection 203A(1) – it carries a fine of up to \$500.

<sup>203</sup> Subsections 49(2A), (2B) and (2C).

<sup>204</sup> Subsection 49(2A)(iii).

satisfied, subsection 49(2C) then allows the officer to make and supply the reproduction to which the request relates.

Given the wide availability now of facsimile and email communications, subsections 49(2A)–(2C) seem redundant: it is difficult to envisage remote users who would not have access to one of those forms of communication once they had access to a telephone line. If this is so, they will be able to comply with the requirement under subsection 49(1) for the making of a request and declaration in writing.

#### *Limitations on licences conferred*

The licences conferred on libraries and archives under subsections 49(2) and (2C) are also subject to the following limitations:

- The declarations must state that the reproduction requested is required for the purpose of research or study and that it will not be used for any other purpose; it must also be stated that the person requesting the reproduction has not previously been supplied with a reproduction of the same article or work. This complements the fair dealing defence under subsection 40(1), allowing libraries and archives to make reproductions for users who require them for their research or study. There is no requirement that the librarian or archivist should be satisfied that the user requires the reproduction for this purpose: provided the specified declaration is supplied, there is no onus to check its veracity unless it contains a statement that is to their knowledge untrue.<sup>205</sup> A limited onus to inquire, however, does arise where the reproduction is requested and supplied under the circumstances of inconvenience and remoteness dealt with in subsections 49(2A)–(2C) (see above).
- If a charge is made for the making and supplying of a reproduction, it must not exceed the cost of making and supplying the reproduction; that is, there cannot be an element of profit in the carrying out of the transaction: subsection 49(3). Unlike the previous subsection 49(3)(c), there is no requirement that the person requesting the reproduction must pay for it.
- Subsections 49(2) and (2C) do not apply if the request is for a reproduction of, or parts of, two or more articles contained in the same periodical publication unless the articles relate to the same subject-matter: subsection 49(4). As noted at 4.4 above the meaning of the term “same subject-matter” (and its converse “different subject-matter”) is unclear. If areas of knowledge are defined widely, this will expand the scope of reproduction permitted by these provisions very considerably.
- Where the request is for the making of a reproduction of the whole of a literary, dramatic or musical work (other than an article contained in a periodical publication) or for a reproduction of a part of such a work that constitutes more than a reasonable portion thereof,<sup>206</sup> subsection 49(5) provides that this may not be done unless the following two conditions are satisfied:

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<sup>205</sup> This was recommended by the Franki Committee, *op. cit.*, pp 34–35.

<sup>206</sup> Subsection 10(2).

- The work must form part of the library or archives collection.
- Before the reproduction was made, an authorised officer has, after reasonable investigation, made a declaration stating that he or she is satisfied that a reproduction (other than a second-hand reproduction) of the work is unavailable “within a reasonable time at an ordinary commercial price”; that is, that the person requesting the making of the reproduction would not otherwise be able to purchase a reproduction of the work “within a reasonable time at an ordinary commercial price”.

The meaning of the expression “reasonable portion” has already been discussed at 4.4 above, and it will only be where the portion requested to be reproduced exceeds this amount that such a declaration will have to be made. The “commercial availability” test appears in several other places in the library and archives exceptions (see below), as well as being one of the relevant factors for the purposes of subsection 40(2). While various terms used in the test are undefined, such as “satisfied”, “reasonable investigation”, a “reasonable time” and “ordinary commercial price”, their meaning seems clear enough, as a matter of ordinary language, and it therefore embodies a reasonably clear limitation on the application of a provision, such as subsection 49(5).

- The reproduction must be supplied to the person who made the request. If it is supplied to any other person, the making of the reproduction will be an infringement of the copyright in the article or work reproduced: subsections 49(6) and (7). However, there is provision for the application of these requirements to be excluded in such cases as are specified in the regulations: subsection 49(8). To date, no such regulations have been made.

There is no limitation on the aggregate number of reproductions that may be made under the above provisions. It was submitted to the Franki Committee that this would have the effect of encouraging systematic reproduction of single copies of single articles from journals in libraries, a practice that has been the subject of litigation in the United States.<sup>207</sup> The Franki Committee concluded, however, that any provision that attempted to prevent this would “impose undue restrictions on the dissemination of technical and scientific information”, commenting further that, “if any systematic reproduction of copies is undertaken by libraries it will be mostly in the scientific and technical fields”.<sup>208</sup>

Nevertheless, it should be noted that subsections 49(1) and (2A) provide an implicit limitation in that they effectively prevent the supply of more than one reproduction of an article or other work to the same person, by their requirements that the person making the request must declare that they have not previously been supplied with a reproduction of the same article or work. Furthermore, as there is no provision for persons requesting a reproduction to declare that they have lost or damaged one previously supplied to them, this seems to mean that only one reproduction of a particular article or work may ever be requested per person.

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<sup>207</sup> *Williams and Wilkins Co v The United States* (1973) 487 F 2d 1345; cf *American Geophysical Union v Texaco, Inc* 60 F 3d 913 (2d Cir, 1994). See also United States Code 1976, Title 17, Copyright, subsection 108(g).

<sup>208</sup> Franki Committee, op. cit., p 36.

It should also be noted that the purpose of the person requesting the reproduction under section 49 is linked only to the research or study fair dealing defence in section 40: it does not extend to any of the other purposes which are covered by the fair dealing defences in sections 41–43. Thus, it would not be permissible for a library or archives to make copies under section 49 for a journalist who required them for use in the reporting of news (although a request for such material for the purposes of background research would clearly be legitimate). Nor would section 49 protect a library or archives that made copies for a solicitor or patent attorney who wished to use them in the course of litigation or for the giving of legal advice. Finally, section 49 does not permit the reproduction of unpublished works. These might be seen as necessary limitations to ensure that the exception under section 49 is not abused, but it is not strictly logical to prevent libraries or archives making reproductions for these purposes for persons who would be entitled to do so themselves under sections 41–43. This inconsistency was raised in submissions made to the inquiry of the CLRC into the review and simplification of the *Copyright Act 1968* (Cth), but any expansion of the scope of section 49 was strongly resisted by copyright owners.<sup>209</sup>

#### *Extension to electronic reproductions*

As noted above, prior to the Digital Agenda amendments, the word “copy” was used in section 49 and in the other provisions relating to libraries and archives; this has now been replaced throughout with the term “reproduction”. This substitution clarifies some questions that were previously unresolved and requires some further explanation.

When the 1980 amendments were made, there can be little doubt that the word “copy” was apt to cover the new technology of photocopying; that is, the making of photographic hard-copy facsimiles of articles and works. But within a comparatively short time, it became possible for versions of works to be supplied in a number of different ways: not only in hard-copy form, but in electronic form, such as floppy disks downloaded from CD-ROMS in the library, facsimile transmissions from the library to the user’s home, and so on. Electronic copies may also be downloaded from another library over a network, to a terminal in the first library, which could then supply the copy to the user in the form desired, such as hard-copy or floppy disk (this is more particularly relevant to section 50, which is discussed at 7.7 below).

Each of these forms of “supply” potentially involved several acts within the copyright owner’s rights, principally the rights of reproduction and possibly the rights of transmission to a diffusion service and/or broadcasting as well. Did the exceptions provided by section 49 and its companions in their pre-Digital Agenda cover these kinds of acts? In so far as they involved acts other than reproduction, it is clear that they did not. However, even in the case of reproduction, it was not certain that they did. These sections referred to the making and supply of “copies” of works, and it could not be automatically assumed that “copy” equated with “reproduction in a material form”. “Copy” was, and is, not defined as such in the Act, although there are a number of interpretations of the term in particular contexts, such as “copy” in relation to cinematograph film (subsection 10(1)), “copy of a sound recording” (subsection 10(3)(c)), “the making, by reprographic reproduction, of a copy of document”

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<sup>209</sup> CLRC, *Issues Paper: Copying by Libraries and Archives under the Copyright Act 1968*, April 1997, p 5.

(subsection 10(3)(g)), “a copy for a person with a print disability” (subsection 10(3)(h)) and so on. There was nothing in the wording of section 49 or the following sections to indicate that “copy” was confined to photocopies; nor, on the other hand, was there anything to indicate that a wider interpretation covering electronic versions was intended.

The CLRC, in its report on computer software in 1995, seems to have taken the view that the existing section 49 did apply to the making of electronic copies, but recommended nonetheless that the provision should be amended to make this explicit so as to cover the electronic transmission of a copy stored in digital form and the loan of an electronic copy on a carrier such as a floppy disk.<sup>210</sup> This change was achieved in the Digital Agenda amendments in 2000. These, however, contain two specific limitations with respect to works in electronic form and electronic reproductions under section 49:

- Where articles or works have been acquired in electronic form as part of a library or archives collection, it is permissible for the library or archives to make this available online within the premises of the library or archives on “dumb terminals” for the use of readers, which do not allow the making of an electronic reproduction or communication of the article or work by the user: subsection 49(5A). Such a making available online by the library or archives will not be an infringement of the communication right: subsection 49(7B). By analogy with the reading of a hard-copy version in the non-digital environment, the user will be able to read the electronic version on screen, and presumably make notes, or even copy extensive parts of the article or work by hand, pursuant to the fair dealing provisions of sections 40–42. It is uncertain whether this exercise of the communication right will also entail a reproduction of the works made available online, and it is worth noting the impact here of another exception that was added by the Digital Agenda amendments in 2000. This is section 43A, which removes liability for the making of any temporary reproduction that occurs as part of the technical process of making or receiving a communication. However, the question would remain as to whether any reproduction occurs where a work is displayed on the terminal screen. A recommendation that such displays should not be regarded as reproductions in a material form was made by the CLRC in its 1995 report *Computer Software Protection*,<sup>211</sup> but this has not been picked up in any of the subsequent amendments of the Copyright Act 1968 and so it is therefore arguable that such displays will constitute reproduction of the work or article in question, subject to whether or not the part actually displayed is a substantial part for the purposes of infringement.<sup>212</sup> This is a question that lies outside the scope of the present advice, and, to the extent that subsection 49(5A) involves an exercise of the reproduction right, there is no exception to this provided by section 49.
- The making of “electronic reproductions” for users is specifically dealt with in the new subsection 49(7A). Where such reproductions are made pursuant to

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<sup>210</sup> CLRC, *Computer Software Protection*, Office of Legal Information and Publishing, Attorney-General’s Department, Canberra, 1995, paras 2.47, 14.27.

<sup>211</sup> At para 14.43.

<sup>212</sup> Section 14. This may not be a problem in the case of artistic works where normally the whole or a greater part of the work may be displayed on screen.

subsection 49(2) or (2C), these may only be communicated to the person making the request where the following things are done:

- The person is notified that the reproduction has been made under the section, that the article or work might be subject to copyright protection under the Act, and such other matters as might be prescribed.<sup>213</sup>
- The reproduction made by the library or archives for the purposes of the communication is destroyed as soon as practicable after the communication has been made. The need to do this would obviously not arise if the electronic reproduction were supplied to the person requesting it otherwise than by way of a communication, eg if a reproduction contained on a floppy disk was simply mailed to the person. In such a case, there would be no electronic reproduction of the article or work remaining with the library or archives.

### 7.6.3 *Compliance with the three-step test*

#### *Is this a “certain special case”?*

The questions that arise here are whether the exceptions contained in the provision are clearly defined and whether they are sufficiently narrow in their scope and reach. These matters need to be considered in turn.

#### *Clearly defined?*

In some respects, the requirements of section 49 are clearly defined; in others, they are not.

- The exclusive right(s) that is/are the subject of the exception: The rights in question – those of reproduction and communication - are clearly indicated in the provision.
- The persons to whom the provision applies: No uncertainty arises in the case of “archives” which are clearly defined in subsections 10(1) and (4). The term “library” is not defined, and it seems clear that, by virtue of section 18, libraries in commercial organisations can be included, which makes this category of user potentially wider (see below). Nonetheless, it cannot reasonably be said that there will be any difficulty in identifying what is a library for the purposes of the provision.
- The categories of material covered: These are “published works other than articles in periodical publications” and “articles in periodical publications”. The first of these, while broad, is quite clear and is more limited than, for example, section 40, which applies both to published and unpublished works. On the other hand, it has been argued above that the second category (“articles in periodical publications”) is far from clear, and this argument applies equally to the context

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<sup>213</sup> Copyright Regulations 1969, regulation 4D and Schedule 4 (form of notice required).

of section 49. It should be noted, in this respect, that there is an interpretation of “article” that applies for the purposes of section 49 and the other library and archives provision. This appears in section 48, but it hardly takes matters further than the meaning that has been discussed above in relation to section 40. Thus, section 48 provides that “...a reference to an article contained in a periodical publication shall be read as a reference to anything (other than an artistic work) appearing in such a publication”.

- The amounts of usage that are permitted: Further uncertainty creeps in here. As seen above, the operation of the exceptions contained in section 49 turn on the same deemed minima that apply under subsection 40(3). The latter have been analysed above in Chapter 4, where it was concluded that such terms as “reasonable portion”, “article”, “periodical publication” and “same subject-matter” are too open-ended and uncertain in their application to satisfy the requirements of the first step of the three-step test. That conclusion must follow equally in relation to section 49.

#### *Narrow in scope and reach?*

As noted above, section 49 is limited to libraries and archives that act as agents in the reproduction and supply of articles and works other than articles to individuals who state they require these for the purposes of research or study. This agency role does not extend to other kinds of fair dealings that may be available to individuals. While the range of potential agents who can invoke the protection of the section by claiming the status of “library” is quite wide, this must still be regarded as a relatively limited and well-defined class of users.

In other respects, the application of section 49 is subject to reasonably strict conditions, such as the making and retention of declarations and the removal of its protection if the reproduction is supplied to a person other than the person requesting it, or if the limits stipulated in the provision are exceeded. Likewise, the requirement under subsection 49(7A) for the destruction of a reproduction that has been made for the purposes of communication of an electronic reproduction places another important limitation on its operation.

#### *Overall assessment*

In light of the above, I conclude that, while section 49 is probably sufficiently narrow in scope and reach to meet the requirements of the first step of the three-step test, the incorporation of the deemed minima from section 49 means that it lacks the necessary clarity of definition that is required for this purpose.

Given that the requirements of the three-step test are cumulative, not alternative, conditions, I could conclude my analysis of compliance with the three-step test at this point. But even if the opposite conclusion were to be reached on the first step, it is likely that there would be non-compliance in relation to the second and third steps, and it is to these questions that I now turn.

*Does this conflict with a normal exploitation of the work?*

The uses that are authorised by section 49 are essentially those of an agent (the library or archives) acting on behalf of an individual user and doing what that user would otherwise be entitled to do under section 40. Do acts of reproduction and supply carried out by a library or archives in these circumstances fall within what would otherwise be the scope of “normal exploitation” by the copyright owner?

The answer to this depends, in part, on whether the basis for the library or archives’ actions is to be found in subsection 40(2) or (3). It was suggested above that subsection 40(2) is consistent with the second step of article 9(2) because its list of factors explicitly addresses such questions as the purpose and character of the dealing and the effect on the author’s market; this is not the case, however, with the quantitative tests and deemed minima incorporated in subsection 40(3). This, then, provides the starting point for an analysis of whether section 49 complies with the second step of article 9(2).

Thus, despite the careful conditions that apply to the making and retention of declarations, the cost-recovery cap on charges and the limitations on the persons to whom the reproduction can be supplied, the adoption of the deemed minima in subsection 40(3) means that some reproductions and acts of supply will occur under section 49 that would not be authorised under the fair dealing criteria set out in subsection 40(2). Oddly enough, this consequence will not necessarily follow in the case of reproductions of the whole, and of more than reasonable portions, of works, as section 49(5) subjects these to the commercial availability test and will not, by definition, authorise their making where this need could be met through the purchase of authorised reproductions of the work by the person making the request. On the other hand, even this conditioned usage could be in conflict with a normal exploitation of the work, if it would otherwise be possible to seek a licence from the copyright owner to make the reproduction requested (see further below).

Logically, it could be argued that a free use exception such as section 49 could be justified where the library or archives was doing no more than an individual researcher could do within the fair dealing guidelines in subsection 40(2). However, the same reasoning cannot be applied where the deemed minima under subsection 40(3) are used (for the reason that these may allow the making of reproductions outside the guidelines in subsection 40(2)). One historical justification for this extended free use exception might have been that an exception framed in this way reduced transaction costs and carried with it a degree of certainty for both libraries and users. Another might have been the assumption that this was not, in any event, a market that the copyright owner was willing or able to supply. With the advent of digital technologies, these assumptions must now be changing, with the consequence that it will be possible for the copyright owner to supply this market itself or, alternatively, to license the library or archives to make and communicate the reproductions needed.<sup>214</sup> Accordingly, the copyright owner is now in a position actually or at least potentially to perform the same agency role that section 49 confers on the library or archives. Alternatively, the development of collecting societies such

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<sup>214</sup> Both these were held to be forms of exploitation open to copyright owners in the analogous US case of *American Geophysical Union v Texaco, Inc* 60 F 3d 913 (2d Cir, 1994), which was concerned with the question of whether the making of single articles from scientific journals subscribed to by Texaco for its individual research scientists scattered around the USA was a fair use within section 107 of the US *Copyright Act 1976*.

as CAL make it possible for libraries and archives to acquire the necessary licences to make and supply the reproductions that are requested. To the extent, then, that section 49 allows these things to happen outside the fair dealing guidelines in subsection 40(2), this must now be in competition with one of the ways in which copyright owners can exploit their work, at least potentially. These effects will be intensified where the provisions of section 49 are used in a systematic way, as the following scenarios illustrate:

- A library within a large industrial or commercial enterprise has subscriptions to various scientific and scholarly journals that are relevant to the work of certain of its employees, such as research teams, financial advisers, and the like. The library also purchases relevant new texts as they are published, both in Australia and overseas. These materials are useful, sometimes critically so, to the work of these employees, but it would be expensive to purchase a subscription for each employee or sub-group of employees; this would also be the case if multiple copies of relevant published texts were to be purchased. Accordingly, the library develops a practice of sending around a list of recently received journals and texts, with an indication of the contents, and a pro forma request and declaration that can be filled out and sent to the library by an employee if he or she wants a reproduction made and supplied of a particular article or extract (being a “reasonable portion” of a work other than a periodical publication).<sup>215</sup> Provided that the various requirements of section 49 are otherwise satisfied, it would be possible for the library to set up a regular system for the making and supply of reproductions that would be permissible under that section. The latter says nothing about whether the uses it permits are to be only occasional or ad hoc, or whether they may also be put on a regularised basis under a system of the kind described here. While there might be a possible argument that the transaction costs involved in meeting requests of the occasional and ad hoc kind would be too great for this to be a market that the copyright owner will want or be able to supply, this is clearly not the case where the making and supply of reproductions is done on a systematised basis as described above.
- The scenario described in the previous paragraph is confined to requests made to libraries within an industrial or commercial organisation, noting that such libraries will fall within the scope of the section as long as they are not run for a profit (presumably no fee will be charged to their employees or, at most a charge to the relevant unit of the organisation to cover costs). However, it is difficult to see that a different position will arise if a similar system for the making of requests were to be established within a non-profit organisation, such as an educational institution or a government department or agency. The effect on the copyright owner’s market or potential market will be the same in both cases, although in the instance of such bodies it might be argued that there are stronger non-economic normative considerations that need to be taken into account (see below).

My instructions refer to the possibility of “document services” being operated by libraries on the basis of section 49. I take this to mean that the library in question provides a service of providing reproductions of articles and other works to any person making a request and declaration in accordance within subsections 49(1) or (2C), although it may not charge for anything more than the cost of doing so. But

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<sup>215</sup> The scenario described here is similar to that in *American Geophysical Union v Texaco, Inc* 60 F 3d 913 (2d Cir, 1994).

while the document delivery service in such a case will not be a “commercial activity” in and of itself, it could well be linked to other activities conducted by the library that do generate a profit, such as bibliographic and database searches. Thus, a research scientist from a pharmaceutical company could utilise section 49 to request reproductions of all articles from scientific journals held in a university library that are relevant to a particular piece of research on which he or she is engaged, or an expert witness preparing an opinion for a forthcoming patent case could request from the same library the making and supply of reproductions of all relevant articles and book chapters dealing with the background to the particular invention that is in dispute. It will be a moot point whether search activities of this kind would take the library outside the scope of section 18, but it might well be that if they are only subsidiary activities they will not do so. But even if no profit is generated, the provision of such document delivery services must have an impact on an actual or potential market that the copyright owner could otherwise supply or for which it could charge a fee. If these services were confined, say, to students and staff of the educational institution concerned or to persons pursuing a genuine non-commercial research interest, this might be an instance where non-economic normative considerations might come into play (see below), but otherwise this would not be the case.

The discussion so far has been concerned only with the economic effects that the particular usages authorised by section 49 may have on the normal exploitation of the works in question by copyright owners. It is also necessary to consider whether some or all of these uses can be justified on non-economic grounds; that is, on the research or study rationale underlying the provision. The primary purpose of the provision is the enhancement of the capacity of individuals to undertake research or study, but it has been noted above that this does not exclude research or study carried out for commercial ends; nor does it prohibit the systematised making and supply of reproductions. Under a qualitative approach, such as that embodied in the guidelines in subsection 40(2), it is possible to take such matters into account in determining the fairness or otherwise of the making of a particular reproduction. But quantitative tests do not permit such differentiation, and this risk is accentuated under section 49 by reason of the fact that this applies regardless of the kind of research being undertaken or the scale on which the making of reproductions occurs.

Thus, each of the scenarios given above is presently allowable under section 49, but it is arguable that not all of them could be properly justified on a non-economic normative basis. For example, it might be said that the systematic making of reproductions of articles and extracts of works within a large commercial organisation would not be a fair use within subsection 40(2), even though there is a “research” justification for this kind of activity. On the other hand, such systematic reproductions might be permissible within non-profit educational institutions where the research in question is not directly of a commercial character. As presently framed, section 49 does not permit these kinds of calibrations to be made, and I conclude that it does not comply with the second step of the three-step test.

*Does this “unreasonably prejudice the legitimate interests of the author”?*

If the analysis proposed above is accepted, it will be unnecessary to consider the application of the third step of article 9(2). However, it is always possible that a different view on the appropriate weighting of non-economic normative consideration could be reached in determining compliance with the second step of

article 9(2) (see above), and it is therefore relevant to consider the question of unreasonable prejudice to the author under the third step.

It is inevitable that the making of the reproductions allowed by section 49 will prejudice the economic interests of authors in an absolute sense; that is, in principle a fee could always be charged for these uses and the author will therefore suffer prejudice. But is this an unreasonable, in the sense of being a disproportionate, prejudice? In this regard, it will be relevant to have regard to the various limits contained in the provision and to inquire whether these constitute reasonable constraints or limits on the operation of the exceptions contained in section 49. Again, it will be necessary to consider the purposes of the research or study that is being undertaken, as well as the scale of the reproductions that are allowed by the provision.

If the uses permitted by section 49 were subject to the fair dealing guidelines embodied in subsection 40(2), the argument of disproportionate prejudice to the legitimate interests of the author would be difficult to mount, even though such uses were unremunerated. On the other hand, even if uses justified by reference to the deemed minima were otherwise not in conflict with the normal exploitation of such works (in the light of a different conclusion being reached as to the relative weight to be attached to the non-economic normative considerations), the fact that such uses are unremunerated could well be regarded as an unreasonable prejudice. Accordingly, I conclude that section 49 also fails to comply with the third step of article 9(2).

## **7.7 Reproduction for other libraries or archives (section 50)**

This provision sets up a comprehensive framework for the making of reproductions and communication of articles and works by one library (“the supplying library”) at the request of another (“the requesting library”) where this is done for certain purposes. In one sense, this is simply an extension of what is allowed by section 49, but, as will be seen, it goes considerably beyond the making and supply of reproductions to individual library or archives users.

The need for a provision such as section 50 was emphasised by the Franki Committee, which noted that Australia was a large country with a dispersed population, which made it impossible for library facilities to be replicated in each centre. This was particularly so in the scientific and technical field, and here the Committee instanced the CSIRO, which then had more than 100 laboratories throughout Australia. In view of the price of journal subscriptions, the Committee said that it was not reasonable to expect each laboratory to receive each journal for itself: “if information is not readily available in Australia, the progress of the country will be seriously impeded and this must ultimately react on the general standard of living in the community”. Furthermore, the evidence presented to the Committee demonstrated the high cost to libraries in receiving and processing journals, as well as the difficulties involved in storage of “little-used or unused journals”.<sup>216</sup>

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<sup>216</sup> Franki Committee, *op. cit.*, p 37.

The upshot was that the Franki Committee concluded that no special legislative provision was required to restrict the supply of copies of articles on a systematic basis through inter-library copying arrangements. Furthermore, as it felt that the demand for inter-library copies of works other than scientific or technical works was not significant, its basic recommendation was that copying for other libraries should remain unremunerated.

The Franki Committee recommendation was closely reflected in the changes made to section 50 in the 1980 amendments, which also applied to archives.<sup>217</sup> Like section 49, the principal act covered by section 50 was the making and supply of “copies”. In the Digital Agenda amendments of 2000, it was not felt that the balance of interests involved had changed to any significant degree, except that the section now needed to take account of the advent of digital copying and online communications. In consequence, the section was amended to cover both the reproduction and communication of articles and works (“communication” being comprehended within the meaning of the act of “supply”<sup>218</sup>).

#### 7.7.1 *Structure and operation of the provision*

Under subsections 50(1)–(4), it is not an infringement of copyright where, in response to a request from a requesting library,<sup>219</sup> a supplying library makes and supplies by way of a communication a reproduction of an article, or part of an article, contained in a periodical publication,<sup>220</sup> or of the whole or a part of a published literary, dramatic or musical work other than a periodical article, for any one of the following purposes:

- including the reproduction in the collection of the requesting library; or
- assisting a member of Parliament where the request has been made to a parliamentary library; or
- supplying the reproduction to a person who has made a request for the reproduction under section 49.

The substitution of the term “reproduction” for “copy” by the Digital Agenda amendments means that digital and other electronic reproductions of a work are covered by the above provisions. However, the licences conferred by the section are subject to similar limitations to those applying under section 49. Thus, if a charge is made, it should not exceed the cost of making and supplying the reproduction<sup>221</sup> and, in the case of articles contained in the same periodical publication, no more than one

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<sup>217</sup> Subsection 50(9).

<sup>218</sup> Subsection 50(10).

<sup>219</sup> It should be noted that under subsection 50(9), for the purposes of section 50, a reference to a “library” includes an archives.

<sup>220</sup> As in section 49, “article” here includes “anything” other than an artistic work appearing in such a publication: section 48.

<sup>221</sup> Subsection 50(6).

may be requested for the same purpose unless the articles relate to the same subject-matter.<sup>222</sup>

If these conditions are complied with, the reproduction is deemed to have been made on behalf of an authorised officer of the requesting library, and neither the body administering the supplying library nor any officer or employee thereof commits an infringement by making or supplying that reproduction.<sup>223</sup> Furthermore, under subsection 50(4), there will be no infringement of copyright as far as the requesting library or user is concerned. Liability for infringement, however, will arise in the following situations unless certain conditions are satisfied:

- Reproductions of articles or works previously supplied: Where a reproduction of the same article or work has been previously supplied for inclusion in the collection of the requesting library, liability will arise unless, as soon as practicable after the request is made, an authorised officer of that library makes a declaration setting out the particulars of the request (including the purpose for which the reproduction was requested) and stating that the reproduction so supplied has been lost, destroyed or damaged (whichever is appropriate).<sup>224</sup> This declaration must be retained by the library or archives for the period prescribed in the regulations.<sup>225</sup>
- Works in hard-copy form: Following the Digital Agenda amendments, a distinction has been made between material held in hard-copy and electronic forms. In the case of the first, subsection 50(7A) provides that where a reproduction is made of the whole of a work (other than an article in a periodical publication) or of more than a reasonable portion of that work, the licence under subsection 50(4) does not apply to the reproduction unless one of the following conditions is satisfied:
  - The reproduction has been supplied to a parliamentary library for the purpose of assisting a member of a Parliament in the performance of his or her duties pursuant to section 48A (as to this provision, see further at 7.8 below): subsection 50(7A)(d);
  - As soon as practicable after the request under subsection 50(1) has been made, an authorised officer of the requesting library makes a declaration setting out the particulars of the request (including the purpose for which the reproduction was requested) and a statement to the effect that, after reasonable investigation, the officer is satisfied that a copy (not being a second-hand copy) of the work could not be obtained within a reasonable time at an ordinary commercial price: subsection 50(7A)(e). This declaration so made under this “commercial availability” test has to be retained by the library or archives for the prescribed period.<sup>226</sup>

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<sup>222</sup> Subsection 50(8).

<sup>223</sup> Subsection 50(3).

<sup>224</sup> Subsection 50(7).

<sup>225</sup> Subsection 203A(1); the prescribed period is four years from the making of the reproduction: Copyright Regulations 1969, regulation 25A.

<sup>226</sup> *ibid.*

- Works in electronic form: A modified “commercial availability” test applies here under subsection 50(7B), the purpose being to provide a test more appropriate to the digital environment.<sup>227</sup> Accordingly, where a reproduction is made of the whole of such a work (including an article in a periodical publication) or of a part of the work, regardless of whether the latter contains more than a reasonable portion, the licence under subsection 50(4) does not apply to the making of the reproduction unless one of the following conditions is met:
  - The reproduction has been supplied to a Parliamentary library for the purpose of assisting a member of a Parliament in the performance of his or her duties: subsection 50(7B)(d);
  - As soon as practicable after the request relating to the reproduction is made, an officer of the requesting library makes a declaration setting out the particulars of the request (including the purpose for which the reproduction was requested) and statements to the following effect:
    - *Where the reproduction is of the whole or more than a reasonable portion of work, other than an article* – that, after reasonable investigation, the authorised officer is satisfied that the work cannot be obtained in electronic form within a reasonable time at an ordinary commercial price: subsection 50(7B)(e)(ii).
    - *Where the reproduction is of a reasonable portion or less of a work, other than an article* – that, after reasonable investigation, the authorised officer is satisfied that the portion cannot be obtained in electronic form, either separately or together with a reasonable amount of other material, within a reasonable time at an ordinary commercial price: subsection 50(7B)(e)(iii).
    - *Where the reproduction is of the whole or part of an article* – that, after reasonable investigation, the authorised officer is satisfied that the work cannot be obtained on its own in electronic form within a reasonable time at an ordinary commercial price: subsection 50(7B)(e)(iv).
- Destruction of electronic reproductions by supplying library or archives: This is required to be done as soon as practicable after the reproduction has been supplied to the requesting library; otherwise, the licence to reproduce and supply by way of a communication under subsection 50(4) will not apply: subsection 50(7C).

These provisions are elaborate, and even more so after the Digital Agenda amendments, but gaps in their coverage still arise. For example, there is no requirement that the requests or declarations made by the requesting library should be transmitted to the supplying library: the latter would therefore be within the protection of the section if it supplied copies in response to a request made verbally in person or over the telephone.

The section has also long been subject to the criticism that it permits the establishment of systematic inter-library photocopying networks, to the detriment of journal subscriptions.<sup>228</sup> This fear seems well-founded in view of the third purpose in subsection

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<sup>227</sup> Explanatory Memorandum to the Copyright Amendment (Digital Agenda) Bill 1999, paras 91–93.

<sup>228</sup> Australian Copyright Council, *Bulletin* 35, 29 September 1980, p 9.

50(1)(b), namely the making and communication of reproductions for the purposes of inclusion in the collection of the requesting library. Furthermore, in the case of hard-copy articles, there is no commercial availability test that applies, as in the case of works other than articles in periodical publications under subsection 50(7A).

Nevertheless, it should be borne in mind that the Franki Committee accepted quite expressly that establishment of such networks was justifiable in view of Australia's distances and the need to encourage the dissemination of technical and scientific information. Furthermore, it can be said that the scope for such networks is limited, in any event, by the prohibition in subsection 50(8) against reproducing more than one article in a periodical publication unless they relate to the "same subject-matter", although, as noted above, the impact of this last-mentioned subsection will depend very much on how this phrase is interpreted by the courts.

But photocopying networks may now be of far less significance, given the availability of online communications, and in this regard it must be said that the Digital Agenda amendments impose a relatively strict, if patchy, regime. Thus, if an electronic reproduction of a hard-copy article in a periodical publication is requested and supplied online, this can be done subject to the same limitations that would apply to a hard-copy reproduction of the same article, as long as the electronic reproduction made by the supplying library is then destroyed (subsection 50(7C)). On the other hand, if the article exists in an electronic form, the commercial availability test may operate to prevent this being done altogether. Thus, if the article can be obtained "on its own in electronic form" and within a reasonable time at an ordinary commercial price" (subsection 50(7B)(e)(iv)), it will not be possible for the supplying library to provide the reproduction. Accordingly, if the publisher of the periodical publication is prepared to provide articles separately online to the requesting library (or, indeed, to a user of that library) and to do so at an ordinary commercial price, it is hard to see how section 50 could ever be invoked. The same result will also apply to parts of works other than periodical publications where publishers are prepared to supply these in electronic form, either separately or together with a reasonable amount of other material, for an ordinary commercial price.

#### *7.7.2 Compliance with the three-step test*

The analysis here is similar to that applied under section 49 and draws, in turn, on the analysis already carried out in relation to section 40.

##### *Is this a "certain special case"?*

The comments made above in relation to lack of clarity of definition under section 49 apply in the same way here, particularly with regard to the amounts that may be reproduced, such as articles in periodical publications. Accordingly, the first part of the three-step test will not be satisfied in this respect.

Furthermore, it cannot be said that all the exceptions allowed by section 50 are narrow in their scope and reach. It will be recalled that these cover three distinct purposes: the meeting of requests made on behalf of users of the requesting library, the making of reproductions for parliamentary libraries, and the making of reproductions for the purpose of inclusion in the collections of the requesting library.

The first of these enables users of the requesting library to undertake their individual research or study, and can be regarded as an extension of the exemptions allowed under section 49; that is, the supplying library only does, on behalf of the requesting library, what the latter could do for itself if the article or work were contained within its own collection. Such an exception is therefore probably sufficiently narrow in scope and reach for the purposes of the first part of the three-step test. However, the second and third kinds of exceptions allowed by section 50 are far from narrow in scope and reach.

The case of parliamentary libraries is dealt with in more detail at 7.8 below in relation to section 48A, where it is concluded that, even though parliamentarians may be regarded as a restricted class of persons, the scope of what may be reproduced under that provision is completely open-ended. Accordingly, the extension to section 48A that is provided under section 50 suffers from the same defect: the latter provision allows the requesting library to make and supply reproductions of any works to a parliamentary library, without any further restriction of purpose.

The same is true of the third purpose, namely the making of reproductions for inclusion in the collection of a requesting library. This goes far beyond the purpose of meeting the requests of users of the requesting library, and enables the latter to augment its collection generally. Such a purpose is far from narrow in its scope and reach.

I therefore conclude that the first step of article 9(2) will not be satisfied with respect to either the second or third of the purposes listed in subsection 50(1). Nonetheless, for the sake of completeness, it is necessary to consider the question of compliance in relation to the remaining two steps of article 9(2).

*Does the exception conflict with a normal exploitation of the work?*

The prospect of inter-library copying networks, particularly under the third of the purposes recognised by section 50, has always been a fear of copyright owners; on the other hand, there has long been an official acknowledgment that the far flung character of Australia's libraries and archives and the cost of subscriptions would justify the establishment of such networks (a strong normative consideration) and that this would be within the scope of section 50 (see the views of the Franki Committee noted above).

It is possible that such networks might not have been in conflict with the normal exploitation of articles in periodical publications and other works at the time the 1980 Franki amendments were made – that is, in the absence of section 50, requesting libraries may simply have forgone the opportunity of taking out the relevant subscriptions or buying the relevant books. Furthermore, while photocopying was then a new technology, it was not costless – that is, the copies still had to be made, and there was also the cost of postage between libraries.

With the advent of digital technology and networked communications, however, it can be argued that this situation has now changed, and that authors and copyright owners are better placed to provide the reproductions that might be required for the purposes of section 50. These arguments have already been deployed above in relation to section 49, but the limits now set by section 50 require further consideration. It is useful to do so under the following heads:

- **Articles in hard-copy:** Reproductions may be made in either hard-copy or electronic form for any of the purposes listed in subsection 50(1), subject to the cost recovery cap and same subject-matter limitation. There is nothing here to prevent the systematic cherry-picking of the best articles from successive issues of a periodical publication. In particular, it permits requesting libraries or archives to establish their own holdings of such articles and to do so on a systematic and regular basis (depending on the arrangements with the supplying library). A similar comment applies to the making and supply of reproductions of articles to parliamentary libraries. Are these markets that the author/copyright owner would otherwise be supplying? Off prints of articles can be readily produced and stored by copyright owners (usually publishers), particularly with current printing, scanning, and storage technologies. Accordingly, this is a market which could be supplied at a reasonable market price that could still be met by libraries and archives that would otherwise be unable to pay for subscriptions to the full periodical publication. Indeed, it is arguable that the free use exception that section 50 presently provides in this regard could operate to keep subscription prices high because publishers have to compensate for the losses they sustain through the making of these free reproductions. Accordingly, it is submitted that there is a prima facie breach of the second step of article 9(2) here in relation to economic competition with the copyright owner.
- **Reasonable portions and less of published works other than periodicals in hard-copy:** Section 50 allows the free making of reproductions of such portions, and a similar analysis to that given above in relation to periodical articles is applicable here. Thus, requesting libraries and parliamentary libraries can invoke the section to augment their collections without any payment to the copyright owner and, indeed, to do so according to a particular theme or subject grouping, for example, building up a collection of readings in a significant subject area such as philosophy, mathematics, finance or history, where the portions reproduced might be the key chapters of important works or a linked series of extracts. As in the case of articles, this is possibly a market that historically copyright owners were unable or unprepared to supply. On the other hand, with current technologies, it is perfectly feasible for them now to supply this market on demand, with relatively low transaction costs, or to grant licences enabling the library to do this itself. Accordingly, it is submitted that there would be a prima facie breach of the second step of article 9(2). A similar conclusion follows in the more restricted category of case where a reproduction is made in response to a request from a user at the requesting library: to the same extent that such reproductions will be in conflict with the normal exploitation of such works under section 49 (see 7.6 above), there will be a similar conflict where such reproductions are made by a supplying library under section 50.
- **The whole or more than a reasonable portion of published works other than periodicals:** These are subject to a commercial availability test, but it is possible that a conflict with the normal exploitation of such works may still arise, even where the condition is satisfied. Thus, if a work is completely out of print, it may still be possible for the copyright owner to license the library to make the reproduction. As presently framed, section 50 would permit this to be done, free of charge. Under the guidelines in subsection 40(2), however, it is possible that this might not be the case, having regard to paragraph (d) (the effect of the dealing on the potential market for, or value of, the work).
- **Articles in electronic form:** Under new subsection 50(7B), the making of a reproduction of the whole or part of a periodical article is subject to the strict

commercial availability test in subsection 50(7B)(e)(iv), namely that, after reasonable investigation, the article cannot be obtained on its own in electronic form within a reasonable time at an ordinary commercial price. As with the preceding paragraph, satisfying the commercial availability test does not necessarily save this usage, if it is possible to obtain a licence to make the reproduction from the copyright owner. This issue would be addressed under a guideline such as subsection 40(2)(d).

- The whole or part of works other than articles in electronic form: Regardless of whether or not a reasonable portion of such a work is reproduced, this is subject to a commercial availability test. But again this may not be enough, if it is possible to obtain a licence from the copyright owner to make the reproduction, at least in the case of reasonable portions and more of such works. This issue would be better addressed under a guideline such as subsection 40(2)(d).

The preceding conclusions have been concerned with economic considerations, finding *prima facie* breaches with respect to each of the categories of material considered. Are these conclusions changed by any consideration of relevant non-economic matters going to the overall normative question raised by the second step of article 9(2)? Each of the three purposes underlying section 50 (see above) has a distinct public policy justification: supplying other libraries with reproductions so as to meet the requests of individuals requiring these for the purposes of research or study; use by parliamentarians; and enhancement of requesting library collections. Evaluating these, or even placing them in some sort of hierarchy of “worthiness”, is inevitably a somewhat subjective process, although clearly something that is contemplated by my interpretation of the second step. To satisfy the second step of the three-step test, however, these non-economic considerations will need to be balanced against and outweigh any countervailing economic consideration. My provisional conclusion is that, of the three purposes underlying section 50, only that of supplying the research or study needs of users from the requesting library will satisfy the second step of the three-step test.

*Does this “unreasonably prejudice the legitimate interests of the author”?*

If the analysis in the preceding paragraph is accepted, this step will only need to be considered with respect to the making of reproductions for the purposes of individual users in the requesting library. For the sake of completeness, however, I will consider the question of compliance with respect to all the purposes covered by section 50, and will do so with respect to each of the categories of material considered above.

- Articles in hard-copy: Even if the making of these reproductions did not breach the second step of article 9(2), there will still be prejudice to the economic interests of authors if such works can be freely reproduced and supplied to other libraries and archives for the purposes specified in subsection 50(1). Is this prejudice “unreasonable”, in the sense of being disproportionate (as required by the third step)? The answer to this is intertwined with the definitional issue that was considered at the outset of this advice, namely the meaning of the term “article in a periodical publication” and the related question of when two or more articles relate to the “same subject-matter”. It was argued above, that these terms fail to meet the first step of article 9(2), but their very uncertainty also comes into play in relation to the third step. Given the open-ended nature of these terms, this is surely relevant to the question of what is “reasonable” or proportionate for the

purposes of that step. It is possible that this conclusion might be different in the event that this form of reproduction was subject to a requirement to pay remuneration, but this is not the case here. I therefore conclude that this category of reproduction will not meet the third step in article 9(2).

- Reasonable portions or less of published works other than articles in hard-copy: As noted above, a proportion of such reproductions may not otherwise be within the fair dealing guidelines in subsection 40(2), and would therefore be in conflict with the normal exploitation of the works reproduced. But even if this were not the case, it is likely that the third step would not be satisfied, unless it could be established that the “reasonable portion” criterion does not represent a disproportionately unreasonable prejudice to the author. There are no limits or conditions set on what may be done, such as a requirement to pay remuneration or a limitation to particular categories of users (such as non-commercial or occasional users). Accordingly, I conclude, though with less certainty than for articles in hard-copy, that the absence of such conditions constitutes an unreasonable prejudice to the legitimate interests of authors.
- The whole or more than a reasonable portion of published works other than articles in periodical publications: Although subject to a commercial availability test, there is still prejudice to the interests of the author where up to the whole of the work can be reproduced, particularly where this could be the subject of a licence from the copyright owner/author. This prejudice seems unreasonable and disproportionate, although it is one that could be met by a requirement to pay remuneration for the use.
- Articles in electronic form: Although the commercial availability test applies here, the quantity of material that may be reproduced could be highly variable (ranging from short pieces to major review articles) and the possibility of licensing from the copyright owner will remain open. Accordingly, to make this a free use may well be a disproportionate prejudice, in the absence of further restrictions on quantities and/or a requirement to pay remuneration.
- Works other than articles in electronic form: The commercial availability test applies here, regardless of the quantity reproduced; that is, whether the whole or more or less than a reasonable portion is taken. It is unlikely that the absence of a requirement to pay remuneration would lead to an unreasonable prejudice to the interests of the author, but that this might be so in the case of reproductions of the whole or of a reasonable portion or more of the work.

### *7.7.3 Overall conclusion*

As presently framed, the exceptions contained in section 50 will not comply with the three-step test.

## **7.8 Reproductions made for parliamentarians (section 48A)**

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Under section 48A, there will be no infringement of copyright in a work where anything is done by an authorised officer of a parliamentary library for the purpose of assisting a member of that Parliament “in the performance of the person’s duties as

such a member.” The scope of the licence granted here is very wide, and is unqualified by any requirement of fair dealing. It is also not confined to the making of reproductions (as in section 49), but extends to “anything done” by the authorised officer, as long as this is for the “sole purpose” of assisting the parliamentarian, and the library is one which has the principal purpose of providing library services to members of that Parliament.

#### *7.8.1 Compliance with the three-step test*

This provision has been in the *Copyright Act 1968* since its enactment, although there was no corresponding provision under either the 1911 or 1956 UK Acts. No recommendation concerning this kind of free use was made by the Spicer Committee, so its appearance in the *Copyright Act 1968* is something of a homegrown exception, and there is no close analogue to it in the list of “exceptions most frequently encountered in national legislations” given by the 1964 Swedish/BIRPI Study Group at the time of preparations for the Stockholm Revision of the Berne Convention (see Chapter 3 above).

Although limited to a specific class of institutions and persons (parliamentary libraries and parliamentarians), the scope of section 48A goes beyond the reproduction right, extending to “anything done” by an authorised officer of a parliamentary library for the purpose of assisting parliamentarians in the performance of their duties. The non-reproduction uses that it covers will fall to be determined by the “minor exceptions” doctrine and do not concern us here. As far as the reproduction right and compliance with article 9(2) is concerned, the following comments can be made.

#### *Is this a “certain special case”?*

The provision is clearly defined, in so far as it is clear that it applies to all works and all rights, including that of reproduction. As to whether it is narrowly confined in scope, the limitation to the purposes of parliamentarians is certainly quite a specific one, although in a federal country such as Australia the actual number of parliamentarians is not small. On the other hand, the lack of any limits on the amount and number of reproductions that can be made indicates an exception that is not narrow in its reach. Accordingly, it is unlikely that the exception passes the first step of article 9(2), although the opposite conclusion is clearly possible, in which case it will be necessary to consider whether the second step would be satisfied.

#### *Does this conflict with a normal exploitation of the work?*

Given the numbers of parliamentarians in the Commonwealth, States and Territories, and given also the absence of any quantitative limitations, the exception must surely conflict with the economic exploitation of a work by the copyright owner. Whether there is a counterbalancing non-economic normative justification for the uses covered by the exception is another matter. The need for parliamentarians to be able to carry out their duties might well be thought to be something that is required for the proper functioning of a democratic system. On the other hand, the uses allowed

under section 48A are so extensive that I conclude that the balance is an inappropriate one that still conflicts with the normal scope of exploitation of the work.

*Does this “unreasonably prejudice the legitimate interests of the author”?*

In the event that the contrary view was taken on the second step, then compliance with the third step of article 9(2) will need to be considered. There are no limits or conditions set on the uses that may occur under section 48A, for example, there is no requirement of “fair dealing” or limitation on the purpose for which the uses may occur. In particular, there is no obligation for any remuneration to be paid where, for example, the uses (in the case of reproduction) go beyond what might otherwise be covered by even the quantitative fair dealing amounts allowed by subsection 40(3). Accordingly, even if there is compliance with the first and second steps of article 9(2), I conclude that section 48A will fail to meet the requirement of the third step, in that it embodies an unreasonable prejudice to the legitimate interests of the author.

## **7.9 Reproduction and communication of unpublished works (section 51)**

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### *7.9.1 Background to the provisions*

In view of the fact that copyright in unpublished works may subsist indefinitely, old unpublished works in libraries and archives, such as diaries, letters and private papers, pose problems for researchers and scholars who wish to reproduce and publish extracts from such works. These difficulties are compounded by the fact that in the majority of cases, while the library or archives may be the owner of the manuscripts of these works, the copyright therein may reside elsewhere. As time passes, it may therefore be impossible to ascertain who now owns the copyright for the purpose of applying for permission to reproduce and publish the work.

This question received detailed attention from the Gregory Committee in the UK, which considered a number of alternative methods of ensuring that such works could be used by researchers and scholars, without running the risk of infringing copyright.<sup>229</sup> Its recommendations were enacted in subsections 7(6)–(9) of the former *Copyright Act 1956* (UK) and were adopted, with some changes, by the Spicer Committee in 1959<sup>230</sup> and enacted in sections 51–52 of *Copyright Act 1968* (Cth). Further changes to these provisions were made by the *Copyright Amendment Act 1980*, which added a further provision (section 51A). Another provision (section 51AA) was inserted in 1989 and re-enacted in 1993. These, in turn, were amended further in the Digital Agenda amendments of 2000 to take account of the new communication right.

Section 51 now provides as follows.

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<sup>229</sup> *Report of the Copyright Committee*, Cmnd 8662, 1953 (“Gregory Committee”), paras 43–53.

<sup>230</sup> Spicer Committee, *op. cit.*, paras 129–151.

7.9.2 *Reproducing and communicating unpublished works in libraries and archives*

Where the manuscript<sup>231</sup> or a reproduction of an unpublished literary, dramatic or musical work or a reproduction of an unpublished photograph or engraving is kept in a library or archives where it is open to public inspection, and copyright subsists in that work, there will be no infringement of that copyright in the following circumstances:

- where a reproduction is made or communicated by a person for the purpose of research or study or with a view to publication; or
- where a reproduction is made or communicated by, or on behalf of, the officer in charge of that library or archives and is supplied (whether by way of a communication or otherwise) to a person who “satisfies” the officer that the copy is required for the purpose of research or study or with a view to publication and that it will not be used for any other purpose.<sup>232</sup>

This licence to reproduce and communicate only comes into operation when more than fifty years have expired after the death of the author of the work; prior to the Digital Agenda amendments in 2000, there was an additional requirement that more than seventy-five years from the time at which the work was made must have passed.<sup>233</sup> The condition in subsection 51(1)(d) – that persons requesting the copy must “satisfy” the librarian or archivist of their purpose – is a more stringent one than that under subsection 49(1), which simply requires a statement to this effect. The phrase “research or study” requires no further elaboration in this context: this clearly links back to the same wording that is used in subsection 40(1). However, the expression “with a view to publication” may cause uncertainty. This does not permit the actual publication of the work in question (which, in turn, would involve the making of sufficient copies for the purposes of a proper publication). Rather, it seems that all this phrase covers is the making of a reproduction of an unpublished work for the purposes of preparing it for publication; that is, providing the authentic text for the purpose of making reproductions for publication. The actual process of publication will require permission from the copyright owner, unless the identity of the owner is unknown, in which case the procedure laid down by section 52 will need to be observed: see 7.10 below. Artistic works, other than photographs and engravings, are not included within the scope of section 51, but the reason for this must be that the copyright in such works, whether published or unpublished, lasts only for the life of the author plus fifty years.<sup>234</sup>

Some further points to note about subsection 51(1) are as follows:

- The non-profit limitation, which applies to libraries and archives under sections 49 and 50, does not apply here. In the case of archives, however, the non-profit

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<sup>231</sup> This means “an original document embodying the work, whether written by hand or not”: subsection 10(1). Presumably, in this context, “original” means “first”.

<sup>232</sup> Subsection 51(1).

<sup>233</sup> This period was 100 years in subsection 7(6) of the *Copyright Act 1956* (UK). The Spicer Committee accepted the submission of the Library Association in Australia that this period be shortened to seventy-five years in view of the relatively short period of Australian development: Spicer Committee, op. cit., para 151.

<sup>234</sup> Subsection 33(2).

limitation continues to apply to those that come within paragraph (b) of the definition of “archives” in subsection 10(1) – a further anomaly.

- The provision is impossible to apply in the case of works by anonymous or pseudonymous authors whose identity remains unknown, as the time periods specified in subsection 51(1) are tied to the date of the author’s death. Some legislative amendment is therefore required to allow the reproduction of such works where all reasonable attempts to find the copyright owner have been made; an alternative would be to have some procedure for the granting of permission, for example, by the publisher or the Copyright Tribunal, should be instituted.<sup>235</sup>

#### *Compliance with the three-step test*

Apart from the anomaly noted above in relation to anonymous and pseudonymous works, this exception passes the requirements of the three-step with relative ease.

#### *Is this a “certain special case”?*

The circumstances for application of the exception are both clearly defined and narrow in scope and reach: it applies only to unpublished works of which the author has been dead for more than fifty years and a reproduction of the work or the manuscript must be kept in the collection of the archives or library where it is open to public inspection. The purposes for which the reproduction may be made are also narrowly defined. Accordingly, the first step of article 9(2) is satisfied.

#### *Does this conflict with a normal exploitation of the work?*

The purposes are tied to those of research or study or reproduction with a “view to publication” (see above). Given that the work is unpublished and the author has been dead for over fifty years, it is difficult to see how this would conflict with a normal exploitation of the work, as presumably the work has not been exploited in any form for a very long time; it would also seem that if publication is intended, that act will not be covered by subsection 51(1) (see above) but will require the authorisation of the copyright owner in any event.

#### *Does this “unreasonably prejudice the legitimate interests of the author”?*

Given the purposes for which the reproduction is made, it is difficult to see any prejudice, unreasonable or otherwise, that would be caused to the author or his or her successors.

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<sup>235</sup> CLRC, *Issues Paper: Copying by Libraries and Archives under the Copyright Act 1968*, April 1997, p 11.

### 7.9.3 *Unpublished theses, etc*

Subsection 51(2) provides for the reproduction of manuscripts or reproductions of unpublished theses<sup>236</sup> or other similar unpublished literary works that are held in the libraries of universities or similar institutions or in archives. No infringement of copyright will occur here if a reproduction of the thesis or other similar work is made and supplied (whether by communication or otherwise) to a person who “satisfies” an authorised officer of the library or archives that this is needed for the purposes of research or study.

This is a potentially broad exception, as it clearly extends to the making of a reproduction of the whole of the thesis or unpublished work, acts that might not be allowable under the fair dealing provision in section 40. The provision therefore directly overrides the right of the copyright owner, who will usually be the author of the thesis or unpublished work. In such a case, however, the owner might be able to prevent the reproduction of the thesis or unpublished work through the imposition of conditions on access to the thesis or work that allow this only on condition that it is not reproduced by the reader. A prohibition of this kind, however, would not arise from copyright, but from the copyright owner’s presumed rights in the thesis or other work as an item of personal property.

#### *Compliance with the three-step test*

This is certainly a clearly defined category of case, and narrow in scope in relation to the kind of work that may be reproduced and the purpose for which this may be done. It may also be argued that the second step of article 9(2) is satisfied, in that the work is not being exploited in any manner (presumably) by the author, and there can therefore be no economic competition with the author/copyright owner.

But the third step of article 9(2) is more problematic: as noted above, the provision overrides section 40 and the case-by-case assessment that would otherwise apply under the guidelines in subsection 40(2). In particular, the application of these guidelines might lead to the conclusion that a reproduction of the whole of an unpublished thesis would not be a fair dealing, but this would be allowed in any event under subsection 51(2). Accordingly, there is clear prejudice to the “legitimate interests” of the author, and it can be said that, in the absence of any guidelines, other than the general requirement that the purpose should be one of research or study, this represents an “unreasonable” or disproportionate prejudice to the author’s interests. In this regard, it should be borne in mind that the latter phrase refers not only to the economic but also the personal interests of the author.

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<sup>236</sup> The term “manuscript” is defined in subsection 10(1) as meaning the original or first document in which a work is embodied, whether written by hand or not. However, the term “thesis” is undefined, and presumably this will bear the usual meaning that it has in academic circles, namely a dissertation or report of research that is presented for examination: see S Ricketson, *The Law of Copyright, Designs and Confidential Information*, LBC, 1999, para 11.210.

## **7.10 Publication of unpublished works kept in libraries (section 52)**

Unpublished works may be published without the permission of the copyright owner in certain limited circumstances that are tied to the provisions of subsection 51(1) with respect to the reproduction of unpublished works the authors of which have been dead for more than fifty years.

Thus, where a published literary, dramatic or musical work (“the new work”) incorporates the whole or a part of a work (“the old work”) to which subsection 51(1) applies, the first publication of the new work and any subsequent publication of it, whether in the same or in an altered form, is not, in so far as it constitutes a publication of the old work, deemed to be an infringement of the copyright in the old work or an unauthorised publication of it. While not stated, the licence granted here must also extend to cover the making of reproductions for the purposes of the publication. If this was not so, the licence to publish would be of no effect. On the other hand, it is subject to several conditions (bearing in mind that the time limits and other criteria specified in subsection 51(1) will need to be met in any event):

- Before the new work is published, notice of the intended publication must be given in the prescribed form: this must be by advertisement in the Government Gazette not earlier than three months and not later than two months before the date of publication.<sup>237</sup>
- The identity of the owner of the copyright in the old work must not be known to the publisher of the new work immediately before the publication of the work. There is no requirement that the publisher must pursue certain inquiries (e.g. reasonable inquiry) to ascertain the identity of the copyright owner: it seems enough that he or she does not know.

The licence under subsection 52(1) does not apply to a subsequent publication of the new work which incorporates a part of the old work that was not included in the first publication, unless the same conditions set out above are complied with, namely, the additional part is covered by subsection 51(1), the prescribed notice of intended publication is given and, immediately before the subsequent publication, the identity of the owner of the copyright in the old work was not known: subsection 52(2). There is a further licence under subsection 52(3), which extends to persons who broadcast, electronically transmit, perform it in public or make a record of a work that has been published in accordance with subsections 52(1) and (2). By contrast, subsections 52(1) and (2) do not specify who is the subject of the licence that they confer. Presumably, this is the person who undertakes the publication, but this must also extend to excuse the library and its employees from any potential liability as joint tortfeasors.

### *7.10.1 Compliance with the three-step test*

This provision meets each of the steps in article 9(2) handsomely:

- It is a “certain special case”, with clearly defined parameters that are narrow in scope and reach.

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<sup>237</sup> For details of the notice required here, see Copyright Regulations 1969, regulation 5.

- While “publication” clearly entails the making and supply of reproductions of the unpublished work, there has been no “normal exploitation” of the work to date, although this obviously would be a potential mode of exploitation if the copyright owner could be identified.
- As the exception does not come into operation until the notice of intended publication has been given and as long as the identity of the copyright owner is unknown at the time of publication, there can be no unreasonable prejudice to the author (and his or her successors) through the publication of the work if these claimants subsequently appear.

## **7.11 Reproducing and communicating works for preservation and other purposes (section 51A)**

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Prior to 1980, there was no provision in the Act for the copying of works held in the collections of libraries and archives for preservation purposes. The enactment of such a provision was recommended by the Franki Committee<sup>238</sup> and is now found in section 51A, which was, in turn, amended by the Digital Agenda Act to take account of the new communication right.

The structure of the exceptions now contained in section 51A is quite elaborate, and it is therefore useful to describe each individually below before proceeding to the Berne-compliance analysis. It should be noted that they apply to all libraries (for profit and not for profit alike) as well as archives.

### *7.11.1 Works in manuscript form and artistic works for the purposes of preservation or research*

This is dealt with in deceptively simple terms in subsection 51A(1)(a), which provides that there will be no infringement of copyright by the making of a reproduction, or the communication of such a reproduction, where this is done in relation to a work in manuscript form or an original artistic work that is held in the library or archives collection, and is made for the purpose of preserving the manuscript or artistic work (as the case may be) against “loss or deterioration or for the purpose of research that is being, or is to be, carried out” at the library or archives in which the manuscript or work is held or at another library or archives. There is a lot wrapped up in this provision, and it requires careful unpicking.

For a start, “manuscript” is defined in subsection 10(1) as meaning the document embodying a literary, dramatic or musical work “as initially prepared by the author”, whether in hard-copy, electronic or any other form. The expression “original artistic work” is undefined, but can be taken as referring to the first embodiment of the artistic work by the author; that is, the actual painting, drawing, sculpture, etc. It will be noted that the licence conferred by subsection 51A(1)(a) also extends to the communication of the reproduction so made, and would therefore cover the situation where a library or archives wishes to make a reproduction of a manuscript or original artistic work for the purposes of making this available online to researchers and

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<sup>238</sup> Franki Committee, op. cit., pp 39–42.

scholars in the library or archives, while keeping the original intact. This would also extend to communications to researchers working in another library or archives. However, there is no indication whether such a communication is limited to terminals within the library or archives (as in the case of reproductions made for “administrative purposes”: see subsection 51A(3) below), or whether a reproduction of the work communicated can be downloaded by the researcher on to their own computer or a computer situated in the library or archives.

The mixing of purposes in subsection 51A(1)(a) makes it difficult to determine precisely the scope of the exceptions it establishes. However, the following observations about its operation can be made:

- Because the purposes identified in the provision are to preserve the manuscript or original artistic work or to make it available for researchers (and thereby ensure the preservation of the original), it is clear that this contemplates that reproductions can be made of the whole of the work, not just part.
- There is no limitation to the manuscripts of unpublished works or unpublished original artistic works – that is, it could be a manuscript of a published work, such as a well-known novel or play.
- There is no temporal limitation – that is, a requirement that the author should be dead or that a specific period of time has elapsed.
- The number of reproductions that may be made is uncertain. If the purpose of the provision was preservation alone, a single reproduction would be all that would be necessary, in order that this could be included in the collection of the library or archives in substitution for the original which could then be kept apart and intact. Indeed, if subsection 51A(1) stopped here, this would probably achieve the twin purposes of preservation and research on the basis that the reproduction would still be available for researchers in the library or archives who would then be able to rely on the provisions of sections 49 or 50 if they wished to make their own reproductions.
- Subsection 51A(1)(a), however, appears to go beyond this, and to allow its own regimen of reproductions for research purposes. Thus, it appears to authorise (separately) the reproduction of a manuscript or original artistic work for the purpose of “research that is being carried on, or is to be, carried out at the library or archives in which the work is held or at another library or archives”. A series of questions arise here:
  - Is the phrase “research being carried on...at the library or archives” limited to research that might be carried on by the staff of the library or archives, or does it refer generally to any research that is being carried on at the library or archives by any user? Given the nature of libraries and archives, as holders of collections of materials for access by general researchers, the second of these seems the more likely meaning to be adopted here.
  - Can a reproduction be made if there is already one in the collection of the library or archives, being one that has been made previously for the purposes of preservation of the original?
  - If the answer to the question above is “yes”, what happens to the reproduction that is so made? Can it be supplied to the particular researcher, does it remain

in the collection of the library or archives, must it be destroyed? There is no express stipulation in the provision with respect to any of these matters, but the reference to “communication” and “another library or archives” indicates that it must be possible to make a second reproduction if one is already held in the collection of a library or archives, in order that this can be communicated to that other library or archives. In addition, the preposition “at” in the phrase “for the purpose of research that is being carried...out *at* the library or archives...” suggests that the reproduction should be retained by the library or archives, rather than given to the individual researcher. Where the reproduction is communicated to another library or archives, this will have the consequence that that library or archives will be able to build up its own collection of reproductions of manuscripts and original artistic works.

The interpretation proposed above suggests that there will be no need for a library or archives to make successive reproductions of manuscripts or original artistic works for the purposes of each researcher who comes to the library or archives. That is, there will already be one, or at most two in the collection that will be available for the researcher to consult. In the event that the latter wishes to have a copy of the manuscript or original artistic work or part thereof, he or she will need to satisfy the requirements of sections 49 or 50. In the event that the library or archives’ reproduction becomes “worn out” through such uses, then the making of another reproduction of the original manuscript or artistic work should be possible under subsection 51A(1)(a) on the basis that this is needed for the purposes of preserving the original against loss or deterioration.

#### *7.11.2 Damaged copies of published works*

Where a copy of a published work has been damaged or has deteriorated, subsection 51A(1)(b) authorises the library or archives to make a reproduction and to communicate the reproduction for the purposes of replacing the copy of the work. This may only be done if the commercial availability test has been satisfied; that is, an authorised officer has, after reasonable investigation, made a declaration stating that he or she is satisfied that a copy (not being a second-hand copy) of the work cannot be obtained within a reasonable time at an ordinary commercial price: subsection 51A(4).

#### *7.11.3 Lost or stolen copies of published works*

Where a copy of a published work has been lost or stolen, a reproduction may be made or communicated for the purpose of replacing the work: subsection 51A(1)(c). Again, this is subject to the commercial availability test outlined in the preceding paragraph: subsection 51A(4).

#### *7.11.4 Reproduction for administrative purposes*

There is no infringement of copyright where a reproduction of a work held in the collection of a library or archives is made by, or on behalf of, the officer in charge for “administrative purposes”: subsection 51A(2).

At first sight, the phrase “administrative purposes” is far from clear, but this provision replaces a previous technologically specific provision that referred to the making of a single “microform copy” of works in libraries and archives for a purpose other than those referred to in subsection 51A(1). Although not defined, the most obvious “other purpose” was ease of storage, as was implied by the limitation to microform copies and the requirement under the former subsection 51AA(3) that, as soon as practicable after the copy was made, the work from which the copy was made was to be destroyed. This provision therefore enabled libraries and archives to retain little-used works where they lacked sufficient or adequate storage space for this purpose.<sup>239</sup>

The enactment of the new subsection 51A(2) in 2000 therefore removes the technological limitation to microform copies, and it is to be assumed that “administrative purposes” is to be interpreted as covering the making of reproductions (in any form) for the purposes of easing storage problems. The provision is curiously open-ended, however, in that it is clearly conceivable that “administrative” purposes could go beyond simply the purpose of relieving storage pressures within the library or archives. Little guidance is to be found in the Explanatory Memorandum to the Digital Agenda Bill, apart from the comment that this will enable libraries and archives to “digitise the copyright material in their collections for ‘administrative purposes’”,<sup>240</sup> as noted above, there is no requirement in subsection 51A(2) that the reproduction should be an electronic one. Furthermore, there is no longer any requirement that the library or archives should thereafter destroy the previous version of the work, nor is the making of the reproduction subject to a commercial availability test of the kind that applies in relation to the reproduction of works in electronic form under subsection 50(7B). Accordingly, it might be open to a library or archive to make a hard-copy or electronic version of a work in its collection which it then makes available to users in one part of the library while preserving the original version elsewhere. There is a further extension contained in subsection 51A(3) that allows a reproduction that has been made for administrative purposes under subsection 51A(2) to be communicated within the library or archives to officers of the library or archives by making it available online to be accessed through the use of a terminal installed within those premises.

#### *7.11.5 Making works available online to officers of libraries and archives*

A further exception relating to reproductions made for “administrative purposes” is contained in subsection 51A(3). This allows such reproductions (presumably these will be electronic versions) to be made available online to officers of the library or archives, so that they can be accessed through the use of a computer terminal installed within the premises of the library or archives. The limitation to officers of the library or archives is significant: presumably, the intention is to facilitate the performance of such functions as cataloguing, but there is no specification of purpose in the provision, and it would be possible for the communication to be made to a library officer who was carrying out a bibliographic or research function on behalf of the library or perhaps a third party. The only exemption provided by subsection 51A(3) is to the communication right; as noted above in relation to subsection 49(5A), it is unlikely that there will be any breach of the reproduction right involved

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<sup>239</sup> Franki Committee, *op. cit.*, p 42.

<sup>240</sup> Explanatory Memorandum to the Copyright (Digital Agenda) Bill 1999, para 106.

here because of the operation of section 43A, although the possibility of the screen display constituting a reproduction may arise. The latter, however, will not be exempted by virtue of subsection 51A(3).

#### *7.11.6 Making original artistic works available online*

Amendments made by the Digital Agenda Act also allow the making available online to users in a library or archives of a “preservation reproduction” of an original artistic work held in the library or archives that has been lost or has deteriorated since the making of the preservation reproduction, or that cannot be displayed without risk of significant deterioration: subsection 51A(3B). “Preservation reproduction” refers here to a reproduction of an artistic work that has been made under subsection 51A(1) for the purpose of preserving the work against loss or deterioration: see subsection 51A(6).

There will be no infringement of copyright in such a work where the library or archives makes the preservation reproduction available online to be accessed through the use of a computer terminal installed within the premises of the library or archives and that cannot be used by the person accessing the work to make an electronic copy or hard-copy of the reproduction or to communicate the reproduction: subsection 51A(3A). As in the case of subsection 51A(3), the only exemption provided by subsection 51A(A) is with respect to the communication right, not the reproduction right. While section 43A provides an exception with respect to temporary reproductions made in the course of making or receiving a communication (see above), the question of whether there is a reproduction in a material form when a work is displayed on screen may be of particular significance in the case of artistic works where it is possible to display the whole of such works. For the purposes of the present advice, however, it is not necessary to consider this question.

#### *7.11.7 No publication to take place*

Although it is unlikely that the communication or supply of a reproduction that is made of an unpublished work to another library or archives under subsection 51A(1) would amount to a publication of the work, subsection 51A(5) provides expressly that this will not occur.

#### *7.11.8 Compliance with the three-step test*

Each of the above exceptions requires careful analysis for this purpose.

#### *Reproduction (and communication) for the purpose of preservation (the first part of subsection 51A(1)(a))*

This is only concerned with manuscripts and original artistic works, and the purpose of preservation is a clear and narrow one. Thus, each of the three steps would seem to be established. In particular, it is difficult to see that there could be any prejudice at all to the author where a reproduction is made for the purposes of preservation: if

this is not done, then there will no longer be any material record of the work as “initially prepared” by the author.

*Reproduction (and communication) for the purpose of research or study (the second part of subsection 51A(1)(a))*

Again, the range of works covered is clearly and narrowly defined. However, the analysis above indicates that there is some uncertainty as to the number of reproductions that may be made and communicated, and a possible interpretation was suggested under which, at most, another reproduction would be authorised, subject to the library or archives retaining this in its collection. On this interpretation, the interests of the individual researcher in obtaining his or her own reproduction would be met by the provisions of sections 49 or 50, but it would not be possible to rely on subsection 51A(1)(a) as authorising the making and supply of such reproductions. If this interpretation of this part of subsection 51A(1)(a) is correct, there is probably compliance with the three-step test, although it might well be said that the first step would not be properly satisfied in so far as the provision is insufficiently clear. Ideally, subsection 51A(1)(a) needs amendment so as to clarify exactly what can be done.

*Reproduction and communication of works held in published form in the event of damage or deterioration (subsection 51A(1)(b))*

This is a clearly defined exception (works held “in published form”) and reproduction is allowed in narrowly defined circumstance (where the work has been damaged or has deteriorated). Accordingly, the first step of article 9(2) is satisfied.

It is less certain, however, whether the second and third steps are satisfied. The application of the commercial availability test (subsection 51A(4)) is certainly of considerable relevance here, but may not be enough. Thus, it is possible that there will still be an impact on the normal exploitation of such works, on the basis that this is something that the copyright owner could authorise the library or archives to do. Simply because new copies of the published work cannot be readily obtained (that is, because it is now out of print) does not mean that the copyright owner’s capacity to exploit his or her copyright thereby comes to an end. Many works become unavailable in this way, but they still remain highly relevant to researchers and other library users. The commercial availability test does not address this question, although it was suggested above (in the context of sections 49 and 50) that a test of the kind referred to in subsection 40(2)(d) (the effect on the potential market for the work) may do so. However, even if the second step could be satisfied here, there would be doubts as to whether there was compliance with the third step. In the absence of payment of remuneration, it can be argued that there will still be an unreasonable prejudice to the legitimate interests of the author.

*Reproduction and communication of published works that have been lost or stolen (subsection 51A(1)(c))*

This may fail to meet the second and third steps of the three-step test, for the same reasons as given above for subsection 51A(1)(b).

*Reproduction for administrative purposes (subsection 51A(2))*

Enough has been said above to indicate that the scope of this exception is very wide: it applies to all works, whether published or unpublished, and is subject to no temporal restrictions. The only limitation is that the work must be “held in the collection of the library or archives”. Furthermore, the purpose for which the reproduction can be made is extremely open-ended: see the discussion above of the phrase “administrative purposes”, which appears to be a generic phrase intended originally to mean “for the purposes of ease of storage”. From the point of view of libraries and archives with limited physical storage spaces, this is undoubtedly a desirable objective, but the phrase “administrative purposes” is too broadly expressed to be limited to storage purposes alone and the latter is not, in fact, referred to in the Explanatory Memorandum (see above). Accordingly, the first step of article 9(2) is not satisfied.

Furthermore, in the absence of any requirement for the destruction of the original versions of the works reproduced, or the need to satisfy a commercial availability test and/or likely market impact test in relation to digital versions of the works reproduced, the second and third steps will not be satisfied as well. In short, subsection 51A(2) in its new form is capable of allowing a library or archives to make reproductions of its entire collection, whether in digital or hard-copy versions, as long as this can be characterised as being for “administrative purposes”. The desire to be technologically neutral has therefore led to the formulation of an exception that is clearly in breach of the three-step test.

*Making available works online to library and archives officers (subsections 51A(3))*

The only right affected by this exception is the communication right, which is not subject to the three-step test under either article 9(2) of Berne or article 13 of TRIPS. The three-step test will only become relevant in the event that Australia becomes a party to the WCT, and this question is considered further below.

*Making available original artistic works online (subsections 51A(3A) and (3B))*

As in the case of subsection 51A(3), the only right affected by this exception is the communication right, and compliance with the three-step test will therefore only become an issue when Australia becomes a party to the WCT (see below).

## 7.12 Reproducing and communicating works in the Australian Archives (section 51AA)

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Further and specific provision for the Australian Archives is made in section 51AA, which was added in 1989 and amended consequentially in the Digital Agenda Act. This is a detailed provision that is intended to facilitate the supply of copies of archival material that is open to public inspection, to the central and regional offices of the Archives to provide access to the work by members of the public. It applies to works (published or unpublished) that are kept in the collection of the Archives where it is open to public inspection, and provides that there will be no infringement of the copyright therein by the making and communication of various kinds of reproductions of the work. These are described as follows:

- The making of a single “working copy” of the work, which is defined to mean a reproduction made for the purposes of enabling the Archives to retain the copy and use it for making “reference copies” and “replacement copies” of the work.<sup>241</sup>
- The making of a single “reference copy” of the work for supply to the central office of the Archives: this means reproduction of the work made from a working copy for supply to the central office, or to a regional office, for use by that office in providing access to members of the public.<sup>242</sup>
- The making of a “replacement copy”, being a single reproduction of the work made from a working copy for the replacement of a working copy that has been lost, damaged or destroyed.<sup>243</sup>

There are further requirements for written requests and that the relevant officers of the Archives should be satisfied that no previous reference copy has been supplied to the relevant regional office<sup>244</sup> or that the relevant reference copy has been lost, damaged or destroyed before a replacement copy is made and supplied.<sup>245</sup>

### 7.12.1 Compliance with the three-step test

While not limited as to the categories of works to which it applies, section 51A is clearly a “certain special case” within the first step of article 9(2), being confined to the Australian Archives with its central and regional offices. Furthermore, the reproductions that may be made under the section are only for use within the Archives by users, and any further reproductions made by these persons will need to be based on the provisions of sections 49 and 50. Given the nature of archival material, it is difficult to see that there will be any lack of compliance with the second and third steps of article 9(2).

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<sup>241</sup> Subsection 51AA(2).

<sup>242</sup> *ibid.*

<sup>243</sup> *ibid.*

<sup>244</sup> Subsection 51A(1)(c).

<sup>245</sup> Subsection 51A(1)(d) and (e).

### **7.13 Illustrations accompanying articles, theses and other works (section 53)**

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Most of the provisions discussed above apply to artistic works except for section 51, which applies only to photographs and engravings. However, many of the articles, theses and other works that may be reproduced under these provisions will be accompanied by artistic works, which are provided for the purpose of illustration or explanation. Section 53 therefore provides that the copyright in such works (referred to in the section as “illustrations”) is not infringed by the doing of any of the acts which are authorised in relation to articles, theses and other works under the preceding provisions; that is, sections 49, 50, 51, 51A and 52. Although not amended as part of the Digital Agenda Act, the scope of this section was automatically extended to cover reproductions of accompanying illustrations in electronic form as a consequence of the other amendments that were made to sections 49–52 (the communication of such reproductions is also covered: see further below).

While the wording of section 53 limits the reproductions that can be made to artistic works that “accompany” articles, theses and literary, dramatic or musical works for the purposes of explanation or illustration, there is nothing in the section that would prevent the excision of the artistic work, once the reproduction has been made, and for its use on its own (this will obviously be very easy to do in the case of electronic reproductions).

#### *7.13.1 Compliance with the three-step test*

The practical need for such an exception as this is obvious, but whether it complies with article 9(2) is quite another matter. Artistic works are always most vulnerable to reproduction and communication because it is usually the whole of the work that is taken.

##### *Is this a “certain special case”?*

The scope of the exception is clearly defined, in that it refers to artistic works that “accompany” and “explain” and “illustrate” the article, thesis or work that is reproduced. However, as noted above, this will be capable of covering the whole of such works, including photographs, drawings, diagrams and engravings (tables will constitute separate literary works under subsection 10(1)). Possibly, it could be argued that the limitation to “accompanying” illustrations is sufficient to indicate a “certain special case” that is sufficiently narrow in scope and reach.

##### *Does this conflict with a normal exploitation of the work?*

No limitation, such as a commercial availability test or any of the other fair dealing guidelines, applies in relation to illustrations falling within the scope of section 53: as long as the reproduction of the article, thesis or work is justified under the other provisions, this will cover the reproduction of the accompanying illustration. It is possible that, in the hard-copy environment, when the principal form of reproduction was photocopying, it would have been difficult to excise accompanying illustrations,

and accordingly a kind of necessity argument could have been made; that is, unless reproduction of the accompanying illustrations was allowed, this would render the preceding provisions of little utility. It may also have been the case that there was no practical way in which authors of accompanying illustrations would have been able to license the making of such reproductions.

But if such reproductions were outside the scope of normal exploitation at that time, this may no longer be the case. Thus, visual artists are now represented by a collecting society (VISCOPY), and digital technology also makes the excision of accompanying illustrations feasible. Accordingly, such reproductions must be regarded now as at least potentially within the normal scope of exploitation of such works. In the absence of any qualifications, such as a commercial availability and market impact test, section 53 will not satisfy the second step of article 9(2). Non-economic considerations, such as the research or study and other justifications underlying the library and archives could be balanced against this, but the fact remains that it will almost always be the whole of an artistic work that is taken in this context, and such usage robs the work almost entirely of any scope for economic exploitation. The non-economic considerations therefore seem hardly sufficient to outweigh the real economic harm that will arise to the author/artist in this situation.

*Does this “unreasonably prejudice the legitimate interests of the author”?*

Even if the second step of article 9(2) was satisfied, there would still be a prejudice to the economic interests of authors by reason of the fact that section 53 allows the whole of any accompanying illustration to be reproduced and communicated. In the absence of any provision for remuneration, this must be an unreasonable or disproportionate prejudice to the legitimate interests of authors of such works and therefore in breach of the third step of article 9(2).

## **7.14 Compliance with the TRIPS Agreement**

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I have been asked to consider separately the question of compliance with respect to the above provisions under TRIPS. The relevant provision here is article 13, which replicates the three-step test in article 9(2), with the slight modification that the third step refers to the legitimate interests of the copyright owner, rather than the author (see further Chapter 3). As in the case of article 9(2) of Berne, the only area of application for article 13 of TRIPS will be with respect to exceptions to the reproduction right – exceptions to the communication right fall outside both provisions, and are considered below in the context of possible future obligations arising under the WCT.

For present purposes, the question of TRIPS compliance can be dealt with very briefly. To recall my analysis of article 13 in Chapter 3, while it is arguable that somewhat different considerations apply to the interpretation of TRIPS obligations generally, the incorporation of Berne standards (including article 9(2)) in that instrument requires that the latter should be interpreted in the same way as under Berne. Accordingly, to the extent that the exceptions to reproduction contained in sections 48A–52 comply with the three-step test in article 9(2), there will be compliance with article 13 of TRIPS. Likewise, to the same extent that there is non-compliance with article 9(2), the same consequence will apply under article 13.

## **7.15 Compliance with the WCT**

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In view of the fact that Australia is not yet a member of this treaty, it is strictly unnecessary to consider the question of compliance with respect to reproduction rights (compliance with respect to communication rights is dealt with in the next section). However, the analysis given above in relation to the three-step test under article 9(2) of Berne has proceeded on the basis that this applies to both digital and non-digital uses.

## **7.16 Communications covered by these exceptions**

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Each of the provisions in sections 48A–53 includes exceptions in relation to the act of communicating the reproductions that have been made pursuant to those provisions. At present, the application of the three-step test to these acts of communication is only prospective, as part of obligations that may be assumed by Australia in the future under the WCT. Nonetheless, my instructions require me to consider the question of WCT compliance, and the discussion below therefore deals with this under the following heads:

- The extent to which the acts exempted under sections 48A–53 do, in fact, fall within the scope of the new communication right.
- The scope of the relevant international obligations with respect to such matters.
- The extent to which such exceptions can be treated in the same way as the exceptions already made with respect to reproduction rights.
- The extent to which such exceptions need to be treated differently from the exceptions made with respect to reproduction rights.

### *7.16.1 Acts exempted under sections 48A–53: are they communications “to the public”?*

The relevant exclusive right involved here is communication to the public, which was introduced by the Digital Agenda amendments in 2000. Before the need for any exception to protection will arise, it must be clear that there has, in fact, been an exercise of this right; that is, that the communication of the reproduction in question involves a communication *to the public*. Will this occur where a reproduction of a work made by a library or archives is communicated to a user, another library or archives, or to an officer of a library or archives, under these provisions?

The expression “to the public” is not relevantly defined in the Act, and regard must therefore be had to prior case law dealing with the public performance and broadcast rights. This indicates that the fact that a communication is on a one-to-one basis, as between a library/archives and a user, will not prevent this being a communication “to the public” in the sense that the recipient may still be part of the copyright owner’s “public”. Thus, mobile telephone users listening to a music on-hold service provided by Telstra were treated as part of the copyright owner’s public for the

purposes of the former broadcast right in *Telstra v APRA*.<sup>246</sup> Again, in *Rank Film Production Ltd v Dodds*<sup>247</sup> the Supreme Court of NSW held that the transmission of films by the owner of a motel to television sets situated in guests' rooms, as part of the motel amenities, was "in public", even though there were one or two guests present in a given room at the time the transmissions occurred. In the words of Rath J:

...the court is to consider the character of the audience, and ask whether that audience may fairly be regarded as part of the monopoly of the owner of the copyright. The relevant character of the audience is not its character of an individual or individuals in a private or domestic situation, but in its character as a guest or guests of the motel. In that latter character the guest pays for his accommodation, and the benefits (in-house movies) that go with it. In a real sense he is paying the proprietor of the motel for presentation to him in the privacy of his room of an in-house movie. He is in this character a member of the copyright owner's public.<sup>248</sup>

In both these cases, the works and subject-matter in question were broadcast or diffused as part of a business or commercial activity on the part of the transmitting entity, and it may be that this character will be lacking in the case of libraries and archives making and supplying reproductions pursuant to sections 48A–53. Nonetheless, even if the library or archives in question is acting on a non-commercial basis, its actions in communicating the work may still cut across the copyright owner's capacity to do this him/herself, and it seems reasonable to conclude that such a communication will be to a member of the copyright owner's public. Furthermore, it is clear that the various exceptions contained in these provisions are predicated on the assumption that such communications will infringe the communication right, and such exceptions are therefore necessary.

#### 7.16.2 *The relevant international obligations*

To the extent that sections 48A–53 involve exceptions to the communication right, by what standard do these exceptions fall to be judged? Article 9(2) of Berne is clearly inapplicable, as this applies only to the reproduction right. In addition, no other Berne provision will be applicable, as these communications will not fall within any of the other exclusive rights that are to be protected under that instrument.<sup>249</sup> In consequence, there would also be no scope for the application of the implied minor exceptions doctrine.

The obligation to protect communication rights only arises under the WCT, to which Australia is not yet a party. While the Digital Agenda amendments were enacted in 2000 with a view to enabling Australia to comply with the WCT's provisions (along with the new anti-circumvention device and copyright management information measures), Australia will not be in a position to accede to the Treaty until it protects distribution rights as required by article 6. The latter will clearly be a matter of some controversy, given the debates that have occurred in recent years in relation to

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<sup>246</sup> (1997) 146 ALR 649.

<sup>247</sup> [1983] 2 IPR 113.

<sup>248</sup> *ibid.* at 120.

<sup>249</sup> It is assumed here that article 11*bis*(1), which deals with broadcasting and rebroadcasting and cable diffusion, will not be applicable to these acts of communication.

parallel importation controls, so it is uncertain whether Australia will accede to the WCT in the immediate future. A further matter requiring amendment to the *Copyright Act 1968* before this can be done will be the change to the term of protection for photographs that is required by article 9 of the WCT.<sup>250</sup>

It is only in the event of WCT accession that the exceptions to the communication right contained in sections 48A–53 will fall to be tested by reference to the three-step test, which is expressly applied to this new right by virtue of article 10(1) of the WCT. This will involve the same kind of analysis that I have carried out above in relation to the reproduction right and article 9(2) of Berne, but it will be important to bear in mind that reproduction and communication are distinct acts that are the subject of separate exclusive rights, and that the application of the three-step test may lead to different conclusions in each case. While the exceptions to both rights are often closely linked under sections 48A–53, this is not always the case and it is useful therefore to make this distinction in the discussion that follows; that is, between those instances where the act of communication is ancillary to the making of a reproduction, and those instances where the act of communication is conceptually and factually distinct from the act of reproduction.

#### *Communications ancillary to the making of reproductions*

Most of the exceptions in sections 48A–53 are concerned with the making of a reproduction under specified circumstances and conditions, and the communication of the reproduction so made as part of the “supply” of that reproduction to a particular person or entity, such as a library or archives user or another library or archives. These exceptions arise in the following instances:

- The communication of reproductions made pursuant to subsections 49(2), (2C) and (5A): subsection 49(7B).
- The communication of reproductions made pursuant to subsection 50(2): subsection 50(4).
- The communication of reproductions made pursuant to either subsections 51(1) or (2).
- The communication of reproductions made pursuant to subsection 51AA(10).
- The communication of reproductions made pursuant to subsection 51A(1)(a) for the purposes of research being carried on at another library or archives.
- The application of the above exceptions under sections 49, 50, 51 and 51A to the communication of reproductions of accompanying illustrations that may be made under section 53.

In each of these cases, the making of the communication occurs as the direct consequence of the making of the reproduction. It is therefore possible to see such communications as being no more than the final part of an overall transaction that

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<sup>250</sup> This requires WCT members not to apply the provisions of article 7(4) of the Berne Convention; in other words, to accord photographic works the same term of protection as other works.

culminates in the supply of a reproduction, noting that in the non-digital environment the supply of a lawfully made reproduction would not ordinarily involve a separate exercise of exclusive rights requiring the authorisation of the copyright owner. In the digital environment, however, the introduction of the communication right does require authorisation if the supply of the reproduction occurs in this way, but this can be seen simply as consequential on, or ancillary to, the preceding act of reproduction. Accordingly, it is submitted that the three-step test under the WCT should be satisfied (or not satisfied, as the case may be) in relation to such communications to the same extent that it is satisfied (or not satisfied) in relation to the act of reproduction under article 9(2). No considerations special to the exercise of the communication right therefore arise in such cases that would lead to a different application of the three-step test.

#### *Communications separate from acts of reproduction*

A different situation arises where the acts of communication authorised under sections 48A–53 are not linked so directly or immediately to the preceding acts of reproduction. These are instances where the making of the communication is not necessarily dependent or contingent upon the making of the initial reproduction; that is, the one does not follow automatically from the other. These include the following:

- Acts of communication that occur pursuant to section 48A, in the course of assisting members of Parliament in the performance of their duties.
- Acts of communication occurring where works are made available online to library and archives users pursuant to subsection 49(5A).
- Acts of communication occurring through the making available online of reproductions of works made for “administrative purposes” to officers in libraries and archives pursuant to subsection 51A(3).
- Acts of communication that occur through the making available online of preservation reproductions of artistic works to users of libraries and archives pursuant to subsection 51A(3).

Each of these will require separate consideration under the three-step test, and it is possible that this may lead to different conclusions on the question of compliance from those that were reached above in relation to the reproduction right. These matters are addressed briefly in the following sections.

#### *Parliamentary libraries: section 48A*

As noted above, the scope of this provision is extremely wide, and, in the present context, will allow the making of any communication to the public by an officer of a parliamentary library where this is done solely for the purpose of assisting a parliamentarian in the performance of his or her duties. There are no other limits or restrictions placed on this exception. Accordingly, it would be open to a parliamentary library to communicate works held in electronic form in the library to members of the parliamentarian’s electorate or political party, as long as this could be seen as being part of the performance of his or her parliamentary duties.

Applying the three-step test under article 10 of the WCT, it is likely that the same result will apply as under article 9(2) of the Berne Convention in relation to the reproduction. Thus, it is too wide in its scope and reach to be described as a “certain special case”; there will clearly be a conflict with the copyright owner’s normal exploitation of his or her work, although there may be an argument that this may be outweighed by non-economic normative considerations, such as the need to facilitate the performance of their civic and democratic duties by parliamentarians; and, in the absence of any further restrictions and/or a requirement to pay remuneration for these uses, there will be an unreasonable prejudice to the legitimate interests of authors whose works are communicated pursuant to the provision.

*Making works available online in libraries and archives: subsection 49(5A)*

In the non-digital environment, there is no scope under section 49 for a library or archives to buy one hard-copy and then make one or more additional copies itself for use by library users. However, subsection 49(5A) makes it possible for the library or archives to purchase one copy of the work in an electronic version and then to communicate it to users on terminals situated throughout its premises. Under such an arrangement, it is possible that a number of users will be able to read the work at the same time, whereas in the case of the hard-copy version they would have to read it in succession or place pressure on the library or archives to purchase multiple copies. As noted above, it is uncertain whether the reproduction right will be implicated where such a communication is made. Thus, if a temporary reproduction in the RAM of the library’s computer is made in the course of making the communication, this will be exempted by section 43A (added in the Digital Agenda Act amendments of 2000). Likewise, it is unsettled under current Australian law whether the display of portions of the article or work on a terminal screen will constitute a reproduction.<sup>251</sup>

Accordingly, the importance of the communication right, which is the subject of the exception under subsection 49(5A), becomes apparent. Given that it would be necessary for the library or archives to purchase additional copies of a hard-copy version of the article or work, or to seek permission to make such additional copies, it is clear that the copyright owner would otherwise seek to authorise the making of the communication of the electronic version of the work in the circumstances described in subsection 49(5A), and that this provision must therefore be in conflict with a normal exploitation of those works. It is difficult to make out a countervailing non-economic normative argument, for example that subsection 49(5A) operates as a matter of convenience and is simply the electronic analogue of reading a hard-copy version taken down from the shelves. This is because there is no limitation in subsection 49(5A) to the number of terminals in the library or archives to which the work can be communicated, whereas in the hard-copy environment the number of readers using the work at the same time would be limited to the number of copies the library or archives had purchased. Accordingly, the second step of the three-step test under article 10 will not be satisfied, and it would also follow that this would be the case with the third step, in the absence of any further restrictions on what can be made available online and/or the lack of any requirement to pay for this use.

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<sup>251</sup> A recommendation that such displays should not be regarded as reproductions in a material form was made by the CLRC in its 1995 report *Computer Software Protection*, at para 14.43, but this has not been picked up in any of the subsequent amendments of the *Copyright Act 1968*.

*Making works available online for “administrative purposes” to officers in libraries: subsection 51A(3)*

This exception follows on from the exception provided under subsection 51A(2) in respect of the making of reproductions of works in library or archives collections for “administrative purposes”; that is, for the storage of works in digital form. Under subsection 51A(3), there will also be no infringement if these works are made available online to officers of the library or archives to be accessed through the use of a computer terminal installed within the premises of the library or archives. There is no qualification placed on this communication; that is, that it should also be for “administrative purposes” or some other purpose, such as research or study. No further light on the purpose of the provision is to be found in the explanatory memorandum for the Digital Agenda Act amendments. Nonetheless, it can be presumed that the purpose of communications under this provision will be to enable library or archive officers to carry out such tasks as cataloguing, stock auditing, responding to reader inquiries, and the like. These are not necessarily acts of communication that flow inexorably from the prior acts of reproduction (digitisation), although undoubtedly the exception in subsection 51A(3) will be for the administrative and operational convenience of library and archives officers.

From the perspective of the three-step test under article 10 of the WCT, it is likely that this exception will only fail to comply with the first step. Thus:

- It is not a “certain special case”: although the class of persons to whom the making available online may be made is narrow (“officers of the library or archives”), no qualifying purpose or pre-condition for this is stated. Accordingly, it is not an exception that is clearly defined, although this could have been readily indicated through appropriate drafting.
- Given that the class of persons to whom the reproductions can be made available is limited, however, it is unlikely that these communications will conflict with the normal economic exploitation of the works in question. This stands in sharp contrast to the kinds of communications that can be made to library users generally under subsection 49(5A) (see above). However, it would be easier to conclude that subsection 51A(3) complies with the second step of the three-step test if the purpose of the making available online was more clearly stated; in other words, the administrative needs of libraries and archives could well be a legitimate non-economic normative consideration that would outweigh any possible conflict with the economic exploitation of these works.
- In view of the conclusion with respect to the second step, it is unlikely that there will be any prejudice to the legitimate interests of authors under the third step. In this regard, it is important to note the limited nature of the communications that subsection 51A(3) authorises.

*Making preservation reproductions available online in libraries and archives: subsections 51(3A)*

This exception concerns the communication of reproductions (“preservation reproductions”) that have already been made pursuant to the conditions and for the purposes specified in subsection 51A(1)(a). At that point, the necessary step of preservation has been taken: the reproductions so made are therefore available for use by users of the library or archives; that is, they will be able to view the artistic

work concerned in the form of a photocopy or on the screen of a computer terminal in the library where the work has been stored in a digital medium, such as a CD-ROM. These acts of viewing of the preservation reproduction would not require any authorisation from the copyright owner, as there would be no exercise of any relevant right belonging to the latter.

Subsections 51A(3A)–(3B), however, go beyond the above, and allow the making available online within the library or archives of the “preservation reproduction” to “a computer terminal: (a)...installed within the premises of the library or archives”. It is not clear, however, that this is limited to the use of the one computer terminal. Under the *Acts Interpretation Act 1901*, the use of the singular includes the plural unless the contrary is stated, and there seems to be nothing to this effect in the wording of subsections 51A(3A)–(3B). Accordingly, it can be said that these provisions would authorise the making available online of preservation reproductions to a series of computer terminals within the library or archives, where they could be accessed simultaneously by users or by users located in different parts of the library or archives. Would such usages meet the requirements of the three-step test under article 10 of the WCT?

- Certain special case: The category of work in question here (“preservation reproduction”) and the scale and limits of the use (see in particular subsection (3B)), are clearly defined. Given the physical restraints put on the uses in question, that is, on terminals within the premises of libraries and archives, it may be concluded that the exception is also sufficiently narrow in scope and reach.
- Conflict with normal exploitation of work: This is much less certain. Artistic works are much more vulnerable than other works, because of the importance attaching to the original (initial) manifestation of the work. This applies as much to an “old master” that is several centuries old as to the work of a young artist executed on canvass or paper within the past day or so. Retention and preservation of this original version of the work is vital for the purposes of authenticating and authorising any subsequent uses of the work that may occur, such as the making of further reproductions (as prints or posters, in books, in broadcasts, etc). Accordingly, while the making of a “preservation reproduction” in a library or archives can be justified for the purposes stated in subsection 51A(1)(a), these do not necessarily extend to uses that are subsequently made of the reproductions so made. In the present case, it is therefore necessary to consider the various ways in which the copyright owners of artistic works that have been reproduced pursuant to subsection 51A(1)(a) may reasonably wish to exploit those works. Apart from the more traditional exercises of the reproduction right (see above), the making available online of those reproductions is another obvious mode of exploitation. While the usage authorised by subsection 51A(3A) is limited in scope – that is, to users within libraries and archives who may only use suitably “neutered” terminals (see subsection 51A(3A)(b)) – these uses may still take place continuously and simultaneously. This must surely fall within the way in which such copyright owners of artistic works may reasonably wish to exploit their works, and it is difficult to see any non-economic normative consideration that could outweigh this, apart from the convenience of both library and users. Accordingly, I conclude that this exception will be in breach of the second step of the three-step test, and will need appropriate amendment if and when Australia accedes to the WCT.

- Unreasonable prejudice to the legitimate interests of the author: In light of my conclusion on the second step, it is unnecessary to consider this. But even if a contrary conclusion on the second step were to be reached, it is unlikely that the third step would be satisfied, at least in the absence of some provision for the payment of remuneration.

### **7.17 Reformulating the library and archives exceptions – a more restricted definition of “library”**

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Enough has been said in the preceding sections to indicate that many problems of compliance with the three-step test arise with respect to the library and archives exceptions in sections 48A–53. In the case of reproduction rights, these require immediate correction if Australia is to meet its present Berne and TRIPS obligations; in the case of communication rights, these are matters that should be rectified before Australia accedes to the WCT. One further matter, however, remains for consideration.

In Question 2(c) of my instructions, I was asked to consider the following question:

Did the proposed limitation of the library exceptions to not-for-profit libraries (excluding those in for profit organisations except for universities) under the Digital Agenda Act amendments as originally introduced into parliament (see item 11 of the original Bill), but subsequently amended by the government, comply with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty?

The proposed limitation (never enacted) was contained in the following amendment to section 18 and read as follows:

*library* includes a library owned by an educational institution, being an institution that is conducted for profit, but does not include a library owned by any other person or body carrying on business for profit if the person maintains the library mainly or solely for the purposes of that business.

This amendment would have included libraries in for-profit educational institutions, while excluding all libraries in commercial enterprises. What would have been the implications of such a change for the purposes of achieving compliance with the three-step test? This question is best approached by considering each of the steps in turn.

- Certain special cases: The proposed amendment would have defined the class of users of the exceptions more narrowly – to this extent, compliance with the first step would be easier.
- Conflict with a normal exploitation of the work: The restriction to non-profit libraries, including libraries in educational institutions, would likewise have restricted the sphere within which copyright owners would have been prevented from exploiting their works. On the other hand, it is possible that the reproductions and communications made by libraries in this narrower group would still have the possibility of conflicting with a normal exploitation of such works (see above). However, non-economic normative considerations can be brought more readily to bear in such cases; that is, it would be easier to justify

such uses where they are by libraries in the not-for-profit (including educational) sphere, rather than libraries generally, on the basis that the ultimate purpose here will be research and scholarship of a non-commercial kind.

- Unreasonable prejudice to the legitimate interests of the author: Such prejudice is likely to be less when the numbers of likely users are restricted; that is, to libraries in not-for-profit, including educational, institutions.

Accordingly, I conclude that the proposed limitation to not-for-profit, including educational, libraries would have made compliance with the three-step test more likely. On the other hand, it will still be necessary to consider each exception separately in the light of the general requirements of the three-step test.

## Chapter 8: The CLRC proposals

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*Question 3: Does the recommended change from the current closed system of exceptions to an open system of exceptions as formulated by the CLRC mean that Australia will move from a position of compliance with the three-step test in the Berne Convention, TRIPS Agreement and WIPO Copyright Treaty to a position of non-compliance?*

### 8.1 The questions posed

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In this chapter, I consider the proposals of the CLRC (in Part 1 of its Simplification Report) for a simplified fair dealing provision. I have already considered, in Chapter 6, one specific part of these proposals, namely the proposal for a stand-alone quantitative test and have concluded that this would not meet the requirements of the three-step test (see 6.3 above). The question raised here, however, is a wider one, namely whether the CLRC's more general recommendation to move from the current closed system of exceptions to an open system of exceptions would place Australia in a position of non-compliance with these international obligations.

In assessing this question, it is necessary to begin with a brief overview of what the CLRC has proposed.

### 8.2 The CLRC recommendations: an overview

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In its Exceptions Report in September 1998, the CLRC made various recommendations in relation to the fair dealing provisions. Among other things, these took account of the “in-principle” decision already announced by the government in its Digital Agenda Act copyright reform proposals that the fair dealing limitation should apply to the new right of communication and the digital environment generally. The proposals of the CLRC included the following:<sup>252</sup>

- Consolidation of the current fair dealing provisions – sections 40, 41, 42, 43(2), 103A, 103B and 103C into a single provision.
- Expansion of the fair dealing defence to an “open-ended model” that specifically relates to the current exclusive set of purposes – that is, research or study, criticism or review, reporting of news and professional advice, but would not be confined to these purposes. This fair dealing model would be applicable to all the exclusive rights of copyright owners (as currently applies under subsection 40(1)), including the proposed right of communication to the public.<sup>253</sup>
- General application of the non-exclusive set of factors that are presently provided in subsection 40(2) relating to all fair dealings. Under such an approach,

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<sup>252</sup> See the summary in the CLRC Exceptions Report, op. cit., pp 54–55.

<sup>253</sup> *ibid.*, p 76.

Australian law would come closer to the US concept of fair use, but would be “more precise”. In this regard, the CLRC noted that it could be expected that, in time, Australian courts would develop this open-ended notion of fair dealing in ways that were appropriate to Australian conditions.

- Adoption of a new quantitative test based on subsection 40(3) that would be limited to published literary, dramatic and musical works or adaptations of such works in printed form. The CLRC considered that a quantitative test would not be appropriate to the digital context, where it would be far more difficult to specify amounts, whereas this was far easier in relation to printed works where the basic unit is the page. This test would be defined exclusively through reference to a “prescribed portion”, which would reflect the limits currently described in relation to a “reasonable portion” in subsection 10(2) and would apply to all dealings for the purpose of research or study rather than to dealings by way of copying only (the position at the time of the CLRC report). The CLRC proposed that this would be a stand-alone provision separate from the new fair dealing provision and would operate as a single deemed exception, notwithstanding the factors described in subsection 40(2) (see the discussion of this proposal in Chapter 6).

Some further matters raised by the CLRC were as follows:

- That “electrocopying” should not be excluded from applying to dealings for the purpose of research or study, although the fact that the work is made available digitally and is more readily accessible might be relevant to considerations such as the purpose and character of the dealing and the effect of the dealing on the potential market for the copyright material in determining the fairness or otherwise of the dealing.<sup>254</sup>
- In principle, a dealing by a person on behalf of another should not be excluded from being a fair dealing if it can be found to be “fair” according to the relevant criteria.<sup>255</sup>
- That the word “private” should not be reintroduced before the words “study or research” in relation to fair dealings for the purpose of “research or study”, noting further that “the distinction between private and commercial activities undertaken for research or study is often unclear, and ... the public interest would be maximised if fair dealing for the purpose of research or study did not necessarily exclude some commercial activities”.<sup>256</sup>
- That subsection 42(2) be expanded to include literary, dramatic and artistic works and cinematographic films and that the provision be further extended to include reporting the news by means of photography.<sup>257</sup>
- That the bulk of provisions dealing with libraries and archives, namely sections 49, 50, 51A, 51AA and 53, should be repealed, and that the acts presently allowed under these provisions should fall to be assessed by the proposed fair dealing

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<sup>254</sup> *ibid.*, p 77.

<sup>255</sup> *ibid.*, p 80.

<sup>256</sup> *ibid.*, p 83.

<sup>257</sup> *ibid.*, p 88.

defence. Modifications to existing sections 51 and 52 were also proposed, while there were recommendations for the repeal or modification of a number of other miscellaneous exceptions on the basis that these could be subsumed under the proposed fair dealing provision.

At the time of writing, no specific action with respect to those recommendations of the CLRC had been announced or taken by the government, although the Digital Agenda Act amendments, particularly to sections 51 and 52, appear to have taken account of the CLRC recommendations relevant to these provisions. Nonetheless, the general CLRC proposals remain on the table as a guide to future government action and clearly merit careful consideration.

In particular, they would simplify considerably the present plethora of complicated free use exceptions that are to be found in the Act. In this regard, it is useful to set out the CLRC's proposed model for a consolidated fair dealing provision:

- (1) Subject to this section, a fair dealing with any copyright material for any purpose, including the purposes of research, study, criticism, review, reporting of news, and professional advice by a legal practitioner, patent attorney or trade mark attorney, is not an infringement of copyright.
- (2) In determining whether in any particular case a dealing is a fair dealing, regard shall be had to the following:
  - (a) the purpose and character of the dealing;
  - (b) the nature of the copyright material;
  - (c) the possibility of obtaining the copyright material within a reasonable time at an ordinary commercial price;
  - (d) the effect of the dealing upon the potential market for, or value of, the copyright material;
  - (e) in a case where part only of the copyright material is dealt with – the amount and substantiality of the part dealt with, considered in relation to the whole of the copyright material.
- (3) The use of a literary, dramatic, musical or artistic work, or a cinematograph film, in the course of reporting the news by means of photography, communication to the public or in a cinematograph film, shall be a fair dealing only if that material forms part of the news being reported.

The question for consideration here is whether a provision in this form would comply with Australia's international obligations.

### **8.3 Compliance with Australia's international obligations**

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In determining this question, it is necessary to have regard to the three-step test as embodied in each of the international instruments considered in this advice: under article 9(2) of Berne with respect to reproductions; under article 13 of TRIPS with respect to Berne rights other than the reproduction right; and under article 10 of the proposed WCT, in so far as the new communication right is concerned. In each instance, however, the analysis will be broadly the same.

Furthermore, in considering this question, it becomes inevitable that one must also have regard to the fair use defence in US law, on which the CLRC's proposal is clearly

based. A conclusion that the latter fails to meet any of the parts of the three-step test may well lead to the same conclusion with respect to the US provision – which is a conclusion with wide-reaching implications, given that the USA has now been a member of the Berne Convention for nearly fifteen years and the question of non-compliance in relation to fair use has not been expressly raised.

The relevant provision of the US *Copyright Act 1976* is to be found in section 107, which provides:

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyright 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 non-profit 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.

The only relevant difference between the CLRC proposal and the US provision is the inclusion of the commercial availability guideline in the CLRC provision, although it is arguable that this would be included as part of the general inquiry into the “purpose and character of the use” in the US provision. Otherwise, the structure of the two provisions is the same: open-ended as to the purpose of the dealing or use, though with the inclusion of certain specified purposes, and a case-by-case approach, with the inclusion of guidelines to determine the question of fairness.

### 8.3.1 *Is this a “certain special case”?*

Are the cases covered by the CLRC/US provisions “certain special cases” within the first of the steps in the three-step test? Both provisions specify certain purposes that will be regarded as within their scope, such as research, criticism, news reporting and so on. These clearly meet the description of “certain special cases”, and have long been accepted as doing so, as well as finding further justification under other provisions of Berne, such as articles 10 and 10*bis*. However, they are only examples of what may be covered by both provisions: in any particular instance, this is to be determined by reference to the guidelines provided in each provision. While each of the nominated purposes may be regarded as narrow in its scope and reach, and may also be clearly defined, it is the indeterminate “other” purposes that raise problems for the application of the three-step test. Is a “fair dealing” or “fair use” for a purpose other than one of those specified in the provisions a “certain special case”? In other words, is a dealing to be characterised in this way simply on the basis that it is “fair”? Obviously, the fairness or otherwise of the use will need to be justified by reference to the guidelines given in both provisions, but these are factors that are more apposite to the second and third steps of the three-step test, rather than to the definitional

function of the first step. The question remains, therefore, whether “fairness” itself is a criterion that is sufficiently defined and narrow in scope and reach for the purposes of the first part of the three-step test.

At first blush, the answer to this question would appear to be “no”: “fairness” is an insufficiently clear criterion to meet the first part of the three-step test. Against this it can be argued that a use will never be “fair” in isolation: its fairness will only be established if it is tied to some identified purpose that then meets the guidelines contained in both provisions. The more general and less defined the purpose, the less likely is it to be a fair one. The only difficulty will be knowing in advance what purposes, other than those specifically mentioned, will meet this requirement, and, in this regard, it can be said that the rationale behind the first part of the three-step is precisely to avoid this indeterminacy, so that it is clear in advance what purpose a particular exception is to serve. This has certainly been the approach of the *Copyright Act 1968*, with its closed list of numerous specific exceptions, and it is now exemplified *par excellence* in the extensive list of detailed and carefully framed exceptions contained in article 5 of the EC Information Society Directive. Although lengthy, these are set out below in order to make the point:

Article 5

*Exceptions and limitations*

1. Temporary acts of reproduction referred to in Article 2, which are transient or incidental, which are an integral and essential part of a technological process whose sole purpose is to enable:
  - (a) a transmission in a network between third parties by an intermediary or
  - (b) a lawful use of a work or other subject-matter to be made, and which have no independent economic significance,shall be exempted from the reproduction right provided for in Article 2.
2. Member States may provide for exceptions or limitations to the reproduction right provided for in Article 2 in the following cases:
  - (a) in respect of reproductions on paper or any similar medium, effected by the use of any kind of photographic technique or by some other process having similar effects, with the exception of sheet music, provided that the rightholders receive fair compensation;
  - (b) in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial, on condition that the rightholders receive fair compensation which takes account of the application or non-application of technological measures referred to in Article 6 to the work or subject-matter concerned;
  - (c) in respect of specific acts of reproduction made by publicly accessible libraries, educational establishments or museums, or by archives, which are not for direct or indirect economic or commercial advantage;
  - (d) in respect of ephemeral recordings of works made by broadcasting organisations by means of their own facilities and for their own broadcasts; the preservation of these recordings in official archives may, on the ground of their exceptional documentary character, be permitted;
  - (e) in respect of reproductions of broadcasts made by social institutions pursuing non-commercial purposes, such as hospitals or prisons, on condition that the rightholders receive fair compensation.

3. Member States may provide for exceptions or limitations to the rights provided for in Articles 2 and 3 in the following cases:
  - (a) use for the sole purpose of illustration for teaching or scientific research, as long as, whenever possible, the source, including the author's name, is indicated, unless this proves impossible, and to the extent justified by the non-commercial purpose to be achieved;
  - (b) uses, for the benefit of people with a disability, which are directly related to the disability and of a non-commercial nature, to the extent required by the specific disability;
  - (c) reproduction by the press, communication to the public or making available of published articles on current economic, political or religious topics or of broadcast works or other subject-matter of the same character, in cases where such use is not expressly reserved, and as long as the source, including the author's name, is indicated, or use of works or other subject-matter in connection with the reporting of current events, to the extent justified by the informatory purpose and as long as, whenever possible the source, including the author's name, is indicated, unless this proves impossible;
  - (d) quotations for purposes such as criticism or review, provided that they relate to a work or other subject-matter which has already been lawfully made available to the public, that, unless this proves impossible, the source, including the author's name, is indicated, and that their use is in accordance with fair practice, and to the extent required by the specific purpose;
  - (e) use for the purposes of public security or to ensure the proper performance or reporting of administrative, parliamentary or judicial proceedings;
  - (f) use of political speeches as well as extracts of public lectures or similar works or subject-matter to the extent justified by the informatory purpose and provided that the source, including the author's name, is indicated, except where this proves impossible;
  - (g) use during religious celebrations or official celebrations organised by a public authority;
  - (h) use of works, such as works of architecture or sculpture, made to be located permanently in public places;
  - (i) incidental inclusion of a work or other subject-matter in other material;
  - (j) use for the purpose of advertising the public exhibition or sale of artistic works, to the extent necessary to promote the event, excluding any other commercial use;
  - (k) use for the purpose of caricature, parody or pastiche;
  - (l) use in connection with the demonstration or repair of equipment;
  - (m) use of an artistic work in the form of a building or a drawing or plan of a building for the purposes of reconstructing the building;
  - (n) use by communication or making available, for the purpose of research or private study, to individual members of the public by dedicated terminals on the premises of establishments referred to in paragraph 2(c) of works and other subject-matter not subject to purchase or licensing terms which are contained in their collections;
  - (o) use in certain other cases of minor importance where exceptions or limitations already exist under national law, provided that they only concern analogue uses and do not affect the free circulation of goods and services within the Community, without prejudice to the other exceptions and limitations contained in this Article.
4. Where the Member States may provide for an exception or limitation to the right of reproduction pursuant to paragraphs 2 and 3, they may provide

similarly for an exception or limitation to the right of distribution as referred to in Article 4 to the extent justified by the purpose of the authorised act of reproduction.

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

In view of the detailed nature of each of these exceptions, it must be doubted whether the final paragraph (paragraph 5) is necessary, but it certainly puts matters beyond doubt as far as compliance with the three-step test is concerned.

In the case of the CLRC's open-ended fair dealing proposal, reasons of history also support the argument that the phrase "certain special cases" will not cover an exception that is undefined other than by reference to a general criterion of "fairness". Thus, it will be recalled that the object of the Stockholm Conference in adopting this phrase was to cover the existing exceptions to the reproduction right that were to be found under national laws while ensuring that these were for "clearly specified purposes". Accordingly, it is submitted that the proposed CLRC formulation will not meet the first part of the three-step test as far as uses for purposes than those specified in the formulation are concerned. This same reasoning will obviously be applicable to the US fair use provision, although that is not the subject of the present advice and there may be different factors that operate in the US context that do not arise in Australia.<sup>258</sup>

### *8.3.2 Does this "conflict with a normal exploitation of the work"?*

It has been suggested above that the factors listed in the present subsection 40(2) meet this requirement in relation to reproductions for the purposes of research or study.

With one exception, it is submitted that the same result will apply here as far as the specific purposes listed inclusively in the CLRC model provision are concerned. The exception relates to subpara (2)(e), which appears to contemplate that the whole of a work may be dealt with, subject to no qualification at all, although the amount and substantiality of the part dealt with are important where a "part only" is used.

### *8.3.3 Does this "unreasonably prejudice the legitimate interests of the author/right holder"?*

Once again, it was submitted that, in relation to the guidelines in subsection 40(2), there would be no unreasonable prejudice to the legitimate interests of the author. A similar conclusion should follow here.

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<sup>258</sup> In this regard, I am conscious of the large body of US jurisprudence on fair use that will need to be taken into account in any assessment of Berne compatibility.

#### *8.3.4 Conclusions*

The only instances of non-compliance will arise in relation to the first part of the three-step test as far as uses for unspecified purposes are concerned. The answer, in drafting terms, is to have a list of specified purposes, such as appear in the EC Directive, and then make them subject to guidelines of the kind included in the CLRC proposal.