

Overcoming the Achilles Heel of Copyright Law

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Overcoming the Achilles Heel of Copyright Law

Men are fond of power, especially over what they call their own; and all men conspired to make the powers of property as extensive as possible.

—Lord Kames¹

[The] zealous defense of the copyright owner's prerogative will, I fear, stifle the broad dissemination of ideas and information copyright is intended to nurture.

—Justice Brennan²

I. Introduction

Here comes the breaking news: the American fair use doctrine may have violated the so-called three-step test, a core minimum standard for copyright protection. Why? According to a recent World Trade Organization (WTO) panel's decision,³ the three-step test requires that any given limitation on copyright be “clearly defined” and “narrow in its scope and reach”.⁴ Therefore, the broad and flexible nature of the fair use doctrine may render it violative of the three-step test. The very power wielded by the three-step test, much to the surprise and shame of American jurists, can indeed ring the death knell for the fair use doctrine which is proudly and indigenously invented in the United States.

To be sure, as the strongest engines of enhancing international copyright protection, U.S. is not the single country that is facing the imminent three-step test challenge. In fact, the challenge of this kind is looming large for all European Union (E.U.) members. For example, in a recent decision, a Dutch court boldly asserted that “the limitation or restriction imposed on the copyright...will only be applicable if [the] preconditions [set out in the three-step test]

¹ HENRY HOME (LORD KAMES), *SKETCHES OF THE HISTORY OF MAN* 123 (2nd ed. 1778) (Vol. I).

² *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 579 (1985) (Brennan, J., dissenting) [hereinafter *Harper & Row*].

³ *United States—Section 110(5) of the U.S. Copyright Act*, WT/DS160/R (June 15, 2000) [hereinafter Panel Report].

⁴ *Id.*, para. 6.112.

are met.”⁵

Historically, the three-step test was not imbued with such sweeping power. Rather, it was generally designed to shield authors’ reproduction right under the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention).⁶ Yet, with the recent proliferation of international, regional and bilateral treaties associated with copyright protection, the three-step test has been hailed as the panacea for measuring the legality of all limitations on copyright. For example, this test is included into the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs Agreement)⁷, WIPO Copyright Treaty (WCT)⁸ and Performances and Phonograms Treaty (WPPT)⁹. Based upon its tripartite conjunctive structure, the three-step test mandates that copyright limitations shall: (1) be confined to certain special cases; (2) not conflict with a normal exploitation of the work; *and* (3) not unreasonably prejudice the legitimate interests of the right holder.

While the three-step test has been wildly adopted as a one-size-fits-all standard measuring the validity of limitations on copyright,¹⁰ the making of limitations on copyright is a highly dynamic legal process that richly embodies a host of economic, social, cultural and political values. This is because copyrights “are limited in nature and must ultimately serve the public good.”¹¹ Underneath the limitations on copyright lies the state’s police power to regulate the

⁵ De Nederlandse Dagbladpers v. Netherlands, Case No. 192880, para.15 (The Hague, March 2, 2005).

⁶ Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, as last revised, July 24, 1971, 828 U.N.T.S. 221.

⁷ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, art. 28.1, 31 Legal Instruments – Results of the Uruguay Round, 33 I.L.M. 81 (1994).

⁸ WIPO Copyright Treaty, Dec. 20, 1996, 36 I.L.M. 65 (1997)

⁹ WIPO Performances and Phonograms Treaty, 20 December 1996, 36 I.L.M. 76.

¹⁰ Ruth Okediji, *The International Copyright System: Limitations, Exceptions and Public Interest Considerations for Developing Countries in the Digital Environment* (Draft), Issue Paper No. 12 for UNCTA-ICTSD Capacity Building Project on Intellectual Property Rights and Sustainable Development (2006), at 24 (“Any exercise of sovereign discretion that introduces a limitation or exception to the reproduction right is automatically subject to appraisal under the three-step test.”).

¹¹ *Fogerty v. Fantasy*, 510 US 517, 526 (1994); *see also*, *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151,

excise of property right in order to “advance a substantive conception of a just and attractive intellectual culture”.¹² Hence, “[b]oth property and liberty”, surely including copyright, “are held on such reasonable conditions as may be imposed by the governing power of the [s]tate”.¹³ To be sure, the state’s exercise of such police power inextricably implicates a close examination of and careful scrutiny over “the safety, health, morals, and general welfare of the public”.¹⁴ The pluralistic nature of the legal process of this kind, in turn, begs the question of whether the simple reduction of normative deliberation to the three-step test as a monistic calculus is by nature a desirable benchmark that evaluates the validity of all limitations on copyright. In the three-step test’s heyday, the following two questions, however, are of paramount importance to the inquiry into the desirability of keeping the wheels of this test in motion.

First and foremost, is the three-step test per se a legitimate rule? Judging from a textual reading of the three-step test, it is patently clear that central to this touchstone is a single rhetorical mode which deems copyright holders’ economic interest unquestionably sacred and virtuous. Yet the rhetorical mode of this type would definitely give rise to the concern that, by acting as merely the agent of copyright holders’ interest, the architects of the three-step test might have swept matters concerning public interest under the rug of their negotiating table. If it is unfortunately true, at high stake are a set of public interest-oriented limitations on copyright which have been traditionally adopted in national copyright systems.¹⁵ When it

156 (1975) (“Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts.”); *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417, 429 (1984) (“The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved.”) [hereinafter *Sony*]; UNCTAD-ICTSD, RESOURCE BOOK ON TRIPS AND DEVELOPMENT 196 (2005) (“[Copyright] exceptions serve the purpose of ensuring that the protection of exclusive rights in copyrighted works does not harm the public interest.”).

¹² William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1661, 1744 (1988).

¹³ *Lochner v. New York*, 198 U.S. 45, 53 (1905).

¹⁴ *Id.* at 53.

¹⁵ Sarah E. Henry, *The First International Challenge to U.S. Copyright Law: What Does the WTO Analysis of 17U.S.C. § 110(5) Mean to the Future of International Harmonization of Copyright Laws Under the TRIPS*

comes to developing countries, “[a] central question is whether the exemptions and limitations within the existing framework of international rules allow developing countries to set the right balance in protecting copyright while addressing their special development needs.”¹⁶ If the three-step test is indeed an copyright holder-centered standard, its radar screen would surely filter out developing countries’ initiatives to tap into copyrighted works to facilitate the realization of their development agenda.

The second question concerns whether the three-step test is capable of shepherding a dynamic, public welfare-oriented adaptation of the traditional limitations on copyright to the novel circumstances of exploiting copyrighted works wrought by advances in digital technology. It seems that the expansion of the three-step test has been premised upon the notion that the easier a copy can be made and disseminated, the smaller scope of copyright limitations should be. In fact, the three-step test has acted as catalyst for narrowing down the scope of copyright limitations.¹⁷ Nonetheless, those who take the stance that the ultimate value of technology and copyright law lies in the well-being of the public at large, argue that it is not necessary to shrink the scope of copyright limitations in the digital. Given the myriad of opportunities opened up for users to have enhanced access to information and the flourishing of new business models for exploiting copyrighted works,¹⁸ the limitations on

Agreement?, 20 PENN ST. INT’L L. REV. 301, 324 (2001) (arguing that the three-step test “may serve to invalidate existing member nations’ exceptions, or to restrict their scope so much that the underlying policy objectives are thwarted.”).

¹⁶ COMMISSION ON INTELLECTUAL PROPERTY RIGHTS, INTEGRATING INTELLECTUAL PROPERTY RIGHTS WITH DEVELOPMENT POLICY 99 (2002) (hereinafter CIPR Report).

¹⁷ By relying upon the need to comply with the three-step test, the E.U. Copyright Directive points out that “the scope of certain exceptions or limitations may have to be even more limited when it comes to certain new uses of copyright works and other subject-matter.” See Directive 2001/29 of the European Parliament and of the Council of 22 May 2001 on the Harmonization of Certain Aspects Copyright and Related Rights in the Information Society (hereinafter E.U. Copyright Directive), Recital 44.

¹⁸ See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster*, 545 U. S. __ (2005) (Breyer, J., concurring) (pointing out that “lawful music downloading services—those that charge the customer for downloading music and pay royalties to the copyright holder—have continued to grow and to produce substantial revenue”).

copyright should be carved out in a broad manner.¹⁹ Among various proposals offered, the most powerful one is the alternative compensation system (ACS) invented by Professor William Fisher.²⁰ To bring this proposal to fruition, he suggests that a new list of broad-based copyright limitations should be added into national and international copyright law.²¹

This article argues that the inquiry into the legitimacy of the three-step test affords the very vehicle through which all the aforementioned questions could be reconsidered in a critical way. Based upon an intimate exploration of relevant problems underlying this rule, I contend that the three-step test, as the final arbiter of the validity of copyright limitations, has gone too far in shielding the sanctity of copyrights. As I will demonstrate, the three-step test reeks of fundamental misconceptions, unfounded absoluteness, and unnecessary arbitrariness, making it become the Achilles' heel of the copyright regime. Thereby, I put forward a proposal to reshape the three-step test.

To this end, Part II provides a historical review of how the three-step test, a rule initially laid down to shield the reproduction right in the analogue world, has been made applicable to the whole bundle of exclusive rights provided for in the current multilateral and bilateral copyright treaties and national copyright law.

Part III then demonstrates that the three-step test wields the very power to strike down

¹⁹ See e.g., Neil Weinstock Netanel, *Impose a Non-Commercial Use Levy to Allow Free Peer-to-Peer File Sharing*, 17 HARV. JL & TECH. 1, 6 (2003); Rebecca Tushnet, *Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It*, 114 YALE L.J. 535, 587 (2004) (arguing that copyright law “might exempt noncommercial or at least small-scale noncommercial copying (private use) along with transformative use”); Molly Shaffer Van Houweling, *Distributive Values in Copyright*, 83 TEXAS L. REV. 1536,1569 (2005) (suggesting that “the existing collection of narrow legislative exemptions for specified users and uses of copyrighted works” should be expanded in the digital age).

²⁰ See WILLIAM W. FISHER III, PROMISES TO KEEP: TECHNOLOGY, LAW, AND THE FUTURE OF ENTERTAINMENT 199-258 (2004).

²¹ See *id.* at 246-49.

copyright limitations that promote public interest. Based upon the construction of the three-step test rendered by the WTO Panel Report on Section 110(5) of the U.S. Copyright Act, this Part first elucidates the nature and scope of each condition set out in the three-step test and shows how the test could be applied in measuring the legality of copyright limitations. It then demonstrates that the copyright limitations that are vulnerable to the three-step test attack include the U.S. fair use doctrine, copyright misuse doctrine, the U.K. public interest defense, and the private use exemption and reverse engineering exemption available in almost all jurisdictions.

Based upon the foregoing exploration of the nature and scope of the three-step test, Part IV puts forward the “creative destruction” approach to reconstruct this standard in a manner conducive to promotion and protection of public interest. It is suggested that the three-step test should be replaced by a new test that would fully integrate public interest into its ambit: “Members may provide limitations on the exclusive rights, provided that such limitations take account of the legitimate interests of right holders and of third parties.”

More importantly, the reshaping of the three-step test, as I will argue in Part IV, necessitates a careful re-examination of the conventional wisdom of copyright law in general and the nature of copyright limitations in particular. Central to this scrutiny are the inquiries into how we could reimagine the legal status of users in the field of copyright law and whether right holders should be imposed social responsibilities as the quid pro quo for being granted with exclusive rights. In this sense, the inquiry into how the three-step test could be reshaped does provide a window on the way in which the traditional theoretical and structural landscape of copyright law could be altered.

II. Universalizing the Three-Step Test: A Historical Perspective

A. At the International Level

1. Berne Convention

Historically, the seed of the three-step test was planted by the 1967 WIPO Stockholm Conference aimed at revising the Berne Convention. Prior to the Stockholm Conference, the right of reproduction, albeit recognized as the most fundamental right accorded to authors, was not expressly provided for in the Berne Convention.²² This loophole definitely resulted in a conundrum for international protection of copyright, because Berne Union members “were free to impose whatever restrictions they wished on reproduction rights, or even to deny protection altogether.”²³ High on the agenda of the Stockholm Conference, therefore, was to set out a specific provision concerning reproduction right in the Berne Convention.²⁴ Indeed, it was this decision that opened up the very opportunity to usher the three-step test in the arena of international copyright law.

To bring this legislative agenda to fruition, the preparatory work for the Stockholm Conference mapped out the guidelines to modify the Berne Convention with respect to the right of reproduction. On the one hand, it was proposed that a broad-based reproduction right be set up to shield copyright holders’ economic interest.²⁵ On the other hand, “a satisfactory formula would have to be found for the inevitable exceptions to this right.”²⁶ To these ends, the Study Group commissioned by the Conference submitted that the new provision should entail a sweeping definition of the reproduction right working in close

²² See SAM RICKETSON, *THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS* 369-70 (1987).

²³ WIPO, *STUDY ON LIMITATIONS AND EXCEPTIONS OF COPYRIGHT AND RELATED RIGHTS IN THE DIGITAL ENVIRONMENT* 20 (2003).

²⁴ See WIPO, *RECORDS OF THE INTELLECTUAL PROPERTY CONFERENCE OF STOCKHOLM* 1143 (1971) (“The *Program* proposed that a general right of reproduction should be recognized in Article 9(1).”).

²⁵ See WIPO, *id.* at 111 (“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.”)

²⁶ *Id.*

tandem with a general benchmark for allowable limitations. Accordingly, the proposed provision put forward by them provided that “it should be a matter for legislation in countries of the Union, having regard to the provisions of this Convention, to limit the recognition and the exercising of [reproduction] right, for specified purposes and on the condition that these purposes should not enter into economic competition with [the] works.”²⁷ This proposal can be seen as the precursor of the three-step test.

As the pre-Conference discussion proceeded, the variety of preexisting limitations on the reproduction right provided for in national copyright laws²⁸ gave rise to the difficulty to design a uniform rule that governs the imposition of such limitations. The 1965 Committee of Governmental Experts, after careful scrutiny, suggested a somewhat different provision that would be tabled at the Stockholm Conference. The draft provision provided that:

- (1) Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing 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
 - (a) for private use;
 - (b) for judicial or 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.²⁹

²⁷ *Id.* at 112.

²⁸ See WIPO, *supra* note 23, at 20 (“In practice, reproduction rights were universally recognized under national legislation, but the exceptions to these rights varied considerably from country to country.”). The Study Group’s report concluded that the then prevalent limitations “most frequently recognized in domestic laws” pertained to the following works or methods of use: (1) public speeches; (2) quotations; (3) school books and chrestomathies; (4) newspaper articles; (5) reporting current events; (6) ephemeral recordings; (7) private use; (8) reproduction by photocopying in libraries; (9) reproduction in special characters for the use of the blind; (10) sound recordings of literary works for the use of the blind; (11) texts of songs; (12) sculptures on permanent display in public places, etc; (13) artistic works used as a background in films and television programs; (14) reproduction in the interests of public safety. See WIPO, *supra* note 24, at 112 n.12.

²⁹ *Id.* at 113.

Compared with the Study Group's suggestion, the above proposal embraced a stricter test with the inclusion of an additional benchmark—"not contrary to the legitimate interests of the author". At the same time, it explicitly itemized, as shown above, two kinds of specific limitations that were allowed to be carved out in national copyright laws. This proposal, however, was not deemed fully tailored to the varied needs of participating countries at the Conference, leading to a bitter wrangle over how it could be reformulated. Generally speaking, there were three types of proposals that were tabled at the Stockholm Conference:

- To restrict the specific limitations set forth in the draft provision. For example, the French delegation suggested that the expression "private use" be replaced by "individual or family use."³⁰ The proposal of this type was made by a wide range of delegations, including Germany,³¹ Italy,³² Netherlands³³ and so on.
- To extend the scope of the permissible limitations set forth in the draft provision. This proposal was made by India,³⁴ Rumania³⁵ and South Africa³⁶ in order to open the door for countries to impose compulsory licenses on the reproduction right. Particularly, the Indian delegation forcefully argued that the provision of compulsory licensing aimed to promote "public interest"³⁷ and to prevent "the growth of monopolies and the creation of obstacles to the spread of knowledge and culture."³⁸

³⁰ *Id.* at 615.

³¹ *Id.* at 618.

³² *Id.* at 623.

³³ *Id.* at 691.

³⁴ The Indian delegation proposed that the following paragraph should be inserted into the second part of the draft provision: "in cases not covered by (a), (b) or (c) above, on payment of such remuneration which, in the absence of agreement, shall be fixed by competent authority." *Id.* at 692.

³⁵ *See id.* at 691.

³⁶ *See id.* at 629 ("The use of words attached to a musical work should also be subject to a compulsory license in paragraph (2) or local legislation should be permitted to provide for it.")

³⁷ *See id.* at 804.

³⁸ *See id.* at 806.

- To narrow the scope of the permissible limitations set forth in the draft provision. The United Kingdom was in the position that the specific limitations listed in the draft provision should be eliminated and the possible limitations adopted by countries should be circumscribed by their proposed test—“in certain special cases where the reproduction does not unreasonably prejudice the legitimate interests of the authors.”³⁹

In the midst of this vehement debate, it seemed that the UK proposal evinced the capability of “embrac[ing] all possible exceptions within a single generalized exception”⁴⁰ and therefore won the full support of the Main Committee of the Conference.⁴¹ This gave birth to Article 9 (2) of the Berne Convention which is now widely referred to as the three-step test:

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.

In the realm of the Berne Convention, it is self-evident that the three-step test is designed to be only applicable to the limitations on the right of reproduction.⁴² Therefore, it does not set any parameters within which the limitations on other categories of economic rights, for

³⁹ *Id.* at 687. In addition, the Belgian delegation proposed that “[a] more restrictive formula should therefore be sought for Article 9, paragraph (2)(c).” *See id.* at 612. The Danish delegation made a similar proposal. *See id.* at 615.

⁴⁰ RICKETSON, *supra* note 22, at 481. *See also*, MARTIN SENFTLEBEN, COPYRIGHT, LIMITATIONS, AND THE THREE-STEP TEST: AN ANALYSIS OF THE THREE-STEP TEST IN INTERNATIONAL AND EC COPYRIGHT LAW 51 (2004) (pointing out that the UK was adopted owing to “its openness [and] the capacity to encompass a wide range of exemptions and forms a proper basis for the reconciliation of contrary opinions”).

⁴¹ *See also*, WIPO, *supra* note 24, at 1145 (“The Working Group decided to adopt the amendment proposed by the United Kingdom, with some slight alterations in the English version.”).

⁴² *See* WIPO, *supra* note 24, at 1144 (pointing out that Article 9(2) “contained the general exceptions to the right of reproduction”).

example the so-called minor reservations,⁴³ could be carved out; nor does it apply to moral rights under the Berne Convention.⁴⁴ More importantly, the three-step test, as shown by its negotiating history, does not govern the specific limitations on reproduction right that are scattered in various parts of the Berne Convention,⁴⁵ including its Appendix's compulsory licensing provisions.

It should be noted that the three-step test, as its negotiating history shows, is founded upon the following twin objectives. On the one hand, it tacitly allows Berne signatories to keep in operation their limitations on reproduction rights carved out before the Stockholm Conference. As the Study Group bluntly pointed out before the Stockholm Conference, "it should not be forgotten that domestic laws already contained a series of exceptions in favor of various public and cultural interests and that it would be vain to suppose that countries would be ready at this stage to abolish these exceptions to any appreciable extent."⁴⁶ On the other hand, the three-step test expressly emphasizes the priority of protecting the right holder's economic interest. In spite of the fact that a moderate diversity of the limitations on reproduction right is accommodated, there is indeed a bottom line underpinning the Berne Convention: the sustained operation of these limitations shall not act as a trump overriding the right holder's economic interest. Therefore, the three-step test directly constrains Berne members' power to relax the standards for users to avail themselves of these limitations or to carve out any new limitations.

2. TRIPs Agreement

Despite the strenuous efforts to improve international intellectual property system made by WIPO since its inception, a string of treaties administered by this organization lack the very

⁴³ For an introduction to "minor reservations", see SAM RICKETSON & JANE C. GINSBURG, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND* 830-35 (2006).

⁴⁴ RICKETSON, *supra* note 22, at 489.

⁴⁵ See Berne Convention, arts. 2*bis*(2), 10, 10*bis* and 13 (1).

⁴⁶ WIPO, *supra* note 24, at 111-12.

teeth to provide comprehensive and up-to-date minimum standards for the protection and, in particular, the enforcement of intellectual property at an international level. At the same time, as many developed countries marched toward knowledge-based economy, intellectual property gradually become the pivot of their increased global competitiveness. The confluence of these factors gathered the very momentum of integrating intellectual property as an indispensable part of the new international trade regime wrought by the Uruguay Round of multinational trade negotiation. After seven years of bargaining, the TRIPs Agreement ushered in brand-new building blocks for the international protection of intellectual property which are parallel to the WIPO mechanism.

The culmination of the TRIPs Agreement achieved, among other things, a vast expansion of the scope of the three-step test. Based upon some modifications of its precursor contained in the Berne Convention,⁴⁷ the three-step test becomes a universal minimum standard governing the imposition of limitations on the protections of copyright,⁴⁸ trademarks,⁴⁹ industrial designs,⁵⁰ and patents.⁵¹

In the sphere of copyright, what loomed large in negotiating the ways in which the Berne Convention's the three-step test could be incorporated into the TRIPs Agreement, was the proposals put forward to constrain the application of compulsory licensing. For example, the Brussels Draft, in addition to the three-step test, provided that "[t]ranslation and reproduction licenses permitted under the Appendix to the Berne Convention (1971) shall not be granted where the legitimate local needs of a PARTY could be met by voluntary actions of right

⁴⁷ For example, the range of the beneficiaries of the three-step test was expanded from "authors" under the Berne Convention to "right holders" under the TRIPs Agreement. The latter concept is regarded as broader than the former.

⁴⁸ See TRIPs Agreement, art. 13.

⁴⁹ See *id.* art. 17.

⁵⁰ See *id.* art. 26.2.

⁵¹ See *id.* art. 30.

holders but for obstacles resulting from measures taken by the government of that PARTY.”⁵² Moreover, the July 1990 Draft expressly prohibited grant of compulsory license for private use of computer software, set out new conditions for invoking compulsory licensing under the Berne Appendix, and emphasized the need of creating a new mechanism aimed at ensuring prompt payment of licensing fees.⁵³ However, all these additional limitations were abandoned at the final stage of adopting the TRIPS Agreement,⁵⁴ leading to direct inclusion of the three-step test into Article 13 which provides that:

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

The three-step test’s expansion facilitated by the TRIPs Agreement has profound implications for the strengthening of copyright protection. First and foremost, the three-step test becomes applicable to whole bundle of the exclusive economic rights vested in authors, including the rental right, a new right set forth in the TRIPs Agreement. The architecture of the TRIPs Agreement is based upon the Berne Convention. By incorporating the Berne Convention,⁵⁵ the TRIPs Agreement mandates that all limitations eroding authors’ exclusive economic rights under the Berne Convention and TRIPs Agreement should be subject to the three-step test. In so doing, the TRIPs Agreement sets additional parameters for the imposition of limitations that is not governed by Article 9(2) dealing only with reproduction right. Nevertheless, it should be noted that the TRIPs Agreement does not make the three-step test applicable to authors’ moral right provided for in the Berne Convention.⁵⁶ Nor does it apply

⁵² See DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* 147 (2003).

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ See TRIPs Agreement, art. 9.1

⁵⁶ *Id.*

to the economic rights vested in performers, phonogram producers and broadcasting organizations under the TRIPs Agreement⁵⁷ and the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations.⁵⁸

Second, drawing upon the rules set out in international trade law, the TRIPs Agreement puts teeth into the three-step test. First, the combination of the most-favored-nation treatment⁵⁹ and the national treatment⁶⁰ prohibits any discriminatory standards that impose limitations upon copyrights on the basis of right holders' geographic locations. This increases the possibility of harmonizing the copyright limitations carved out in national copyright laws. Second, the notification and review mechanisms are set up to keep the TRIPs Council informed of the changes made to members' national laws and regulations⁶¹ and to enable the TRIPs Council to review their potential compatibility with the Agreement.⁶² These procedures definitely enhance the transparency of national legislation with respect to copyright limitations and of the ways in which they are enforced. Thirdly and most importantly, the trade dispute settlement mechanism can order a member to modify or repeal any given limitation on copyright provided that a violation of the three-step test is found. This definitely fosters increased compliance with the test and provides the very dynamics to the copyright regime under the TRIPs Agreement.

3. WCT and WPPT

The last decade of the twentieth century witnesses a flurry of unprecedented advances in digital technology, whose power has revolutionized the conventional way of exploiting works

⁵⁷ *Id.* art. 14.6.

⁵⁸ Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, Oct. 26, 1961, 496 U.N.T.S. 43.

⁵⁹ *See* TRIPs Agreement, art. 4.

⁶⁰ *See id.*, art. 3.

⁶¹ *See id.*, arts. 63.2 and 63.3.

⁶² *See id.*, art. 63.2.

and thereby has rocked the very foundation of copyright protection and enforcement in the analog world. In the course of the Uruguay Round negotiations on the TRIPS Agreement, no forward-looking heed was paid to cope with the potential challenge posed by digital technology to the protection and enforcement of copyright. Therefore, digital copyright protection has not been specifically addressed by the TRIPs Agreement. On the other hand, the very fear of being marginalized by the WTO in the arena of international protection of intellectual property, pushed WIPO to tap into the new treaty-making opportunities to regain her status as the center of global intellectual property regime. The culmination of the WCT and WPPT at 1996 WIPO Diplomatic Conference convened in Geneva, generally brought the international copyright law on a par with the developments in digital technology. In so doing, the WCT and WPPT mainly set out provisions protecting the new right of making availability,⁶³ and technological measures⁶⁴ and rights management information⁶⁵ applied by right holders.

Parallel to the issues associated with the expansion of copyright protection was the way in which the scope of copyright limitations could be readjusted to. Due to the fact that the three-step test had been incorporated into the TRIPs Agreement, it seemed undoubtedly workable that this test should also be inserted into the then proposed WCT and WPPT.⁶⁶

Article 10 of the WCT provides that:

- (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

⁶³ See WCT, art. 8; WPPT, arts.10 and 14.

⁶⁴ See WCT, art. 11; WPPT, art. 18.

⁶⁵ See WCT, art. 12; WPPT, art. 19.

⁶⁶ WIPO, BASIC PROPOSAL FOR THE SUBSTANTIVE PROVISIONS OF THE TREATY ON CERTAIN QUESTIONS CONCERNING THE PROTECTION OF LITERARY AND ARTISTIC WORKS TO BE CONSIDERED BY THE DIPLOMATIC CONFERENCE (1996), at para.12.04 (“The conditions of Article 9(2) of the Berne Convention concerning the right of reproduction have been incorporated in Article 13 of the TRIPS Agreement as general principles governing limitations of and exceptions to rights.”).

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 for therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.

At the same time, capitalizing on the three-step test, Article 16 of the WPPT provides a similar provision. Taking account of the agreed statements attached to these two provisions, the integration of the three-step test into the WCT and WPPT carries the following ramifications for strengthening international protection of copyright.

To be sure, the inception of the WCT and WPPT represents the biggest leap forward that has ever been achieved in expanding the scope of the three-step test. First, akin to the TRIPs Agreement, the WCT and WPPT make the three-step test applicable to all the copyright limitations originally provided in the Berne Convention. Second, the three-step test targets any limitations that constrain the exercise of the new economic rights (e.g. the right of making available) as well as the broadened reproduction right under the WCT and WPPT.⁶⁷ Third, the WPPT which partially updates the Rome Convention, incorporates the three-step test as the check on members' discretion in carving out limitations on the economic rights provided for thereunder. Hence, the three-step test has, for the first time, been brought into play in the area of entrepreneurial sphere of copyright law, name the related rights granted to performers, phonogram producers and broadcasting organizations. Fourth, the three-step test has been channeled into the field of moral rights protection afforded by the WCT and WPPT. Contrary to the TRIPs Agreement, these two Treaties embrace an adequate protection of

⁶⁷ Under the WCT and WPPT, copies in digital form are brought into the scope of the scope reproduction right. See *e.g.*, Agreed Statement Concerning Article 1(4) of the WCT.

moral rights by connecting them to the Berne Convention without excluding the need for moral rights protection⁶⁸ or setting out specific provisions for shielding right holders' moral interests.⁶⁹

On the other hand, the WCT and WPPT may have paved the way for using the three-step test to gauge the validity of the limitations on the protection of technological measures. At the 1996 Diplomatic Conference, the delegation from Singapore, for example, raised the question of whether the three-step test could be applicable to the limitations on the protection of technological measures.⁷⁰ But it seemed this concern did not attract any attention of other participating delegations and therefore no clear response was made at the Conference. One might argue that the general structure of the WCT and WPPT may imply that no such an application is allowed, if he focuses the examination on the general treaty structure. This is because the provisions containing the test are put before those associated with the protection of technological measures. Yet, one can come up with the contrary conclusion if he focuses the examination on the spirit of the treaty which attaches great importance to the effective and adequate protection of digital copyright.⁷¹ Against this backdrop, it seems that the scope of the three-step test in this respect hinges upon how the nature of legal protection of technological measures is perceived. If one thinks that this form of protection confers a new exclusive right upon creators⁷² or provides a new cause for filing an action,⁷³ the three-step

⁶⁸ See e.g., WCT, art.1(2) (stating that “Nothing in this Treaty shall derogate from existing obligations that Contracting Parties have to each other” under the Berne Convention).

⁶⁹ WCT, 11bis 1 (2); WPPT, art.5.

⁷⁰ For example, the Singapore delegation pointed out that there was a need to clarify whether the three-step test would apply to the protection of technological measures. See WIPO, *supra* note 66, at 705.

⁷¹ The Preamble of the WCT, for example, states the need of “emphasizing the outstanding significance of copyright protection as an incentive for literary and artistic creation” in the digital age.

⁷² See e.g., Jane Ginsburg, *From Having Copies to Experiencing Works: The Development of an Access in U.S. Copyright Law*, 50 J. COPYRIGHT SOC'Y U.S.A. 113 (2003).

⁷³ See *Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, 381 F.3d 1178, 1194 (2004) (concluding that the DMCA's anti-circumvention provisions “introduce new grounds for liability in the context of the unauthorized access of copyrighted material.”); *Kabushiki Kaisha Sony Computer Entertainment Inc v Ball*, E.C.D.R. 33, para.39 (2004) (ruling the anti-circumvention law “creates a tort of strict liability”).

test can definitely come into play. Conversely, if one sees it as granting a paracopyright,⁷⁴ the case would be surely different because the three-step test can and should only be applied within the sphere of pure “copyrights” provided in the WCT and WPPT.

B. At the Regional and National Levels

Interestingly, the expansion of the three-step test at the international level has triggered a rapid incorporation of this test into regional and national copyright treaties or laws so as to strengthen copyright protection in the digital age.

1. NAFTA

The North American Free Trade Agreement (NAFTA)⁷⁵ for the first time built up a systematic framework for intellectual property protection under regional trade agreement. On the one hand, the inception of NAFTA gave the momentum to the final conclusion of the TRIPs Agreement. On the other hand, as NAFTA provides broader protection of intellectual property than the TRIPs Agreement, it laid the foundation for setting up TRIPs-plus standards in the future free trade agreements.

Not surprisingly, the three-step test was incorporated into the NAFTA’s copyright provisions.⁷⁶ Since NAFTA is a trade agreement, its inclusion of the three-step test produces the same results as the TRIPs Agreement does. However, the scope of the exclusive rights provided in NAFTA is broader than that of the TRIPs Agreement. The three-step test under NAFTA, therefore, governs the imposition of limitations on the exclusive rights that are not prescribed in the TRIPs Agreement, e.g. the right of importation.⁷⁷

⁷⁴ Some commentators hold that a paracopyright—anti-circumvention right, has been set up through the legislation like the DMCA. Targeting to control access to works, this new right has drastically altered the landscape of copyright law, by superseding many forms of traditional copyright protection. See Dan L. Burk, *Anti-Circumvention Misuse*, 50 UCLAL. REW. 1096-1110 (2003).

⁷⁵ North American Free Trade Agreement, Dec. 17, 1992, Can.-Mex.-U.S., 32 I.L.M. 296 and 32 I.L.M. 605.

⁷⁶ See NAFTA, arts. 1705.5 and 1706. 3.

⁷⁷ Under NAFTA, right holders have the right to authorize or prohibit “the importation into the Party’s territory of copies of the work made without the right holder’s authorization.” See NAFTA, art. 1705.2 (a). This right, however, is not provided for in the TRIPs Agreement. See TRIPs Agreement, art. 6.

2. European Union

In 2001, E.U. adopted the Directive on Harmonization of Certain Aspects Copyright and Related Rights in the Information Society⁷⁸ aimed at enhancing the copyright harmonization and implementing the WCT and WPPT within the E.U. members.⁷⁹ One of the striking features of the Directive is its structure of copyright limitations that are allowed to be carved out in each E.U. member's domestic copyright law. First, the Directive itemizes an exhaustive string of the specific limitations on copyright.⁸⁰ Second, the Directive expressly prescribes that the three-step test governs the imposition of these limitation in E.U. members' domestic law.⁸¹ Third, it channels the three-step test into⁸² the Directive on Rental and Lending Rights.⁸³

The inclusion of the three-step test into the E.U. Copyright Directive represents a leap forward in sharpening the three-step test's power. Unlike NAFTA, the Directive taps into the three-step step's potential to constrain national legislative power that may curtail digital copyright.⁸⁴ More importantly, the Directive encourages domestic courts in EU members to directly invoke the three-step test when dealing with any disputes associated with copyright limitations.⁸⁵ Up to now, courts in The Neatherland⁸⁶ and France⁸⁷ have directly applied

⁷⁸ See E.U. Copyright Directive, *supra* note 17.

⁷⁹ See *id.* Recitals (1)-(15).

⁸⁰ See *id.* arts. 5.1-5.4.

⁸¹ See *id.* art. 5.5.

⁸² See *id.* art.11.1(b).

⁸³ Council Directive 92/100/EEC of 19 November 1992 on Rental Right and Lending Right and on Certain Rights Related to Copyright in the Field of Intellectual Property, art.10.

⁸⁴ See Jo Oliver, *Copyright in the WTO: The Panel Decision on the Three-Step Test*, 25 COLUM. J.L. & ARTS 119, 138 (2002) ("There is evidence that intention of the EC Directive is to further restrict existing exceptions, both at the level of EC law and the law of member states.").

⁸⁵ *Id.* at 139 ("The wording in [the Directive's three-step test] appears to refer to the application the exceptions to an actual case, presumably by a domestic court.").

⁸⁶ *De Nederlandse Dagbladders v. Netherlands*, *supra* note 5 (holding that copyright limitation carved out in Dutch copyright law should be in line with the three-step test).

⁸⁷ See *Perquin and UFC Que Chiosir v. SA Films Alain Sarde, Ste Universal Pictures video France et al.*, 36 IIC 148 (2005). For a comment on this decision, see Christophe Geiger, *The Private Copy Exception, and Area of Freedom (Temporarily) Preserved in the Digital Environment*, 37 IIC 74 (2006).

the three-step test.

3. FTA

The past couple of years have seen a proliferation of free trade agreements (FTAs) that enhance intellectual property protection at the regional or bilateral level. Guided by the so-called Bush doctrine—“how can we use our superpower resources to protect our vulnerability”,⁸⁸ U.S. has played a leading role in capitalizing on FTA so as to ratchet up standards for copyright protection and enforcement. On the other hand, U.S. has been confronted with the intense pressure from the international campaign against stringent IP standards led by developing countries and NGOs.⁸⁹ As an alternative to multilateralism approach to copyright protection, the bilateralism provides the most efficient vehicle with which the U.S. can exert the maximum leverage to create higher IP standards than those set forth in the TRIPs Agreement and WIPO Treaties 1996.

Although strategy of this type was utilized a couple of years ago,⁹⁰ it is not until the recent proliferation of FTAs concluded between the U.S. and her trading partners, including Singapore, Chile, Australia, Central American countries, and Morocco, that the far-reaching and stringent standards for IP protection and enforcement have been formally created.

Not surprisingly, the three-step test has been inserted in these FTAs, all of which are solely designed for the protection of digital copyright. By tapping into the convergence of authors’ rights and related/neighborhood rights and the simplified entitlements vested in right holders, these recently-concluded FTAs significantly simplify the legal framework for copyright

⁸⁸ Harold Hongju Koh, *Rights to Remember*, THE ECONOMIST (November 1st- 7th 2003) at 23.

⁸⁹ This backlash can be epitomized by the recent campaign that sought to provide an increased access to patented drugs for the least-developed countries. See generally, Laurence R. Helfer, *Regime Shifting: The TRIPs Agreement and New Dynamics of International Intellectual Property Lawmaking*, 29 YALE J. INT’L L. 1 (2004).

⁹⁰ The U.S. and Jordan entered into a free trade agreement in 2000. This FTA, however, does not establish the basic framework for digital copyright protection as comprehensively as those contained in its progenies concluded in 2003 and 2004 respectively.

protection. Drawing upon the WCT and WPPT, copyright provisions set out in the FTAs primarily deals with the cluster of exclusive rights that are core to the protection of copyright in the digital environment, including the rights of reproduction,⁹¹ communication to the public,⁹² and distribution.⁹³ Therefore, the three-step test governs the scope of the limitations that can be carved out on these rights enjoyed by authors, performers and phonogram producers. More importantly, FTAs set forth WCT and WPPT-plus standards. For example, it is mandated that temporarily copies should be protected in the member states.

4. China

The recently overhauled Chinese copyright law marks the first time that the three-step test has been embedded into the letters of municipal copyright law. The Regulations for the Implementation of the Copyright Law, revised in 2002, introduces a quasi three-step test aimed at providing guidance to courts in considering the legality of the use of limitations permitted by the Copyright Law 2001. Pursuant to Article 21 of the Copyright Regulations 2002, the use of published works on the grounds of fair dealing exemptions or compulsory licenses should neither “conflict with the normal exploitation of the work” nor “unreasonably prejudice the legitimate interests of the author”.⁹⁴ In light of the fact that the Copyright Law 2001 embraces a closed list of limitations and specifies the circumstances in which the public can use the works, the limitations are generally formulated in a manner compatible with first condition of the three-step test, namely “in certain special cases”.

C. Summary

This Part sketched the trajectory of the expansion of the three-step test in the realm of the international, regional and national copyright laws. What has been ushered in is the

⁹¹ See *e.g.*, Singapore FTA, art 16.4.1.

⁹² See *id.* art.16.4.2;

⁹³ See *id.* Singapore FTA, art.16.4. 3.

⁹⁴ Copyright Regulations 2002, art. 21.

transformation of the three-step test from a rule applied in the narrow sphere of the reproduction right into a core standard governing the manner in which limitations on various categories of copyrights could be carved out. Throughout this transformation process, the architects of copyright law, however, have been preoccupied with the notion that copyright law should be shaped as a utilitarian instrument aimed at solely protecting copyright holders' interest.

III. Three-Step Test's Chilling Effects

In this Part, I consider whether the three-step test wields the power to strike down certain public interest-oriented limitations on copyright. The WTO Panel Report on Section 110(5) of the U.S. Copyright Act⁹⁵, marks the first time the international adjudicative body has interpreted the three-step test.⁹⁶ The Panel Report elucidates the nature and scope of the three-step test and provides insightful guidance to how test could be applied in measuring the legality of copyright limitations. This Part, therefore, first considers whether the copyright limitations selected below, for example the fair use doctrine, can meet the conditions set out in the three-step test. Moreover, this inquiry only examines the validity of a selected limitation on copyright by comparing it with only one condition set forth in the three-step test. This is because the three-step test is applied in a cumulative manner and thus the violation of any condition set forth therein would result in the invalidation of the copyright limitation concerned.

A. The First Prong

1. Its Nature and Scope

The first part of the three-step test mandates that the limitations on copyright shall be “confined to certain special cases”. According to the Panel Report, this condition implicates the following three elements of standard of review. First, limitations on copyright provided for in national legislation should be “clearly defined”.⁹⁷ This requirement “guarantees a sufficient degree of legal certainty”.⁹⁸ Nonetheless, it is not necessary for national legislation to “identify explicitly each and every possible situation to which the exception could apply, provided that the scope of the exception is known and particularized”.⁹⁹

⁹⁵ See Panel Report, *supra* note 3. In this dispute, E.U. claimed that Section 110 (5) (A) and (B) of the U.S. Copyright Act violated, *inter alia*, Article 13 of the TRIPs Agreement, namely the three-step test.

⁹⁶ See Jane Ginsburg, *Toward Supranational Copyright Law? The WTO Panel Decision and the Three Step Test for Copyright Exceptions*, 187 R. I.D. A.3, 5 (2001).

⁹⁷ Panel Report, at paras. 6.108 and. 6.112.

⁹⁸ *Id.* at para. 6.108

⁹⁹ *Id.*

Second, limitations on copyright should also be “narrow in its scope and reach”.¹⁰⁰ This means limitations “must be limited in its field of application or exceptional in its scope.” Put differently, in order to guarantee a sufficient degree of legal certainty, a limitation should be maintained in a quantitatively and qualitatively narrow way.¹⁰¹

Third, the examination of public policies underlying a limitation is not a necessary part of the inquiry into whether the first condition of the three-step test is met.¹⁰² A finding of the abovementioned two requirements are met will suffice to show a given limitation’s compliance with the first prong of the three-step test, even though no public policy underlying the limitation in question could be discerned.¹⁰³ However, the avowed public policies purposed embodied in the limitation, “may be useful from a factual perspective for making inferences about the scope of a limitation or exception or the clarity of its definition.”¹⁰⁴ This means that the public policy scrutiny is of “subsidiary relevance” to the inquiry into whether the first condition of the three-step test is met. For example, the Panel Report, after examining the public policies Section 110(5) of the US Copyright Act, concluded that its legislative history “indicate an intention of establishing an exception with a narrow scope.”¹⁰⁵

It seems that the first prong of the three-step test is construed by the Panel Report in a correct way. On the one hand, both EU and U.S., the two parties involved in the dispute, admitted that a copyright limitation must be “clearly defined and narrow in its scope and reach” in

¹⁰⁰ *Id.* at para. 6.109 and para. 6.112.

¹⁰¹ *Id.* at para.6.109 (“In other words, an exception or limitation should be narrow in quantitative as well as a qualitative sense.”).

¹⁰² *Id.* at para.6.112 (“The wording of Article 13’s first condition does not imply passing a judgment on the legitimacy of the exceptions in dispute.”).

¹⁰³ *Id.* (pointing out that “a limitation or exception may be compatible with the first condition even if it pursues a special purpose whose underlying legitimacy in a normative sense cannot be discerned”).

¹⁰⁴ *Id.*

¹⁰⁵ *Id.* para. 6.157.

order to achieve the full compliance with first condition.¹⁰⁶ On the other hand, Panel Report’s construction has won overwhelming support by commentators. For instance, Jane Ginsburg argues that the first prong of the three-step test only accommodates limitations that “are sufficiently narrow” and there is no need to pursue “normative inquiry” into their underlying public policy.¹⁰⁷ Moreover, Sam Ricketson changed his original position that the first prong entails the inquiry into “some reason of public policy”.¹⁰⁸ After learning the Panel Report’s construction, he now “find[s] it difficult and indeed, unnecessary, to maintain [his] earlier interpretation of the expression ‘certain special cases’ as requiring also that these have an underlying public policy justification.”¹⁰⁹

2. Fair Use Doctrine

The condition that requires copyright limitations be “clearly defined” and “narrow in scope and reach”, calls into the question of whether the first prong of the three-step test will strike down the copyright limitations that are by nature flexible and open-ended. This section examines whether the fair use doctrine is in line with the three-step test. To so do, it first maps the nature and scope of the fair use doctrine as codified in section 107 of the U.S. Copyright Act 1976. It then juxtaposes section 107 and relevant judicial decisions with the first prong of the three-step test in order to show whether the fair use doctrine is “clearly defined” and “narrow in scope and reach”.

a. Nature and Scope of the Fair Use Doctrine

(1) Purposes of Codification

¹⁰⁶ According to the Panel Report, US “acknowledges that the essence of the first condition is that the exceptions be well-defined and of limited application.” *See id.*, at para.6.103. With respect to EU, it is submitted that “an exception has to be well-defined and narrow in scope to meet the requirement under the first condition.” *See id.*, at para.6.104.

¹⁰⁷ Ginsburg, *supra* note 96.

¹⁰⁸ RICKETSON, *supra* note 22, at 482.

¹⁰⁹ SAM RICKETSON, THE THREE-STEP TEST, DEEMED QUANTITIES, LIBRARIES AND CLOSED EXCEPTIONS 31 (2002).

First and foremost, the legislative purpose behind section 107 connotes that the codification of the fair use doctrine is by no means intended to shape a finely-grained contours of the doctrine.

Historically, the fair use doctrine was first brought into play for the wheels of the U.S. copyright law by *Folsom v. Marsh*,¹¹⁰ a decision written by Justice Story in 1841. Since then, gallons of ink had been devoted to delineating the proper contours of this doctrine in a host of cases.¹¹¹ Over one hundred years' judicial scrutiny on the nature of the fair use doctrine, however, had not produced a consistent and clear-cut definition of this doctrine,¹¹² giving rise to a "long controversy over the related problems of fair use".¹¹³ It was not until 1976 that this judicially-made doctrine was given express statutory recognition in the U.S. Copyright Act. Obviously, the codification in question aimed to dispel the discrepancies in the judicial construction of the fair use doctrine so as to inject some degree of certainty and predictability into this doctrine.¹¹⁴

While the codification was indeed imbued with the aforementioned ambition, the Congress nevertheless did not intend to shape the fair use doctrine as "bright-line rules"¹¹⁵ governing the resolution of all the tricky problems that are likely to cloud the judicial ruling. The

¹¹⁰ 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4901). *See, Harper & Row*, 471 U.S. at 550 (1985) ("As early as 1841, Justice Story gave judicial recognition to the [fair use] doctrine....").

¹¹¹ For an examination of these cases, *see* WILLIAM F. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW* 19-62 (1995).

¹¹² House Report, H.R. Rep. No.94-1476, 94th Cong., 2d Sess. 65-66 (1976) ("Although the courts have considered and rule upon the fair use doctrine over and over again, no real definition of the concept has ever emerged.").

¹¹³ *Id.*

¹¹⁴ *Id.* (pointing out that the criteria for deciding fair use had been "stated in various ways" by the pre-1976 courts and section 107 "offers some guidance to users in determining when the principles of the doctrine apply.").

¹¹⁵ *See Sony*, 464 U.S. at 450 (noting that Congress had "eschewed a rigid, bright-line approach to fair use" [hereinafter *Sony*]; *Sony's* opinion in this respect has been consistently endorsed by the Super Court's decisions pertaining to fair use. *See Harper & Row*, 471 U.S. at 588; *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994) (pointing out that "[t]he task of [section 107] is not be simplified with bright-line rules") [hereinafter *Campbell*]. *See also*, NIMMER ON COPYRIGHT, at § 13.05[A] (13-159) (arguing that nothing in section 107 provides "a rule that may automatically be applied in deciding whether any particular use is 'fair'").

reasons why Congress preserved the malleability of the doctrine are twofold:

First and foremost, the fair use doctrine is seen as “an equitable rule of reason”.¹¹⁶ Thus, it is impossible to render a “generally applicable definition”, given that “each case raising the question must be decided on its own facts.”¹¹⁷

Second, the fair use doctrine is also regarded as an embodiment of “law and fact”.¹¹⁸ As a panacea for evaluating the lawfulness of the use of works, the doctrine per se should be capable of dealing with an ocean of different circumstances under which the access to and use of works are achieved. Therefore, “the endless variety of situations and combinations of circumstances that can arise in particular cases precludes the formulation of exact rules in the statute.”¹¹⁹

The combination of these two factors led the Congress to shy away from proffering a finely-grained definition of the fair use doctrine.¹²⁰ On the one hand, what were supposed to be itemized in section 107 are merely the relevant factors gleaned from prior judicial experience dealing with fair use issues.¹²¹ In this sense, the codification was not intend “change, narrow, or enlarge [the doctrine] in any way.”¹²² At the same time, a parallel objective of the codification was to make the wording of section 107 flexible and board

¹¹⁶ House Report, *supra* note 112. This vision of the fair use doctrine has been reaffirmed by the Supreme Court’s decisions. *See Sony*, 464 U.S. at 448; *Harper & Row*, 471 U.S. at 588.

¹¹⁷ House Report, *supra* note 112. *See also*, *Time Inc. v. Bernard Geis Associates*, 293 F.Supp. 130, 144 (S.D.N.Y.1968) (“The doctrine is entirely equitable and is so flexible as virtually to defy definition.”); Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 WM. & MARY L. REV. 1525, 1597 (2004) (arguing that “the ‘equitable’ nature of the doctrine renders it incapable of precise definition”).

¹¹⁸ *Harper & Row*, 471 U.S. at 560 (“Fair use is a mixed question of law and fact.”); NIMMER ON COPYRIGHT, at § 13.05[A] (13-159) (“Fair use is said to constitute a mixed issue of law and fact, but what facts will be sufficient to raise this defense in any given case is not easily answered.”).

¹¹⁹ House Report, *supra* note 112.

¹²⁰ *See* NIMMER ON COPYRIGHT, at § 13.05[A] (13-158) (“section 107 does not attempt to define ‘fair use.’”).

¹²¹ *Harper & Row*, 471 U.S. at 549 (“The statutory formulation of the defense of fair use in the Copyright Act reflects the intent of the Congress to codify the common-law doctrine.”).

¹²² House Report, *supra* note 112

enough to confer upon courts the considerable discretion to “adapt the doctrine to particular situations on a *case-by-case basis*”.¹²³ On this basis, section 107 is designed to work in tandem with judiciary so as to “accommodate new technological innovations.”¹²⁴

(2) Structure of Codification

Informed by the aforementioned legislative purpose of codifying the fair use doctrine, the structure of section 107 is inevitably shaped in a flexible and open-ended manner. On the one hand, the list of the specific examples of presumptively fair use, i.e. criticism, comment, news reporting, teaching, scholarship, or research,¹²⁵ is ostensibly non-exhaustive.¹²⁶ This is because Congress was intended to preserve the broad and fact-specific nature the fair use doctrine¹²⁷ and to channel to the courts to base the fair use analysis the consideration of four factors listed in the other part of section 107.¹²⁸

Moreover, section 107 tacitly allows courts to instill into their fair use scrutiny any relevant factors other than the four listed in section 107. In doing so, it does not provide any hint on the benchmark with which courts can channel additional factors into the fair use analysis. Hence, ample wiggle-room has been left to courts in deciding other relevant factors can be brought in play. Up to date, courts have considered “public benefit”,¹²⁹ “First

¹²³ House Report, *id.* (emphasis added); *Sony*, 464 U.S. at 450 (citing House Report); *Harper & Row*, 471 U.S. at 560 (“The drafters resisted pressures from special interest groups to create presumptive categories of fair use, but structured the provision as an affirmative defense requiring a case-by-case analysis.”); *Campbell*, 510 U.S. at 577 (holding that the task of the codification “like the doctrine it recognizes, calls for case-by-case analysis”).

¹²⁴ House Report, *supra* note 112; *Atari Games Corp. v. Nintendo of America Inc.*, 975 F.2d 832, 843 (Fed. Cir. 1992) (“The bill endorses the purpose and general scope of the judicial doctrine of fair use, but there is no disposition to freeze the doctrine in the statute, especially in a period of rapid technological change.”).

¹²⁵ See 17 U.S.C. § 107.

¹²⁶ See *Harper & Row*, 471 U.S. at 561 (“The listing was not intended to be exhaustive, or to single out any particular use as presumptively a ‘fair’ use.”) (citation omitted); NIMMER ON COPYRIGHT 13-159.

¹²⁷ *Campbell*, 510 U.S. at 584 (“Congress resisted attempts to narrow the ambit of this traditional enquiry by adopting categories of presumptively fair use, and it urged courts to preserve the breadth of their traditionally ample view of the universe of relevant evidence.”).

¹²⁸ See 17 U.S.C. § 107.

¹²⁹ See *e.g.*, *Sony*, 464 U.S. at 454 (pointing out that the conclusion that time-shifting is fair use is “buttressed by the fact that to the extent time-shifting expands public access to freely broadcast television programs, it yields societal benefits.”); *Mattel v. Walking Mountain Productions*, 353 F.3d 792, 806 (9th Cir. 2003) (finding fair use

Amendment”,¹³⁰ and “the way in which the defendant use the allegedly infringing work”¹³¹ as the additional factors.

(3) Application of Four Factors

The inconsistencies in the courts’ construction of the four factors itemized in section 107 further heighten the ambiguity that surrounds the fair use doctrine.

i. The First Factor

The first factor directs courts to consider the purpose and character of the use of works. In this respect, courts routinely weigh by either of the two criteria—whether the allegedly infringing copies are made for the commercial or transformative use purpose. In some cases, the defendant’s state of mind has also been taken into account. In considering these sub-factors, however, courts have not dispelled any “murky waters” lingering in this area of their fair use analysis.

(a) The Commercial/Noncommercial Distinction

With respect to nature of commercial purpose, *Harper & Row* and its progeny center their inquiry on “whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.”¹³² Therefore, a finding of the user’s indirect profit-making motivation,¹³³ including the purposes of gaining illegitimate cost-saving,¹³⁴

based partially upon the policy that “the public benefit in allowing artistic creativity and social criticism to flourish is great.” [hereinafter *Mattel*].

¹³⁰ *Wojnarowicz v. American Family Ass'n*, 745 F.Supp. 130, 146 (S.D.N.Y.1990) (concluding that “it is highly significant to the scope of fair use that plaintiff accepted public funds to support his artwork. This fact broadens the scope of the fair use exemption because of the strong public interest, protected by the First Amendment, in free criticism of the expenditure of federal funds.”).

¹³¹ *DC Comics Inc. v. Unlimited Monkey Business, Inc.*, 598 F.Supp. 110, 119 (D.C.Ga.1984)

¹³² *Harper & Row*, 471 U.S. at 562.

¹³³ See e.g., *A & M Records, Inc., v. Napster, Inc.*, 239 F.3d 1004, 1015 (9th Cir. 2001) (“Direct economic benefit is not required to demonstrate a commercial use. Rather, repeated and exploitative copying of copyrighted works, even if the copies are not offered for sale, may constitute a commercial use.”) [hereinafter *Napster*]; *American Geophysical Union v. Texaco, Inc.*, 37 F.3d 881, 890 (2d Cir.1994) (finding that the

recognition among his peers and authorship credit,¹³⁵ is sufficient to prove the commercial nature of the use. On the contrary, by rejecting the analogy of “jewel theft” which lends support to the *Harper & Row* approach,¹³⁶ *Sony* viewed direct profit-making motivation as the only key factor for drawing the dividing line between the commercial or noncommercial use of works.¹³⁷

Regarding the extent to which the commerciality factor can determine the outcome of fair use analysis, *Sony*¹³⁸ and *Harper & Row*¹³⁹ held that any commercial use of works is ought to be regarded as “presumptively unfair”. A series of later decisions,¹⁴⁰ including *Campbell*, however, did not buy into this conclusion and contended that “hard evidentiary presumption”¹⁴¹ of this type “would swallow nearly all of the illustrative uses listed in the

commerciality factor disfavor the defendant because it “reaps at least some indirect economic advantage from its photocopying scholarly articles)[hereinafter *Texaco*]

¹³⁴ *Napster*, 239 F.3d at 1015 (“commercial use is demonstrated by a showing that repeated and exploitative unauthorized copies of copyrighted works were made to save the expense of purchasing authorized copies.”); *Worldwide Church of God v. Philadelphia Church of God*, 227 F.3d 1110, 1118 (9th Cir.2000) (holding that church that copied religious text for its members is commercial use because it almost gains an advantage or benefit at no cost, e.g. the increase in the number of church members).

¹³⁵ *Weissmann v. Freeman*, 868 F.2d 1313, 1324 (2d Cir.1989) (“Particularly in an academic setting, profit is ill-measured in dollars. Instead, what is valuable is recognition because it so often influences professional advancement and academic tenure. The absence of a dollars and cents profit does not inevitably lead to a finding of fair use.”).

¹³⁶ This analogy was put forward by Professor Laurence Tribe, who argued that: “jewel theft is not converted into a noncommercial veniality if stolen jewels are simply worn rather than sold.” *See Sony*, 464 U.S. at 450.

¹³⁷ *See Sony*, 464 U.S. at 450 (rejecting the argument that “consumptive uses of copyrights by home VTR users are commercial even if the consumer does not sell the homemade tape because the consumer will not buy tapes separately sold by the copyright holder.”).

¹³⁸ *See id.* at 451 (“every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright.”).

¹³⁹ *Harper & Row*, 471 U.S. at 540 (“The fact that the publication was commercial as opposed to nonprofit is a separate factor tending to weigh against a finding of fair use.”).

¹⁴⁰ *See e.g., Hustler Magazine Inc. v. Moral Majority Inc.*, 796 F.2d 1148, 1552 (9th Cir., 1986) (“Even assuming that the use had a purely commercial purpose, the presumption of unfairness can be rebutted by the characteristics of the use”); *Maxtone-Graham v. Burtchaell*, 803 F.2d 1253, 1262 (2d Cir.1986) (holding that the commerciality factor is not controlling in the fair use analysis and “[t]he commercial nature of a use is a matter of degree, not an absolute....”); *Rogers v. Koons*, 960 F.2d 301, 309 (2d Cir. 1992) (holding that “whether the profit element of the fair use calculus affects the ultimate determination of whether there is a fair use depends on the totality of the factors considered”); *Sega Enterprises Limited v. Accolade, Inc.*, 977 F.2d 1510, 1522 (9th Cir.1992) (arguing that “the presumption of unfairness that arises in [commercial use] cases can be rebutted by the characteristics of a particular commercial use”) [hereinafter *Sega*]; *Texaco*, 37 F.3d at 889 (upholding the undispositive nature of the commerciality factor).

¹⁴¹ *Campbell*, 510 U.S. at 570.

preamble paragraph of § 107”.¹⁴² Furthermore, it was submitted that commercial or noncommercial character of a work “is not conclusive”, and this factor shall be “weighed along with others in fair use decisions.”¹⁴³

(b) Transformative/Nontransformative Use Distinction

Whether the use of works is transformative in nature is reckoned as a crucial factor in deciding a potential finding of fair use.¹⁴⁴ Transformative use, according to *Campbell*, consists of the acts of “adding something new, with a further purpose or different character, [and alteration] of the first with new expression, meaning, or message”.¹⁴⁵ Yet, *Campbell* did not articulate a benchmark for measuring the degree to which the use of work is “transformative” enough to be regarded as fair use. The absence of such a benchmark leads courts to swing between whether transformative use should be strictly be confined to the direct alteration of the original work at issue¹⁴⁶ which considerably adds new content to the original¹⁴⁷, or broadly include the use of work that simply adds new purposes and characters to the original.¹⁴⁸

¹⁴² *Id.* at 584. *See also*, *Sony*, 464 U.S. at 592 (Brennan, J., dissenting) (drawing the same conclusion).

¹⁴³ *Campbell*, 510 U.S. at 584.

¹⁴⁴ *See Campbell, id.* (holding that “the more transformative the new work, the less will be the significance of other factors, like commercialism”); *Mattel*, 353 F.3d at 801-02; *SunTrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257, 1271-74 (11th Cir. 2001).

¹⁴⁵ *Campbell, id.*

¹⁴⁶ *In Video Pipeline, Inc. v. Buena Vista Home Entertainment, Inc.*, 342 F.3d 191, 198-99 (3d Cir. 2003) (holding that “[t]o the extent that the character and purpose of the clip previews and the original full-length films diverge, [th]e clips share the same character and purpose as Disney’s derivative trailers.”); *Los Angeles News Service v. Reuters Television Intern., Ltd.*, 149 F.3d 987, 993 (9th Cir. 1998) (“Although defendants’ service does have a news reporting purpose, its use of the works was not very transformative. Reuters copies footage and transmits it to news reporting organizations; Reuters does not explain the footage, edit the content of the footage, or include editorial comment.”).

¹⁴⁷ This view is based upon the holding of the *Folsom v. Marsh* which ruled that fair use “must be *real, substantial condensation* of the materials, and intellectual labor and judgment bestowed thereon; and not merely the facile use of the scissors; or extracts of the essential parts, constituting the chief value of the original work.” 9 F. Cas. 342, 345 (C.C.D. Mass. 1841) (No. 4901) (emphasis added). For the case which supports this view in deal with transformative use issues, see *Los Angeles News Service v. CBS Broadcasting, Inc.* 305 F.3d 924, 938-39 (concluding that it is not transformative use which does not add anything new to the original work by citing *Folsom v. Marsh*). The court also asserted that *Campbell* confirm this standard. *Id.* at 939.

¹⁴⁸ *See e.g., Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818 (2003) (holding that displaying search results as “thumbnail” version (much smaller, lower-resolution images) of copyrighted pictures by search engine is transformative use, because it “serv[e] an entirely different function” than the copyright holder’s original images).

(c) Defendant's state of mind

Swayed by the notion of “fairness” which underpins the fair use doctrine,¹⁴⁹ *Harper & Row* states that “[f]air use presuppose good faith and fair dealing”,¹⁵⁰ making it impossible for users with “unclean hands”¹⁵¹ to invoking fair use defense.¹⁵² On the contrary, courts have also stated that bad faith is no bar to finding fair use. It is suggested in *Campbell* that “[g]ood faith should not be a factor in weighing fair use defense.”¹⁵³ Following *Campbell*, the court in *NXIVM Corp. v. Ross Institute*, holds that “[f]air play is no defense to infringement; Bad faith should be no obstacle to fair use.”¹⁵⁴

ii. The Second Factor

The second factor listed in section 107 directs the court to consider “the nature of the copyrighted work”. It seems that this factor is less contentious. Courts routinely examine two issues: whether the work is published or not and whether the work is factual or creative.¹⁵⁵

iii. The Third Factor

¹⁴⁹ Judge Mansfield held that “[n]o court will lend its aid to a man who founds his cause of action upon an immoral or an illegal act.” See *Holman v Johnson* 1 Cowp 341, 343 (1775). See also, *Time Inc. v. Bernard Geis Associates*, 293 F.Supp. 130, 144 (S.D.N.Y.1968) (“Despite [exclusive] rights, the courts have nonetheless recognized that copying or other appropriation of a copyrighted work will not entail liability if it is *reasonable* or ‘*fair*’.”) (emphasis added).

¹⁵⁰ *Harper & Row*, 471 U.S. at 562-63 (“Knowing exploitation of purloined manuscript not compatible with ‘good faith’ and ‘fair dealings’ underpinnings of fair use doctrine.”). See also, *Marcus v. Rowley*, 695 F.2d 1171, 1176 (9th Cir. 1983) (holding that “fair use presupposes that the defendant has acted fairly and in good faith”).

¹⁵¹ See e.g., *Iowa State University Research Foundation, Inc. v. American Broadcasting Companies, Inc.*, 621 F.2d 57, 62 (2d Cir.1980) (“Our conclusion that the fair use defense is unavailable to [the defendant] is bolstered by the equitable considerations”); *Atari Games*, 975 F.2d 832, 843 (“To invoke the fair use exception, an individual must possess an *authorized* copy of a literary work.”) (emphasis added).

¹⁵² Jane Ginsburg, *Copyright Legislation for the ‘Digital Millennium’*, 23 COLUM.-VLA J.L. & ARTS 137, 140 (1999) (observing that “it may be fair use to make nonprofit research photocopies of pages from a lawfully acquired book; it is not fair use to steal the book in order to make the photocopies”).

¹⁵³ *Campbell*, 510 U.S. at 585 n.18. See also, Pierre Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1126-1127 (1990) (arguing that good faith is irrelevant to fair use analysis); Lloyd Weinreb, *Fair’s Fair: A Comment On The Fair Use Doctrine*, 103 HARV. L. REV. 1137, 1147 (1990) (“The utilitarian worth of the use, not the user’s motive, is all that matters so far as copyright is concerned.”).

¹⁵⁴ *NXIVM Corp. v. Ross Institute*, 364 F.3d 471, (2d Cir. 2004). This case indicates that defendant’s bad faith could be altogether ignored in the fair use analysis.

¹⁵⁵ See e.g., *Harper & Row*, 471 U.S. at 563-64.

The third factor entails the consideration of “the amount and substantiality of the portion used in relation to the copyrighted work as a whole”. Although courts do not set up any ceiling for the amount of taking, they divide with regard to the quantitative and qualitative standards that are embraced for gauging the third factor.

As to the quantitative standard, first of all, there is split as to whether wholesale copying would be allowed. *Sony* and some other decisions held that fair use can accommodate verbatim copying of the entire work.¹⁵⁶ In sharp contrast, guided by *Harper & Row*,¹⁵⁷ some courts have insisted that “[w]hile ‘wholesale copying does not preclude fair use per se,’ copying an entire work ‘militates against a finding of fair use.’”¹⁵⁸ Moreover, the use of quantitative standard has led to a further rift over the permissible amount of taking in the case of parody. While near-verbatim copying of the popular song “Pretty Woman”¹⁵⁹ and the substantial appropriation of the famous novel “Gone with the Wind”¹⁶⁰ is allowed, copying of a well-known principal character of “the Nightmare film series” into the music video is deemed too successive to be within the limit of the third factor.¹⁶¹ With respect to graphic images, wholesale copying of Barbie and Mickey Mouse generates different legal consequences. While the former was deemed to fall within the ambit of the third factor,¹⁶²

¹⁵⁶ See *Sony*, 464 U.S. at 450-51; *Sega*, 977 F.2d 1526-27; *Williams & Wilkins Co. v. U. S.*, 487 F.2d 1345 (1973).

¹⁵⁷ *Harper & Row*, 471 U.S. at 565.

¹⁵⁸ *Worldwide Church of God*, 227 F.3d at 1118 (internal quotation marks omitted); *Kelly v. Arriba Soft*, 227 F.3d at 820-21.

¹⁵⁹ *Campbell*, 510 U.S. at 588 (“Parody’s humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation.... When parody takes aim at a particular original work, the parody must be able to ‘conjure up’ at least enough of that original to make the object of its critical wit recognizable.”) (emphasis added).

¹⁶⁰ *SunTrust Bank* 268 F.3d at 1271-74. By relying upon *Campbell*, the court held that defendant’s taking of characters, plot and major scenes from *Gone with the Wind* did not violate the third factor.

¹⁶¹ *New Line Cinema Corp. v. Bertlesman Music Group, Inc.*, 693 F.Supp. 1517, 1527 (S.D.N.Y.1988) (“Because [the character copied] is a widely recognized major character in the Nightmare series, very little would have been needed to bring the image of [the character at issue] and the Nightmare series into the minds of the music video viewers.”).

¹⁶² See *Mattel*, 353 F.3d 792 (9th Cir. 2003). In this case, the defendant’s parody copied the Barbie figure and head. The court held that “[w]e do not require parodic works to take the absolute minimum amount of the copyrighted work possible.” *Id.* at 804.

the latter was not.¹⁶³

On the other hand, swing positions as to the qualitative standard have appeared in fair use decisions. It seems that the majority of court judgments are in agreement about the inference that the qualitative standard, rather than the quantitative standard, governs the third factor analysis.¹⁶⁴ Accordingly, if the copied portion is unquestionably the heart of the copyrighted work, even a small amount of copying would tilt the third factor against the defendant.¹⁶⁵ Some other courts, however, do not buy into this position. To them, the near-verbatim copying as well as taking the heart of the work for parodic purpose could be justified because parodist need to “conjure up” the original work.¹⁶⁶ In *Campbell* decision’s terms, “the extent of permissible copying varies with the purpose and character of the use.”¹⁶⁷

iv. The Fourth Factor

The fourth factor begs the question of “effect of the use upon the potential market for value of the copyrighted work”. The trajectory of judgments shows that produced no principled way to analyze this factor has been produced by courts. Generally speaking, courts’ decisions fall into four camps in the spectrum of their analysis: (1) “leftest left”; (2) “left”; (3) “center”; and (4) “right”.¹⁶⁸

¹⁶³ See *Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978). In this case, the defendant published two comic cartoon magazines entitled “Air Pirates Funnies”. They pictorially parodied Walt Disney company’s cartoon characters like Mickey Mouse and Donald Duck as “as active members of a free thinking, promiscuous, drug ingesting counterculture.” *Id.* at 753. The court held that “By copying the images in their entirety, defendants took more than was necessary to place firmly in the reader’s mind the parodied work and those specific attributes that are to be satirized.” *Id.* at 758.

¹⁶⁴ GOLDSTEIN ON COPYRIGHT 12:64 (2005) (arguing that “[q]ualitative measures outweigh quantitative measures in determining the weight to be given the third factor.”)

¹⁶⁵ See e.g., *Harper & Row*, 471 U.S. 564-66.

¹⁶⁶ See *Campbell*, 510 U.S. at 586-89; *Mattel*, 353 F.3d at 801-02; *SunTrust Bank.*, 268 F.3d at 1271-74 (11th Cir. 2001).

¹⁶⁷ *Campbell*, 510 U.S. at 586-87.

¹⁶⁸ In the following discussion, I simply summarize different judicial rulings on this issue, and the uses of the terms, like “left” and “right”, have no political connotations.

The first two camps center upon the examination of the economic impact on copyright holders' current market rather than potential market or both. The "leftest left" group judgments chiefly rule that, even if the user enters into economic competition with the right holder, no economic losses incurred on the latter can be assumed or ascertained. This is because the fourth factor does not allow the right holder weed out the legitimate competition mounted by the user.¹⁶⁹ On the other hand, the "left" group decisions reckon that "It is wrong to measure the detriment to plaintiff by loss of presumed royalty income—a standard which necessarily assumes that plaintiff had a right to issue licenses."¹⁷⁰ Therefore, the fourth factor scrutiny should be limited to the impact on the current market.¹⁷¹

The "center" group decisions consider the economic impact on both the current and potential markets, or the potential market alone. For example, *Harper & Row* holds that the fourth factor inquiry "must take account not only of harm to the original but also of harm to the market for derivative works."¹⁷² With respect to the noncommercial use of works, *Sony* centers upon the consideration of the impact on the potential market.¹⁷³ According to this group of decisions, the inquiry into the "some meaningful likelihood of future harm"¹⁷⁴ is sufficient. Therefore, it seems that the right holder needs to demonstrate that there is a very strong likelihood that the potential market will be "traditional, reasonable, or likely to be developed."¹⁷⁵ Only showing a tenuous connection between the current and potential markets would not necessarily result in the harm on the potential market. Nor the potential market could be deemed presumptively in existence.

¹⁶⁹ See *Sega*, 977 F.2d at 1523-24.

¹⁷⁰ See *Williams & Wilkins Co. v. U. S.*, 487 F.2d 1345, 1357 n.19 (1973)

¹⁷¹ See GOLDSTEIN ON COPYRIGHT 12:69 (2005).

¹⁷² *Harper & Row*, 471 U.S. at 568.

¹⁷³ *Sony*, 464 U.S. at 451 ("What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists.")

¹⁷⁴ *Id.*

¹⁷⁵ *Texaco*, 37 F.3d at 897.

The “right” group decisions envision that the harm to the potential market is the core of the fourth factor inquiry. In *Iowa State University Research Foundation, Inc. v. American Broadcasting*,¹⁷⁶ the Second Circuit holds that the defendant’s copying and broadcast of a small portion of a student-produced film biography of a champion wrestler, usurped an extremely significant market that was then controlled by the defendant and other derivative market in which the plaintiff could license their film.¹⁷⁷ Yet, before making such an inference, the court did not inquire into whether the plaintiff had any intention to exploit the film in question through licensing agreement. Rather, it seems that the court assumes that once the work is finished, its derivative market does necessarily exist. It seems that such an assumption has been tacitly accepted by *UMG Recordings v. MP3.com*¹⁷⁸ and *L.A. Times v. Free Republic*,¹⁷⁹ in which the court did not examine whether the plaintiffs had the intention to open up the derivative market envisaged by the court before the suits were filed.

Judging from the section 107’s legislative purpose and structure and the discrepancies in courts’ approaches to apply the four factors, the fair use doctrine is indeed vague, flexible and open-ended. Not surprisingly, it has been lamented that “the issue of fair use ... is the most troublesome in the whole law of copyright”¹⁸⁰ and “[n]o doctrine in copyright is less determinate than fair use.”¹⁸¹ This suggests fair use doctrine is incapable of acting as well-shaped radar “separating the fair use sheep from the infringing goats”.¹⁸² Therefore, the malleability of the fair use doctrine, as many commentators have pointed out, runs sharply counter to the letter and spirit of the first prong of the three-step test.¹⁸³

¹⁷⁶ 621 F.2d 57 (2nd, 1980).

¹⁷⁷ *Id.* at 61.

¹⁷⁸ 92 F.Supp.2d 349, 351 (S.D.N.Y., 2000).

¹⁷⁹ 54 U.S.P.Q.2d 1453, 1469-71 (C.D.Cal.2000).

¹⁸⁰ *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661 (2nd Cir. 1939).

¹⁸¹ GOLDSTEIN ON COPYRIGHT 12:3 (2005).

¹⁸² *See Campbell*, 510 U.S. at 586.

¹⁸³ *See e.g.*, Tyler G. Tyler, Note, *What's Fair Here Is Not Fair Everywhere: Does the American Fair Use Doctrine Violate International Copyright Law*, 51 STAN. L. REV. 1633, 1660 (1999); ROBERT BURRELL &

3. Other Common-Law Defenses

The fair use doctrine's violation of the first prong of the three-step test begs the question of whether the uncodified common-law doctrines constraining the exercise of copyright runs afoul of the first prong. As Justice Souter has pointed out, "[c]ommon-law method tends to pay respect instead to detail, seeking to understand old principles afresh by new examples and new counter examples."¹⁸⁴ Common-law doctrines are generally flexible and open-ended in nature, and thereby are vulnerable to the three-step test challenge. As will be shown below, at high stake are the copyright misuse doctrine and public interest defense, two quintessential common-law doctrines available in US and UK respectively.

a. Copyright Misuse Doctrine

Compared with the long-entrenched fair use doctrine, the copyright misuse doctrine is a relatively "young" defense aimed at neutralizing the monopolistic control of works that may well run contrary to the promotion of public interest. Drawing upon the equitable doctrine of unclean hands¹⁸⁵ and patent misuse doctrine,¹⁸⁶ *Lasercomb America, Inc. v. Reynolds*¹⁸⁷ for the first time stated that misuse of copyright was a valid defense to copyright infringement. As long as the right holder uses his copyright "in a manner violative of the public policy embodied in the grant of a copyright",¹⁸⁸ his conduct would amount to copyright misuse and therefore the defendant in question would not be held liable for the alleged infringing act.¹⁸⁹ Since then, the copyright misuse doctrine has been applied to the cases in which the right

ALLISON COLEMAN, COPYRIGHT EXCEPTIONS: THE DIGITAL IMPACT 270-72 (2005).

¹⁸⁴ *Washington v. Glucksberg*, 521 US 702, 770 (1997) (Souter, J., concurring).

¹⁸⁵ GOLDSTEIN ON COPYRIGHT 11:40 (2005) ("Copyright misuse, like patent misuse, originated in the equitable defense of unclean hands.").

¹⁸⁶ *See Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 493 (1942) (courts "may appropriately withhold aid where the plaintiff is using the right asserted contrary to the public interest.").

¹⁸⁷ 911 F.2d 970 (4th Cir. 1990) [hereinafter *Lasercomb*].

¹⁸⁸ *Id.* at 978.

¹⁸⁹ *Id.* at 972-73.

holder is deemed abusing economic rights, e.g. leveraging monopoly to commit anti-competitive action that facilitates the control of the areas outside the monopoly,¹⁹⁰ or abusing judicial process including lodging an action to achieve an “improper extension and overstatement ” of copyright.¹⁹¹

At the same time, courts have made clear certain standards for determining misuse of copyright. For example, there is no need for the defendant to prove whether the right holder has violated antitrust law¹⁹² or the injury caused by the purported conduct of copyright misuse.¹⁹³ Yet the copyright misuse doctrine is still fraught with uncertainties. As Goldstein has pointed out, this doctrine “is still in its infancy... and the challenge for courts is to mark the doctrine’s boundaries with some measure of predictability.”¹⁹⁴

The uncertainty surrounding the copyright misuse doctrine, by and large, stems from the potentially indeterminate nature of the copyright law’s public policy, the violation of which results in misuse of copyright. One should note that the public policy underlying copyright law, for example “to increase the store of human knowledge and arts”¹⁹⁵ or “to stimulate artistic creativity for the general public good.”¹⁹⁶, is by nature very broad. This would give

¹⁹⁰ See e.g., *Lasercomb*, 911 F.2d at 976-79; *DSC Communications Corp. v. DGI Technologies, Inc.*, 81 F.3d 597, 601-02 (5th Cir.1996) [hereinafter *DSC Communications*]; *Practice Management Information Corp. v. American Medical Ass’n*, 121 F.3d 516, 520-21 (1997) amended, 133 F.3d 1140 (9th Cir.1998) [hereinafter *Practice Management Information*]; *Alcatel USA. v. DGI Technologies*, 166 F.3d 772, 792-95 (5th Cir.1999); *Napster*, 239 F.3d at 1026 (“The misuse defense prevents copyright holders from leveraging their limited monopoly to allow them control of areas outside the monopoly”).

¹⁹¹ See e.g., *qad. inc. v. ALN Associates, Inc.*, 770 F.Supp. 1261,1266 (NDIll. 1991), aff’d in part, dismissed in part, 974 F.2d 834 (7th Cir.1992) [hereinafter *qad*]; *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640,647(7th Cir. 2004) [hereinafter *Assessment Technologies*].

¹⁹² *Lasercomb*, 911 F.2d at 979 (“The question is not whether the copyright is being used in a manner violative of antitrust law (such as whether the licensing agreement is “reasonable”), but whether the copyright is being used in a manner violative of the public policy embodied in the grant of a copyright.”)

¹⁹³ *Lasercomb, id; qad*, 770 F.Supp. at 1267; *Video Pipeline, Inc. v. Buena Vista Home Entertainment, Inc.*, 342 F.3d 191, 204 (3rd Cir. 2003) (“To defend on misuse grounds, the alleged infringer need not be subject to the purported misuse.”) [hereinafter *Video Pipeline*].

¹⁹⁴ GOLDSTEIN ON COPYRIGHT 11:41 (2005).

¹⁹⁵ *Lasercomb*, 911 F.2d at 976.

¹⁹⁶ *Video Pipeline*, 342 F.3d at 204. *DSC Communications*, 81 F.3d at 601; *qad*, 770 F.Supp. at 1266-67; *Assessment Technologies*, 350 F.3d at 647.

rise to at least the following three problems, which make the copyright misuse doctrine relatively unpredictable and amorphous.¹⁹⁷

First, it remains unclear as to what specific types of improper exercise of copyright can constitute misuse of the right concerned. Like the fair use doctrine, courts are reluctant to finalize a complete list that contains various copyright misuse acts. While some courts would spontaneously find misuse of copyright without the petition for such a finding made by the party in question,¹⁹⁸ some are not inclined to do so even in the circumstance where the right holders' violation of copyright public policy have been found.¹⁹⁹

Second, the role of the public policy in the copyright misuse adjudication seems relatively fluid. For example, one decision on copyright misuse is not rendered based upon the consideration of copyright public policy which underpins the copyright misuse doctrine.²⁰⁰

Third, puzzles and perplexities still persist throughout the inquiry into the extent to which an improper exercise of copyright would result in the violation of public policy. The court in *Video Pipeline* held that the right holder's act of restricting the user's right to level criticism on its copyrighted films did not amount to a violation of public policy. In so doing, the court, however, narrowly focused its lens on this single case.²⁰¹ Rather, the court did not consider, in a broad picture, whether the conduct of this type which is lawful in their eyes, if it becomes commonplace in the subsequent similar licensing practice (e.g. applicable to every other licensee), would actually suppress any public criticism on works and thereby trigger a

¹⁹⁷ Note, *Clarifying the Copyright Misuse Defense: The Role of Antitrust Standards and First Amendment Values*, 104 HARV. L. REV. 1289, 1308 (1991) (“[The] cryptic ‘public policy’ charge left open the question of exactly what courts should be trying to accomplish when adjudicating misuse defenses.”).

¹⁹⁸ See e.g., *Assessment Technologies*, 770 F.Supp. at 1266.

¹⁹⁹ See e.g., *Sega Enterprises v. Accolade, Inc.*, 977 F.2d 1510, 1523-24 (9th Cir. 1992); *Sony Computer Entertainment, Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000).

²⁰⁰ See e.g., *Practice Management Information*, 121 F.3d at 521.

²⁰¹ *Video Pipeline*, 342 F.3d at 206.

violation of the public policy that shapes copyright law in ways that promote free speech.

b. Public Interest Defense

In UK, the public interest defense concerns the “case where it is in the public interest that the words in respect of which another has copyright should be published without any sanction.”²⁰² Considerable uncertainty, however, surrounds this defense. First, courts in UK do not consistently hold that the public interest defense is indeed a general defense available to the defendant in any given infringement action. *Hyde Park Residence Ltd v. Yelland*²⁰³ is generally seen as the borderline case between whether the public interest defense actually exists or not. The public interest defense, according to the pre-*Yelland* decisions, acted as a general defense against copyright infringement claim.²⁰⁴ However, the court in *Yelland* simply ruled that no such general defense is available in the UK copyright system.²⁰⁵ In *Ashdown v. Telegraph Group Ltd*,²⁰⁶ a post-*Yelland* decision, although the availability of the public interest defense was affirmed,²⁰⁷ the court reckoned that this defense could be invoked merely in “very rare” circumstances.²⁰⁸ Second, even if *Yelland* can be seen as having been overruled by *Ashdown*, it does not necessarily mean that courts in UK have drawn clear-cut contours of the public interest defense in a way that sufficient certainty and predictability of its application are afforded. For instance, courts have not elucidated the type of, and the extent to which, information can be disclosed or published without authority. The said definitional problem with the public interest defense stems largely from the fact that “public

²⁰² BURRELL & COLEMAN, *supra* note 183, at 80 (defining the public interest defense as “a defense sitting out with the statutory regime that would justify the publication of copyright material in certain circumstances”).

²⁰³ [2001] Ch. 143 (hereinafter *Yelland*).

²⁰⁴ See *Lion Laboratories Ltd v Evans* [1985] QB 526.

²⁰⁵ See *Yelland*, at para 43 (holding that the law “does not give a court general power to enable an infringer to use another’s property, namely his copyright in the public interest.”).

²⁰⁶ [2002] Ch. 149 (hereinafter *Ashdown*).

²⁰⁷ See *Ashdown, id.*, at para. 56 (“[W]e think it clear that on the facts of the case he considered that there was a potential public interest defense to both breach of confidence and breach of copyright”).

²⁰⁸ See *id.*, at paras 47 & 59 (“It will be very rare for the public interest to justify the copying of the form of a work to which copyright attaches.”).

interest”, the essence on which this defense is based upon, is not amenable to precise definition.²⁰⁹ Accordingly, commentators observed as follows:

[The public interest] defense would be too *unpredictable*. That is, even if we can trust judges to arrive at the right result in any given case, the overall effect of such a defense would be to make the law *uncertain*. From this perspective, abandoning the relative certainty of the statutory permitted acts is a high price to pay for the *flexibility*.²¹⁰

B. The Second Prong

1. Its Nature and Scope

Pursuant to the second condition of the three-step test, any limitation on copyright should not “conflict with a normal exploitation of the work”. The Panel Report first held that normal exploitation involves “less than full use of an exclusive right” by the copyright holder.²¹¹ Moreover, normal exploitation “should be judged for each exclusive right individually”.²¹² The non-absolute nature of copyright and the severability of the exercise of rights, therefore, are seen as the premise to scrutinize whether the second condition of the three-step test is met.

Having said that, the Panel Report concluded that a conflict with normal exploitation of the work will arise when the privileged users enters into “economic competition” with the right holder concerned. The “economic competition” should be capable of preventing the right holder from “normally extract[ing] economic value” from his copyright, thereby depriving

²⁰⁹ Judge Mance, in his dissenting opinion in *Yelland*, bluntly pointed out that “the circumstances in which the public interest may override copyright are probably not capable of precise categorization or definition.” *See Yelland*, at para. 83.

²¹⁰ BURRELL & COLEMAN, *supra* note 183, at 111 (emphases added).

²¹¹ Panel Report, para. 6.167.

²¹² *Id.* at para. 6.173.

him of “significant or tangible commercial gains”.²¹³ Furthermore, the Report pointed out that, in examining the copyright holder’s commercial losses wrought by the privileged use of works, both their gains in the current as well as potential markets should be integrally taken in account. In this regard, the Panel elaborated three standards to consider the extent to which the economic competition between users and right holders would amount to the conflict with a normal exploitation of the work:

- The current exploitation of works refers to those that are presently produce “significant or tangible revenue” to right holders.²¹⁴ With respect to the potential exploitation of works, only under the circumstances in which the use of a work that is likely to generate “considerable economic or practical importance” for right holder can fall into the ambit of the “normal exploitation”.²¹⁵
- There is a need to consider the extent to which actual users together with potential users would become the beneficiary of the allegedly invalid limitation on copyright.²¹⁶
- A normal exploitation of works has the dynamics of expanding the copyright control commensurate with technological and market developments.²¹⁷ The privileged use’s effect on the potential market opened up by technological development for new ways of exploiting works, or the changes in consumer preferences, should be taken into consideration.²¹⁸

²¹³ *Ibid.* para.6.183.

²¹⁴ *Id.* at para. 6.180

²¹⁵ *Id.*

²¹⁶ *Id.* at para. 6.186.

²¹⁷ *See id.* at para. 6.178 (“We described this aspect of normalcy as reflecting a more normative approach to defining normal exploitation, that includes, *inter alia*, a dynamic element capable of taking into account technological and market developments.”)

²¹⁸ *See id* at para. 6.187.

To sum up, a violation of the second prong of the three-step test will be triggered, if any given limitation on copyright renders the right holder suffer “significant or tangible” commercial losses in either their current or potential market. Because of the use of the term “tangible”,²¹⁹ the threshold for violating the second condition may be relatively low. As long as “noticeable effect”²²⁰ on market substitution can be detected, a given limitation would be invalidated by the second prong. In other words, only those that cause a *de minimis* economic loss to right holder can survive the second prong’s test. Since the Panel Report centers on the protection of right holders’ economic interests and pays no heed to the users’ interest, public policy analysis simply plays no role in inquiring into the compliance with the second prong.

Furthermore, the negotiating history of the three-step test lends strong support to the Panel Report’s construction of the second prong. As the record of the Stockholm Conference shows, the architects of the three-step test reckoned that “it was obvious that all 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.”²²¹ On the other hand, the Panel Report’s construction based upon “economic normative considerations” has won the firm support from leading commentators in the area of copyright law, though they point out that the Report fails to embrace “non-economic ‘public policy’ considerations”.²²²

Commentators have demonstrated that the second prong of the three-step test may strike down the copyright limitation that permits classroom performance²²³ and fair use exemption

²¹⁹ According to the Longman Dictionary of Contemporary English, one of the meanings of “tangible” is “clear enough or definite enough to be easily seen or noticed”.

²²⁰ This term is used in *Sony v. Bleem*. The court infers that the defendant’s the allegedly infringing act “have no noticeable effect on” the plaintiff’s ability to market their products. *See Sony Computer Entertainment America, Inc. v. Bleem, LLC*, 214 F.3d 1022, 1029 (9th Cir. 2000).

²²¹ WIPO, *supra* note 24, at 111.

²²² RICKETSON & GINSBURG, *supra* note 43, at 767-773.

²²³ *See Pamela Samuelson, The U.S. Digital Agenda at WIPO*, 37 VA. J. INT’L L. 402 n 185 (1997).

that permits copying, translation and display of newspaper excerpts.²²⁴ My inquiry into the chilling effects of the second prong of the three-step test, therefore, centers upon the other copyright limitations that permits private copying and reverse engineering for software interoperability.

2. Private Copying

In the shadow of the second prong of the three-step test, the first limitation on copyright that will come under fire is the one that allow users to copy works for the private use purpose. To a large extent, there is de facto and de jure recognition of the limitation with respect to private copying. The reasons for the continuous existence of this limitation are twofold. On the one hand, it is believed that private copying almost has no adverse effect on right holder's normal exploitation of copyright.²²⁵ This creates little incentive for the right holder to sue individual users. In the analog world, the confluence of the inconvenience to copy works, the limited scope of disseminating copies and the unavoidable degradation in the quality of copies,²²⁶ naturally creates the so-called "state-of-the-art" limitation²²⁷ on reproducing and disseminating works. At the same time, it largely impels consumers to purchase, instead of copying, physical copies of works. Therefore, copyright law or courts take a rather lenient control of private copying. On the other hand, copyright holders are faced with the virtually insurmountable difficulty in wiping out private copying. In most circumstances, people make copies in the place which is not accessible to others. Therefore, it is prohibitively costly for

²²⁴ See Neil W. Netanel, *The Next Round: The Impact of the WIPO Copyright Treaty on TRIPs Dispute Settlement*, 37 VA. J. INT'L L. 441, 486-87 (1997).

²²⁵ See e.g., Jane Ginsburg & Yves Gaubiac, *Private Copying in the Digital Environment*, in INTELLECTUAL PROPERTY AND INFORMATION LAW: ESSAYS IN HONOUR OF HERMAN COHEN JEHOAM 149 (J.C. Kabel and Gerard J.H.M. Mom eds., 1998) (arguing that "in the analogue world, private copying could be understood as non-infringing because it was *de minimis*").

²²⁶ See WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 41 (2003) ("The copy may be of inferior quality and hence not a perfect substitute for the original.").

²²⁷ See I. Trotter Hardy, *Property (and Copyright) in Cyberspace*, 1996 UNIV. CHI. LEGAL. F. 217 (1996).

right holders to detect and then sue individual users, making it almost impossible for them to have door-to-door enforcement of copyright.

The arrival of the digital age, however, has fundamentally altered the landscape that fits the private copying exemption comfortably into whole picture of copyright law. The driving force making this exemption in direct conflict with the normal exploitation of works is derived from the following two shifts in copyright law.

a. Expansive Scope of Economic Right

Advances in digital technology pave the way for ushering in new forms of economic rights aimed at vesting in copyright holders increased control over private copying. With the inception of the WCT and WPPT, right holders are conferred with the right of making available and legal protection of the technological measures applied by them. These forms of copyright protection beef up right holders' ability to pursue the new business model of exploiting works. Unlike the traditional communication right regulating non-interactive and point-to-multipoint dissemination of works, the new right of making available enables copyright holders to communicate their works on an interactive and point-to-point basis. This permits them to authorize "members of the public" to access protected subject-matter from "a place and at a time individually chosen by them."²²⁸ The ramifications of setting up this new right are twofold: first, the use of works for time or place-shifting purpose should now generally come under copyright control; and second, the concept of "the public" has been broadened in a way that it incorporates many, if not all, who make noncommercial use of works in a private setting. At the same time, the legal protection of technological measures

²²⁸ WCT, art.8; WPPT, arts.10 and 14. Put differently, the targeted acts of communication can be measured by whether they are carried out in a manner so that any member of the public is enabled to determine individually *where and/or when* they wish to gain access to and use of protected subject-matter concerned.

forbids non-permissive circumvention of access-and-copying control.²²⁹ This unprecedented form of copyright protection, to a large extent, legally closes the door for exempting users from making private copying.

b. Expansive Interpretation of the Marketability of Works

By and large, the commercial/noncommercial distinction acts a crucial benchmark for drawing the line between the public and private use of works.²³⁰ This is because private use is routinely noncommercial in nature and occasions almost no economic harm to the marketability of works of authorship. Therefore, courts did not hold those involved in use of works for noncommercial purposes liable. For instance, *Sony* ruled that “time-shifting” of copyrighted television shows with video tape recorders (VTR) constitutes fair use²³¹ primarily because it does not have negative effects upon the current and in particular potential market for the copyrighted works.²³² Relying upon *Sony*, *Recording Industry Ass'n of America v. Diamond Multimedia Systems*,²³³ held that copying for space-shifting purpose is “paradigmatic noncommercial personal use entirely consistent with the purposes of the [Copyright] Act.”²³⁴

However, it seems that the *Sony*-based vision of the impact of private copying on potential market for copyrighted works has been undermined by courts dealing with recent cases on private copying issues. The court in *Napster* took a leap forward in redefining the line between commercial and non-commercial uses. It was held that “commercial use is

²²⁹ See WCT, art.11; WPPT, art. 18; Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998).

²³⁰ GOLDSTEIN ON COPYRIGHT 12:38 (2005).

²³¹ *Sony*, 464 U.S. at 454-55 (“When these factors are all weighed in the ‘equitable rule of reason’ balance, we must conclude that this record amply supports the District Court’s conclusion that home time-shifting is fair use.”)

²³² *Id.*, at 454 (“No likelihood of harm was shown at trial, and plaintiffs admitted that there had been no actual harm to date.”).

²³³ 180 F.3d 1072 (9th Cir. 1999) (hereinafter *Diamond*).

²³⁴ *Id.* at 1079.

demonstrated by a showing that repeated and exploitative unauthorized copies of copyrighted works were made to save the expense of purchasing authorized copies.”²³⁵ Indeed, *Napster* connotes the idea that, in the digital age, copyright should be extended “into every corner where consumers derive value from literary and artistic works.”²³⁶ This way of setting up the commercial/noncommercial dichotomy, by and large, sounds the death knell for private use exemption that allows use of works for the time-shifting or space-shifting purpose.

The combination of the aforementioned two aspects of the shift in landscape of copyright law definitely erodes the traditional adoption of private use. In fact, the private use exemption plays a catalytic role in usurping copyright holders’ normal exploitation of works, making it violative of the second prong of the three-step test. In this regard, Ginsburg and Gaubiac bluntly point out that private copying exemption violates the second prong of the three-step test in that:

[The] feature [of exploiting works] illustrates the potential anomaly of recognizing a private copying exemption in the digital world: individual copies can no longer be considered de minimis. Private copying in perfect copies does substitute for sales of the work.... If there is a market for private copying, then unauthorized private copying would conflict with this norm. Because more and more works are marketed directly to end users, private copying should no longer be characterized as “certain special cases”: it is becoming a leading mode of exploitation. As a result, Berne member nations might be foreclosed from authorizing private copying in the digital environment.²³⁷

²³⁵ *Napster*, 239 F.3d at 1015.

²³⁶ PAUL GOLDSTEIN, COPYRIGHT’S HIGHWAY: THE LAW AND LORE OF COPYRIGHT FROM GUTENBERG TO THE CELESTIAL JUKEBOX 236 (1994).

²³⁷ Ginsburg & Gaubiac, *supra* note 225, at 150-51. *See also*, Christophe Geiger, *Right to Copy v. Three-Step Test: The Future of the Private Copy Exception in the Digital Environment*, CRi (2005) (drawing the conclusion that the private copying exception violates the second prong of the three-step test); Alison Evans, *Private Copying in the EU: Technological Protection and the “Three-Step Test”*, 21 COPYRIGHT REPORTER 36, 41-42 (arguing that the private copying exemption violates the three-step test).

3. Reverse Engineering for Software Interoperability

Computer programs are generally distributed in the machine-readable object code form.²³⁸ Their human-readable source code form, however, is locked up in software developers' pockets. This definitely gives rise to the problem that, if the source code is not accessible to other software developers, no linkages interconnecting various kinds of computer programs in the web of digital world. Hence, the spontaneous efforts to build up the necessary "bridges" for the interoperable applications of object codes are of critical importance to sustaining and enhancing a healthy digital environment. In order to bring this objective to fruition, reverse engineering for software interoperability enables the architects of digital technology to decompile or disassemble object code. By and large, this limitation on copyright would blossom into enhanced development of new software and further produce positive externalities for consumer welfare in the digital age.²³⁹

Nevertheless, this limitation is highly vulnerable to the challenge posed by the second part of the three-step test. It can be argued, in the WTO Panel Report's terms, that it breeds and facilitates the "economic competition" between the developer and decompiler of the software in question, occasioning the loss of "significant or tangible revenue" to the former.

On the one hand, the loss of royalties suffered by software developers calls into question the validity of the copyright limitation that allows reverse engineering for software interoperability purpose. To be sure, software developers' investment in developing computer programs would justifiably allow them to offer business licensing of the interfaces to those who want to bring their software into compatibility with the original programs. Instead of

²³⁸ See *Sega*, 977 F.2d at 1525 ("Computer programs, however, are typically distributed for public use in object code form, embedded in a silicon chip or on a floppy disk."); Pamela Samuelson & Suzanne Scotchmer, *The Law and Economics of Reverse Engineering*, 111 YALE L. J. 1575, 1608 (2002).

²³⁹ The court in *Sega* pointed out that the reverse engineering at issue "has led to an increase in the number of independently designed video game programs offered for use with the plaintiff's work." See *id.* *Sega*, 977 F.2d at 1523.

reverse engineering, the “decompiler” can actually enter into licensing agreement with the copyright owner of the software. As long as the terms of the licensing agreement are reasonable, to achieve interoperability would not turn out to be prohibitively costly for many software developers. Indeed, the reasonable licensing practice of this type has been deemed legally acceptable. In *Atari Games Corp. v. Nintendo of America Inc.*, the court held that the licensing terms laid down by the copyright holder were lawful and could not be subject copyright misuse challenge.²⁴⁰ By decompiling the computer program at issue, the defendant presumptively caused irreparable harm to the right holder of the computer program.²⁴¹

Atari Games epitomizes the software developer’s legitimate interest in the marketing channel of software through licensing their program code to the “latecomers”. It also indicates a loophole in *Sega Enterprises v. Accolade*: the failure to consider both direct and indirect harm to the software developer’s licensing market.²⁴² However, in the case where copyright holders leverage their monopoly by setting up unreasonable licensing terms, copyright misuse doctrine can be brought into play to remedy the potential hardship faced by other software developers.²⁴³

²⁴⁰ *Atari Games Corp. v. Nintendo of America Inc.*, 975 F.2d 832, 846 (Fed. Cir. 1992) (“The record does not demonstrate, as a matter of law, that [the licensing] restrictions restrain the creativity of [licensees] and thereby thwart the intent of the patent and copyright laws.”). In *Sega*, the plaintiff “licenses its copyrighted computer code and its “SEGA” trademark to a number of independent developers of computer game software. Those licensees develop and sell Genesis-compatible video games in competition with Sega.” *See Sega*, 977 F.2d at 1514.

²⁴¹ *See id.* *Atari Games*, at 847.

²⁴² See e.g. Stanley Lai, *Recent Developments in Copyright Protection and Software Reverse Engineering in Singapore: A Triumph for the Ultra-Nationalists*, 19 *EUROP. INTELL. PROP. REV.* 525, 532 (1997) (criticizing the *Sega* decision on the grounds that the court “did not consider the potential harm caused to Sega’s existing licensing market, despite its knowledge that other developers had already purchased Sega’s licences.”).

²⁴³ In *Sega*, “Accolade explored the possibility of entering into a licensing agreement with Sega, but abandoned the effort because the agreement would have required that Sega be the exclusive manufacturer of all games produced by Accolade.” *See Sega*, 977 F.2d at 1514. Although the *Sega* court did not render the ruling under the umbrella of the copyright misuse doctrine, it did hold that the plaintiff’s action to monopolize the market is illegal. This may have opened door to expose Sega’s licensing practice to copyright misuse doctrine. *See Sega*, 977 F.2d at 1523-24 (“In any event, an attempt to monopolize the market by making it impossible for others to compete runs counter to the statutory purpose of promoting creative expression and cannot constitute a strong equitable basis for resisting the invocation of the fair use doctrine.”).

On the other hand, the very competition facilitated by the reverse engineering can result in much more serious economic losses suffered by the copyright owner. To be sure, for those who choose to keep their software's interfaces closed, these measures are carried out "not only as a defensive measure against the [software] being commoditized, but as an offensive measure to capture the market."²⁴⁴ This business strategy allows firms to achieve exclusivity of their products in the market. Drawing up the "network effects",²⁴⁵ the copyright owner can enhance their market penetration and dominance. Opening the door to the reverse engineering, however, would definitely kill this business strategy even in their very embryonic stage. Therefore, in face of significant economic losses, copyright owners like Sega²⁴⁶ and Sony²⁴⁷ had to wage lawsuits against the "decompilers".

In these two disputes, courts found the "decompilers" not liable partly because no significantly adverse impact on the original software developer's market could be ascertained.²⁴⁸ This conclusion, however, is not compelling per se and incongruous with the second prong of the three-step test. First, courts seemed to assume that certain degree of economic loss occasioned by the competition was no bar to finding fair use. Nonetheless, as the "tangible" economic loss could be definitely perceived in these two cases, it is hard to deny that the "decompilers" did not adversely affect the normal exploitation of the programs at issue. Second, even though no significant harm was caused to the current market of the software developers, it does not necessarily follow that their potential market would not suffer significant economic loss. The three-step test compels the consideration of the harm to the potential market, by at least taking into account the potential users who would become eligible beneficiary of the limitation, and the potential economic loss to the right holders.

²⁴⁴ Samuelson & Scotchmer, *supra* note 238, at 1617.

²⁴⁵ *Id.*

²⁴⁶ *See Sega*, 977 F.2d at 1510.

²⁴⁷ *See Sony Computer Entertainment, Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000).

²⁴⁸ *See Sega*, 977 F.2d at 1523; *Sony v. Connectix*, 203 F.3d at 607.

Opening the door to the initial reverse engineering would necessarily allow a succession of followers to decompile the software. As the number of “decompiler” increases, it is very likely that right holder would suffer significant economic loss due to the drop in product price or number of purchasing consumers.²⁴⁹

Therefore, by standing in the shoe of consumers, both *Sega*²⁵⁰ and *Sony v. Connectix*²⁵¹ opened the door for reverse engineering for interoperability purpose based upon consumer welfare. By contrast, the second prong of the three-step test, according to the panel’s interpretation, centers solely on shielding copyright holders’ economic interest. The need to consider counterfeiting interests, e.g. consumer welfare, is by no means embedded into the second prong. Without being tempered by such a consideration, its focus on shielding copyright holders’ economic interest can surely strike down the limitation that permits reverse engineering for software interoperability. As one commentator bluntly pointed out, “[a] WTO panel could find that the ability to freely decompile a computer program under *Sega* conflicts with copyright owner’s ability to license its programs for that purpose, or that its use in the creation of a noninfringing, but nevertheless competing, work conflicts with the normal exploitation of the original program.”²⁵²

²⁴⁹ As to this point, Stanley Lai questioned the basis on which these two cases were decided by observing that: “[T]he court erred in believing that Sega’s market value could go unscathed because it thought consumers typically might buy more than one video game of the same type. Most consumers cannot afford to, nor would be inclined to purchase two similar video games. Sega would suffer significant losses as more companies followed in Accolade’s footsteps to manufacture games which are Genesis-compatible. There was also the effect of widespread conduct which the court did not examine—the decision focused only on the [allegedly] infringing use of one competitor, Accolade.”

See Lai, *supra* note 242, at 532.

²⁵⁰ *See Sega*, 977 F.2d at 1523-24 (“In any event, an attempt to monopolize the market by making it impossible for others to compete runs counter to the statutory purpose of promoting creative expression and cannot constitute a strong equitable basis for resisting the invocation of the fair use doctrine.”).

²⁵¹ *See Sony*, 203 F.3d 596 at 607 (“Sony understandably seeks control over the market for devices that play games Sony produces or licenses. The copyright law, however, does not confer such a monopoly.”).

²⁵² Tyler, *supra* note 183, 1660.

C. The Third Prong

As to the third prong of the three-step test which provides that a limitation shall not “unreasonably prejudice the legitimate interests of the right holder”, the Panel Report set out three conditions with which copyright limitations should satisfy:

First, broader than the economic interests, right holders’ “legitimate interests” cover “those that are justifiable in the light of the objectives that underlie the protection of exclusive rights”.²⁵³ This connotes that, moral rights, albeit estranged from the TRIPs regime, can be seen as the part of right holders’ legitimate interests.

Second, right holders’ legitimate interests are unreasonably prejudiced, “if an exception or limitation causes or has the potential to cause an unreasonable loss of income” to the right holder.²⁵⁴ In computing the said loss of income, the panel reiterates that both actual and potential effects on the right holder’s market should be taken into consideration.²⁵⁵

Third, unreasonable prejudice can be offset by the payment of compensation from the entrenched compulsory licensing system.²⁵⁶ In this regard, the third prong of the three-step test “highlight[s] the need for care, moderation, and constraint in constructing any compulsory licensing scheme under national law.”²⁵⁷

Since the Panel Report admitted that the above approach is incomplete and conservative,²⁵⁸ weighing the validity of a copyright limitation based upon economic loss suffered by right

²⁵³ Panel Report, at para.6.224.

²⁵⁴ *Id.* para.6.229.

²⁵⁵ *Id.* para.6.247.

²⁵⁶ *Id.* para.6.229 (noting that “in cases where there would be serious loss of profit for the copyright owner, the law should provide him with some compensation”).

²⁵⁷ RICKETSON & GINSBURG, *supra* note 43, at 777.

²⁵⁸ Panel Report, at para.6.247.

holder, therefore, does not foreclose the other means by which “unreasonable prejudice” can be measured. If the three-step test is brought into play in the context of the WCT and WPPT, one possible inquiry may arise on the horizon is to examine whether the limitation in question would constitute unreasonable prejudicial to right holders’ “honor or reputation”, namely the moral interests embodied in their moral rights.

However, one should note the third prong of the three-step test per se is a relatively lenient standard. On the one hand, it the “unreasonable prejudice” standard is generally far less strong and strict than the “normal exploitation” standard set out in the second prong of the three-step test. On the other hand, it is prescribed that an appropriate payment of compensation which is potentially lower than that under the “normal exploitation” standard, can redress the “unreasonable prejudice” effect.

Although the Panel Report does not elaborate on the normative content of the “legitimate interests” that the objectives of the copyright law support, it seems that the following two points are quite clear. First, “an author would not have a ‘legitimate’ interest in preventing publication of an unfavorable book review”,²⁵⁹ for this act runs afoul of the free speech right that copyright law supports. Second, allowing the transformative use serves the objective of the copyright law and therefore might not be deemed violative of the third condition of the three-step test. This is because “the more a right-holder’s assertion of rights tends to prevent others making transformative use of it, the less likely that assertion is to involve ‘legitimate’ interest.”²⁶⁰ Hence, it seems that public policy scrutiny is embedded into the third prong of the three-step test.

²⁵⁹ See Ginsburg, *supra* note 96, at 7.

²⁶⁰ Oliver, *supra* note 84, at 167.

IV. The Creative Destruction of the Three-Step Test

Given the three-step test's chilling effect on the existence of the above-mentioned limitations on copyright,²⁶¹ this Part delves into how the test could be changed in manner conducive to the protection and promotion of public interest. To do so, I propose that the three-step test should be replaced by the following new test:

Members may provide limitations on the exclusive rights, provided that such limitations take account of the legitimate interests of right holders and of third parties.

The creative destruction of the three-step test, as shown above, is put forward on the basis of Article 17 of the TRIPs Agreement, which prescribes the condition with which “exceptions to the rights conferred by a trademark” should comply.²⁶² Moreover, the test sets forth two interdependent conditions. On the one hand, copyright holders' legitimate interest should not be “unreasonably prejudiced”. Put differently, the legitimacy of any given limitation on copyright hinges partly upon the condition that it would not be unreasonably prejudicial to the legitimate interest of right holders. On the other hand, users' legitimate interest that underpins the imposition of copyright limitations should be fully taken into account when the three-step test is invoked. From this perspective, the new test fully embraces the public policy scrutiny as an indispensable standard of review. In this sense, my proposal designed to reshape the three-step test is entirely different from those put forward by Ruth Okediji²⁶³ and Daniel Gervais²⁶⁴

²⁶¹ The explanations about why such chilling effect is bad are scattered in first and second subsections of this Part.

²⁶² Article 17 of the TRIPs Agreement provides that “Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.”

²⁶³ See Ruth Okediji, *Towards an International Fair Use Standard*, 39 COLUM. J. TRANSNAT'L L. 79 (2000).

²⁶⁴ See Daniel J. Gervais, *Towards A New Core International Copyright Norm: The Reverse Three-Step Test*, 9 MARQ. INTELL. PROP. L. REV. 1 (2005).

In the following discussion, I expound on the reasons why the three-step test should be replaced by the new test proposed above. To do so, the first section considers the problems inherent into the first prong of the three-step test, while the next two sections explore the ways in which the second prong of the test go astray by not opening the door for public policy scrutiny. The last section then discusses the extent to which the new test put forward above would facilitate the realization of the development agenda.

In addition to the aforementioned objectives, the following discussion aims to give a response to some leading copyright commentators' proposition that the public policy consideration should not be integrated into the review of copyright limitations based upon three-step test, in particular its first prong.²⁶⁵ In my opinion, they ostensibly erred in arguing so as they turn a blind eye to the fact that the mandate of public policy scrutiny has already been set out in other quasi three-step tests under the TRIPs Agreement.²⁶⁶ More importantly, I will provide a set of new perspectives to demonstrate that their proposition is fundamentally myopic and entirely based upon the wrong-headed perception of the nature of copyright law in general and copyright limitations in particular.

²⁶⁵ Professor Ginsburg posits that the drafters of the three-step test did not intend to incorporate a policy justification into the first condition and that "the Panel decision correctly eschewed inquiry into the motivation for a particular exception" on the grounds that "WTO may be ill-suited to condemn local giveaways" in this respect. See Ginsburg, *supra* note 96. See also, Oliver, *supra* note 84, at 150 (arguing that the Panel should be limited to consider whether there is a rational basis for a national exception, without considering its legitimacy, due to the limited expertise of WTO panels in examining policy issues).

²⁶⁶ See *e.g.*, TRIPs Agreement, arts. 17, 30 and 26.2. Under these provisions, the consideration of "the legitimate interests of third parties" is mandatory. Another Panel Report in which Article 30 of the TRIPs is interpreted, contends that public policy issues should be taken into account when considering the scope of the "the legitimate interests of third parties". See WTO Panel Report, *Canada—Patent Protection for Pharmaceutical Products*, WT/DS114/R (Mar. 17, 2000), para. 7.69 ("To make sense of the term "legitimate interests" in this context, that term must be defined in the way that it is often used in legal discourse - as a normative claim calling for protection of interests that are 'justifiable' in the sense that they are supported by relevant *public policies* or other social norms.") (emphasis added).

A. Accommodating the Open Texture of Copyright Limitations

As shown in Part III, since the first prong of the three-step test requires the any limitation on copyright should be “clearly defined” and “narrow in scope and reach”, it wields the power to strike down the fair use doctrine and some other common-law doctrines, all of which are flexible and open-ended in nature. In response to the possible demise of these public interest-oriented doctrines, this section questions the desirability of conferring such sweeping power upon the three-step test. To do so, I argue that, given the pervasive indeterminacy inherent into legal norms, it is unrealistic and meaningless to set up the standard as stringent as the first prong of the three-step test does.

1. The Open Texture of Law

In *The Concept of Law*, Hart forcefully contends that a number of legal norms, to a large extent, are vague and indeterminate. He labels this phenomenon as “open texture” problem that is rooted into the fabric of legal system:

Whichever device, precedent or legislation, is chosen for the communication of standards of behavior, these, however smoothly they work over the great mass of ordinary cases, will, at some point where their application is in question, prove indeterminate; they will have what has been termed as *open texture*.²⁶⁷

The reasons why “open texture” is seen as an inherent characteristic of legal system could be understood from the following three perspectives: linguistic indeterminacy, the limit in human capacities, and the structural need to keep the legal machinery in motion.

a. Linguistic Indeterminacy

Language is the vehicle through which law conveys its regulatory signals to the public at

²⁶⁷ HART, *THE CONCEPT OF LAW* 127-128 (1994) (emphasis in origin).

large. Therefore, linguistic determinacy forms the basis of legal determinacy which acts as the engine generating predictability for people involved in the enterprise of building law and complying with law. Yet language per se, under many circumstances, is fraught with uncertainties and indeterminacies which undermine its signaling function. Hence, as long as the linguistic indeterminacy persists, the seeds of open texture problem would keep flowing around in the ocean of legal norms.

Drawing on the philosophical theory of language established by Wittgenstein²⁶⁸ and Waismann,²⁶⁹ Hart explicates the ways in which linguistic indeterminacy brings about the open texture of law:

[I]n the case of legislation, as a general feature of human language[,] uncertainty at the borderline is the price to be paid for the use of general classifying terms in any form of communication concerning matters of fact. Natural languages like English are when so used irreducibly open-textured.²⁷⁰

Clearly, Hart reckons that “[v]agueness is an ineradicable feature of our everyday language, and its pervasiveness in the law is the most commonly invoked reason for thinking that the law is indeterminate.”²⁷¹

²⁶⁸ *Id.* at 125 and the footnote on page 297.

²⁶⁹ *Id.* at 128 and the footnote on page 297.

²⁷⁰ According to Felix Cohen, “A definition is in fact a type of insurance against certain risks of confusion. It cannot, any more than can a commercial insurance policy, eliminate all risks. *Absolute certainty is as foreign to language as to life.* There is no final insurance against an insurer’s insolvency. And the words of a definition always carry their own *aura of ambiguity.* But a definition is useful if it insures against risks of confusion more serious than any that the definition itself contains.” Felix S. Cohen, *Transcendental Nonsense and the Functional Approach*, 35 COLUM. L. REV. 809, 836 (1935) (emphasis added).

²⁷¹ Christopher L. Kutz, Note, *Just Disagreement: Indeterminacy and Rationality in the Rule of Law*, 103 YALE L.J. 997, 1004 (1994). For an insightful discussion about Hart’s theory of legal indeterminacy, see Michael Steven Green, *Dworkin’s Fallacy, or What the Philosophy of Language Can’t Teach Us about the Law*, 89 VA. L. REV. 1897 (2003); TIMOTHY A.O. ENDICOTT, *VAGUENESS IN LAW* (2000); BRIAN BIX, *LAW, LANGUAGE, AND LEGAL DETERMINACY* (1993).

b. Facing Impossibility: The Limits of Human Capacities

Locating everyday social life in the ocean of legal norms with the company of tens of millions of “lighthouses” (regulatory signals) does not necessarily mean that we comfortably “dwell in possibility”.²⁷² Rather, we still dwell in impossibility due to the limits in human abilities²⁷³ in foreseeing what will occur in future and then figuring out how we can deal with them beforehand. Hence, the letters of the law, no matter how general or specific they are, do not provide definite and exhaustive answers in order to sidestep any future legal pitfalls. Accordingly, Hohfeld observed that “[t]he strict fundamental legal relations are, after all, *sui generis*; and thus it is that attempts at formal definition are always unsatisfactory, if not altogether useless.”²⁷⁴

Hart, in explicating law’s “open texture” problem, were fully mindful of the correlation between legal indeterminacy and the limits in human abilities, as him straightforwardly acknowledged that “we are men, not gods.”²⁷⁵ To Hart, the limits in human abilities to clear away the cloud of legal indeterminacy is attributable to the two handicaps we the human beings unfortunately suffer:

It is a feature of the human predicament (and so of the legislative one) that we labor under two connected handicaps whenever we seek to regulate, unambiguously and in advance, some sphere of conduct by means of general standards to be used without further official direction on particular occasions. The first handicap is our relative ignorance of fact; the second is our relative indeterminacy of aim.²⁷⁶

²⁷² Emily Dickinson, *I Dwell in Possibility*, in COMPLETE POEMS OF EMILY DICKINSON (1993).

²⁷³ YEHEZKEL DROR, THE CAPACITY TO GOVERN: A REPORT TO THE CLUB OF ROME (2002) 118 (“Certainly, humanity has not reached the limits of its potential for management of itself and its environment, there being scope also for improving capacities to govern and build a better future.”).

²⁷⁴ Wesley N. Hohfeld, *Some Fundamental Legal Conceptions as Applied in Judicial Reasoning*, 23 YALE L.J. 16, 30 (1913)

²⁷⁵ HART, THE CONCEPT OF LAW 128.

²⁷⁶ *Id.*

Patently, these two handicaps, in Hart's vision, are the very roots of the open-textured nature of law. This is because "human legislators can have [no] knowledge of all possible combinations of circumstances which the future may bring. This inability to anticipate brings with it a relative indeterminacy of aim."²⁷⁷ In this respect, Hart himself unwittingly generalizes Justice Marshall's emphatic expounding of indeterminacy as the inherent nature of constitutional law to the universe of law:

It was impossible for the framers of the constitution to specify, prospectively, all these means, both because it would have involved an immense variety of details, and because it would have been impossible for them to foresee the infinite variety of circumstances, in such an unexampled state of political society as ours, for ever changing and for ever improving. How unwise would it have been, to legislate immutably for exigencies which had not then occurred, and which must have been foreseen but dimly and imperfectly!²⁷⁸

c. Structural Need of the Legal System

To be sure, the whole legal system deals with the nuances and complexities embedded into the web of human behaviors which are fraught with uncertainties and indeterminacies.²⁷⁹ The structure of legal system, therefore, should and must be designed in a manner sufficiently responsive to an ocean of ever-changing circumstances and unpredictable factors that occur in the social machinery.²⁸⁰ This is because legal system that accommodates "allocations of institutional responsibility" should be understood as "a rich, fluid, and evolving set of norms for effective governance and dispute resolution, not as a positivist system of fixed and

²⁷⁷ *Id.*

²⁷⁸ *McCulloch v. Maryland*, 17 U.S. 316, 385 (1819) (hereinafter *McCulloch*).

²⁷⁹ See RUSSELL HARDIN, *INDETERMINACY AND SOCIETY 1* (arguing that "indeterminacy is real", pervasive and intractable in virtually all social contexts) (2003).

²⁸⁰ See Cohen, *supra* note 270, at 884 ("Law is a social process, a complex of human activities and adequate legal science must deal with human activity, with cause and effect, with the past and the future.... Legal system, principles, rules, institutions, concepts, and decisions can be understood only as functions of human behavior.").

determinate rules.”²⁸¹ From this perspective, certain degree of flexibility and fluidity of legal norms, to a large extent, stems from the structural need to maintain the legal system open and broad enough to grapple with an extremely wide range of legal matters.

The design of constitutional law epitomizes the open texture problem derived from the structural need of legal system. In order to promote governmental efficiency and to prevent tyranny,²⁸² the notion of separation of powers becomes the heart of modern constitutional law which distributes power horizontally and vertically. However, in U.S., the constitutional framework of power separation “has been sufficiently flexible over the past two centuries”²⁸³ in that “[t]he enumeration [of power] presupposes something not enumerated”.²⁸⁴ The reason to do so was expounded by *McCulloch v. Maryland*:

A constitution, to contain an accurate detail of all the subdivisions of which its great powers will admit, and of all the means by which they may be carried into execution, would partake of the prolixity of a legal code, and could scarcely be embraced by the human mind.... That this idea was entertained by the framers of the American constitution, is not only to be inferred from the nature of the instrument, but from the language.²⁸⁵

Moreover, in *United States v. Lopez*,²⁸⁶ Justice Rehnquist highlighted the structural need-based reasons why the Commerce Clause has been operated within the framework of legal indeterminacy ever since the judiciary’s duty “to say what the law is” was declared by *Marbury v. Madison*²⁸⁷:

²⁸¹ See Richard H. Fallon, *Reflections on the Hart and Wechsler Paradigm*, 47 VAND. L. REV. 953, 965 (1994).

²⁸² GEOFFREY R. STONE ET AL, CONSTITUTIONAL LAW 359 (2005).

²⁸³ *Id.* at 339

²⁸⁴ *Gibbons v. Ogden*, 22 U.S. (9 Wheat.) 195 (1824).

²⁸⁵ *McCulloch v. Maryland*, 17 U.S. at 407.

²⁸⁶ 514 U.S. 549 (1995) [hereinafter *Lopez*]

²⁸⁷ *Marbury v. Madison*, 1 Cranch 137, 177, 2 L.Ed. 60 (1803) (Marshall, C.J.).

Admittedly, a determination whether an intrastate activity is commercial or noncommercial may in some cases result in legal uncertainty. But, so long as Congress' authority is limited to those powers enumerated in the Constitution, and so long as those enumerated powers are interpreted as having judicially enforceable outer limits, congressional legislation under the Commerce Clause always will engender “legal uncertainty.”...The Constitution mandates this uncertainty by withholding from Congress a plenary police power that would authorize enactment of every type of legislation.... Any possible benefit from eliminating this “legal uncertainty” would be at the expense of the Constitution's system of enumerated powers.²⁸⁸

2. The Open Texture of Copyright Law

The problem of legal indeterminacy, as the foregoing discussion showed, is inherently pervasive in the letters of law. In this respect, commentators have boldly proclaimed that “[legal] certainty is only an illusion”,²⁸⁹ and “law is necessarily vague”.²⁹⁰ While whether radical indeterminacy of law as the critical legal scholarship suggests²⁹¹ is still contestable, the fact that law has different degrees of moderate indeterminacy is now universally accepted.²⁹²

When it comes to copyright law, there are legal norms that are determinate on its face. For example, it is prescribed that the term of copyright spans to life of author plus seventy years after his death. Yet the copyright statute, by and large, is awash with a host of vague standards and concepts, many of which form the lifeblood of copyright protection. As a threshold standard for copyright protection, the idea/expression dichotomy exemplifies the open texture problem inherent into copyright statutes.

²⁸⁸ 514 U.S. 549 (1995) [hereinafter *Lopez*].

²⁸⁹ Oliver Wendell Holmes, *Privilege, Malice and Intent*, 8 HARV. L. REV. 1,7 (1894).

²⁹⁰ Timothy Endicott, *Law is Necessarily Vague*, 7 LEGAL THEORY 379 (2001).

²⁹¹ See e.g., Joseph William Singer, *The Player and the Cards: Nihilism and Legal Theory*, 94 Yale L. J. 1 (1984); James Boyle, *The Politics of Reason: Critical Legal Theory and Local Social Thought*, 133 U. Pa. L. Rev. 685 (1985); Gray Peller, *The Metaphysics of American Law*, 73 Cal. L. Rev. 1151 (1985).

²⁹² See Lawrence B. Solum, *On the Indeterminacy Crisis: Critiquing Critical Dogma*, 54 U. CHI. L. REV. 462 (1987); Ken Kress, *Legal Indeterminacy*, 77 Calif. L. Rev. 283, 284(1989) (arguing that legal “indeterminacy is at most moderate”).

The idea/expression dichotomy²⁹³ teaches that only the expression of ideas, rather than ideas, is copyrightable. Yet charting the boundaries between idea and expression is no easy work in many cases. On the one hand, while the idea/expression dichotomy is hailed as a universal standard for setting the threshold of copyright protection, no efforts as to what elements of works would fall into the two baskets of “idea” and “expression” respectively, have ever been done in any national and international copyright law. The absence of this kind of line-drawing effort stems from the fact that the making of such “tangible baskets” is entirely beyond the human capacities. Given the extremely rich, fast-changing, ever-expanding nature of the pluralist society, it is impossible for legislators to exhaust all the past, current and future circumstances in which ideas are created, and then draw the dividing line for every category of ideas and their expressions. Hence Judge Hand lamented “Nobody has ever been able to fix [the] boundary [between idea and expression], and nobody ever can.”²⁹⁴ Moreover, one should note that the creation of “ideas” defies any artificial interference into the universe of innovation and creativity. Indeed, ideas are created by the sparks of human mind that know no boundaries and are kindled by the spirit of freedom of thinking.

On the other hand, it seems that the nature of many non-literary forms of works renders it increasingly difficult to perceive the dividing line between idea and expression. For example, with respect to the artistic work, it becomes routinely hard to determine what is the “idea” conveyed therein and what is the “expression” that functions to communicate such “idea” to the public. The court in *Mannion v. Coors Brewing Co.*,²⁹⁵ gives up the attempt to carry out the typical line-drawing effort to deal with the idea/expression dichotomy. It simply

²⁹³ See e.g., 17 U.S.C. § 102(b) (“In no case does copyright protection for an original work of authorship extend to any idea.”); TRIPs Agreement, art. 11; *Baker v. Selden*, 101 U.S. 99, 103 (1879); *Mazer v. Stein*, 347 U.S. 201, 217 (1954).

²⁹⁴ *Nichols v. Universal Pictures Corporation*, 45 F.2d 119, 121 (2d Cir. 1930).

²⁹⁵ 2005 U.S. Dist. LEXIS 14686.

acknowledges that the distinction between idea and expression “breaks down” in the case of artistic work:

For one thing, it is impossible in most cases to speak of the particular “idea” captured, embodied, or conveyed by a work of art because every observer will have a different interpretation. Furthermore, it is not clear that there is any real distinction between the idea in a work of art and its expression. An artist’s idea, among other things, is to depict a particular subject in a particular way. As a demonstration, a number of cases from this Circuit have observed that a photographer’s “conception” of his subject is copyrightable. By “conception,” the courts must mean originality in the rendition, timing, and creation of the subject – for that is what copyright protects in photography. But the word “conception” is a cousin of “concept,” and both are akin to “idea.” In other words, those elements of a photograph, or indeed, any work of visual art protected by copyright, could just as easily be labeled “idea” as “expression.”²⁹⁶

Given the aforementioned factors, courts facing the task of differentiate between idea and expression, have been tormented by dealing with the pitfall of drawing such a dividing line. As a result, there is no shortage of the statement echoing in courtrooms which laments that the idea/expression dichotomy is “elusive”²⁹⁷ and “an imprecise tool”²⁹⁸. Against this backdrop, William Patry initiates a postmodernist critique of the mechanical interpretation of the idea/expression dichotomy:

[W]e are better off if we appreciate that the idea-expression dichotomy is not an analytical tool; it is not a test; “idea” and “expression” are simply labels that reflect that some material is protected and some isn’t, and that determination is always after-the-fact.... “Idea” and “expression” are not categories that have content; they do not express set characteristics; they are just metaphors by

²⁹⁶ *Id.*

²⁹⁷ *Williams v. Crichton*, 84 F.3d 581, 587-588 (2d Cir. 1996).

²⁹⁸ *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 912 (2d Cir. 1980).

which we pretend we are reasoning a priori, when in truth we are engaged in fact-finding.²⁹⁹

To be sure, the idea/expression dichotomy is by no means the single standard that has no clear contours in the realm of copyright law. A host of other standards like “originality”, “fixation”, and so forth, have bedeviled the rule-makers in a way that they make the copyright law’s reservoir full of poorly-shaped “filters”. For example, In the *Da Vinci Code* case, Justice Smith simply acknowledged that “originality” as the threshold standard for copyright protection “potentially confusing”.³⁰⁰ Also, “the test for infringement of a copyright” is deemed “of necessity vague”.³⁰¹ Yet these standards tacitly allow courts to adjust the shape of the “filters” in response to specific facts involved in hard cases. This is exactly what Hart envisions as to the role of courts/judges in dealing with legal indeterminacy when adjudicating hard cases. In this respect, he succinctly concluded that “[t]he open texture of law means that there are, indeed, areas conduct where much must be left to be developed by courts or officials striking a balance, in the light of circumstances, between competing interests which vary in weight from case to case.”³⁰²

3. The Open Texture of Copyright Limitations

Generally speaking, there are two competing modes of copyright limitations. The fair use doctrine, representative of the first mode, is embedded with the broad and flexible approach to carve out limitations on copyright. As long as the general conditions are met, any unauthorized act of using works would be exempted from the potential liability. Thus, the doctrine per se does not set out the whole range of the privileged uses of works. Apart from U.S., several other countries have adopted³⁰³ or are considering to the feasibility of including

²⁹⁹ William Patry, *Football and the Idea-Expression Dichotomy*, available at <http://williampatry.blogspot.com/2005/08/football-and-idea-expression-dichotomy.html>.

³⁰⁰ Michael Baigent & Richard Leigh v. The Random House Group Limited, [2006] EWHC 719 (Ch) at para. 142.

³⁰¹ Peter Pan Fabrics, Inc. v. Martin Weiner Corp., 274 F.2d 487, 489 (2d Cir. 1960)

³⁰² HART, THE CONCEPT OF LAW 134.

³⁰³ Singapore has recently introduced the fair use doctrine into her copyright law. See Section 35 of the Singapore Copyright (Amendment) Bill 2004, came into force on January 1, 2005.

this doctrine in their copyright systems.³⁰⁴ By contrast, the second mode, represented by the EU Copyright Directive, itemizes an exhaustive list of specific limitations on copyright and prescribes specific conditions under which each limitation could be invoked. The privileged use of works, under this carefully designed regulatory hierarchy, should closely follow the specifics of instructions given by the law. Equipped with the pre-set detailed limits, the radar screen of the latter mode of law is designed to facilitate rapid detection of those users who have gone beyond the preview of allowable uses

As demonstrated in Part III, the first mode runs afoul of the requirements set forth in the first prong of the three-step test, namely copyright limitations should be “clearly defined” and “narrow in scope and reach”. By contrast, it seems that the second mode could square comfortably with the first prong of the three-step test, given its endeavors to keep the legal rules “clearly defined” and “narrow in scope and reach”. Therefore, such requirements contained in the first prong would potentially bring about a radical shift in the legislative structure of copyright law simply by forcing countries who accept the first mode to embrace the second mode.

Given the pervasiveness of legal indeterminacy in legal norms in general and copyright statutes in particular, one would naturally question whether the three-step test is a legally sound and reasonable enough to be instilled the sweeping power to weed out the first mode of copyright limitations. To do so, one would need to consider whether the first mode of copyright limitations represented by the fair use doctrine, is consistent with the fundamental justifications for the existence of open texture of law.

³⁰⁴ In Australia and Canada, proposals have been put forward to introduce the fair use doctrine into their copyright laws.

First, as language is the vehicle through which copyright limitations are put in motion, linguistic indeterminacy necessarily begets the open-texture problem for the fair use doctrine. This also means that even the second mode of copyright limitations would necessarily “suffer from” the open-texture problem no matter how earnestly the legislators draft the law in painstaking detail with respect to the ways in which specific conditions should be met.

Second, the legislative inability to foresee and deal with all potential circumstances makes it understandable that the fair use doctrine is structured in an open-ended and flexible manner. In contrast with the second mode, the indeterminacy carried by fair use doctrine becomes the advantage of first mode. This is because the fair use doctrine’s open-ended nature has the advantage of adapting copyright limitations to potentially novel ways of exploiting works, making the framework of copyright law largely coterminous with the needed legislative changes spawned by continuous development in technology.³⁰⁵

Third, since copyright law is dealing with complicated and ever-changing legal relation in exploiting works of authorship, it is natural that a certain degree of flexibility ought to be imbedded into its whole legislative framework. More importantly, copyright limitations are geared to serve public interest which is not amenable to definition because of the heterogeneity and variety of general human needs it conveys.³⁰⁶ For example, framers of the U.S. Constitution were unsure about what “freedom of speech” means, as Benjamin Franklin acknowledged that “Few of us, I believe, have distinct Ideas of Its Nature and Extent.”³⁰⁷

³⁰⁵ Dan L. Burk & Julie E. Cohen, *Fair Use Infrastructure for Rights Management Systems*, 15 HARV. JL & TECH. 41, 43-47 (2001) (summarizing “the social functions of fair use” and in particular pointing out that “fair use adapts copyright to new technologies that pose challenges for the traditional copyright framework”).

³⁰⁶ *Lucas v. Forty-Fourth General Assembly of State of Colo.*, 377 U.S. 713, 751 (1964) (Stewart, J., dissenting) (pointing out that “the public interest is composed of many diverse interests”).

³⁰⁷ BENJAMIN FRANKLIN, *THE COURT OF THE PRESS* (1789), reprinted in 10 *THE WRITINGS OF BENJAMIN FRANKLIN* 37 (Albert Smyth ed., 1907). Moreover, Alexander Hamilton wrote in the *Federalist Papers*: “What signifies a declaration that ‘the liberty of the press shall be inviolably preserved?’ What is the liberty of the press? Who can give it any definition which would not leave the utmost latitude for evasion?” See *THE FEDERALIST NO.*

Moreover, Justice Rehnquist straightforwardly pointed out that “the ‘liberty’ specially protected by the Fourteenth Amendment—never fully clarified, to be sure, and perhaps not capable of being fully clarified”.³⁰⁸ In dealing with the case concerning the public interest defense, Judge Mance inferred that “the circumstances in which the public interest may override copyright are probably not capable of precise categorization or definition.”³⁰⁹ Therefore, there is a structural need to keep the copyright limitations flexible enough to accommodate the malleability of “public interest”.

Having said that, it seems that the first prong of the three-step test, imbued with the power to strike copyright limitations carved out in the first mode, is utterly at odds with the open texture phenomenon which is the intrinsic hallmark of legal system in general and copyright law in particular. More importantly, it should be pointed out that the three-step test per se is no “bright line”³¹⁰ rule and therefore is fraught with uncertainties.³¹¹ For example, at the Stockholm Conference, Israeli delegation reminded that “the uncertainty which surrounds the words ‘in certain particular cases’, ‘legitimate interests’, and ‘normal exploitation’”.³¹² As long as legal indeterminacy is the “gene” inherent into the legal system and could not be eliminated within the boundaries of human capabilities, it is safe to draw the conclusion that the first prong of the three-step test is founded upon the misconception that all the open-texture problems underlying copyright limitations should be “genetically modifiable and modified” by national legislators.

84, at 514 (Alexander Hamilton) (Clinton Rossiter ed., 1961).

³⁰⁸ *Washington v. Glucksberg*, 521 US 702, 722 (1997).

³⁰⁹ *Hyde Park Residence Ltd v. Yelland*, [2001] Ch. 143, 172.

³¹⁰ RICKETSON & GINSBURG, *supra* note 43, at 777.

³¹¹ See Carlos M. Correa, *TRIPS Agreement: Copyright and Related Rights*, 25 INT'L REV. INDUS. PROP. & COPYRIGHT L. 543, 549 (1994) (arguing that the three-step test “fails to give useful guidance on how to tackle some of the more complex issues involved in the applications of exceptions to exclusive rights”); David J. Brennan, *The Three-Step Test Frenzy—Why the TRIPS Panel Decision Might be Considered Per Incuriam*, 2 I.P.Q. 212, 224 (2002) (arguing that the test does “create uncertainty”).

³¹² WIPO, *supra* note 24, at 622.

B. Taking Users' Human Rights Seriously

The inquiry into the legitimacy of the second prong of the three-step test begs the question of whether it is valid for the test to fill up its gravitational field solely with the instruments whose mission is to protect copyright holders' interests. In other words, should the need to protect the interest of the users at large be integrated into the test's skein? This section delves into the extent to which users' interests ought to be protected under the framework of copyright law. First of all, I explore the ways in which users' rights could be fit into the landscape of copyright law in general and copyright limitations in particular. In contrast to the approaches embraced by recent literature discussing the status of users' rights in copyright law,³¹³ I capitalize on rights discourse in the framework of human rights law to explore the importance of users' rights in the field of copyright law. Second, I then center on my inquiry into the nature of copyright limitations and the extent to which users' interests can and should be embedded into them. In so doing, I question the legitimacy of the second prong of the three-step test by demonstrating that it leaves too little room for the protection of users' rights in its measuring the legality of the limitations on copyright.

1. Building Users' Rights within the Human Rights Framework

Human rights law provides an excellent framework within which rights talk concerning intellectual products could be animated in a way to bring about a more lucid and intimate understanding of the nature of competing rights enjoyed by creators and users. Based upon the major international human rights treaties, e.g. the Universal Declaration on Human Rights (UDHR), International Covenant on Economic, Social and Cultural Rights (CESCR), and, International Covenant on Civil and Political Rights (ICCPR), the following discussion itemizes and canvasses the major human rights enjoyed by creators and users respectively.

³¹³ See e.g., Joseph P. Liu, *Copyright Law's Theory of the Consumer*, 44 B.C. L. Rev. 397 (2003); Julie E. Cohen, *The Place of the User in Copyright Law*, 74 FORDHAM L. REV. 347 (2005).

a. Creators' Rights

According to UDHR and CESC, “Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.”³¹⁴ Therefore, the creators of original works shall be entitled to this form of human right, namely the right to benefit from the protection of creative work. Intellectual property in general and copyright in particular, are afforded with limited term of protection and can be waived, licensed and transferred in most circumstances. By contrast, human rights represent the “timeless expressions of fundamental entitlements of the human person”³¹⁵ and are by nature inalienable. From this perspective, copyright together with other forms of intellectual property, therefore, does not fit comfortably into the human rights skin.³¹⁶ Yet copyright is an indispensable and the most important vehicle through which the right to benefit from the protection of creative work is respected, protected and fulfilled. In this sense, copyright can be seen at least as a quasi-human right. On the other hand, a large number of users who create new works by tapping into others’ intellectual fruits can and should become the beneficiaries of the same human rights protection.

b. Users' Rights

While human rights law provides affirmative protection of creators’ interest in their intellectual products, it does not necessarily follow that users of copyrighted works are powerless. Rather, they are conferred upon a series of human rights, the conferral of which is not conditioned by their identity as users of copyrighted works. Among the whole bundle of human rights they enjoy, the following four categories of rights, in my view, are the most relevant to the rights talk associated with copyright law.

³¹⁴ UDHR, art. 27.2; CESC, art.15.1(c).

³¹⁵ Committee on Economic, Social and Cultural Rights, *The Right of Everyone to Benefit from the Protection of the Moral and Material Interests Resulting from Any Scientific, Literary or Artistic Production of Which He Is the Author* (art. 15(1)(c) of the Covenant), Draft General Comment No. 18 (November 15, 2004).

³¹⁶ *Id.*

In order to reveal the true nature of each right discussed below, I capitalize on Isaiah Berlin's theory of negative and positive liberties.³¹⁷ In Berlin's terms, the vision of negative liberty seeks to answer the question "What is the area within which the subject—a person or group of persons—is or should be left to do or be what he is able to do or be, without interference by other persons?" When it comes to positive liberty, we instead attempt to answer the question "What, or who, is the source of control or interference that can determine someone to do, or be, this rather than that?"³¹⁸ From this perspective, while negative liberty concerns the extent to which individuals or groups should not suffer interference from "external bodies"³¹⁹ (usually the government), positive liberty deals with the how "internal factors"³²⁰ affect the degree to which individuals or groups can act autonomously. As Justice Brandeis has pointed out, we "valu[e] liberty both as an end and as a means".³²¹ Therefore, the pursuit of assuring negative liberty can be seen as the means to the ends of achieving positive liberty.

(1) The Right to Freedom of Expression

The freedom "to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers"³²² is hailed as the one of the fundamental human rights universally enjoyed by all human beings.

On the one hand, it has been universally accepted that government shall be prohibited from abridging the freedom of speech.³²³ The ban of this type guarantees the negative liberty for

³¹⁷ ISAIAH BERLIN, *FOUR ESSAYS ON LIBERTY* (1969).

³¹⁸ *Id.*, at 121-22.

³¹⁹ Ian Carter, *Positive and Negative Liberty*, in *THE STANFORD ENCYCLOPEDIA OF PHILOSOPHY* (2003), Edward N. Zalta (ed.), available at <http://plato.stanford.edu/archives/spr2003/entries/liberty-positive-negative/>.

³²⁰ *Id.*

³²¹ *Whitney v. California*, 274 US 357, 375 (1927) (Brandies, J., concurring).

³²² UDHR, art. 19; CESCR art.19.

³²³ This means that under extremely limited circumstances can the government adopt measures regulating

all human beings, insulating them from unwarranted coercion that suppresses their speech. Mill contends that “peculiar evil of silencing the expression of an opinion is that it is robbing the human race, posterity as well as the existing generation—those who dissent from the opinion, still more than those who hold it.”³²⁴ Therefore, censoring speech would always lead to public silence and further breed the abuse of power by the government. From this perspective, without governmental intervention, people can freely search for the light of truth. According to Justice Holmes, “the best test of truth is the power of the thought to get itself accepted in the competition of the market, and that truth is the only ground upon which their wishes safely can be carried out.”³²⁵ Regarding Holmes’s “marketplace of ideas” metaphor, Justice Brandeis further added that “freedom to think as you will and to speak as you think are means indispensable to the discovery and spread of *political truth*”.³²⁶ Hence, serving as essential checking value on government’s power, free speech is of paramount importance to the building and enhancing of democratic society.

On the other hand, the free speech right further promotes the realization of the positive freedom for all human being, providing them with the sufficient “breathing room” for expressing their own ideas. Facilitated by the practice that “debate on public issues should be uninhibited, robust, and wide-open”,³²⁷ free speech protection hugely promotes autonomy. As Justice Thurgood Marshall pointed out, free speech “serves not only the needs of the polity but also those of the human spirit—a spirit that demand self-expression.”³²⁸ By experiencing self-expression and self-determination,³²⁹ people “acquire the intelligence,

speech. For example, government may regulate speech that is deemed as incitement of illegal activities, fighting words, or obscenity.

³²⁴ JOHN STUART MILL, ON LIBERTY 76 (1859).

³²⁵ *Abrams v. U.S.*, 250 U.S. 616, 630 (1919) (Holmes, J., dissenting).

³²⁶ *Whitney v. California*, 274 US 357, 375 (1927) (Brandies, J., concurring).

³²⁷ *New York Times Co. v. Sullivan*, 376 U.S. 254, 270 (1964).

³²⁸ *Procurier v. Martinez*, 416 U.S. 396, 427 (1974).

³²⁹ Edwin Baker, *Scope of the First Amendment Freedom of Speech*, 25 UCLA L. REV. 964, 994 (1978) (pointing out that “[t]o engage voluntarily in a speech act is to engage in self-definition or expression.”).

integrity, sensitivity, and generous devotion to the general welfare”.³³⁰ Moreover, the protection of free speech is essential to the fostering of tolerance which enhances the solidarity and coherence of our society. This is because the free speech principle “involves a special act of carving out one area of social interaction for extraordinary *self-restraint*, the purpose of which is to develop and demonstrate a social capacity to control feelings evoked by a host of social encounters.”³³¹ Indeed, nurturing tolerance contributes to shaping “the intellectual character of the society.”³³²

(2) The Right to Education

People are nurtured and cultivated by education throughout their life. From this perspective, education is indeed “a necessity of life”.³³³ The right to education, therefore, is heralded as the one of the fundamental human rights as it is declared that “[e]veryone has the right to education.”³³⁴

The negative liberty dimension of the right to education indicates that the state has the affirmative duty to facilitate the development of education at various levels. Pursuant to the Universal Declaration of Human Rights states that “Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.”³³⁵ Moreover, the International Covenant on Economic, Social and Cultural Rights elaborates the additional duties for the state to promote and protect the right to education: “the Fundamental education shall be encouraged or

³³⁰ Alexander Meiklejohn, *The First Amendment Is an Absolute*, 1961 SUP. CT. REV. 245, 255.

³³¹ LEE C. BOLLINGER, *THE TOLERANT SOCIETY: FREEDOM OF SPEECH AND EXTREMIST SPEECH IN AMERICA* 9-10(1986) (emphasis added).

³³² *Id.*, at 120.

³³³ JOHN DEWEY, *DEMOCRACY AND EDUCATION* 1 (1997).

³³⁴ UDHR, art. 26; CESCR, art. 13.

³³⁵ UDHR, art. 26.1.

intensified as far as possible for those persons who have not received or completed the whole period of their primary education; The development of a system of schools at all levels shall be actively pursued, an adequate fellowship system shall be established, and the material conditions of teaching staff shall be continuously improved.”³³⁶

On the other hand, the right to education has its “positive liberty” dimension. Education, in Tocqueville’s vein, is capable of “arousing a sleeping population, and of giving it passions and knowledge which it does not possess”³³⁷ In *Brown v. Board of Education*,³³⁸ education is seen as “a principal instrument in awakening the child to cultural values, in preparing him for later professional training, and in helping him to adjust normally to his environment.”³³⁹ Consequently, *Brown* forcefully concludes that education forms “the very foundation of good citizenship”.³⁴⁰ Indeed, the “positive liberty” dimension of the right to education is highlighted by the Universal Declaration of Human Rights. It is stated that “Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.”³⁴¹

(3) The Right to Cultural Participation

“Human development is a cultural process. As a biological species, humans are defined in terms of our cultural participation.”³⁴² Indeed, this vision of human development lays the

³³⁶ CESC, arts.13.3 (d)-(e).

³³⁷ ALEXIS DE TOCQUEVILLE, *DEMOCRACY IN AMERICA* 75 (2003) (Bevan Trans.).

³³⁸ *Brown v. Board of Education*, 347 U.S. 483, 493 (1954).

³³⁹ *Id.*, at 493.

³⁴⁰ *Id.*

³⁴¹ UDHR, art. 26.2.

³⁴² BARBARA ROGOFF, *THE CULTURAL NATURE OF HUMAN DEVELOPMENT* 3 (2003).

very foundation for the human right to cultural participation.³⁴³

On the one hand, the state should facilitate rather than impede individuals' freedom to cultural participation. The Universal Declaration of Human Rights places much emphasis on requirement that states should allow citizens to enjoy full latitude in "freely [participating] in the cultural life of the community."³⁴⁴ In this sense, cultural participation is the very realm of life that is free of unreasonable state surveillance, interference, and coercion. Moreover, under the International Covenant on Economic, Social and Cultural Rights, states shall adopt various measures to "achieve the full realization of [the] right [to cultural participation]".³⁴⁵ The measures include "those necessary for the conservation, the development and the diffusion of science and culture."³⁴⁶ Moreover, states shall "respect the freedom indispensable for scientific research and creative activity."³⁴⁷

On the other hand, the very freedom to take part in the cultural life enhances the human ability to think and provides numerous bridges that culturally connects individual from all various walks of life. Thus, the right to cultural participation nurtures human functional capabilities of "[b]eing able to use imagination and thought in connection with experiencing and producing self-expressive works and events of one's own choice, religious, literary, musical, and so forth."³⁴⁸

(4) The Right to Benefit from Scientific and Technological Development

The intervening one hundred years have witnessed an unprecedented shift in human life brought about by scientific and technological developments. To be sure, the development of

³⁴³ See UDHR, art. 27.1; CESCR, art. 15.1(a).

³⁴⁴ UDHR, art. 27.1

³⁴⁵ CESCR, art. 15.2.

³⁴⁶ *Id.*

³⁴⁷ CESCR, art. 15.3.

³⁴⁸ MARTHA C. NUSSBAUM, WOMEN AND HUMAN DEVELOPMENT: THE CAPABILITIES APPROACH 79 (2000).

science and technology serves to promoting human well-being, and provides people with enhanced capabilities to pursue their own good life. As the convenience afforded by science and technology become an indispensable part of human life, the right “to share in scientific advancement and its benefits” has been enshrined in human rights treaties.³⁴⁹ The “negative and positive liberties” dimensions of this right are closely akin to those of the right to cultural participation.³⁵⁰

2. The Nature of Copyright Limitations

“Can we create meaning for our lives without demeaning the lives of others?”³⁵¹ Indeed, behind this perplexing metaphysical question lies a phenomenon called “conflict of rights”. From a utilitarian perspective, human beings have an inherent inclination to fulfill their desires, maximize their satisfaction, and minimize their pain and sufferings. “[T]he grand governing law of human nature” is, Mill reckoned, to “render the persons and properties of human beings subservient to our pleasures”.³⁵² The society as a whole, therefore, is formed by individuals who seek as much utility as they can get from whatever it is they want. Yet, resources available are scarce and cannot do justice to all the desires harbored by utilitarianism-minded persons. Hence conflict of rights is inevitable when the interested parties claim they have stronger interest in certain resources than others do. Indeed, conflicts of rights are pervasive in an increasingly pluralistic society, due to the diversity and heterogeneity of people’s values and beliefs.

When it comes to copyright law, the conflict of rights enjoyed by creators and users respectively looms large in the everyday production, dissemination and consumption of copyrighted works. As a set of exclusive rights vested in creators, copyrights would surely

³⁴⁹ UDHR, art.27.1; CESCR, art. 15.1 (b).

³⁵⁰ These two rights actually are provided for in the same provisions of UDHR and CESCR respectively.

³⁵¹ THOMAS STEPHEN SZASZ, *THE MANUFACTURE OF MADNESS* 287 (1977).

³⁵² JAMES MILL, *ESSAY ON GOVERNMENT*, Essay iv (1824).

prevent users from reproducing and distributing works of authorship. However, users can assert that, without being allowed to take any of the above actions, their human rights to freedom of expression, education, cultural participation, and the benefit from scientific and technological development would be unquestionably undermined and eroded. This because the fulfillment or realization of these human rights, as they argue, cannot be achieved without being given an appropriate degree of freedom to use the copyrighted work concerned. For example, a parodist who affirmatively exercises his free speech right,³⁵³ as Justice Souter has pointed out, would necessarily need to “‘conjure up’ the original in order to parody it”.³⁵⁴

Against this backdrop, copyright legislators and policymakers “confront the issues at stake and can then settle the question by choosing between the competing interests in the way which best satisfies us.”³⁵⁵ The limitations on copyright, therefore, are designed by copyright legislators and policymakers to deal with the conflict of rights in this context. Guided by the principle that “[t]he primary objective of copyright is not to reward the labor of authors, but ‘[t]o promote the Progress of Science and useful Arts’”,³⁵⁶ they exercise the state police power to intervene in many circumstances, if not all, giving the trump card to users’ rights and thereby setting out limitations to circumscribe the exercise of copyrights and to facilitate the materialization of users’ human rights. In this sense, the limitations on copyright could be

³⁵³ See *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1400 (9th Cir. 1997) (holding that parody is “a form of social and literary criticism,” and it has “socially significant value as free speech under the First Amendment.”); *Mattel*, 353 F.3d 792, 807 (holding that “First Amendment concerns in free expression are particularly present in the realm of [parodies as] artistic works”).

³⁵⁴ *Campbell*, 510 U.S. at 573.

³⁵⁵ H.L.A. HART, *THE CONCEPT OF LAW* 187 (2nd ed., 1997); Guido Calabresi and A. Douglas Melamed, *Property Rules, Liability Rules and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1090 (1972) (“Whenever a state is presented with the conflicting interests of two or more people, or two more groups of people, it must decide which side to favor.”).

³⁵⁶ *Feist Publication, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 349-50 (1991). See also, H.R. REP. NO. 2222, 60th Cong., 2d Sess., 7 (1909) (“The enactment of copyright legislation by Congress under the terms of the Constitution is not based upon any natural right that the author has in his writings, ... but upon the ground that the welfare of the public will be served and progress of science and useful arts will be promoted by securing to authors for limited periods the exclusive rights to their writings ...”). Similar conclusion can be found in other cases. See *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932); *U.S. v. Paramount Pictures*, 334 U.S. 131, 158 (1948); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) *Sony*, 464 U.S. at 429; *Fogerty v. Fantasy, Inc.*, 510 US 517, 526 (1994); *Computer Associates International v. Altai, Inc.*, 982 F.2d 693, 711 (2d Cir. 1992).

seen as users' privileges,³⁵⁷ because the state allows them to act affirmatively to use works for the purpose of fulfilling their underlying human rights. According to Hohfeldian Jural Relations, "a privilege is the opposite of a duty, and the correlative of a 'no-right'."³⁵⁸ Therefore, in Hohfeld's terms, a user has the privilege to use a work. As long as he acts within the boundaries of the permission conferred by the state, the copyright holder can not interfere with such use of his work. In other words, the user in question has no duty (to the right holder) not to use the work.

The aforementioned decision adopted by the state reflects the notion that "the right of the owner to use his property is not absolute.... [U]ses, once harmless, may, owing to changed conditions, seriously threaten the public welfare."³⁵⁹ Against this backdrop, "the legislature has power to prohibit such uses ... and the power to prohibit extends alike to the manner, the character and the purpose of the use."³⁶⁰

In granting users the privilege to use copyrighted works, the state has two arrows on its quiver. On the one hand, the state can grant fair use-typed privileges. To do so, it allows users to invade an entitlement without the right holder's consent and paying the damages to them. On the other hand, the state can grant a less strong privilege which allows users to copy works without the right holder's authorization yet with the requirement to pay an appropriate amount of remuneration to the right holder. In short, the granting of such two types of

³⁵⁷ This soundness of seeing copyright limitations as users' privileges has been confirmed by a recent decision rendered by the Canadian Supreme Court. *See* CCH Canadian Ltd. v. Law Society of Upper Canada, 1 S.C.R.399 (2004) ("The fair dealing exception, like other exceptions in the *Copyright Act*, is a user's right."). *See also* NIMMER ON COPYRIGHT 13-155 n.4 (2005) (arguing that fair use "is better viewed as a right granted by the Copyright Act of 1976"); BURRELL & COLEMAN, *supra* note 183, at 279 (proposing that fair dealing provisions should be "styled as users' rights") (2005).

³⁵⁸ Wesley N. Hohfeld, *Some Fundamental Legal Conceptions as Applied in Judicial Reasoning*, 23 YALE L.J. 16, 32 (1913).

³⁵⁹ *Pennsylvania Coal Co. v. Mahon*, 260 US 393, 417 (1922) (Braideis, J., dissenting).

³⁶⁰ *Id.*

privileges largely reflects the notion that the fundamental rights including the right to private property can be interfered by “lawful regulations necessary or proper for the mutual good of all”.³⁶¹

However, the making of the above-mentioned limitations on copyright necessarily begs the question of the extent to which state’s exercise of police power is legitimate. Put differently, given that the governmental power should be limited in any given democratic society, there is a need to set up a mechanism as the check on the state’s exercise of its police power to invade copyright which is as a species of private property. To gauge the legitimacy of the exercise of state power in this regard, there are generally three types of tests which have been widely deployed as standards of review in the framework the American constitutional law:

- Strict scrutiny.³⁶² Any given limitation on copyright is deemed lawful if it is proved necessary to achieve its objective a compelling government purpose. Under this test, the government needs to prove that there is a compelling governmental interest to carve out the limitation and it has taken the less restrictive measure to achieve the governmental interest in protecting certain kinds of human rights enjoyed by users.
- Intermediate scrutiny.³⁶³ Any given limitation on copyright is deemed lawful if it is proved substantially related to an important government purpose. Under this test, the government needs to prove that there is an important governmental interest to carve out the limitation and a substantial correlation between the limitation on copyright and the governmental interest in protecting certain kinds of human rights enjoyed by

³⁶¹ Slaughter-House Cases, 83 U.S. 36, 116 (1873) (Bradley, J., dissenting). *See also*, Corfield v. Coryell, 6 F.Cas. 546, 552 (1823) (holding that “the government may justly prescribe for the general good of the whole”).

³⁶² *See e.g.*, Korematsu v. United States 323 US 214 (1944).

³⁶³ *See e.g.*, Craig v. Boren, 429 US 190 (1976).

users.

- Rational basis test.³⁶⁴ Any given limitation on copyright is deemed lawful if it is proved rationally related to a legitimate government purpose. Under this test, the government needs to prove that there is a legitimate governmental interest to carve out the limitation and a rational correlation between the limitation on copyright and the governmental interest in protecting certain kinds of human rights enjoyed by users.

Among the above three tests, in my opinion, the last one—rational basis test—is most reasonable to become the check on state’s exercise of its police power. The reasons for choosing the last test, the minimum level of scrutiny and most deferential to government policies, are as follows.

First, compared with tangible property, copyright as a species of intangible property has much stronger direct relation to the public at large.³⁶⁵ When it comes to tangible property, the private/public distinction may be applicable in that it has no public goods nature. On the contrary, the private/public distinction may not fit comfortably into the sphere of intellectual products due to their nature of being public goods. Generally speaking, intellectual products can be consumed by different users at same time; and each user’s consumption of the product does not diminish its quality. On the other hand, the public goods nature of intellectual products indicates that they have a much closer correlation to public interest than tangible property. Given their immanence in each user’s daily life, intellectual products, albeit subject to creators’ proprietary control, have taken their roots deep into users’ capabilities to think, to

³⁶⁴ See *e.g.*, *New Orleans v. Dukes*, 427 US 297 (1976).

³⁶⁵ For further discussion about the distinction between property and copyright, see FISHER, *supra* note 20, at 143-154.

study, and to express their own ideas. As Justice Thurgood Marshall has pointed out, “Ownership does not always mean absolute dominion. The more an owner, for his advantage, opens up his property for use by the public in general, the more do his rights become circumscribed by the statutory and constitutional rights of those who use it.”³⁶⁶ Hence, copyrights in intellectual products shall enjoy much lower level of protection than tangible property does, and the state has stronger police power to regulate the former property rights than the latter.

Second, users’ human rights to which the state is intended to afford protection, carry the fundamental values of our human society. The promotion and protection of human rights, as the Universal Declaration of Human Rights has stated, is to fulfill “the inherent dignity and [the] equal and inalienable rights of all members of the human family.”³⁶⁷ To do so, we human beings collaborate with one another with the mutual intention to lay “the foundation of freedom, justice and peace in the world”.³⁶⁸ From this perspective, human rights protection is “the highest aspiration of the common people”.³⁶⁹ Moreover, if we see human rights as “the function of man”,³⁷⁰ human development is formed by “a combination of various ‘doing and beings’, with quality of life to be assessed in terms of the capability to achieve valuable functionings.”³⁷¹ Therefore, the promotion and promotion of human rights is to facilitate the pursuit of happiness as “a virtuous activity of the soul”,³⁷² and further to fulfill the value of functioning as a real “a social being.”³⁷³ Therefore, the capability approach to human rights protection directs “government to think from the start about what

³⁶⁶ *Marsh v. Alabama*, 326 U.S. 501, 506 (1946).

³⁶⁷ The Preamble of UDHR.

³⁶⁸ *Id.*

³⁶⁹ *Id.*

³⁷⁰ ARISTOTLE, *THE NICOMACHEAN ETHICS* 16 (Penguin classics, 2004). Aristotle sees “the function of man” as “an activity of or series of actions of the soul” which implies “a rational principle”.

³⁷¹ Amartya Sen, *Capability and Well-Being*, in *THE QUALITY OF LIFE* 30, 31 (Martha Nussbaum & Amartya Sen eds., 1990).

³⁷² ARISTOTLE, *supra* note 370, at 16.

³⁷³ *Id.*, at 14.

obstacles there are to full and effective empowerment for *all* citizens, and to devise measures that address these obstacles.”³⁷⁴ As “knowledge, information and communication are at the core of human progress, endeavor and well-being” in the digital age,³⁷⁵ the governmental has a very strong legitimate interest in allowing users’ human rights to override creators’ copyrights in certain circumstances.

Third, certain eminent domain cases lend strong support to rational basis test. On the one hand, they infer that courts should show sufficient deference to government’s public policy for taking property on the grounds of public use. For example, in *Kelo v. City of New London*,³⁷⁶ Justice Stevens emphatically argued the case for deferential standard of review, by concluding that “Without exception, our cases have defined that concept broadly, reflecting our longstanding policy of deference to legislative judgments in this field. ... For more than a century, our public use jurisprudence has wisely eschewed rigid formulas and intrusive scrutiny in favor of affording legislatures broad latitude in determining what public needs justify the use of the takings power.”³⁷⁷ On the other hand, rational basis test has been overwhelmingly employed in the eminent domain cases.³⁷⁸ In *Kelo*, Justice Kennedy’s concurring opinion contended that “demanding level of scrutiny ... is not required simply because the purpose of the taking is economic development.”³⁷⁹ In other words, in the case involving taking property for economic development which benefits the public at large, the rational basis test could be presumptively applicable. The ruling of *Kelo* in this regard, therefore, indicates that invading property rights for the general public interests should not be

³⁷⁴ Martha C. Nussbaum, *Capabilities as Fundamental Entitlements: Sen and Social Justice*, 9 FEMINIST ECONOMICS 33, 39 (2003) (emphasis added).

³⁷⁵ World Summit on the Information Society, *Declaration of Principles: Building the Information Society: A Global Challenge in the New Millennium* (December 2003), para. 8.

³⁷⁶ 125 S.Ct. 2655 (2005) [hereinafter *Kelo*].

³⁷⁷ *Id.*, at 2663.

³⁷⁸ See e.g., *Hawaii Housing Authority v. Midkiff*, 467 U.S. 229 (1984); *Berman v. Parker*, 348 U.S. 26 (1954).

³⁷⁹ *Kelo*, at 2670 (“This taking occurred in the context of a comprehensive development plan meant to address a serious city-wide depression, and the projected economic benefits of the project cannot be characterized as *de minimus*.”).

subject to high level of scrutiny. The deferential standard of review is appropriate because protecting public interest is of paramount importance to the development of the society as a whole. This practice can also be applied to measuring the legitimacy of the state's exercise of policy power to lay down limitations on copyright, because copyright, as shown above, has its intimate connection to the promotion of public interest. Moreover, the protection of users' human rights, in many cases, is exceedingly significant to promote freedom and justice in our society.

3. *Eldred*

When weighing competing interests, some courts come to the erroneous conclusion that copyright as a form of property is necessarily stronger than users' rights. In *Eldred v. Ashcroft*,³⁸⁰ while the lower court's holding that copyrights are "categorically immune from challenges under the First Amendment" was rejected,³⁸¹ Justice Ginsburg who penned the majority opinion, denied to examine whether the expansion of copyright at issue would impinge upon users' free speech right. This is because the presence of the build-in mechanisms in the realm of copyright law including the fair use exemptions, she argued, have already reconciled the conflict of rights in the area of copyright law. Moreover importantly, she offered the perspective as to how the potential conflict between copyright and free speech right could be addressed:

The First Amendment securely protects the freedom to make—or decline to make—one's own speech; *it bears less heavily* when speakers assert the right to make other people's speeches. When, as in this case, Congress has not altered the traditional contours of copyright protection, further First Amendment scrutiny is unnecessary.³⁸²

³⁸⁰ 537 U.S. 186 (2003).

³⁸¹ *See id.*, at 219

³⁸² *Id.* at 219 (emphasis added).

Yet one can easily note that the Court's very reluctance to revisit whether the so-called "built-in First Amendment accommodations" would sufficiently protect users' free speech right, is actually based upon the foregoing dubious premise that the free speech right is necessarily inferior to property right when the two are in conflict with each other. In so doing, the Court implicitly embraces the premise that fair use exemption acts merely as the "affirmative defense" available to users in the proceedings. The "affirmative defense" premise, however, would give rise to the problem that users' rights are automatically "ranked" lower than copyrights.

In treating users' rights "with indifference",³⁸³ Justice Ginsburg entirely neglected Justice Brandeis' concurring opinion in *Whitney v. California* which emphatically argued that "[t]he fact that speech is likely to result in some violence or in destruction of property is not enough to justify its suppression."³⁸⁴ Moreover, she also turned a blind eye to *Marsh v. Alabama* which forcefully the case for free speech right's gaining primacy over property right at issue:

To act as good citizens they must be informed. In order to enable them to be properly informed their information must be uncensored. There is no more reason for depriving these people of the liberties guaranteed by the First and Fourteenth Amendments than there is for curtailing these freedoms with respect to any other citizen.... When we balance the Constitutional rights of owners of property against those of the people to enjoy freedom of press and religion, as we must here, we remain mindful of the fact that *the latter occupy a preferred position.*³⁸⁵

³⁸³ Tushnet, *supra* note 19, at 562.

³⁸⁴ *Whitney v. California*, 274 US 357, 378 (1927) (Brandies, J., concurring).

³⁸⁵ 326 U.S. 501, 508-09 (1946)(emphasis added and citations omitted). *See also, Amalgamated Food Emp. Union Local 590 v. Logan Valley Plaza*, 391 U.S. 308 (1968) (holding that mere fact of private ownership in shopping center proprietors did not justify their exclusion of peaceful nonemployee picketing of store in center).

Furthermore, courts in Europe have dealt specifically with the conflict between copyright and free speech right, holding that the former right can take precedence over the latter in the cases concerned. In *Ashdown v. Telegraph*,³⁸⁶ a water-shed decision on the UK public interest defense, Lord Phillips explicitly stated the free speech right can override copyright:

Now that the Human Rights Act 1998 is in force, there is the clearest public interest in giving effect to the right of freedom of expression in those rare cases where this right trumps the rights conferred by the [UK Copyright, Designs and Patents Act 1988].³⁸⁷

In addition, based upon Article 10 of the European Human Rights Convention which provides that freedom of expression is a fundamental right, *Church of Scientology v. XS4ALL*³⁸⁸ ruled that the right to freedom of expression could trump copyright at issue.

The combination of the aforementioned cases clearly indicates that the free speech right can override property right under some circumstances. They teach that, in oscillating between rights enjoyed by copyright holders and users respectively, courts should not presuppose that copyright dressed in the skin carved with millions of Scarlet Letters of “Exclusivity” is necessarily stronger than users’ rights. By envisioning that fair use is merely the affirmative defense available to users, courts actually water down the importance of protecting public interest. In stark contract, putting fair use exemptions into the “power station” that produces the “electricity” formed of users’ privileges, means that courts should be fully mindful of and adequately sympathetic to the importance of protecting users’ human rights. This is because granting privileges of this type aims to provide breathing room to users, thereby obviating the chilling effects of proprietary control on users’ enjoyment of human rights to freedom of

³⁸⁶ *Ashdown v. Telegraph*, [2002] Ch. 149.

³⁸⁷ *Id.* at 170.

³⁸⁸ C04/020/HR (2005).

expression, education, cultural participation, and so forth.

To sum up, limitations on copyright are vehicle through which users' fundamental rights could be respected, protected and fulfilled in the case where such rights are in conflict with creators' copyrights. Careful and intimate consideration of users' fundamental rights that lay the foundation for the state's public policy, as the lesson drawn from *Eldred* teaches, must be necessitated in gauging the validity and legitimacy of any given copyright limitation. Yet the second prong of the three-step test, by focusing solely on the scrutiny over whether copyright holders' interest is adequately protected, completely places such kind of consideration outside its orbit. For example, the second prong of the three-step test can simply strike down section 110(5)(B) of U.S. Copyright Act on the grounds that it fosters economic competition between right holders and the beneficiaries of this copyright limitation.³⁸⁹ However, this "death sentence" decision was made without any consideration of the fact that section 110(5)(B) is imbued with great free speech value.³⁹⁰ Moreover, it seems that the second prong of the three-step test together with its first prong creates the strict scrutiny test aimed at measuring the validity of any given limitation on copyright. The strict scrutiny test, this section demonstrates, is an improper standard of review that is capable of striking down public interest-oriented limitations on copyright.

³⁸⁹ See Panel Report, at para. 6.209.

³⁹⁰ See *Eldred*, 537 U.S. at 190-91(holding that section 110(5)(B) which "exempts small businesses from having to pay performance royalties on music played from licensed radio, television, and similar facilities" carries the "traditional First Amendment safe guards") (emphasis added).

C. Taking Copyright Holder’s Social Responsibilities Seriously

The inquiry into the legitimacy of the second prong of the three-step test begs another question of whether it is appropriate for test to keep itself estranged from the scrutiny of the extent to which copyright holders have the social responsibilities in return for being granted a set of exclusive rights. Based upon the above discussion on the protection of users’ fundamental rights, this section considers the grounds upon which social responsibilities ought to be imposed upon copyright holders. It then argues that, while wrestling with the formula restricting the scope of copyright limitations, the architects of three-step test unfortunately turned a blind eye to the social responsibilities that should have been imposed upon copyright holders.

1. Copyright and Social Responsibilities

1. Reciprocity

Human beings are not insulated from one another; rather, we live in a social web of interdependence and cooperation. The synergy sparked by human interaction and collaboration provides the very momentum to sustain and enhance the machinery of human society. From this perspective, Nussbaum points out that it is “reciprocity” that forms the fundamental nature of human life:

The core idea of [human nature] is that of the human being as a dignified free being who shapes his or her own life in cooperation and *reciprocity* with others, rather than being passively shaped or pushed around by the world in the manner of a “flock” or “herd” animal.³⁹¹

Moreover, in the realm of societal relations, “reciprocity” can be seen as “a moral virtue”. As a moral principle that human beings should subscribe themselves to, it teaches that “[w]e

³⁹¹ NUSSBAUM, *supra* note 348, at 72 (emphasis added).

ought to be disposed, as a matter of moral obligation, to return good in proportion to the good we receive, and to make reparation from the harm we have done.”³⁹²

When it comes to legal relations, Hart famously made the following statement by drawing on the principle of reciprocity.

When any number of persons conduct any joint enterprise according to rules, and thus restrict their liberty, those who have submitted to these restrictions when required have a right to similar submission from those who have benefited by their submission.

Obviously, Hart sees legal relations as the joint social enterprise collectively pursued by people with the aim to achieve the common good. In a reciprocity-based society, the mutual responsibility to act in accordance with legal rules is entrenched as crucial vehicle through which law can be capitalized on so as to advance the social development in a healthy way. When it comes to the field of property, Hart’s vision of joint social enterprise is buttressed by Rawlsian political principle of reciprocity:

[I]n a property-owning democracy the aim is to carry out the idea of society as a fair system of cooperation over time among citizens as free and equal persons. ... To see the full force of the difference principle it should be taken in the context of property-owning democracy (or of a liberal socialist regime) and not a welfare state: it is a principle of *reciprocity*, or mutuality, for society seen as fair system of cooperation among free and equal citizens from one generation to the next.³⁹³

The very importance placed by Rawls in the above statement is indeed the “natural duties [of]

³⁹² LAWRENCE C. BECKER, RECIPROCITY 3 (1986).

³⁹³ JOHN RAWLS, A THEORY OF JUSTICE xv (revised version, 1999) (emphasis added).

mutual respect”.³⁹⁴ According to him, only through entrenching the principle of reciprocity deep into the fabric of property protection system can the institution of democracy allow freedom and equality to flower. Consequently, “Every man is bound to use his own property in such a manner as not to injure the [rights] of his neighbor”³⁹⁵ becomes the very motto in the so-called property-owning democracy. More importantly, property-owning democracy based upon the principle of reciprocity should be engineered to produce fair equality of opportunity for citizens. This means that property owners shall cooperatively participate in the joint scheme of redistributing opportunities with others.³⁹⁶

Copyright law is also a joint enterprise in which creators and users work together in the social machinery to achieve law’s ultimate aim of promoting the general public interest.³⁹⁷ Within this joint enterprise, users submit themselves to copyright law which requires them to respect the copyright vested in creators. In this way, they contribute to the progress of science and useful arts, because the protection of copyright promoted by users’ showing of respect for such form of property rights, would result in sustained and enhanced provision of works by creators. This would further foster a flowering of knowledge for human development.

According to the principle of reciprocity, as long as users act in a manner respectful of copyright, creators should and must be required to do something positive to the promotion and protection of users’ rights. In this sense, the grant of copyright to creators therefore intrinsically entails the social responsibilities imposed upon them. Put differently, users can thereby forcefully petition creators to exercise their rights in a manner conducive to the

³⁹⁴ *Id.* at 447.

³⁹⁵ *Francisco v. Department of Institutions and Agencies*, 180 A. 843, 845 (N.J.Ch. 1935) (citing Justice Mellor).

³⁹⁶ See Richard Krouse and Michael MacPherson, *Capitalism, "Property-Owning Democracy", and the Welfare State*, in *DEMOCRACY AND THE WELFARE STATE* 79, 88-94 (Amy Gutmann ed. 1988).

³⁹⁷ For the cases in which it is ruled that the ultimate objective of copyright law is to serve public interest, see *supra* note 356.

pursuit of public good. From this perspective, copyright holders are required to come to terms with socially beneficial use of their works by the public at large. Under certain circumstances, they are further required to facilitate such kind of use of copyrighted works.

2. Equality

Intellectual products are public goods in that they can be consumed in a nonexclusive and nonrivalrous manner. As economists have pointed out, however, the maker of intellectual products suffers from the so-called free-rider problem.³⁹⁸ When the number of free riders keeps increasing, intellectual products “are likely to be produced at socially suboptimal levels”,³⁹⁹ for the makers of such products would not reap their investment due to the competition brought about by free riders.⁴⁰⁰ Market failure occurs in this context because resources for producing intellectual products are not allocated to the person who directly and positively contributes to making of such products. Given the risk of potentially inadequate provision of intellectual products, government confers exclusive rights, including copyright, upon creators, as one of the means of dealing with public goods problem.⁴⁰¹ Through the grant of monopoly in the form of property rights, government aims to ameliorate the adverse effects arising from the competition wrought by free-riders of intellectual products. In this sense, conferring copyright is tapped into as the means to the ends of fostering efficiency in producing, disseminating and exploiting intellectual products.

Yet one should note that the efficiency-oriented approach to address the public goods problem is by no means free of problems. Efficiency, as the economists themselves have acknowledged, at times leads to the inequality in the distributing the wealth among citizens.

³⁹⁸ See e.g., GREGORY MINKIW, PRINCIPLES OF ECONOMICS 226 (2004).

³⁹⁹ FISHER, *supra* note 20, at 200.

⁴⁰⁰ See LANDES & POSNER, *supra* note 226, at 37-41.

⁴⁰¹ For a summary of various means used by governments to deal with public goods problem, see FISHER, *supra* note 20, at 200-01.

As Gregory Mankiw observed, “efficiency refers to the size of the economic pie, and equity refers to how the pie is divided. Often, when government policies are being designed, these two goals conflict.”⁴⁰² In this regard, Felix Cohen, one of the foremost American legal realists, provided a fresh insight into the potential inequality wrought by the monopolization of public goods:

Language is socially useful apart from law, as air is socially useful, but neither language nor air is a source of economic wealth unless some people are prevented from using these resources in ways that are permitted to other people. That is to say, property is a function of inequality.... So, if courts prevent a man from exploiting certain forms of language which another has already begun to exploit, the second user will be at the economic disadvantage of having to pay the first user for the privilege of using *similar* language or else of having to use the less appealing language (generally) in presenting his [expressions] to the public.⁴⁰³

Indeed, this vision of the negative externalities produced by property approach to deal with public goods problems, is also applicable to copyright protection of works, for language used in any given work is the “bread and butter” used by people to bring to fruition of the self-expression need. Against a backdrop of monopolistic control over the expressions of ideas, at high stake are users’ rights to free speech, education, cultural participation and so on.

Therefore, the monopolistic control over expressive words gives rise to unequal distribution of public goods between copyright right holders and users. As Justice Bradley pointed out in his dissenting opinion in the Slaughter-House case, “[the] granting of monopolies lies, or exclusive privileges to individuals or corporations, is an invasion of the right of others to

⁴⁰² MANKIW, *supra* note 398, at 4.

⁴⁰³ Cohen, *supra* note 270, at 816 (1935).

choose a lawful calling, and an infringement of personal liberty.”⁴⁰⁴ Without any social welfare-oriented measures counteracting this inequality problem, users are destined to be marginalized in the digital age. From this perspective, it is likely that copyright provides economic protection for creators at the expense of public interest and social welfare relating to the use of works of authorship. In order to counteract the foregoing inequality problem occasioned by proprietary control of expressive words, imposing social responsibilities upon copyright holders is a means of achieving “broad notion of equity” that copyright law is designed to serve.⁴⁰⁵

From the perspective of the Lockean natural rights justification for property protection, the equality-based social responsibilities are twofold. On the one hand, Locke’s theory teaches that the right to property, as the monopoly in a common mixed human labor, can sustain only if “there is enough and as good left in common for other”.⁴⁰⁶ This is widely known as “sufficiency proviso”. Central to this provision is the assumption that the eligibility to become property owner depends upon whether others are left with sufficient opportunities to use the common. In this respect, property owner has the social responsibility to eliminate the negative effects (occasioned by his exclusive possession of certain products) on others’ well-being which is dependent upon a reasonable degree availability of such products. This is because those who claim property rights in certain products “should not do harm to other peoples’ claim to the common.”⁴⁰⁷ If he or she does not carry out the social responsibilities in question before or after being conferred upon exclusive rights in certain products, he would surely be ineligible to be vested with property rights. As copyright is a form of property rights,

⁴⁰⁴ Slaughter-House Cases, 83 U.S. 36, 120 (1872) (Bradley, J., dissenting).

⁴⁰⁵ Joseph E. Stiglitz, *Knowledge As a Global Public Good*, in GLOBAL PUBLIC GOODS: INTERNATIONAL COOPERATION IN THE 21ST CENTURY 308, 316 (Inge Kaul et al eds. 1999).

⁴⁰⁶ JOHN LOCKE, TWO TREATISES OF GOVERNMENT 288 (Peter Laslett ed., 2d ed. 1967) (bk. II, § 27).

⁴⁰⁷ Wendy J. Gordon, *A Property Right in Self Expression: Equality and Individualism in the Natural Law of Intellectual property*, 102 YALE L. J. 1533, 1561(1993). For a contrary view, see JEREMY WALDRON, THE RIGHT TO PRIVATE PROPERTY 211(1988) (“When Locke does refer to it, the fact of sufficiency for all is spoken of as an effect of the early operation of the Spoilation Proviso rather than as a limitation in its own right.”).

the social responsibility requirement should also be applies to copyright holders. In this respect, Gordon's explication of the "sufficient provision" lends strong support to the social responsibility requirement as the *quid pro quo* for the grant of exclusive rights to creators:

The provision that "enough and as good [be] left" lies at the center of natural rights justification for copyright protection: that creators should have property in their original works, only provided that such grant of property does no harm to other person's equal abilities to create or to draw upon the preexisting cultural matrix and scientific heritage. All persons are equal and have an equal right to the common.⁴⁰⁸

On the other hand, the creators' social responsibilities to use the works in a socially beneficial manner is also based on the Locke's "no-spoilation" proviso which envisaged by him as the inherent requirement for laborers' continuous enjoyment of the property right in a common mixed with their labor:

[I]f either the Grass or his Inclosure rotted on the ground, or the Fruit of his planting perished without gathering, and laying up, this part of Earth, notwithstanding his Inclosure, was still to be looked on as Waste, and might be the Possession of any other.⁴⁰⁹

The "no spoilation" proviso, therefore, makes clear that a person's property right can be invalidated "if he fails to exercise it or exercises it in such a ways as to prevent the [property] from ever being useful in any way to anyone at all."⁴¹⁰ In this sense, the owner of property shall not use property in a manner harmful to the promotion of social well-being. This proviso, when applied to copyright, does requires that the creators as the holder of copyright,

⁴⁰⁸ *Id.* at 1561-62.

⁴⁰⁹ JOHN LOCKE, TWO TREATISES OF GOVERNMENT (Peter Laslett ed., 2d ed. 1967) (bk. II, § 38).

⁴¹⁰ JEREMY WALDRON, THE RIGHT TO PRIVATE PROPERTY 207-08 (1988).

shall not abuse their exclusive rights in ways that unreasonably constrain users' exercise of their pertinent human rights.

3. *Eldred*

In *Eldred*, the Supreme Court acknowledged that social responsibilities are imposed upon right holders as the *quid pro quo* for vesting them with patent rights.⁴¹¹ Yet, it rejected that the same idea could be applied to copyright.⁴¹² In doing so, the Court based their denial on the distinction between the protections afforded to copyright and patent.

We note [that] patents and copyrights do not entail the same exchange, and that our references to a *quid pro quo* typically appear in the patent context.... [C]opyright gives the holder no monopoly on any knowledge. A reader of an author's writing may make full use of any fact or idea she acquires from her reading. The grant of a patent, on the other hand, does prevent full use by others of the inventor's knowledge.⁴¹³

Yet the Supreme Court's reasoning of whether the social responsibilities should be imposed upon copyright holders is flawed in that a simple juxtaposition of patent and copyright rights can not necessarily lead to the foregoing conclusion. Without digging deep into other aspects of the nature of copyright protection and its accompanied social problems as discussed in the above two subsections, the Court's ruling against the requirement of social responsibilities is unquestionably dubious. With the recent expansion of copyright protection, it is not

⁴¹¹ *Eldred*, 537 U.S. at 216 (holding that the disclosure requirement for patentees should be seen as "the price paid for the exclusivity secured").

⁴¹² In this case, the petitioner argued that "The author of an original work receives an 'exclusive Right' for a 'limited Tim[e]' in exchange for a dedication to the public thereafter. Extending an existing copyright without demanding additional consideration, petitioners maintain, bestows an unpaid-for benefit on copyright holders and their heirs, in violation of the *quid pro quo* requirement." See *Eldred*, 537 U.S. at 214. In my opinion, the petitioner, however, had a very narrow understanding of the copyright holders' social responsibilities. On the one hand, they did not use term "social responsibility" which offers stronger case for protecting users' human rights than the term they used "quid pro quo". On the other hand, they argued that the "quid pro quo" requirement exists after the expiration of the copyright protection and therefore failed to make it clear that copyright holders have social responsibilities throughout the term of copyright protection.

⁴¹³ *Eldred*, 537 U.S. at 216-17.

necessarily true the protection afforded to copyright holders, according to the letters of copyright law, does not enable them to monopolize any knowledge. As *Sega* has pointed out, “the fact that computer programs are distributed for public use in object code form often precludes public access to the *ideas* and *functional* concepts contained in those programs, and thus confers on the copyright owner a *de facto* monopoly over those ideas and functional concepts.”⁴¹⁴ Moreover, the Court failed to bear in mind that the legal protection of technological measures and non-original databases actually confers monopoly over ideas upon right holders.

On the other hand, in overemphasizing the distinction between patent and copyright protections, the Court failed to realize the very fact that copyright holders, in effect, wield the monopoly to exercise their right in a manner contrary to the public interests. While it is crystal clear that the exclusivity of patent rights is generally stronger than that of copyright, it does not necessarily follow that the public are no longer vulnerable to the misuse of copyright committed by copyright holders in various occasions. Indeed, the copyright misuse doctrine is actually the outgrowth the judicial effort to bring a halt to the copyright holders’ monopolistic behaviors. In this sense, this doctrine is instrumental in curbing the copyright holder’s monopoly in exercising their rights in a way that it runs counter to the ultimate aim of copyright law, i.e. “to stimulate artistic creativity for the general public good.” While great importance was attached to the line between patent and copyright protections, the Supreme Court skirted around the crucial issue as to whether the copyright may well be exercised in way contrary to the public interest. Worse still, it failed to realize that the copyright misuse doctrine is borrowed from its counterpart in the patent law. In *Lasercomb*, the Fourth Circuit invented the copyright misuse doctrine on the basis of the vision that the monopolies possessed by the holders of patents and copyright are relatively similar in nature:

⁴¹⁴ *Sega*, 977 F.2d at 1527 (emphasis added).

It is significant [that] the framers of our Constitution continued ... considered in tandem [the] property rights protectable by copyrights and those protectable by patents. In giving Congress the power to create copyright and patent laws, the framers combined the two concepts in one clause, stating a unitary purpose-to promote progress....[S]ince copyright and patent law serve parallel public interests, a “misuse” defense should apply to infringement actions brought to vindicate either right....[T]he similarity of the policies underlying patent and copyright is great and historically has been consistently recognized. Both patent law and copyright law seek to increase the store of human knowledge and arts by rewarding inventors and authors with the exclusive rights to their works for a limited time. At the same time, the granted monopoly power does not extend to property not covered by the patent or copyright.⁴¹⁵

Therefore, by relying upon the distinction between copyright and patent, Court turned a blind eye to the common nature shared by these two forms of intellectual property: the monopolistic control of subject matter concerned breeds abuse of rights. From this perspective, if the social responsibility requirement applies to patent, the Supreme Court can not and should not rule out the same requirement for copyright.

To sum up, the above discussion demonstrated that social responsibility is the very *quid pro quo* for granting a bundle of exclusive rights to creators.⁴¹⁶ The consideration of the social responsibilities that are imposed upon copyright holders is essential to the healthy development of copyright law. This is because law can not be advanced in the single direction to enhance copyright holders’ interests. The building of copyright holders’ social responsibilities is intended to facilitate pursuit of copyright law’s ultimate value. It is

⁴¹⁵ *Lasercomb*, 911 F.2d at 975, 978.

⁴¹⁶ For different justifications for imposing responsibilities on right holders, see Jacqueline Lipton, *Information Property: Rights and Responsibilities*, 56 FLA. L. REV. 136 (2004).

critically important that such responsibilities shall be woven into the fabrics of copyright law. Akin to *Eldred*, the second prong of the three-step test, however, alienates copyright holders' social responsibilities from its scrutiny over the validity of any given limitation on copyright.

V. Conclusions

In *Mending Wall*, Robert Frost poetically rejected the hard-headed notion that “[g]ood fences make good neighbors”.⁴¹⁷ He thought that those who are zealous in building good fences would sadly “mov[e] in darkness”.⁴¹⁸ Indeed, what implied in Frost’s lamentation is that the so-called “good fences” protecting property rights would not necessarily make a community awash with vibrancy, exuberance and coherence. Some eighty years later, by stating the case for “building communities without building walls”,⁴¹⁹ Jerry Frug forcefully reminds us again that “good fences” are by no means the very nostrum to “make good neighbors”.

The arrival of the digital age ushers globally-connected information superhighways into the universe of human flourishing, mainstreaming and electrifying information as the lifeblood of any given knowledge-based society. Thus, a robust flow of information has become the electricity that provides the very energy to allow a host of new ideas to flower beyond the orbit of conventional wisdom. Yet one should bear in mind that technology, if manipulated by certain kind of centralized power, may well act as the invisible “wall” bringing a halt to the flowing of information which reaches the hearts and minds of people at a lightning speech in the digital age.⁴²⁰

⁴¹⁷ Robert Frost, *Mending Wall*, in THE POETRY OF ROBERT FROST 33 (Edward Connery Lathem ed., 1979).

⁴¹⁸ *Id.*

⁴¹⁹ GERALD E FRUG, CITY MAKING: BUILDING COMMUNITIES WITHOUT BUILDING WALLS (1999).

⁴²⁰ This trend is known as “Information Enclosure Movement”. See Yochai Benkler, *Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain*, 74 NYU L REV. 354 (1999); James Boyle, *The Second Enclosure Movement and the Construction of the Public Domain*, 66 LAW & CONTEMP. PROB. 33 (2003); PETER DRAHOS & JOHN BRAITHWAITE, INFORMATION FEUDALISM: WHO OWNS THE KNOWLEDGE ECONOMY? (2003); DAVID BOLLIER, SILENT THEFT: THE PRIVATE PLUNDER OF OUR COMMON WEALTH (2002);

Copyright law might well represent one strand of such kind of centralized power, in that it “regulates expressive activity”.⁴²¹ In this regard, it has been pointed out that, while digital technology interconnects people at all corners of the world into a digital global village, “[c]opyright has emerged as one of the most important means of regulating the international flow of ideas and knowledge-based products.”⁴²² Hence both international and national copyright laws “affect[t] the gains are shared, and in doing so affect[t] the pace of development within less developed countries.”⁴²³

By and large, the three-step test has become the catalyst for the continued strengthening of copyright protection at the international, regional and national levels. As this article has shown, the expansion of the three-step test has been premised on the rhetoric that the unprecedented convenience of having access to and making use of works afforded by digital technology, would necessarily mean that the copyright protection should be beefed up by significantly narrowing down the scope of the limitations on copyright. Put in Justice Breyer’s vein, we can boil down the dangers of keeping this test intact as follows:

[The three-step test] will cause serious expression-related harm. It will likely restrict traditional dissemination of copyrighted works. It will likely inhibit new forms of dissemination through the use of new technology. It threatens to interfere with efforts to preserve our ... historical and cultural heritage and efforts to use that heritage, say, to educate our ... children. It is easy to understand how the statute might benefit the private financial interests of corporations or heirs who own existing copyrights. But [we] cannot find any constitutionally legitimate, copyright-related way in which the statute will benefit the public.

CHRISTOPHER MAY, A GLOBAL POLITICAL ECONOMY OF INTELLECTUAL PROPERTY RIGHTS: THE NEW ENCLOSURES? (2000).

⁴²¹ Van Houweling, *supra* note 19, at 1546.

⁴²² UNESCO, WORLD INFORMATION REPORT 320 (1997).

⁴²³ Stiglitz, *supra* note 405, at 317.

Indeed, in respect to existing works, the serious public harm and the virtually nonexistent public benefit could not be more clear.⁴²⁴

The copyright holder-centered premise upon which copyright law has been advanced, however, is fundamentally flawed. As shown in this article, the promotion and protection of users' interest is indeed the heart of copyright law. Copyright limitations, as the privileges granted to users and the social responsibilities imposed upon right holders, are engineered to protect users' human rights so as to foster an enhanced promotion of free speech, education, cultural participation, and so on. Indeed, this perspective opens up a new vision of the nature of copyright limitations and of the way in which the current right holder-centered copyright law could be altered. The change of the three-step test, therefore, can be seen as the first crucial step to usher in user-centered copyright law. By rooting out the substantive and structural defects inherent into the three-step test, the creative destruction model put forward in this article would open a new chapter of tapping into the role of copyright in advancing the dissemination of information and further delivering on the promise to afford an enhanced promotion of public interest. As a new idea, it yet reflects a two-hundred-year-old wisdom that has sunk to the bottom of the pool of copyright thoughts: "a man may fairly adopt part of the work of another; he may so make use of another's labors for the promotion of science, and the benefit of the public."⁴²⁵

To be sure, the recent amendment to the TRIPs Agreement triumphantly brought about the global coalition against patent protection that has been anti-humanitarian,⁴²⁶ sparks the aura of "creative destruction" of the three-step test. This world-wide campaign clearly shows that,

⁴²⁴ *Eldred*, 537 U.S. at 266 (Breyer, J., dissenting).

⁴²⁵ *Cary v. Kearsley*, 4 Esp. 168, 170-171 (1803). Lord Ellenborough further pointed out that "While I shall think myself bound to secure in every man the enjoyment of his copyright, one must not put manacles on science." *Id.*

⁴²⁶ See WTO, *Members OK Amendment to Make Health Flexibility Permanent*, Press/426.

as long as people are united together with a steadfast commitment to combating an illegitimate rule, the hurdle to usher in a paradigm shift is by no means insurmountable.⁴²⁷

Hence, it is highly time for us to create a revolutionary earthquake to break down the very foundation on which the three-step test is founded. We shall also bear in mind that our post-earthquake task is to build up the user-centered copyright law which grants broader privileges to users and imposes social responsibilities upon right holders. Armed with a resounding denial of the right holder-centered copyright law, our Manifesto for waging this “revolution” urges that “Users of copyrighted works in all countries, unite!”⁴²⁸

⁴²⁷ Based upon a proposal offered by Argentina and Brazil, WIPO recently set up the Development Agenda. *See* WIPO, *IIM Discusses Proposals on a Development Agenda* (June 24, 2005); *see also*, Rochelle Cooper Dreyfuss, *TRIPS-Round II: Should Users Strike Back*, 71 U. CHI. L. REV. 21 (2004) (urging that the future multilateral negotiations should add explicit provisions protecting users’ interest in the international intellectual property).

⁴²⁸ The last word of *The Communist Manifesto* is “Working men of all countries, unite!” *See* KARL MARX & FRIEDRICH ENGELS, *THE COMMUNIST MANIFESTO* (Penguin Classic, 2002).