The pre-TRIPS era was a splendid harmony of diversities with minimal international commitments. Divergences on the need, as well as on the scope of protection of intellectual property rights have always existed among the countries. Historical analysis in the preceding chapters has seen this tension very frequently. For example when the US was still a relatively young and developing country, it refused to accept the international intellectual property rules on the grounds that it was entitled to promote access to works to further its social and economic development. Likewise the developing countries now feel that access to copyright works and patented technologies should be available to them so that it can be processed and adapted to suit their local needs and requirements. The previous chapters have clearly brought out this attempt of the developing countries and many of the developed ones within their maneuvering capacity to meet their domestic exigencies, resulting in sweeping and across-the-board market of goods ignoring the intellectual property rights and obligations. It was in this background that the TRIPS with international minimum standards for protection of intellectual property rights and an international enforcement mechanism
was promoted by a group of developed countries as an international attempt to reduce the distortions and impediment in international trade.

While an international standard for minimum rights was an accepted phenomenon for more than a century, the international arena was very conscious on the fragile nature of limitations to the rights and preserved it as a sovereign privilege. But the TRIPS was very sturdy and obstinate that uniformity should reign in each and every aspect of intellectual property protection. Negotiators in the Uruguay Round of GATT recognized the absence of a well-defined international fair use standard, and the creation of such a standard was an issue in the drafting of the TRIPS.\(^1\) Accordingly the TRIPS championed for a binding norm for limitations and exceptions. But the elevation of Berne standard into the TRIPS and that too on a uniform scale irrespective of the nature of rights and subject matter alarmed the legal scenario. The Major concerns were from the developing countries, who argued that TRIPS ignored the diversity of national needs and forced them to sacrifice the ‘policy space’ that richer countries had harnessed in their early stages of development. Adding fuel to the fire, a lot of literature sprang up this era preaching the sermon that the TRIPS had hoisted intellectual property rights to a new level of trade rights.\(^2\) Since twelfth century onwards intellectual property

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was closely linked to trade. The negotiating history of Berne and Paris was also not different from that of TRIPS. It was also an attempt by some developed countries to counter international piracy and counterfeiting. This chapter examines the legitimacy of the argument of ‘vanishing of policy space’ is the context of TRIPS provisions.

7.1 A Precursor to the Development of Limitations and Exceptions in TRIPS

History repeated in GATT Uruguay round negotiation on the issue of international standardization of limitations and exceptions to exclusive rights. Just like the Stockholm negotiations of Berne, the Uruguay round negotiations also faced profound struggle on the issue of an international consensus on limitations to exclusive rights. Once again the negotiators were fascinated by the plurality of limitations. But unlike in the Stockholm negotiations, here the situation was much stressed and strained. Unlike the historical intellectual property bargain between the right holders and users, here the actors for effective bargaining were

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developed countries with their demand for stronger protection and
developing ones for more flexible standards to meet their domestic
demands. Thus the balancing process was a dual task - one at the
traditional level of right holders and users and the other at the pioneering
level of international arena. A compromise to this twin fold challenge
was exacerbated both by the plurality of limitations and also by the array
of conflicting national interests.

Paris Convention, as we have seen was least bothered about the
permissible uses. This might be because of the fact that, unlike in the
case of copyrights which have a plethora of conflicting and confusing set
of permissible uses, the patent arena was quite calm with only a handful
of patent limitations. Consequently when an international attempt of
standardization was made, the only clue left for TRIPS negotiators was
the “Three Step Test” (TST) developed in the Stockholm revision of
Berne. However in the deliberations and negotiations on provisions of
compulsory licensing in the review conferences of Paris Convention, a
concerted move among the industrialized nations for setting a standard
suited to their industrial policy was evident. It is also doubtful that this

4 In the 1970’s the developing countries sought to obtain more flexibility in the
application of the intellectual property standards so as to secure greater access to
foreign technologies with a view to promoting their economic and social
development. With regard to patents for example the developing countries wanted
to emphasize local working requirements, allowance of parallel importing, and
greater scope for compulsory licensing. Similar efforts were made in copyright for
loosening of copyright protection in the interest of equity in knowledge
distribution and as a means of permitting relatively speedy reprinting and
translation of books related to educational and scientific development. These
initiatives did not, however succeed due to the firm opposition of developed
countries who were seeking to strengthen protection of IPRs worldwide and had
also raised the issue first in WIPO but then decided to move the negotiations to
GATT were market access for the manufactured goods of developing countries
could be offered in exchange for their acceptance of providing better protection to
4-10.
international silence on the issue of patent limitations was again a strenuous effort by developed countries. Post-TRIPS developments also substantiate this.

For example, in the case of copyright the industrialized countries suggested to augment the standards of Bern. A more detailed proposal in this connection was submitted by the US, which became the model for the final draft. But delegations of developing countries opposed the strengthening of standards. India and Brazil were the main opponents. For them, standards set by Bern was itself quite adequate. However, in the copyright arena the confusion on the nature of limitations, i.e., to follow a general formula or to adopt specific list of exceptions was finally settled in the Bern, and the international arena had already accepted it. But in the case of patents, it was in the Uruguay round negotiations that the issue of limitations for the first time got an

5 US proposed that, “any limitations and exceptions to exclusive economic rights shall be permitted only to the extent allowed and in full conformity with the requirements of the Berne Convention (1971) and in any event shall be confined to clearly and carefully defined special cases which do not impair actual or potential markets for or the value of copyrighted works”. See the explanation given in GATT Doc.MTN.GNG/NG11/14/15 [online]. Available at www.wto.org/gatt_docs/English/SULPDF/92080048.pdf+GATT+Doc.MTN.GNG/NG11/14/15&cd. [Accessed on June 2010].


7 GATT Doc. MTN.GNG/NG11/W/37, 17 [online]. Available at www.wto.org/gatt_docs/English/SULPDF/92080048.pdf+GATT+Doc.MTN.GNG/NG11/W/37&cd [Accessed on November 2010]. India expressed its reluctance to acquiesce in the broadening of the level of protection already granted by the Berne Convention, by stating that the latter is more than adequate to deal with copyright protection.

international consideration and the confusion existed not simply on the scope of exceptions but also on the way in which it should be formulated. In the Anell Draft some parties to the negotiation proposed for the inclusion in the Agreement of a non-exhaustive catalogue of exceptions.9 But the Brussels draft and the TRIPS did not opt for any catalogue of exceptions but opted instead for a general formulation. The reason for the formulation that ultimately came into force is not evident from the negotiation documents. However this general wording clearly shows that how difficult it was for the negotiating parties to agree on the nature and scope of exceptions to rights. The solution found is to be a compromise between the views of the US which opposed the inclusion of exceptions and would have accepted only a few exceptions, and the European Union, whose member states already provided for such exceptions.10 The formulation is heavily based on Art.9 (2) of the Berne.

Thus TST got a very solid international recognition with the TRIPS. It developed as the one and only satisfactory compromise formulae for the conflict of situation. It began to function as a universal recipe, irrespective of the nature and category of rights. While in Berne it developed as a means to attaining the goal of the international recognition of reproduction right, it had to perform a new and distinct role in the TRIPS. The preparatory work for the 1967 Stockholm

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9 GATT documents: MTN.GNG/NG11/W/76, MTN.GNG/NG11/W/26, MTN.GNG/NG11/W/47, MTN.GNG/NG11/W/57. Available at www.wto.org/gatt_docs. [Accessed on November 2010]. The Anell draft contains as examples of exclusions, right of prior user, exceptions for private purposes and for scientific purposes, the direct individual preparation of medicines by dispensing chemists on the basis of a medical prescription, use of the invention by the third party who started or undertook bonafide preparatory acts for the government’s own use.

Revision of Berne was based on the concept that the intended perfection of the system of the Union should be pursued among other objectives, through the enlargement of the protection granted to authors by the creation of new rights or by the extension of rights which were already recognised. TST was perceived as a satisfactory formulae for permissible limitations to attain the formal recognition of a general right of reproduction. But the TRIPS with its trade-based approach, was significantly different from the idealistic underpinnings of Berne. In TRIPS, TST was foreseen as a drastic measure to reconcile the concern of advanced industrialized countries about free riding practices and to impose a ban on ‘counterfeiting and piracy’.

7.2 Exceptions and Limitations in the TRIPS

The task of identifying, materializing and standardizing limitations and exceptions was thus assigned to the TST in the TRIPS also. The drafters of the TRIPS conceived TST as a manifestation of the standard reached in the Berne. When reproducing the wordings of Article 9(2) of Berne with slight alterations, the TRIPS did not aim at establishing completely new set of principles. TST became synonymous to the wordings ‘limitations and exceptions’’. But how far the sacredness of TST which the Berne envisaged was preserved in the TRIPS is an interesting concern. It is also surprising that formulae patterned to meet the multiple nature of limitations appended to copyright became adapted to a specific set of exceptions under patents.

The saga of permissible uses begins in the TRIPS with the reproduction of Berne provisions in Article 13, with the wordings that “members shall confine limitations or exceptions to the exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder”. A substantial similarity of words is used with slight changes but with difference in scope and content in Article 30 for exceptions to patent. A detailed examination of the test is undertaken to find out how it is understood and interpreted to achieve the objectives for which it was included in the TRIPS. For a better understanding of TST with its all round implications, proposed to undertake a critical evaluation of the same with a careful breakdown of each step in the light of the interpretations given to TST by the DSB panel reports. In course of discussions, the legislative intent behind the difference in wording of TST for copyright and patent is also explored.

It has to be noted that the international legal scenario was really alarmed by the inherent complexity of TST by the decision of WTO Dispute Settlement Body against the US and Canada in 2000. The two nations were found violating the international intellectual property rights norms for a matter which was solely, till then considered as a question of sovereignty. It was at this moment that the real potential of TST was exposed. The Patent Case in 2000 delivered the first report by a WTO

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12 Article 30 read: “Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.”
Exceptions and Limitations to Patent and Copyright Under the TRIPS Agreement

Chapter 7

panel dealing with an interpretation of the TST. 13 It involved a dispute between the EC and Canada that inquired into whether two exemptions in the Canadian Patent Act 1985, the “regulatory review” exception 14 and the “stockpiling exception” 15, were compliant with TRIPS, Article 30. In the June of the same year, a dispute between the EC and the US was brought before a WTO panel requiring an interpretation of the TST in TRIPS, Article 13. 16 The dispute concerned section 110(5) of the US Copyright Act as amended by the Fairness in Music Licensing Act enacted on 27 October 1998. The provision permitted the public performance or display of musical works delivered via a broadcast in certain retail and food or drinking establishments, subject to size and audio-visual equipment limitations. 17


14 The “regulatory review” exception provided that it was not a patent infringement to “make, construct, use or sell” a patented invention if done as part of the development or submission of information required under any law regulating the “manufacture, construction, use or sale of a product” - (Canadian Patent Act 1985, section 55.2(1)). This was intended to allow generic pharmaceutical manufacturers to undertake the preparation needed to meet regulatory review requirements before a patent had expired thus allowing them to take a generic drug to market immediately upon expiry.

15 Patent Panel Report – Para. 4.12 The “stockpiling” exception allowed for the same acts to be undertaken for the purposes of “the manufacture and storage of articles intended for sale after the date on which the term of the patent expires” (Canadian Patent Act 1985, section 55.2(2)). Canada argued that these exceptions had been introduced to allow generic manufacturers to compete freely with the patentee after a patent expired, thus protecting public health by promoting access to cost-effective, generic medicines. Its aim was to ensure that patentees were not able “to exploit time-consuming regulatory review systems . . . in order to extend the term of patent protection and to gain a windfall monopoly”.


17 The provision had originally been intended to “exempt from copyright liability anyone who merely turns on, in a public place, an ordinary radio or television receiving apparatus of a kind commonly sold to members of the public for private use”. When amended in 1998, the section was divided into two parts. The first
The panel’s discussion in both cases extensively analyzes each of the steps. It reveals how complex and technical was the issue of balancing which they confronted at the interpretation of each step. It began by word by word deconstruction of TST with ordinary dictionary meaning and gradually moved into the normative and empirical analysis. The major principles the panel’s followed in treaty interpretation were; the principle of extensive interpretation, bonafide interpretation and harmonious construction. Really appreciating that, the panel took their interpretation in an extended context, considering the negotiating history of the TRIPS. The Panel even went beyond the negotiating history of the TRIPS proper and inquired into that of the incorporated international instruments on intellectual property. The panel retained the original exemption allowing display of a work on a single receiving device but was restricted to a very narrow type of work (the communication of a transmission embodying a performance or display of a work other than non-dramatic musical works, i.e. music that is part of an opera, operetta, musical or other similar dramatic work when performed in a dramatic context)—referred to as the “home-style” exemption. The second was a much broader provision exempting retail and food and drinking establishments that complied with certain specified size and audio-visual equipment restrictions from copyright infringement when displaying a transmission of non-dramatic musical works (a much larger potential category of works)—referred to as the “business” exemption.


19 The Panel noted that, in the framework of the TRIPS, which incorporates certain provisions of the major pre-existing international instruments on intellectual property, the context to which the Panel may have recourse for purposes of interpretation of specific TRIPS provisions, in this case Articles 27 and 28, is not restricted to the text, Preamble and Annexes of the the TRIPS itself, but also includes the provisions of the international instruments on intellectual property incorporated into the TRIPS, as well as any Agreement between the parties relating to these Agreements within the meaning of Article 31(2) of the Vienna Convention on the Law of Treaties. Thus, as the Panel will have occasion to elaborate further below, Article 9(2) of the Berne Convention for the Protection of Literary and Artistic Works (1971) (hereinafter referred to as the Berne Convention) is an important contextual element for the interpretation of Article 30 of the TRIPS. Para.7.14
most visible manifestation of this wisdom can be seen in the incorporation of the ‘minor reservation doctrine’ into the TRIPS context. There the Panel extended its reference to even the general report of Brussels revision conference of 1948.20 But whether this will have the effect of freezing the development of limitations is a matter to be examined, especially in the context of digital technology.

The panel’s started from the premise that, the basic structure of TST requires that the three conditions are cumulative, each being a separate and independent requirement that must be satisfied.21 Failure to comply with any one of the three conditions results in the Articles 13 and 30 exceptions being disallowed. The three conditions must, of course, be interpreted in relation to each other. Each of the three must be presumed to mean something different from the other two, or else there would be redundancy. Normally, the order of listing can be read to suggest that an exception that complies with the first condition can nevertheless violate the second or third, and that one which complies with the first and second can still violate the third.22

It has to be noted that differences start with the title of two articles itself. While Article 13, label the provisions as limitations and exceptions, Article 30 identifies it as exceptions to the rights. Though the two terms ‘limitations to rights’ and ‘exceptions to right’ sound synonymous, it has an underlying history of two divergent philosophy.

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22 The syntax of Article 30 supports the conclusion that an exception may be "limited" and yet fail to satisfy one or both of the other two conditions. The ordering further suggests that an exception that does not "unreasonably conflict with normal exploitation" could nonetheless "unreasonably prejudice the legitimate interests of the patent owner".
Under the natural law philosophy, rights form a strong foundation and if certain uses are nevertheless exempted within this system, such derogation form the theoretically all-embracing right may arguably be called an exception rather than limitation. Civil law countries are very often assigned with this tradition. However pursuant to the utilitarian incentive principle that features prominently in common law countries, by contrast only rights strong enough to induce the desired production of intellectual works are to be protected. In this framework, certain areas might be carved out of the scope of exclusive rights from the very beginning and flexible open ended provisions may be employed to offer room for unauthorised uses. We can interpret this language syllogism in three different ways.

Firstly it can be interpreted that Article 13, when uses the expression ‘limitations and exceptions’ refers to both traditions of legal system. And it will come out that, Article 30 when it uses the title ‘exceptions to right’ favors the natural law approach of civil law countries and consequently appears to be more restrictive. But when we go to the first and second step of TST, evident that Article 30 has a better proportional and public interest perspective than Article 13. So the above philosophical justification given for this divergent approach will shatter when it comes to these two provisions. If the legislative intent was clearly to narrow the scope of limitations to patent rights, they should not


have drafted it with those proportionality principles. Negotiating history again fails to give an answer to this divergent approach.

Secondly if we make a historical analysis of evolution of limitations and exceptions apparent that while this divergent posture of civil and common law tradition has exercised a significant impact on copyright law, it had only a trifling impact on patent law. Even in the pre-Paris, Paris and Post-Paris era the conflict and controversy regarding limitations surrounding patents was very marginal. The nature, scope and extent of limitations appended to patent were not abundant as that of copyright. Accordingly this difference can be accepted as an influence of traditional practices with respect to this.26

Finally, the all-embracing nature of Article 13 can be perceived as a purposeful intention to incorporate compulsory licensing mechanism of copyright. While in Article 31 TRIPS has express provision on compulsory licensing with respect to patents, there is no express provision governing compulsory licensing of copyright. It can also be one of the rationales for the strict approach which the first and second step of TST follows in copyright. Unlike other instances of permissible uses, compulsory licensing is a permissible use subject to the legitimate interest of the author. Unlike in the case of other permissible uses,

26 This is corroborated by the use of the term ‘exceptions’ with respect to designs and trademarks also. Likewise in the case of patents, limitations and exceptions attached to designs and trademarks were not that much diverse and conflicting in civil and common law jurisdictions. Article 26(2) of the TRIPS 1994: Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties. Article 17 of the TRIPS 1994, (Exceptions): 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.
compulsory licensing is subject to the requirement of notice to and reasonable compensation to the author. Consequently TST should be more conscious of the rights of the author when it takes such a broad inclusive approach covering compulsory licensing also.\textsuperscript{27} Here follows a step by step breakdown of the provisions together with WTO jurisprudence on the issue.

\textbf{7.2.1 First Step (‘Shall Confine Limitations and Exceptions’ \& ‘May Provide Limitations to Exclusive Rights Conferred by Patent’)}

Both Articles 13 \& 30 begin with a different set of obligation on the members to ensure that no unnecessary restrictions are put on the exclusive rights of authors. In the broad-spectrum, the first step can be interpreted as an attempt to bring in the uniformity which the TRIPS is aiming. So a general obligation is cast upon the member countries to ensure that the uses covered by the text of the exceptions be generally determinable. As underlined by one author, “an overly vague provision whose scope of application could not be foreseen would not be admissible.”\textsuperscript{28} Undefined and indeterminate set of limitations are discouraged to prevent the confusions and unpredictability’s in the pre-TRIPS era. But at the other end of the spectrum, apart from the issue of discrepancy of wordings, TST begins itself by the controversial question that, whether a limitation to author’s right or user’s right. When it obliges the member countries to confine or limit limitations attached to copyright or patent as the case, evident that a right biased attempt to

\textsuperscript{27} This rationale also appears to be true when we analyze the TST for designs and trademarks. Since they also do not embrace compulsory licensing within their scope, the provision appears to be more proportional towards public interest.


safeguard rights by minimizing the public interest limitations. If limitations and exceptions are the quid pro quo for the grant of intellectual property rights, how can the intellectual property frameworks maintain their noble objective of public interest? Here it has been worded as a second tier protection to the rights and not as a safety valve for public interest. It appears to be the product of pure trade oriented imperialist policy of the TRIPS. So a tilting of intellectual property balance is evident. Instead of safeguarding and promoting public interest, it circumscribes the scope of limitations to rights. Public interest is subsumed before the private economic rights. But it depends upon the interpretation we extend to these general wordings. It can be given a holistic interpretation from a historic perspective, and also possible to give a narrow and pure economic trade oriented interpretation in the context of TRIPS.

The analysis of TRIPS negotiating documents relating to limitations makes it clear that TST is a compromise on the diverse set of limitations and exceptions existed among the countries. They expressly acknowledge the impossibility of listing the numerous exceptions across the countries and that too with divergent scope and extent. Consequently from a historical perspective TST warrants a holistic interpretation which in the context of TRIPS is a twofold task. The first


and common to all provisions is the scope of flexibility to the countries in the context of TRIPS to have a holistic interpretation of their own to meet the domestic exigencies. Second and the most important is the actual implication of TST in the context of its trade oriented economic policy.

Unfortunately when we look into the DSB panel reports, starting from the very first word of TST in Article 30, the panel very intelligently and scientifically took a pure quantitative approach neglecting the fundamental cannons of intellectual property. Expediently the panel abandoned the wider public interest concern to protect the interest of owners of copyright and patent who are invariably large corporations. The panel was really tricky when it laid down in the patent case that, each and every interpretation of Article 30 is to be taken in the context of the goals and limitations in Articles 7 & 8 of the TRIPS. After stating this golden principle of interpretation in an ideal manner, it jumped to a rational and pragmatic conclusion. The DSB Panel held that, the word "limited" in the first test has a narrower connotation; although the word itself can have both broad and narrow definitions, the narrower definition is the more appropriate when the word "limited" is used as part of the phrase "limited exception". The panel made the position more clearly by stating that, “the word ‘exception’ by itself connotes a limited derogation, one that does not undercut the body of rules from which is made”. It was emphatic on its narrow interpretation by saying when a

31 The rules that govern the interpretation of WTO Agreements are the rules of treaty interpretation stated in Articles 31 and 32 of the Vienna Convention. The starting point is the rule of Article 31(1) which states: "A treaty is to be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose.” Para 7.13 of Patent Panel Report.


treaty uses the term ‘limited exception’, the word ‘limited’ must be given a meaning separate from the limitation implicit in the word ‘exception’ itself. The term "limited exception" must therefore be read to connote a narrow exception - one which makes only a small diminution of the rights in question. The panel took a contextual interpretation in the WTO trade context, completely ignoring the fundamental cannons of public policy which patent law has to achieve. Further it gave a quantitative measurement to identify the ‘limited’ nature of an exception when it said that a “limitation should be justified taking into account the extent to which legal rights have been curtailed”. This completely undermined the philosophy of user right historically built into the patent system.

While interpreting the first step, admired and carried by the rights of patent owners, or in turn by the interests of powerful industrialists, it was really astonishing that the panel for the first time ever in patent history calculated the patent term as including its market advantage gained by the patent owner in the months after expiration of the patent.


35 Patent Panel Report, Para 7.31. Panel agreed with the EC interpretation that "limited" is to be measured by the extent to which the exclusive rights of the patent owner have been curtailed. The full text of Article 30 refers to "limited exceptions to the exclusive rights conferred by a patent". In the absence of other indications, the Panel concluded that it would be justified in reading the text literally, focusing on the extent to which legal rights have been curtailed, rather than the size or extent of the economic impact. In support of this conclusion, the Panel noted that the following two conditions of Article 30 ask more particularly about the economic impact of the exception, and provide two sets of standards by which such impact may be judged. The term "limited exceptions" is the only one of the three conditions in Article 30 under which the extent of the curtailment of rights as such is dealt with.

36 Patent Panel Report, Para 7.35. 'In view of Canada's emphasis on preserving commercial benefits before the expiration of the patent, the Panel also considered whether the market advantage gained by the patent owner in the months after expiration of the patent could also be considered a purpose of the patent owner's rights to exclude "making" and "using" during the term of the patent. In both theory and practice, the Panel concluded that such additional market benefits were within the purpose of these rights. In theory, the rights of the patent owner are
An established principle in patent law is that, patent rights are limited monopolies for a period of twenty years. At no point in history, there was any instance to extent it beyond that limited term. There was not any single legislative or judicial incidence calculating patent term with its additional market benefits. If it was intended by the legislatures at any point in time they should have impliedly or expressly have provided that, ‘patent term includes the extended market advantage’. So this extended and over enthusiastic right based interpretation appears to be a deliberate act of the panel to uphold the interest of owners of patent. It is not a case of ‘juris ignorantia’ or ‘factual misconstruction’ but appears to be an inclined hyper activism. Its sole aim appears to outlaw the stockpiling provision in Canadian Patent Act.

Similarly in the copyright case as well, while defining the first step in Article 13, the panel was very categorical that, “an exception or limitation must be limited in its field of application or exceptional in its scope.” In other words, an exception or limitation should be narrow in quantitative as well as a qualitative sense. The panel gave the public policy aspect of the copyright limitation which is the primary concern a secondary status by stating that, “public policy purposes stated by lawmakers when enacting a limitation or exception may be useful from a factual perspective for making inferences about the scope of a limitation generally viewed as a right to prevent competitive commercial activity by others, and manufacturing for commercial sale is a quintessential competitive commercial activity, whose character is not altered by a mere delay in the commercial reward. In practical terms, it must be recognized that enforcement of the right to exclude "making" and "using" during the patent term will necessarily give all patent owners, for all products, a short period of extended market exclusivity after the patent expires. The repeated enactment of such exclusionary rights with knowledge of their universal market effects can only be understood as an affirmation of the purpose to produce those market effects’.

or exception or the clarity of its definition." 38 Sticking to this stand, conclusion to the first test was reached solely by the prevailing market conditions, neglecting any other public policy aspects. 39 The panel was bold enough to depart itself from the fundamental principle of treaty interpretation enunciated by Vienna Convention. 40 Thus it is clear that the panel was driven by strong private property jurisprudence of intellectual property reflected in the preamble of the TRIPS from the very beginning of the interpretation of Articles 13 and 30.

So long as the prime principle of TST is its cumulative nature, analyzing the first step itself in quantitative term will completely wipe out any chance for incorporating even a minute degree of public interest into TST. Thus it comes out that quantitative interpretation is a matter of pure political manipulation.

The Panel considered whether “special” used in Article 13 also implied a requirement that a laudable public purpose underlie the exception, but declined to undertake the evaluation of local public policy

38 Copyright Panel Report, Para 6.112.
39 Copyright Panel Report, Para 6.113. In the case at hand, in order to determine whether subparagraphs (B) and (A) of Section 110(5) are confined to "certain special cases", we first examine whether the exceptions have been clearly defined. Second, we ascertain whether the exemptions are narrow in scope, inter alia, with respect to their reach. In that respect, we take into account what percentage of eating and drinking establishments and retail establishments may benefit from the business exemption under subparagraph (B), and in turn what percentage of establishments may take advantage of the home-style exemption under subparagraph (A). On a subsidiary basis, we consider whether possible to draw inferences about the reach of the business and homestyle exemptions from the stated policy purposes underlying these exemptions according to the statements made during the US legislative process.
40 Article 31(1) which states: "A treaty is to be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose."
that such an interpretation would compel. Rather, citing the
determinations of other WTO adjudicative bodies, the Panel “rejected
interpretable tests based on the subjective aims of the national
legislation.” It remains the most irrational attitude which the panel took
while applying the TST. The panel simply interpreted TRIPS like any
other trade Agreements, completely flouting and snubbing the very
fundamentals of intellectual property rights. How can any intellectual
property concept be detached from its breathtaking and irresistible
public policy objective? In an international trade context, this refusal to
judge the legitimacy of a nation’s state policy may be considered

41 Copyright Panel Report, Para 6.112. “In our view, the first condition of Article 13
requires that a limitation or exception in national legislation should be clearly
defined and should be narrow in its scope and reach. On the other hand, a
limitation or exception may be compatible with the first condition even if it
pursues a special purpose whose underlying legitimacy in a normative sense
cannot be discerned. The wording of Article 13’s first condition does not imply
passing a judgment on the legitimacy of the exceptions in dispute. However,
public policy purposes stated by law-makers when enacting a limitation or
exception may be useful from a factual perspective for making inferences about
the scope of a limitation or exception or the clarity of its definition”.

42 Copyright Panel Report, Para 6.111. ‘As regards the parties arguments on whether the
public policy purpose of an exception is relevant, we believe that the term "certain
special cases" should not lightly be equated with "special purpose". difficult to
reconcile the wording of Article 13 with the proposition that an exception or limitation
must be justified in terms of a legitimate public policy purpose in order to fulfill the
first condition of the Article. We also recall in this respect that in interpreting other
WTO rules, such as the national treatment clauses of the GATT and the GATS, the
Appellate Body has rejected interpretative tests which were based on the subjective
aim or objective pursued by national legislation’.

43 Copyright Panel Report, Para 6.113. ‘In the case at hand, in order to determine
whether subparagraphs (B) and (A) of Section 110(5) are confined to "certain
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Second, we ascertain whether the exemptions are narrow in scope, inter alia, with
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eating and drinking establishments and retail establishments may benefit from the
business exemption under subparagraph (B), and in turn what percentage of
establishments may take advantage of the home-style exemption under
subparagraph (A). On a subsidiary basis, we consider whether possible to draw
inferences about the reach of the business and home-style exemptions from the
stated policy purposes underlying these exemptions according to the statements
made during the US legislative process’.

Chapter 7

Exceptions and Limitations to Patent and Copyright Under the TRIPS Agreement
appropriate.\textsuperscript{44} However Senftleben rightly observes that, qualitative aspect of specialty was de facto sacrificed on the altar of national sovereignty,\textsuperscript{45} really exciting that the panel in order to identify the specialty of the case at hand took a very palpable quantitative analysis by referring to the extent of reach of the use on the market.\textsuperscript{46} Instead of preferring qualitative considerations to circumvent the problems raised by the quantitative connotation of the term ‘special’, the panel did the exact opposite. The scholars warn that this kind of analysis will deeply affect countries with open-ended provisions in the copyright law in an aggressive manner to protect public interest than countries with closed system.\textsuperscript{47}

\begin{footnotesize}
\begin{enumerate}
\item Senftleben, M. (2004) Copyright Limitations and the Three-Step Test: An Analysis of the Three-Step Test in international and EC Copyright Law, Kluwer Law International, London, p. 140. He is of the opinion that too big an interference with national sovereignty certainly poses its own threat to the acceptance and efficiency of an international dispute settlement system heavily depending on voluntary compliance by participating members. The qualitative minimum requirement which remains pursuant to the panel approach however only necessitates the mere existence of any public policy and has no regulatory substance.
\item “In that respect, we take into account what percentage of eating and drinking establishments and retail establishments may benefit from the business exemption under subparagraph (B), and in turn what percentage of establishments may take advantage of the home-style exemption under subparagraph (A)”\textsuperscript{46}. Obviously by the end of the day, after taking into account of the factual information presented which showed that a majority of eating and drinking establishments and close to half of retail establishments are covered by the exceptions under Section 110 (B) of the US Copyright act, the panel concluded that exemptions doesn’t qualify as a special case within the meaning of Article 13. See Para 6.133 of Copyright Panel Report.
\end{enumerate}
\end{footnotesize}
Equally apprehending is its rejection of European Unions contention that the “homestyle” exception might significantly overflow its current contours, as equipment “commonly used in a private home” becomes increasingly sophisticated, and particularly if that equipment enables transmission over the Internet.\footnote{Copyright Panel Report, Para - 6.137, 6.150. Ginsburg , J.C. Toward Supranational Copyright Law? The WTO Panel Decision and the 'Three-Step Test for Copyright Exceptions' [online]. Available at http://ssrn.com/abstract=253867 [Accessed July 2010]. Ficsor, A.M. (1997) ‘Copyright in the Digital Era: the WIPO Internet Treaties’, Colum.-VLA J. L & Arts, 21(1), 197, 215.} The panel acknowledged the possibility that new technologies might render certain uses no longer “certain special cases,” but stated that it was evaluating the current scope of the exception based on current technology.\footnote{Copyright Panel Report, Para – 6.153.} The reasons for the panel to remain in such a technologically outdated position also creates serious concern.

The next challenge is to unwrap the legislative intent behind the discrepancy in wordings of article 13 and 30 with reference to first step. While Article 13 mandates that members ‘shall confine’ ‘limitations and exceptions’ to ‘certain special’ cases, Article 30 states that members ‘may’ provide ‘limited exceptions to rights conferred by patent’.

Here comes the usage of words ‘shall’ and ‘may’.\footnote{In common English parlance, ‘shall’ when used in first person is to indicate simple future time and used in second or third person, especially in formal speech or writing to express determination, compulsion, obligation or necessity (Webster’s dictionary). In legal parlance, as used in statutes, contracts, or the like, this word is generally imperative or mandatory (refer Black Laws Dictionary). In common or ordinary parlance, and in its ordinary signification, the term shall is a word of command and one which has always or which must be given a compulsory meaning as denoting obligation.} The word “shall” used in the copyright provision in ordinary usage means “must”
and is inconsistent with a concept of discretion.\textsuperscript{51} It has the invariable significance of excluding the idea of discretion, and has the significance of operating to impose a duty which may be enforced, particularly if public policy is in favor of this meaning, or when addressed to public officials, or where a public interest is involved, or where the public or persons have rights which ought to be exercised or enforced unless a contrary intent appears.\textsuperscript{52} But it may be construed as merely permissive or directory (as equivalent to may), to carry out the legislative intention and in cases where no right or benefit to any one depends on its being taken in the imperative sense, and where no public or private right is impaired by its interpretation in the other sense.\textsuperscript{53}

It is well established in the common\textsuperscript{54} and legal parlance\textsuperscript{55} that the term ‘shall’ indicates imperativeness. But Black Laws Dictionary clarifies that a purposive interpretation can be given to carry out the legislative intention. Apart from this we can see that the Berne also begins with the adverb shall, but its coerciveness is diluted by the use of the expression ‘permissible’. The term permissible means ‘that can be permitted or allowable’. This positive expression announces an acknowledgement of sovereignty of the countries. The countries are permitted to make limitations and exceptions in accordance with their choice. But in TRIPS ‘shall’ is followed by the word “confine” which

\textsuperscript{51} \textit{People v Municipal Court for Los Angles Judicial Dist.}, 149 C.A.3d 951, 197 Cal.Rptr.204, 206. See Black Laws Dictionary.

\textsuperscript{52} \textit{People v O’Rourke}, 124 Cal.App.752,13 P.2d 989, 992. See Black Laws Dictionary.

\textsuperscript{53} \textit{Wisdom v Board of Sup’rs of Polk County}, 236 Iowa 669, 19 N.W.2d 602, 607, 608. See Black Laws Dictionary.

\textsuperscript{54} ‘Shall’ has been defined as ‘expressing a strong assertion or intention’. See oxford or Webster’s dictionary.

\textsuperscript{55} See Black Laws Dictionary.
aggravates the imperativeness. The word ‘confine’ means ‘to keep within limits, restrict, to shut up, boundary, or to limit.’\textsuperscript{56} This being the first and foremost requirement of TST the member countries even when they dream of limitations, they have to view it in well built cabins. This combination of words, thus give an impression of absoluteness to the nations and which strengthens fear of the countries and gives negative impression to Article 13.

However wordings in Article 30 have more semblances to the wordings of Article 9 (2) of Berne. In the context of Berne and TRIPS, this difference was interpreted as a prime source of flexibility and recognition of sovereignty of states in formulating limitations. DSB in the US copyright case have mentioned this difference in a casual way without exploring on its raison d’être.\textsuperscript{57} ‘May’ is an auxiliary verb qualifying the meaning of another verb by expressing ability, competency, liberty, permission, possibility, probability or contingency.\textsuperscript{58} In legal sense the word ‘may’ usually is employed to imply permissive, optional, or discretion, and not mandatory action or conduct.\textsuperscript{59} But also stated that, regardless of the instrument, however whether constitution, statute, deed, contract or whatever, courts can construe ‘may’ as ‘shall’ or ‘must’ to the end that justice may not be the slave of the grammar.\textsuperscript{60} However as a general rule the word ‘may’ will not be treated as a word of command unless there is something in context

\textsuperscript{56} See Oxford or Webster’s Dictionary.


\textsuperscript{58} See, Oxford Dictionary.


\textsuperscript{60} \textit{Shea v Shea, Okl.}, 537 P.2d 417, 418. See Black Laws Dictionary.
or subject matter of act to indicate that it was used in such sense. 61 Similarly in construction of statutes and rules word ‘may’ as opposed to ‘shall’ is indicative of discretion or choice between two or more alternatives, but context in which it appears is the relevant factor. 62 Thus it comes out that, while discretion and probability remains the basic rule of ‘may’, exceptions can be carved out for the effective treaty interpretation taking into account its context. Thus if ‘may’ is given an interpretation in the context of WTO, it definitely connotes an imperativeness. But if we view the difference in language in Article 13 and 30 as a deliberate treaty making, “may and shall” should be construed differently. Here also the negotiating history also does not shed any light over this difference in wordings. However it appears that, in course of negotiations on exceptions to patent rights, even when the countries opted for a non-exhaustive list of exceptions there came out only a very few and limited number of exceptions like prior use, private and non-commercial use, experimental use, extemporary preparations in pharmacy and governmental use. 63 So while a mandatory mechanism to control limitations or exceptions was inevitable in the field of copyright, it was not so compelling in the patent scenario. This might be the reason why TST appears to begin with more flexible standards in Article 30.

It is also to be noted that use of the word ‘may’ make it clear that not binding on the countries to introduce exceptions in case of patent rights. This takes away the possible uniformity in the law on exceptions which TST is trying to achieve. This can also result in a negative impact


on user right to patent in the long run. It will be interpreted by technology advanced countries and their industrial units as a way to develop a proactive right oriented patent system, diluting the standard of user rights. This interpretation was visibly evident in the post-TRIPS scenario in the context of public health crisis and Free Trade Agreement’s (FTAs).

This basic principle is further qualified in case of copyright by the condition that, the countries while confining limitation and exceptions should confine it to ‘certain special cases’. So the next question is the implication of the word ‘certain’ and its influence in tests procedure. The ordinary dictionary meaning is ‘determined, fixed, settled, not variable or fluctuating.’ It also refers to something ‘of positive yet restricted quantity, amount, or degree.’ It means that, as per TRIPS the copyright legislations should have an explicit and transparent set of user rights. Its objective was to put an end to the freedom enjoyed by the countries in introducing the user rights. But it is not clear whether it connotes a quantitative analysis or simply qualitative one. It is also controversial as to whether it suggests only a formal codification of the user rights or whether it means a rigid approach of clear cut and narrow set of user rights? According to Martin Senftleben, this analysis of the wording simply gives the impression of the need for a clear dividing line between

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64 Free Trade Agreements (FTAs) have proved to be one of the best ways to open up foreign markets to the US exporters. Trade Agreements reduce barriers to US exports, and protect US interests and enhance the rule of law in the FTA partner country. The reduction of trade barriers and the creation of a more stable and transparent trading and investment environment make it easier and cheaper for US companies to export their products and services to trading partner markets. For a detailed study visit, www.trade.gov/fta [online].

65 See Oxford or Webster’s Dictionary.

66 See, Oxford or Webster’s Dictionary.
different limitations. For him it only means that an incalculable, shapeless provision exempting a wide variety of uses would not be allowed. But Ricketson, in his comment on Article 9 (2) Berne states that “a broad kind of justification would not be upheld.” When we examine the TRIPS negotiating history, it goes in tune with the opinion of Senftleben. It is a formal attempt to codify the limitations and to put an end to the surprising and startling era of user rights. It need not be interpreted in a rigid manner as an attempt to awe and admire the intellectual property rights only. It should be interpreted in the light of the sound public policy which they have to achieve. It should be kept in mind that, to maintain the stream of public interest flowing without any boundaries that the attempt to have an inclusive or specific set of limitations paved the way for this open-ended provision.

The third question is on the difference in the usages of ‘certain special cases’ and ‘limited exceptions’. Neither in the negotiating documents nor in the panel report, we see any discussion on this conceptual difference. Correspondingly, neither the legal language nor the ordinary English language suggests any valid differentiation.

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69 Reproduction by press, public lectures, quotations, reporting of current events, use of literary or artistic works for teaching purposes, etc were some limitations proposed to copyright. Similarly in the case of patents exceptions for scientific or experimental use, parallel importing, Bolar exceptions were proposed. All this were instances of public policy.

70 As per Black laws dictionary, the word limited means, ‘restricted, and bounded, prescribed, confined within positive bounds; restricted in duration, extent or scope’. An identical meaning can be seen in oxford dictionary also. The word exception as per Black Laws dictionary means, “act of excepting or excluding from a number designated or from, a description; that which is excepted or separated from others in a general rule or description; a person, thing, or case
Accordingly the usages, ‘certain special cases’ and ‘limited exceptions’ conveys the same meaning. It should not be perceived as mere ‘Freudian slip’. From an ordinary legal parlance, obvious that while ‘certain special cases’ sounds more sensitive, ‘limited exceptions’ has broader public interest perspective. The same rationale which we identified in the case of discrepancy of title holds good here also. The inclusion of compulsory licensing and abundance and superfluity of limitation appended to copyright might again be the reason for draping it in more restrictive words.

7.2.3 Second Step (‘No Conflict’ with a ‘Normal Exploitation of the Work’ / Do Not ‘Unreasonably Conflict with a Normal Exploitation of the Patent’)

Here follows the second part of the three step test in copyright and patent. But when we go deep into the second or the third part of the three step test, it casts a doubt as to the arrangement of the three step test. also doubtful that whether it is a three step test or a two step test. After identifying the exceptions or limitations in special cases or limited exceptions to rights as the case may be, next task is to find out whether those cases or limited exceptions will conflict with a normal exploitation of the work. In the context of copyright, any kind of ‘conflict’ is restricted, in patent only ‘unreasonable conflicts’ that affects the normal exploitation of the right. So, first we have to look into the implication of ‘normal exploitation’ which remains common in both situations. Here again we have to resort to the literal method of interpretation. In legal sense the term “normal” means, “according to or constituting or not deviating from an established norm, rule or principle conformed to a

specified as distinct or not included; an act of excepting, omitting from mention or leaving out of consideration. Express exclusion of something from operation of contract or deed". Oxford dictionary also assigns a similar meaning - “a person or thing treated differently from others of the same class".
type, standard or regular form, performing proper functions, regular, average, natural”. Common dictionary meaning is also analogous. The ordinary meaning of the term "exploit" connotes "making use of" or "utilizing for one's own ends". So normal exploitation means an established mode of utilizing or exploiting one's own ends. So in the intellectual property context, it refers to all those economic and moral rights attached to the copyright or patents as the case may be.

So the question here is to formulate a standard for ascertaining the ‘normal means of exploitation of rights’ by its owner. It is a twofold task. The first question is that whether it should be interpreted in the context of all embracing exclusive rights of the author, or in the context of the sacrosanct nature of limitations and exceptions. It is evident that any kind of enjoyment of rights without permission of the owner of copyright is an invasion on exclusive rights of author. But the moment defense of infringement attains the character of any of the user rights; it is obvious that the magnitude of invasion attains a new direction. In that context, the exclusive rights will be a little diluted for enabling an effective public policy purpose. So when ‘normal exploitation’ is interpreted in the context of Article 13, it should not be equated with full use of all exclusive rights conferred by copyrights since it would destroy the very objective of TST. It should be interpreted as meaning something less than full use of an exclusive right.

Next question is that whether the term normal means only actual exploitations or includes traditional and innovative ways of exploitation.

71 See, Black Laws Dictionary.
72 Oxford Dictionary defines it as: “Conforming with or constituting an accepted standard, model or pattern, occurring naturally, implies conformity with the established norm or standard for its kind”.
73 See Oxford English Dictionary.
One way of interpreting this is that a conflict with normal exploitation shall only be assumed if the exempted use in question enters into direct competition with traditional forms of exploitation. But this interpretation will be meaningless in the context of new technological challenges like digital environment. A more reasonable interpretation has been formulated by Sam Ricketson, when he says that “common sense would indicate that the expression normal exploitation refers simply to the ways in which an author might reasonably be expected to exploit his work in the normal course of events.” But Senftleben criticizes this as a circular argumentation sheltering copyright limitations. He feels that this will only result in etching the actual status quo of copyright law in stone. This approach also has the drawback of remaining outdated to new technologies and new public demands and appears to be harmful from the perspective of both users and right holders alike. On the side of right holders, this could lead to a gradual abridgement of exclusive rights when new technologies have the possibility to misuse the limitations and exceptions. At the same time, from the perspective of users they will be in a disadvantaged position, because their traditional rights are not suitable to the new challenges. So an effective mechanism needs to be more normative and dynamic.

76 Ibid. ‘Ricketson line of reasoning, can therefore be easily be contented that a limitation does not conflict with a normal exploitation because the authors, normally do not gather revenue in this exempted area. The reason for author’s reticence is the limitation itself. Due to its existence, they refrain from exploiting their works in the privileged cases and concentrate on other areas. Their mode of exploitation simply mirrors the specific national system of grants and reservations of copyright law’.
The TRIPS negotiating documents also shows an unrelenting conflict among the countries on the issue of interpretation. Developing countries like India clamor for an interpretation of intellectual property concepts governed by the socio-economic, developmental, technological and public interest needs. They also cautioned that, it would not be appropriate for the discussions to focus merely on the protection of the monopoly rights of the owners of intellectual property. They emphasized that any discussion on the intellectual property system should keep in perspective that the essence of the system is its monopolistic and restrictive character. However countries like, Australia, European Communities, Japan, the Nordic countries, Switzerland and the US stood for a strong right oriented approach. Prima-facie TST appears to make a balancing of these conflicts. By retaining the right of countries to formulate limitations and exceptions to suit their needs, it tries to maintain the credibility of the system. Thus while from a developing country perspective qualitative approach is appreciated, the developed ones opt for the right oriented quantitative approach.

The panel’s extended the same line of reasoning in the first step to the second step also. The panel in both cases took the unanimous opinion that the term ‘normal’ can be understood to refer either to an empirical

77 Senftleben, M. (2004) Copyright Limitations and the Three-Step Test: An Analysis of the Three-Step Test in international and EC Copyright Law, Kluwer Law International, London, p.172. They also asserted that it might be necessary to pay due regard to this interrelation between standards and principles on one hand, and effective enforcement on the other. Standards and principles should accommodate concerns raised by participants related to the underlying public policy objectives of their national systems for the protection of intellectual property, including developmental and technological objectives. They added that it should be borne in mind throughout the discussions that it was of paramount importance that the results of the negotiations on the protection of IPRs must attract the fullest participation. Further, in formulating standards and principles for each kind of intellectual property, it should be ensured that the promotion of effective and adequate protection of IPRs and the effective enforcement of these rights should not in any way become barriers to legitimate trade.
Conclusion about what is common within a relevant community, or to a normative standard of entitlement. Though normative claim was supported in the beginning, the final decision was based on economic analysis of actual and potential economic infringements to the right holder. By giving an extensive interpretation connoting even potential economic detriments, the panel flouted not simply the basics of intellectual property system, but also that of general principles of liability. How can liability be cast on an action which has not yet taken place, but which is to occur at a later stage? Potential economic impact factor might have come under the influence of the US fair use doctrine. But it should be noted that one among the four factors of fair use principle and not the sole criterion. Apart from this, after a sequence of juridical explanations, the position is now well settled that only substantial actual market impairments are relevant. This predisposition of panel towards potential infringement instead into real market conditions is really a dangerous sign of a new face of economic colonialism. This also has some other dangerous potentialities. On the one hand, it could impose a status quo, preventing any extension of exceptions to new situations unforeseen by the letter of the text, but which could derive from its spirit. On the other hand, reference to future exploitations runs the risk of paralyzing exceptions every time a technical evolution allows controlling previously uncontrollable uses, thus creating new possibilities for exploitation. Bearing in mind the new controlling possibilities for right holders of the uses of their works through technical measures, this could

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80 The fourth factor listed in section 107 is “the effect of the use upon the potential market for or value of the copyrighted work”.

even lead, in the long run, to the disappearance of limitations in the digital environment.82

Similarly the term “exploitation” was given a contextual interpretation distinguishing copyright83 and patent84 as including the all embracing exclusive rights. There also, the panel failed to appreciate certain inevitable public policy interests that may diminish the exclusive nature of right of exploitation. The panel in EC – Canada patent case while interpreting the term exploitation in Article 30, even went to the extent of glorifying the objective of patent law as simply the sentinel of patent rights.85 This hints at the very objective of the patent system. While emphasizing the stimulation to innovation, the panel’s view fails to consider other equally essential objectives of the patent system. Once again the panel deliberately shuts its eyes to the noble public policy. While in the US copyright case the panel took shield for this neglect of public policy under the roof of sovereignty of the states, how can it escape in case of patent? Public interest, just like any concept can have international magnitude. While rights and duties form the two sides of


83 Copyright Panel Report, Para 6.166. ‘We believe that "exploitation" of musical works thus refers to the activity by which copyright owners employ the exclusive rights conferred on them to extract economic value from their rights to those works’.

84 Patent Panel Report, Para 7.54. ‘The Panel considered that "exploitation" refers to the commercial activity by which patent owners employ their exclusive patent rights to extract economic value from their patent’.

85 The specific forms of patent exploitation are not static, of course, for to be effective exploitation must adapt to changing forms of competition due to technological development and the evolution of marketing practices. Protection of all normal exploitation practices is a key element of the policy reflected in all patent laws. Patent laws establish a carefully defined period of market exclusivity as an inducement to innovation, and the policy of those laws cannot be achieved unless patent owners are permitted to take effective advantage of that inducement once it has been defined.
the same coin, when patent rights are given international recognition, there was a significant failure to acknowledge public interest.

The second step in both articles is also worded differently. While in Article 13, any conflict with normal exploitation is an abridgement of copyright, in Article 30 only ‘unreasonable’ conflicts are deemed harmful. It is interesting to examine whether this adjective ‘unreasonableness’ implies something special on exceptions to patent rights? Literally the term ‘unreasonableness’ means something which is irrational, foolish, unwise, absurd, silly, preposterous, senseless and stupid. It can also be something not reasonable, having or showing little sense or judgment, not rational, excessive, immoderate or exorbitant. 86 Thus it signifies a rigid threshold than the term ‘reasonableness’. The difference in approach creates a firsthand impression that, while each and every kind of conflicts are harmful to copyright, in patents it has to prove that not a simple conflict, but something extraordinary and unusual. Neither in the negotiating documents nor in the DSB panel reports, has any reference been made to the rationale for this distinction. It is to be noted that there will not be any single user right that can be exercised without any conflict on author’s or inventor’s right. So when Article 13, uses the term ‘conflict with normal exploitation’ it appears to be very sensitive and at the same time skeptical on rights of authors and users as well. If the objective of exceptions and limitations is the attainment of larger public interest, a more rational approach is needed. Just like the term normal has been interpreted as excluding some uses taking into account of the exigency of the situation, the term ‘conflict’ should also be understood in that sense. Thus it appears that Article 30 is more rational and consistent than Article 13 which appears to be more

86 See, Oxford dictionary.
emotional towards the rights of authors than towards the rights of users. But the question of difference in these usages remains unanswered. If we analyze the negotiating documents, clear that unlike that of patents, the issue of copyright infringement and the copyright limitations was very hotly debated. Apart from that international arena witnessed a mixture of user rights, threatening the very existence of author rights. It is also an established principle in intellectual property rights that copyrights when compared to patent rights are much minimal in its magnitude and strength. We have seen that the intellectual property rights regime has come out with inbuilt mechanism to cure this inherent weakness of the copyright with mechanisms like long duration, bundle of rights etc. Consequently, it appears that Article 13 is a deliberate legislative policy making to address all these issues.

7.2.4 Third Step (‘not unreasonably prejudice the legitimate interests of” the ‘right holder’ or “patent owner’)

If a limitation does not conflict with a normal exploitation, it may furthermore ‘not unreasonably prejudice the legitimate interests of” the ‘right holder’ or “patent owner’. This is the last regulatory element of three step test and it serves as the final balancing of interests. Thus third step establishes three elements: firstly it refers to the “interests” of person who enjoy the rights – holders of right or patent owner - and not to the author or inventor. Secondly the circle of relevant interests is reduced to ‘legitimate’ ones and not to each and every concern. Thirdly prejudices to the circle of legitimate interest are permissible insofar as they are not ‘unreasonable’. The use of the limiting words ‘legitimate’ and ‘unreasonable’ indicates that the rights of owners are not absolute

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and, in certain situations, some derogation of those rights could be considered legitimate. Thus unlike the second step in Article 13, the third step appears to be more rational when it acknowledges that only unreasonable prejudices are taken care of, and not every prejudices. It admits that every limitation has the potential to cause some detriment to the authors. This result is accepted as long as the arising harm does not reach such an unreasonable level.

Unlike in the case of first two steps, a conceptual clarity was not the issue here. Here the major question is the identification of a yardstick for measuring the unreasonableness of prejudice to the legitimate interests of the person enjoying the rights. Equally important task is the need to find a way to measure or quantify legitimate interests. Given that, any exception to exclusive rights may technically result in some degree of prejudice to the right holder, the key question is whether that prejudice is unreasonable. The yardstick can be either qualitative one focusing the general public interests or it can be a quantitative one focusing on the economic interests of the right holder. Just like in the first two steps, the age-old internal conflict within the intellectual property rights system between individual interests and public interests

88 Of course a literal interpretation of the words was done by DSB in both cases. The term "legitimate" has the meanings of: "(a) conformable to, sanctioned or authorized by, law or principle; lawful; justifiable; proper; (b) normal, regular, conformable to a recognized standard type." Thus, the term relates to lawfulness from a legal positivist perspective, but it has also the connotation of legitimacy from a more normative perspective, in the context of calling for the protection of interests that are justifiable in the light of the objectives that underlie the protection of exclusive rights. We note that the ordinary meaning of "prejudice" connotes damage, harm or injury.88 "Not unreasonable" connotes a slightly stricter threshold than "reasonable". The latter term means "proportionate", "within the limits of reason, not greatly less or more than might be thought likely or appropriate", or "of a fair, average or considerable amount or size". (Oxford English Dictionary, p. 2496). Para 6.223-6.224 of Copyright Panel Report. A parallel initiative has been done by the DSB panel in EC-Canada Patent Case also. See Para’s – 7.68 and 7.69 of Patent Panel Report.
persisted here as well. The usage of words ‘legitimate interests’ and ‘unreasonable prejudice’ in this last step clearly underscores an attempt to balance these two approaches.

So now we have to find out the implication of the term ‘legitimate interests’. Also worth probing that while the second step refers to ‘rights’, why the third step uses the term ‘interests’? In the ordinary English parlance, the term ‘interests’, refers to a legal concern, title, or right in property, archaic the selfish pursuit of one’s own welfare; self-interest.\(^89\) In legal jurisprudence ‘interests’ refers to claims, wants or desires.\(^90\) It can also be defined as a demand or desire or expectation which human beings, either individually or in groups or associations or relations, seek to satisfy of which therefore the adjustment of human relations and ordering of human behavior through the force of a politically organized society must take account.\(^91\) But rights are one of the various means of securing interests by the legal system.\(^92\) In legal parlance interest’s needs not mere legal protection, but legal recognition to gain the status of rights. So it comes out that, the term ‘interest’ has a wider scope than the term ‘rights’, since interest can be anything and can also be stretched to any extent. But its gravity and magnitude is very minimal when compared to the term rights.

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89 Available at http://oxforddictionaries.com/view/entry/m_en_gb0416110#m_en_gb0416110.003 [Accessed on 25.06.2010]

90 For a detailed study on this read, Ihering, Rudolf Von, (1968), (trans by Issac. Husik), Law as a Means to an End, Boston University Press, New York.


92 Ibid. Legal powers, duties, liberties, liabilities, etc are various modes of securing interests. To say that a man has a right to something is to say that right for him to obtain it. This may entail that others ought to provide him with it, or that they ought not to prevent him getting it, or merely that it would not be wrong for him to get it. Rights are not concerned with interests, and indeed have been defined as interests protected by rules of right, that is by moral or legal rules. Yet rights and interests are not identical. Interests are things which are to a means advantage; he has an interest in his freedom or his reputation. His rights to these, if he has such rights, protect the interests, which accordingly form the subject of his right but are different from them.
So it comes out that, the term ‘interests’ in third step, is a deliberate legislative wisdom and not a mere fortuitous phenomenon. They consciously insert the term ‘interests’ to include not mere rights, but also duties and liabilities of the right holder. Further the qualification by the term ‘legitimate’ further amplifies this concern. Senftleben rightly points out that “the reference to interest instead of rights confirms that third criterion is located at the core of copyright’s balance.”

The term ‘unreasonable prejudice’ means ‘prejudice’ connotes ‘injury, damage, hurt or loss.’ A prejudice can be regarded as ‘unreasonable’ if inequitable, unfair and unjustifiable something beyond the limits of acceptability or fairness. So, not each and every prejudice that is accountable, only those which have the potential to cause unreasonable harm to the interest of right holder that is relevant. From this proposition it comes out that there are certain prejudices which are reasonable per se and some which can be made reasonable. Thus, also explicit that, there are some prejudices that can be made reasonable by payment of adequate compensation. Here also the puzzle is to choose between the qualitative and quantitative aspects of interests. Primarily it must fulfill the qualitative criterion that, the limitation has a sound public policy objective. Secondly, it has to meet the quantitative test of least harm to the author. Placing a limitation on authors rights which is not

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94 See, Oxford dictionary.
95 See, Oxford dictionary.
96 See, Oxford dictionary.
Exceptions and Limitations to Patent and Copyright Under the TRIPS Agreement

Chapter 7

proportionate to this qualitative and quantitative analysis is definitely an unreasonable one.

In third step also DSB experiences the conflict of the two competing approaches. The copyright panel touched upon both. Its own legal positivist perspective focuses on the economic value of the exclusive rights conferred by copyright on their holders.\textsuperscript{97} However the panel did not say that legitimate interests are limited to this economic value.\textsuperscript{98} By contrast it referred to the report of the panel in the EC - Canadian patent case on patent protection of pharmaceutical products in Canada and, thus to the second approach. The patent panel understood the expression ‘legitimate interests’ as a ‘normative claim calling for the protection of interests that are justifiable in the sense that they are supported by relevant public policies or other social norms.’\textsuperscript{99} The line of argument of patent panel runs as follows: “if one is ready to conceive of patent protection as a means to induce inventors to disclose their invention to the public in order to facilitate the dissemination and advancement of technical knowledge, it appears illegitimate to prevent the experimental use during the term of patent.”\textsuperscript{100} Notwithstanding its own focus on the economic value of exclusive rights, however the copyright panel observed that the term ‘legitimate’ also has the connotation of legitimacy from a more normative perspective, in the context of calling for the protection of interest that are justifiable in the light of the objectives that underlie the protection of exclusive rights.\textsuperscript{101}

\begin{itemize}
\item \textsuperscript{97} Patent Panel Report, Para 7.69.
\item \textsuperscript{98} Copyright Panel Report, Para 6.227.
\item \textsuperscript{99} Patent Panel Report, Para 7.69.
\item \textsuperscript{100} Patent Panel Report, Para 7.69. See the examples given by the WTO panel.
\item \textsuperscript{101} Copyright Panel Report, Para 6.224.
\end{itemize}
In the last step also Article 30 comes with a slightly different approach. Unlike in the case of copyright, the unreasonable prejudice to rights of the patent owners is ascertained only after taking into account of the legitimate interest of the third parties. Apart from the conclusion that common sense makes this provision appears to be more rational and coherent than Article 13, in practice it makes no difference. Even in Article 13, to calculate the unreasonable prejudice to the right holder, a proportionality test between users and right holders is to be applied. But neither in DSB panel report or in the negotiating documents we could see any reason for this difference. The only guidance we get from the panel report is that "legitimate interests of third parties" makes sense only if the term "legitimate interests" is construed as a concept broader than legal interests. The major confusion which arises as to the interpretation of 'third parties' is that, 'who are they'? Whether it connotes the competitors of the right holder or the general public?

102 Patent Panel Report, Para 7.71. Whereas the final condition in Berne Article 9(2) ("legitimate interests") simply refers to the legitimate interests of the author, the TRIPS negotiators added in Article 30 the instruction that account must be taken of "the legitimate interests of third parties". Absent further explanation in the records of the TRIPS negotiations, however, the Panel was not able to attach a substantive meaning to this change other than what is already obvious in the text itself, namely that the reference to the "legitimate interests of third parties" makes sense only if the term "legitimate interests" is construed as a concept broader than legal interests.


104 Patent Panel Report, Para 7.63. Following its position that "legitimate interests" are essentially legal interests, the EC went on to argue that the legitimate interests of competing producers are essentially the same as those of patent owners - that is, the full enjoyment of their legal rights. The legal rights of the patent owner's competitors, the EC argues, are the rights to make, use or sell the patented product on the day after the patent expires. Such competitors, therefore, could have no "legitimate" interest in the rights granted by the regulatory review exception of Section 55.2(1), because they could have no legal right to "make" or "use" (or "sell") the patented product during the term of the patent.
Really appreciating that, the panel was carried away by the public policy argument of Canada and interpreted the third parties as general public.105

Thus at the end, it is really interesting that an international formula to harmonize limitations and exceptions itself has inbuilt discrepancy, taking into account, the inherent difference of the subject matter and its diverse objectives and roles in intellectual property system. It appears that Article 30 is more rational than Article 13 and the balancing mechanism is more sensible and judicious with respect to patents. Apart from the specific explanations which we arrived for this discrepancy two general observances is also possible for this. Primarily this difference might be due to the inherent difference of the two categories with respect to their role in serving the public interests. Patent appears to be more sensitive to public crisis than copyright. While the objective of copyright is ensuring maximum flow of information with minimum originality, the patent law aims at advancement of existing knowledge. Secondly, in the case of patents since TST was a pioneer attempt, the drafters seem to be

105 Patent Panel Report, Para 7.69. “To make sense of the term "legitimate interests" in this context, that term must be defined in the way that 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. This is the sense of the word that often appears in statements such as "X has no legitimate interest in being able to do Y". We may take as an illustration one of the most widely adopted Article 30-type exceptions in national patent laws - the exception under which use of the patented product for scientific experimentation, during the term of the patent and without consent, is not an infringement. Often argued that this exception is based on the notion that a key public policy purpose underlying patent laws is to facilitate the dissemination and advancement of technical knowledge and that allowing the patent owner to prevent experimental use during the term of the patent would frustrate part of the purpose of the requirement that the nature of the invention be disclosed to the public. To the contrary, the argument concludes, under the policy of the patent laws, both society and the scientist have a "legitimate interest" in using the patent disclosure to support the advance of science and technology. While the Panel draws no conclusion about the correctness of any such national exceptions in terms of Article 30 of the TRIPS, it does adopt the general meaning of the term "legitimate interests" contained in legal analysis of this type".
Chapter 7

more cautious and have come with a careful balancing mechanism. Apart from that, while copyrights are easily subject to infringement, patent by their higher standard of novelty and non-obviousness is much tolerable to infringements.

The interpretation of the TST is therefore a highly contested area in international intellectual property debates. In practice the reaction to any interpretation of the test is characterized by intense lobbying by or on behalf of rights holders as well as user groups. The result is that if arguments concerning the public policy intentions of legislators introducing the exception are not considered as part of the interpretation at each step, possible that these issues could be completely excluded from the overall evaluation; particularly if they are not taken into account in step one. This has the potential to eliminate consideration of the anticipated wider social benefits of an exception from the test completely. However, each limb of the test does contain the potential for some consideration of the broader public policy basis of the exception or limitation in question and adopting an interpretive methodology that takes this into account may assist with ensuring that the wider social policy intentions of legislators form part of a balanced implementation of the test. The third step also revealed a conflict of these two approaches. The copyright panel touched upon both. Its own legal positivist perspective focuses on the economic value of the exclusive rights conferred by copyright on their holders. However the panel did not say that legitimate interests are limited to this economic value. The patent panel understood the expression ‘legitimate interests’ as a ‘normative claim calling for the protection of interests that are justifiable in the sense

that they are supported by relevant public policies or other social norms.'\textsuperscript{108} The line of argument of patent panel runs as follows: “if one is ready to conceive of patent protection as a means to induce inventors to disclose their invention to the public in order to facilitate the dissemination and advancement of technical knowledge, it appears illegitimate to prevent the experimental use during the term of patent.”\textsuperscript{109} Notwithstanding its own focus on the economic value of exclusive rights, however the copyright panel observed that the term ‘legitimate’ also has the connotation of legitimacy from a more normative perspective, in the context of calling for the protection of interest that are justifiable in the light of the objectives that underlie the protection of exclusive rights.\textsuperscript{110}

At the end of our analysis, it is also evident that the WTO DSB panel’s have miserably failed to uphold the cardinal principles of protection of public interests which the intellectual property system envisaged. The concern for human rights, fundamental freedoms and social and cultural aspirations which the intellectual property system preserved and sustained since its origin was totally ignored. Such an outlandishly restrictive conception of the demands of the “test” is quite unjustified, and is far removed from anything intended at the Stockholm Revision Conference when the “test” was first devised. At that point, it was regarded as a relatively loose constraint, permitting Berne Union members to retain their existing exceptions. The degree of narrowness envisaged here is also quite incompatible with the much broader understanding of the legitimate sphere of copyright exceptions that has traditionally prevailed in all major jurisdictions. Limitations

\textsuperscript{109} Patent Panel Report, Para 7.69, See the examples given by the WTO panel.
\textsuperscript{110} Copyright Panel Report, Para 6.224.
and exceptions were given a new status as savior of rights, rather than as that of public interest. The panel reports also alarms us of the sovereign status of the member countries. A deep intrusion into the domestic sovereignty upon an issue on which there was no domestic dilemma is a sensitive matter to be redeemed. Ruth Okediji has suggested that this strategic use of DS will mean less certainty and uniformity in intellectual property right law, while for developing countries the uncertainties and cost may make it harder to make adequate use of the flexibility ("wiggle room") afforded by the TRIPS.\footnote{Okediji, R.L. (2001) ‘TRIPS Dispute Settlement and the Sources of (International) Copyright Law’, \textit{Journal of Copyright Society U.S}, 49(4), 585.}

\subsection*{7.2.4 The Potentiality of TST (What it can be?)}

The TRIPS and its subsequent interpretation by WTO panel have thus resulted in an ever-expanding panoply of proprietary rights of intellectual property owners.\footnote{Okediji, R.L. (2006) ‘The International Copyright System: Limitations, Exceptions and Public Interest Considerations for Developing Countries’, UNCTAD-ICTSD Project on IPRs and Sustainable Development, p13-14, [online]. Available at http://www.unctad.org/en/docs/iteipc200610_en.pdf [Accessed on December 2010].} Before going to any criticism or conclusion on the efficacy of TST, the background of the TRIPS and its international politics should be kept in mind. At no point in negotiating history we find any incidence that TST is an international attempt to achieve the balancing of the interests of users and rights holders. WTO is primarily a trade regime. It does not have the primary responsibility for the development of intellectual property norms; instead, intellectual property protection is viewed through its impact on free trade, which provides a distinct gloss on the interpretation of TRIPS obligations that often disregards social, cultural and other public interests central to both
national and international intellectual property systems.\textsuperscript{113} Even Article 7\textsuperscript{114} & 8\textsuperscript{115} which is often hailed as the champion of public interests is drafted very artfully. It is not the ordinary or common users that are addressed in Article 7, on other hand it refers to ‘technology users’. Similarly the compatibility clause in Article 8, underscores any national attempt to address their domestic public interest aspirations. The compatibility clause will vitiate any domestic law which does not comply with TRIPS minimum standards. The access to medicines and access to knowledge campaign in the early hours of twenty first century itself is a clear evidence of the structural imbalance in the TRIPS between the robust scope of rights granted to owners on the one hand, and the limited avenues to promote user interests on the other hand. How can users expect something from an Agreement which even fails to acknowledge them? It considers only right holders and not the creators of intellectual property. Through its incorporation into the TRIPS, what was essentially a norm of international copyright has morphed into a norm of


\textsuperscript{114} Article 7 of the TRIPS: “The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations”.

\textsuperscript{115} Article 8 of the TRIPS: 1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.

2. Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.
international trade law. Thereby, it has lost much of its original normative content.\textsuperscript{116}

But apart from this conservative critical attitude, TST can have a progressive perspective. Senftleben points out that the TST is both a limiting and enabling clause alike.\textsuperscript{117} Its open ended lucid words are capable to accommodate and adapt to any user rights. But its cumulative nature is to be abandoned at any cost. The entire criticism leveled against TST can be cured by a slight change of its wordings. Instead of using the conjunctive ‘and’, the use of ‘or’ and converting it into three independent steps would relieve the international community from its burden. This approach has the obvious advantage of offering greater flexibility. A limitation might score low on, for instance, the first or second step, but could still be admitted by scoring high on the third test.\textsuperscript{118} Indeed, such a “holistic” approach would do more justice to the proportionality test that in essence underlies the TST.\textsuperscript{119} A little infusion of normative elements at the stage of interpretation will further accentuate this effort and will make it a golden step. We can have a glimpse of this in the post-TRIPS era in the next chapter.

\begin{itemize}
\item \textsuperscript{117} According to Senftleben, “ proportionality test which enables the weighing of the different interests involved at the national level so as to strike a proper balance between rights and limitations”.
\end{itemize}