March 24, 2016

Senate Education and Culture Committee
Uruguayan Parliament

Dear Senators,

The Global Expert Network on Copyright User Rights – a project of the American University Washington College of Law Program on Information Justice and Intellectual Property – has been asked by Creative Commons, Uruguay, to provide an opinion on whether amendments proposed to Uruguay’s copyright would be subject to compensation under bilateral investment treaties (BITs). We – the undersigned members of the Network – conclude that no valid case against Uruguay could arise under a BIT by virtue of adoption of its proposed amendments to its copyright law.

We reviewed proposed new exceptions to copyright in Uruguay for teaching and learning purposes, for the use of architecture in visual works, for personal non-profit use, and for library and archival uses.1 In each case, both the exception and the internal qualifiers that limit it are of kinds commonly found in the legislation of other countries.2

We have not reviewed every BIT in force between Uruguay and another country. But we are cognizant that Uruguay is member to BITs that define intellectual property rights as covered investments. The main protections that BITs provide for

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1 The language we reviewed is an English translation located at http://tiny.cc/URCBill. We understand that there may be other amendments suggested that we have not reviewed specifically.

intellectual property rights, and other forms of private property, are against uncompensated expropriation and against denials of fair and equitable treatment.³

BIT investment protections are relatively narrow and we do not see any application of them to Uruguay’s amendments. Expropriations occur only when property rights are extinguished or effectively extinguished.⁴ While there has been some expansion of the range of “regulatory takings” that have been brought in BIT forums, we know of no case in such a forum challenging government action that did not extinguish all or substantially all of the value of an intellectual property right. The proposed amendments for Uruguay would not extinguish the value of copyrights by any means. The amendments merely define a range of specific uses that serve the public interest and for which no authorization is required. We see no grounds for arguing that such provisions can constitute an expropriation of any intellectual property right.

Fair and equitable treatment challenges require showing that a government action amounted to the denial of a “minimum standard of treatment” under international law.⁵ Fair and equitable treatment cases mainly revolve around procedural issues -- for example, allegation that the process for decision making was manifestly unjust or discriminatory. An often cited definition of the standard, in Waste Management v. Mexico (II), Waste Management v. United Mexican States,⁶ described:

[T]he minimum standard of treatment of fair and equitable treatment is infringed by conduct attributable to the State and harmful to the claimant if the conduct is arbitrary, grossly unfair, unjust or idiosyncratic, is discriminatory and exposes the claimant to sectional or racial prejudice, or involves a lack of due process leading to an outcome which offends judicial propriety.

We have no reason to believe that Uruguay is engaging in such an abusive process. The substance of the amendments being considered applies equally to local

³ Uruguay is not, to our knowledge, a party to any free trade agreement that includes both an intellectual property chapter and an investment protection chapter, and thus we do not address here the potential relationships between the two.


⁶ ICSID Case No. ARB(AF)/00/3, Award, ¶¶98 (Apr. 20, 2004)
and foreign businesses and content and cannot by any means be labeled as without rational basis.

There is a contested theory in BIT litigation that claims can be made based on government action that disrupts ‘legitimate investment-backed expectations.’ But we see no application of even this contested theory to Uruguay’s actions. The recognition of copyright rights cannot create any legitimate expectation that the exclusivity they confer is absolute and will remain without limitation from accepted checks and balances inherent in the system. The general acceptance and widespread state practice of including a range of exceptions and limitations to copyright – and amending those exceptions and limitations to achieve legitimate public policy goals over time – would strongly side against any finding of interference with legitimate expectations.\(^7\) The substance of the amendments being considered is in conformance with limitations and exceptions in place in many other countries. No investor could have entertained a reasonable expectation that such commonplace exceptions would not be adopted in Uruguay. We see no grounds for arguing that they could constitute a denial of fair and equitable treatment to any foreign business.

The primary international law provisions that might be applicable to Uruguay’s legislation involve the so-called “three-step” test, which is included in several international copyright treaties and in the World Trade Organization agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). Article 13 of TRIPS states:

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

We have reviewed the proposed exceptions being considered by Uruguay and find none that would violate the three-step test under any reasonable interpretation of its mandates. On the contrary, the limitations that Uruguay is considering, e.g. for teaching, for personal use and for libraries are archives, are very similar to and in accord with those from other jurisdictions around the world. None of these jurisdictions has been challenged under TRIPS or any BIT, nor would we expect such a challenge to be successful.

It is noteworthy that a three-step challenge would have to be brought in an appropriate international forum by a state party to TRIPS or another international agreement.

treaty. BIT tribunals are not explicitly empowered to hear general allegations of violation of the three-step test or other rules of international intellectual property law. While it is true that several companies have recently used BIT forums to allege violations of TRIPS, these challenges were brought only in the context of government action that was alleged to have expropriated the entire value of an intellectual property right. Uruguay’s proposed amendments appear insulated from a BIT challenge because they do not extinguish any copyright owner rights whatsoever, do not unjustly discriminate, do not disrupt any reasonable expectations of any party and are being enacted through a fair and equitable process.

We would encourage the legislature to consider within its deliberations additional amendments that would also be in accord with international law. Prime among these would be a general exception like the U.S. fair use right that can apply to the introduction of new uses or technologies that do not harm rights holder interests but are not immediately foreseen by the legislature. Such a right is key to creating the legal enabling environment for technological and cultural innovation in the digital age, and is fully in accord with the international three-step test. Other key rights to include in any copyright reform should include that for transformative and non-consumptive uses of copyrighted content – such as those uses traditionally performed by internet search engines or researchers using text and data-mining technologies. For more guidance and materials on the crafting of a general exception and models of specific exceptions from other jurisdictions, we invite you to consult the materials at http://infojustice.org/flexible-use and contact us through Sean Flynn, sflynn@wcl.american.edu

Signed,

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