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# The fair dealing doctrine in respect of digital books

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**THE FAIR DEALING DOCTRINE  
IN RESPECT OF DIGITAL BOOKS**

by

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## **DECLARATION**

I declare that the dissertation titled THE FAIR DEALING DOCTRINE IN RESPECT OF DIGITAL BOOKS is my own work and that all the sources I have used or quoted have been indicated and acknowledged by means of complete references.

I further declare that I have not previously submitted this work, or part of it, for examination at UNISA for another qualification or at any other higher education institution.

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**Gerardus Verhoef**

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**Date**

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Anthea – jy weet reeds wat ek gesê het. Dankie!

“Gutenberg’s press mechanized copying and made copyright necessary. Digitization makes copying instantaneous and viral, and renders existing laws obsolete. I leave it to experts to find a solution and hope they succeed, for – to put it bluntly – they must.”

Jason Epstein<sup>1</sup>

“...fairness is achieved when people restrain their liberty in ways necessary to yield advantages for all.”

HLA Hart<sup>2</sup>

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<sup>1</sup> Epstein (2011) *WIPO Magazine* 1.

<sup>2</sup> Hart (1955) 64/2 *Philosophical Review* 175-91.

## SUMMARY

Copyright is essentially the right of the rightsholder of an original work to prohibit others from making or distributing unauthorised copies of his or her work. More specifically for this dissertation, when an end user deals with digital content, one of the aims of copyright becomes the balancing of the conflicting interests in ‘exclusivity’ on the one hand, and in ‘access to information’ on the other. Exclusivity is achieved by the rightsholders through technological protection measures to protect their commercial interests. Access to information is achieved where works are available to the general public without payment and technological protection measures and where the digital content is not directly marketed for commercial gain. Exclusivity and access to information are two conflicting cultures surrounding copyright in the digital era. It is submitted that unless we find a socio-economic-legal way for the dynamic coexistence of these two conflicting cultures by means of fair dealing, the culture of exclusivity will eventually dominate fair access to information.

The transient nature of digital content means that rightsholders have little or no control over their works once the end user has obtained a legal digital copy of the work. The right ‘to prohibit’ end users from copying and distributing unauthorised copies is, therefore, largely meaningless unless a legal or other solution can be found to discourage end users from the unauthorised reproduction and distribution of unauthorised copies of the work. Currently, technological protection measures are used to manage such digital rights because legal permissions within the doctrine of fair dealing for works in printed (analogue) format are inadequate. It is, however, submitted that a legal solution to discourage end users from copying and distributing unauthorised copies rests on two pillars. Firstly, the solution must be embedded in state-of-the-art digital rights management systems and secondly the business model used by publishers, and academic publishers in particular, should change fundamentally from a business-to-consumer model to a business-to-business model.

Empirical evidence shows that the printing of e-content will continue to be relevant far into the future. Therefore, the management of fair dealing to allow for the printing of digital content will become increasingly important at educational institutions that use e-books as prescribed course material. It is submitted that although the origination cost of print editions and e-books correspond, the relatively high retail price of e-books appears to be based on the fact that academic publishers of digital content do not have the legal or digital rights

management tools to manage the challenges arising from the fair dealing doctrine. The observation that academic publishers are reluctant to grant collecting societies mandates to manage the distribution of digital content, and/or the right to manage the authorised reproduction (printing) of the digital content, supports this hypothesis.

Ultimately, with technologies at our disposal, the fair use of content in digital and print format can be achieved because it should simply be cheaper to comply with copyright laws than to make unauthorised digital or printed copies of content that our society desperately needs to make South Africa a winning nation.

## **Key terms**

Copyright; digital book; digital rights management (DRM); e-book; e-learning; exception; fair dealing; fair use; limitation; literary work; reproduction right; rightsholder; technological protection measure (TPM).



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## ACRONYMS AND ABBREVIATIONS

3G	Third Generation Communications Standard
AAP	Association of American Publishers
ACTA	Anti-Counterfeiting Trade Agreement
ALA	American Library Association
ASA	Amended Settlement Agreement
B2B	Business to Business
BBC	British Broadcasting Corporation
BGB	<i>Bundesgerichtshof</i>
CAPASSO	Composers, Authors and Publishers Association
CARL	Canadian Association of Research Libraries
CCC	Copyright Clearance Center, Inc
CD	Compact Disk
CD ROM	Compact Disc Read-Only Memory
CEO	Chief Executive Officer
CHE	Council on Higher Education
CHEC	Cape Higher Education Consortium
CIP	Copyright Infringement Portal
CJEU	Court of Justice of the European Union
CLA	Copyright Licensing Agency of the UK
CPU	Central Processing Unit
CSS	Content Scramble System
CTA	Cardwell/Thomas& Associates, Inc.
DALRO	Dramatic, Artistic and Literary Rights Organisation (of South Africa)
DHET	Department of Higher Education and Training (of South Africa)
DFP	Digital Fulfilment Platform
DLL	Dynamic Link Library
DRM	Digital Rights Management
DVD	Digital versatile disk



E-Book	Electronic Book
EC	European Commission
E-Content	Electronic Content
EPub	Electronic Publishing
E-Learning	Electronic learning
E-publisher	Electronic Publisher
E-Reader	Electronic Reader
EU	European Union
FTE	Full-time Equivalent
GFCO	German Federation of Consumer Organisations ( <i>Verbraucherzentrale Bundesverband</i> )
GSU	Georgia State University
HEI	Higher Educational Institution
Ibid	Identical to the immediately preceding source
ICT	Information and Communication Technologies
Id	The same as the immediately preceding source but a different page, paragraph, section, etc
IDPF	International Digital Publishing Forum
IIEEE	Institute of Electrical and Electronic Engineers
IFIM	Institute for Intellectual Property and Market Law
IFRRO	International Federation of Reproduction Rights Organisations
InfoSoc	EU Council Directive 2001/29/EC
iOS	iPhone Operating System
IP	Intellectual Property
IPLAA	Intellectual Property Laws Amendment Act
IPR	Intellectual Property Rights
IPR Act	Intellectual Property Rights from Publicly Financed Research and Development Act 51 of 2008 of South Africa
IPRIA	Intellectual Property Research Institute of Australia
IPT	Intellectual Property Law in Transition
ISP	Internet Service Provider
ITP	Independent Television Publications Ltd

LMS	Learner Management System
MASA	Musicians Association of South Africa
MP3	Moving Picture Experts Group Layer-3 Audio
MOOC	Massive Open Online Course
MPA SA	Music Publishers Association of South Africa
OCTA	USA's Open College Textbook Act of 2010
OUPSA	Oxford University Press South Africa
OSP	Online Service Provider
PA	Publishers Association of the UK
PASA	Publishers Association of South Africa
PC	Personal Computer
PCT	Patent Cooperation Treaty
PDA	Personal Digital Assistant
PDF	Portable Document Format
POD	Print-on-Demand
RiSA	Recording Industry of South Africa
RO	Rights Object
RRO	Reproduction Rights Organisation
RSA	Republic of South Africa
RTE	Radio Telefis Eireann
SAMPRA	South African Music Performance Rights Association
SAMRO	South African Musical Rights Organisation
SAQA	South African Qualification Authority
SOCAN	Society of Composers, Authors and Music Publishers of Canada
TPM	Technological Protection Measure
TRALAC	Trade Law Centre for Southern Africa
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TV	Television

UCC	User-created Content
UGC	User-generated Content
UK	United Kingdom
UrhG	<i>Urheberrechtsgesetz</i>
US\$	United States of America Dollar
USA	United States of America
USC	United States Code, US Code, as defined herein
UUK	Universities of the United Kingdom
VCR	Video Cassette Recorder
VIP	Visually Impaired Person
VZBV	<i>Verbraucherzentrale Bundesverband</i>
WCT	WIPO Copyright Treaty
WIPO	World Intellectual Property Organisation
WPPT	WIPO Performances and Phonograms Treaty
WTO	World Trade Organisation
WTO-DSB	WTO Dispute Settlement Body
ZAR	South African Rand

## EXPLANATION OF TERMS

**Aggregator:** A digital business model where an entity aggregates information on e-content from several competing sources at its website.

**Analogue hole:** For digital works, the vulnerable period during which copyright-protected digital information is converted to an analogue format that can be perceived by humans, and the newly created work is then scanned by means of an electronic device in order to create a new digital representation of the original copyright-protected work.

**Cache memory,** also termed CPU memory: The small area of fast memory used by the central processing unit of a computer.

**Caching and routing:** When browsing the Internet, the files that a user automatically requests by looking at a Web page are stored on his or her hard disk in a cache subdirectory under the directory for the browser concerned.

**Click-wrap agreement,** also known as a clickthrough licence: an online contract that confirms user consent to a company's terms and conditions. Once users consent by clicking on the [I agree] or [I consent] button on a webpage, they may log in, download the software, use the service, or complete their purchase. If a user rejects the agreement, he or she cannot click through and access to the content is denied.

**Compilation:** A new work created by selecting, compiling, and arranging poems, short stories, plays, chapters,

paragraphs, articles or excerpts collected from proprietary works in such a way that the resulting work as a whole constitutes a new literary work. The copyright in a compilation extends only to the specific selection, coordination, or arrangement of the original works and not to the original works themselves. Note that this definition excludes compilations of other copyright works such as music albums.

**Collecting society:** An organisation that is responsible for the outsourced function of collective rights management for rightsholders, eg managing licences, collecting royalties, distributing collected royalties, entering into reciprocal arrangements with other collecting societies, and enforcing the rights of the rightsholders. Reproduction Rights Organisations have a similar meaning.

**Compact disk (CD):** A 60-80mm disk that can store digital content, using optical technology.

**Compact Disc Read-Only Memory (CD ROM):** A pre-pressed CD which contains proprietary data. Computers can only read CD ROMs, which are not writable or erasable.

**Content:** This includes copyright-protectable content, including but not limited to literary works, musical works, artistic works, sound recordings, cinematograph films, sound and television broadcasts, program-carrying signals, published editions, and computer programs.

**Copyright:** “The exclusive right relating to work embodying intellectual content (ie the product of the intellect) to do or to authorize others to do certain acts in relation to that work, which acts represent in the case of each type of work, the

manner in which that work can be exploited for personal gain or profit.”<sup>3</sup>

**Course pack:** At universities, usually a photocopied compilation of works used in the classroom, distributed in either book format, as class handouts, or in electronic format on Learner Management Systems (LMS). The works may comprise of proprietary content, or third-party content, or a combination of the two.

**Content Scramble System (CSS):** “An encryption-based security and authentication system that requires the use of appropriately configured hardware such as a DVD player or a computer DVD drive to decrypt, unscramble and play back, but not copy, motion pictures on DVDs.”<sup>4</sup>

**Customer:** Any person entering or using the website or services of a service provider.

**Cyberlocker:** An Internet hosting service or cloud storage service specifically designed to host the e-content of end users.

**Digital book:** e-Books, e-titles such as electronic journals, and e-content collectively.

**Digital fulfilment platform** or DFP: The service provider’s server, software application, and database which enable secure upload, storage, management, and distribution of digital works across various platforms in a range of electronic formats.

**Digital rights management** or DRM: Security measures for digital works. DRM is any technical security measure that restricts what third parties can do with an electronic file, in the main by means of encryption technology, licensing conditions, and/or user authentication (but may also include watermarking, access control, secure communication protocols, fingerprinting rights’ specification language, trust infrastructure, hashing). For example, DRM can determine under what circumstances, how many times, for how long, and on which platforms a user may access a file. Also see ‘Rights Management Information’ defined below.

**Digital book:** Electronic books (e-books) as defined.

**Digital device:** Electronic devices as defined.

**Digital watermark,** also known as a social watermark: A watermark embedded into a digital signal at each point of distribution and which can be retrieved.

**Digital versatile disk (DVD):** DVDs are digital memory discs with enough memory capacity to hold full-length motion pictures. They are the latest technology for private home viewing of recorded motion pictures.

**Electronic book,** also known as e-books or digital books: A literary work in the form of a digital object consisting of one or more standard unique identifiers, metadata, and a monographic body of content, intended to be published and

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<sup>3</sup> Dean *Handbook* I 15.

<sup>4</sup> Universal City Studios Inc v Reimerdes 82

F Supp 2d 214 (SDNY 2000).

accessed electronically. Digital books are the digital equivalent of traditional printed books, consumable on e-readers, PCs, Macs, and other electronic devices.<sup>5</sup>

**Electronic content** or e-content: e-Books in particular, but may also include content as defined.

**Electronic device** also known as a Digital Device: A device including, without limitation, e-readers, tablets, cellular telephones, computers, screens and monitors, and any other device capable of displaying e-books.

**Encryption:** A method by which to protect the confidentiality of digital data stored on computer systems or transmitted via the Internet or other computer networks. For example, a 128-bit encryption means there are two to the 128th power possible decoder keys that could be used to decode information.

**E-publishing:** The production of content formatted to be read on an electronic device.

**E-reader:** A portable electronic device that is designed primarily for reading e-books. It can also be another type of electronic device that can display text on a screen and as such act as an e-book reader, for example, Kindle, iPad.

**ePub:** “The ePub file format for publishing books and other types of content in a re-flowable format. This means that the content can adapt itself to fit the available screen space. It is a free and open standard published by the

International Digital Publishing Forum (IDOF).”<sup>6</sup>

**Exception:** The limited exceptions to the exclusive right of reproduction of copyright-protected works under the fair dealing doctrine as originally entrenched in Article 9(2) of the Berne Convention.

**Exhaustion of rights** in the EU context, also known as the first-sale doctrine in the USA: The alienation by the original purchaser of a physical copy of a protected work as a second-hand or used product, over which the original owner no longer has control as a result of the original purchase by the original purchaser. Note that in the case of digital content the exhaustion of rights doctrine has not yet been defined and is subject to various court judgments and policy papers.

**Fair compensation:** The right of authors or rightsholders to equitable remuneration when the original work is reproduced for some or other reason.

**Fair dealing:** A limited defence/right from the exclusivity of copyright which allows, but not limited hereto, fair critique, research or private study use of the protected material, subject to appropriate acknowledgement. In general, if the cumulative effect of the reproductions and the intended use do not infringe the rightsholders right to exploit the work and as such unreasonably prejudice the legal interest of the rightsholder, the reproduction can be considered to be fair dealing. Note the

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<sup>5</sup> Open e-book forum “A framework for the e-publishing ecology” (2000) 6 available at <http://xml.coverpages.org/OEB-DRM20001006.pdf> (date of use:

8 June 2017.

<sup>6</sup> IDPF available at <http://idpf.org/> (date of use: 25 March 2017).

opposing views in South Africa - authors such as Dean and Karijker argue that fair dealing is not a right – it is merely a defence that can be raised in court by a person accused of copyright infringement,<sup>7</sup> whilst authors such as Pistorius argues the opposite in the light of South Africa’s Bill of Rights.<sup>8</sup>

**Fair practice:** In both Article 10 of the Berne Convention and South African legislation, fair dealing is referred to as fair practice.

**Fair use:** In the USA, the regime of limitations and exceptions as prescribed by the Berne Convention. Fair use is a highly flexible instrument in that USA courts can find a use to be fair, based on four factors, namely: “1) The purpose and character of the use, including whether such use is of commercial nature or is for non-profit educational purposes; 2) The nature of the copyrighted work; 3) The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and 4) The effect of the use upon the potential market for, or value of, the copyrighted work.”<sup>9</sup>

**Feeder website:** A website that promotes infringing content but does not actually store it. A feeder website provides several link options by which to access Locker websites (defined below).

**File sharing:** An activity where end users of a file-sharing network upload and download musical works via the Internet without the express consent of the copyright owner.

**First-sale doctrine:** See ‘exhaustion of rights’ above.

**Format-shifting** also known as media-shifting: For example, the copying a vinyl record to an audio-cassette in a format that allows the music to be played on a different device, or the conversion of a CD into an electronic format which makes it possible to be played on an MP3 player.

**Freemium model:** Where core game content is offered free but value is added by optional in-game purchases such as in-game characters, extra content, cheats, or game customisation.

**Hyperlink:** An element in an electronic document that links to another place in the same document or to an entirely different document.

**Intellectual property (IP):** Two definitions are used in order to maintain consistency. Under the TRIPS Agreement ‘intellectual property’ refers to all categories of intellectual property covered by sections 1 through 7 of Part II of the TRIPS Agreement, namely: section 1, Copyright and neighbouring rights; section 2, brands or trademarks; section 3, geographical indications; section 4, designs and industrial models; section 5, patents; section 6, configuration schemes (topographies) of integrated circuits; and section 7, protection of undisclosed information.<sup>10</sup>

WIPO defines intellectual property as creations of the mind, such as: inventions; literary and artistic works; designs; and

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<sup>7</sup> Dean & Karijker *Handbook II* 1-51.

<sup>8</sup> See paragraph 6.1 below.

<sup>9</sup> 17 US Code § 107.

<sup>10</sup> The TRIPS Agreement is Annex 1C to the WTO Agreement of 1994.

symbols, names and images used in commerce.<sup>11</sup>

**iOS**, or iPhone Operating System: A mobile operating system created and developed by Apple Inc.

**Legal deposit:** The statutory obligation that requires publishers who publish material to deposit a copy or copies of their publications in designated repositories.

**Literary work:** Irrespective of literary quality and in whatever mode or form expressed: “(a) novels, stories and works of poetry; (b) dramatic works, stage directions, cinematograph film scenarios, and broadcasting scripts; (c) textbooks, treatises, histories, biographies, essays, and articles; (c) dictionaries and encyclopaedias; (e) letters, reports, and memoranda; (f) lectures, speeches, and sermons; and (g) tables and compilations, including tables and compilations of data stored or embodied in a computer or a medium used in conjunction with a computer, but shall not include a computer program.”<sup>12</sup>

**Lithography** also known as litho- or offset printing: Lithography works on the basic principle that oil and water do not mix. In lithography, a metal plate (a flat stone in the early days) is treated so that the image areas attract the oil-based inks and the non-image wet areas repel the oil-based inks. When the plate is pressed against the surface on which it is to be

printed, the oily inked image areas leave an imprint of the desired design.

**Locker website:** A website where content is stored and from which it is downloaded.

**Media-shifting:** See format-shifting.

**Neighbouring rights:** Copyright for categories of people who are not technically authors, eg performing artists.

**Net receipts:** A publishing industry term for the recommended retail price of a book minus the bookseller’s discount.<sup>13</sup>

**Offline-online equivalence:** There is no difference whether a copy of the computer program was made available to a customer by the rightsholder by means of an online download or an offline DVD – the online transmission method is merely the functional equivalent of the supply of e-content.

**Online stream:** A temporary transmission of an excerpt from a musical work.

**Orphan works:** A copyright work whose owner is impossible to identify or contact.

**Origination cost:** The fixed costs that a publisher incurs in creating a book. Origination costs include costs like typesetting, editing, cover and book design, project management, proofreading, obtaining permission to use copyright works, and all other once-off costs linked to developing a book.<sup>14</sup>

**Parallel importation:** The “import of a copyright product legally produced or

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<sup>11</sup> <http://www.wipo.int/about-ip/en/> (date of use: 27 February 2017).

<sup>12</sup> Section 1(1) of the Copyright Act, 1978.

<sup>13</sup> Genesis Analytics (Pty) Ltd “Factors influencing the cost of books in South Africa”

(hereafter Genesis Report) report commissioned and funded by the South African National Department of Arts & Culture (2006) 100.

<sup>14</sup> Id at 100.



sold in one country, which is subsequently imported into a second country without the permission of the rightsholder in the second country. It is a system by which, for instance, anomalous price differentials (such as between similar copyright goods across two countries) can be corrected in the public interest, especially when the copyright good in question is an essential good, such as a textbook.”<sup>15</sup>

**Print-disabled (person):** A person who cannot effectively read print owing to a visual, physical, perceptual, developmental, cognitive, or learning disability.

**Print-on-demand (POD):** As opposed to traditional offset printing where books are printed in bulk and then sold, a process whereby digital printing is used to print a copy of a book only after an order for the book has been received.<sup>16</sup>

**Publisher:** The rightsholder of copyright protectable works, usually assigned to it by authors.

**Reprography:** Reprographic reproduction.

**Reproduction right:** The exclusive right to authorise or prohibit direct or indirect, transient (temporary) or permanent reproduction by any means and in any form, in whole or in part.<sup>17</sup>

**Reproduction Rights Organisations:** Reproduction Rights Organisations have a similar meaning to Collecting Societies defined above.

**Right object:** When the content publisher encrypts the content it also creates the right objects (RO) for the encrypted content. The RO may include the policies associated with the content, for example: (i) details about the rights granted to the content user regarding the use or ‘rendering’ of the content; or (ii) the decryption key to decrypt the content.

**Rights management information:** Any information provided by rightsholders which identifies the work or other subject matter, the author, or any other rightsholder, or information about the terms and conditions of use of the work or other subject matter, and any numbers or codes that represent such information.<sup>18</sup> Note that rights management information is a phrase that is used by the WIPO in the WCT Treaty and is equivalent to DRM.

**Rightsholder:** The proprietor of an intellectual property right. In this dissertation generally copyright of the publisher in a work, where copyright has been assigned by the author to the publisher, or the author itself where copyright has been retained by the author.

**Royalty:** A compensation or percentage of the gross proceeds paid to the proprietor or rightsholder of an intellectual property right.

**Sale:** The successful ordering, downloading, and receipt of a digital product by a customer. When a technical malfunction requires multiple deliveries to a single customer to fulfil the order successfully, such multiple deliveries will

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<sup>15</sup> Rens (ed) “Report on the South African Open Copyright Review” Shuttleworth Foundation 2010 36.

<sup>16</sup> See Genesis Report 100.

<sup>17</sup> See the InfoSoc art 2.

<sup>18</sup> Id Ch III art 7(2).

be accounted for as a single sale of the title.

**Sell through rate:** A calculation (represented as a percentage) comparing the amount of inventory a retailer receives from a manufacturer or supplier against what is actually sold to the end user.

**Social watermark:** A digital watermark as defined above.

**Steganography:** In the case of digital works, the concealment of information within computer files, including where electronic communications may include steganographic coding within a transport layer, such as a document file, image file, program, or protocol.

**Technological protection measures:** “Any technology, device, or component that, in the normal course of its operation, is designed to prevent or restrict acts in respect of works or other subject-matter, which are not authorised by the rightsholder of any copyright or any right relating to copyright as provided for by law.”<sup>19</sup>

**Territory:** All countries in the world, their territories and possessions, subject to any territorial restrictions, limitations, and/or other DRM measures specified by the service provider in respect of the digital works.

**Time-shifting:** The process of recording and storing data for later viewing, listening, or reading. Also see media-

shifting and format-shifting which have similar meanings.

**Title:** An e-Book with selected literary and multimedia content made available by a publisher for sale in accordance with the terms and conditions of an agreement, which can be a click-wrap agreement.

**Transient copy:** A temporary electronic copy only if its duration is limited to that necessary for the proper completion of the technological process in question, it being understood that the process must be automated so that it deletes that act automatically and without human intervention once its function of enabling the completion of the process has been completed.<sup>20</sup>

**Transformative use:** Refers to whether the use of the newly created work merely supersedes the objects of the original creation or instead adds something new, with a further purpose of different character, altering the first use with a new expression, meaning, or message.<sup>21</sup>

**United States Code, US Code, or USC:** The official compilation and codification of the general and permanent federal statutes of the USA.

**User-created content:** “(i) Content made publicly available over the Internet; (ii) which reflects a ‘certain amount of creative effort’; and (iii) which is ‘created outside of professional routines and practices’. Examples are sites like YouTube, Flickr, Facebook, and Twitter – all of which offer end users access to

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<sup>19</sup> Id Ch III art 6(3).

<sup>20</sup> See *Infopaq I* para 64.

<sup>21</sup> Proskauer Rose LLP “Second Circuit Finds Use of “Who’s on First” Routine Not Transformative and Not Fair Use” Lexology

(2016) available at <http://www.lexology.com/library/detail.aspx?g=edb6814a-385c-462a-9238-49d40f36a72a> (date of use: 10 June 2017).

content uploaded, for unpaid sharing by other end users.”<sup>22</sup>

**User-generated content:** User-created content as defined above. The terms are synonymous.

**VCR:** A videocassette recorder, which is an electromechanical device for recording and playing back full-motion, audio-visual programming on magnetic tape cassettes.

**Versioning:** The ability to charge different prices for different types, levels, and combinations of online product.

**Work:** A work can include any literary works in printed and/or digital format as defined.

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<sup>22</sup> Wunsch-Vincent & Graham “OECD Working Party on the Information Economy [WPIE] Participative Web: User-Created

Content 2007” 1-74 at 4 available at <https://www.oecd.org/sti/38393115.pdf> (date of use: 7 June 2017).

## CHAPTER 1

# INTRODUCTION TO THE DEVELOPMENT OF E-BOOKS AND THE IMPACT THEREOF ON THE FAIR DEALING DOCTRINE

*Chapter overview:* This introductory chapter is divided into three parts. In Part A of chapter I the scene is set as regards perspectives on e-books and, more specifically, the impact of the historical and technological development of e-books on the fair dealing doctrine since 1971 when the first e-book was released. Part B articulates the legal problems pertaining to e-books from a fair dealing doctrine perspective (ie the dissertation’s legal problem statement). Finally, in Part C of this chapter a synopsis of the complete chapter trajectory of this dissertation is provided. This approach was adopted in Chapter 1 because the legal problem cannot be stated unless the reader appreciates the historical and technological development of e-books.

## PART A

### INTRODUCTION TO THE DEVELOPMENT OF E-BOOKS

#### 1.1 A brief history of e-books: 1971 – 2017

During the past forty-seven years books in print format have gradually started being digitalised – particularly post-1971 when Michael Hart founded ‘Project Gutenberg’.<sup>23</sup> This was a volunteer effort to process and store the contents of libraries digitally, and to archive cultural

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<sup>23</sup> Project Gutenberg Literary Archive Foundation, USA available at <https://www.gutenberg.org/> (date of use: 6 October 2016).

works in order to encourage the creation and distribution of electronic or digital books (e-books), and more specifically, books in the public domain. According to Simon and Schuster,<sup>24</sup> Stephen King's publisher was the first electronic publisher that sold an e-book in 2000 when King's novel *Riding the Bullet* was published in electronic format. The publisher charged US\$2,50 per copy, and roughly half a million end users downloaded the work. In fact, it was downloaded more than 500 000 times in the first 48 hours of its release.<sup>25</sup> However, hackers soon removed the book's anti-piracy encryption, which resulted in its free distribution on the web.<sup>26</sup> Interestingly, 40-bit encryption was used at that time – nowadays the far superior 128-bit encryption is the Internet standard.

Thereafter the e-book market grew to the point where in 2011 the *New York Times*<sup>27</sup> reported that Amazon's digital sales exceeded physical book sales. Further, in 2011 the Association of American Publishers (AAP) reported that e-book sales in the United States of America (USA) had grown by 202,3 per cent in less than a year,<sup>28</sup> whilst in the United Kingdom (UK) e-book sales reportedly increased by 366 per cent between 2010 and 2011.<sup>29</sup> Surprisingly enough, according to the *New York Times*<sup>30</sup> of 23 September 2015, "double- and triple-digit growth rates plummeted as e-reading devices fell out of fashion with consumers and were replaced by smartphones and tablets. Now, there are signs that some e-book adopters are returning to print, or becoming hybrid readers, who juggle devices and paper". With online retailers, well aware of this latest customer trend, it comes as no surprise that in 2015 Amazon unveiled the new Fire tablet<sup>31</sup> costing only US\$50 (ZAR730),<sup>32</sup> in comparison with the first-generation Kindle e-book reader<sup>33</sup> which in 2007 was priced at US\$400 (ZAR5 800).<sup>34</sup> This could draw a new wave of

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<sup>24</sup> Long (2003) 104 *New Library World* 29-30.

<sup>25</sup> Cohen (2001-2002) 9 *J Intell Prop L* 163.

<sup>26</sup> Bittar *Unlocking the gates* 2011.

<sup>27</sup> Miller & Bosman "Amazon's E-Book Sales Pass Print Books" *New York Times* 19 May 2011 available at <http://www.nytimes.com/2011/05/20/technology/20amazon.html> (date of use: 30 September 2015).

<sup>28</sup> See McKenzie (2013) 12 *Chi-Kent J Intell Prop* 2.

<sup>29</sup> See Connelly (2013-2014) 22 *Cardozo J Int'l & Comp L* 564 n 13.

<sup>30</sup> Alter Alexandra "The Plot Twist: E-Book Sales Slip, and print is far from Dead" *New York Times* 23 September 2015 available at <http://www.nytimes.com/2015/09/23/business/media/the-plot-twist-e-book-sales-slip-and-print-is-far-from-dead.html#story-continues-1> (date of use: 6 October 2016).

<sup>31</sup> Available at [http://www.amazon.com/dp/B00TSUGXKE/ref=ods\\_fs\\_ford](http://www.amazon.com/dp/B00TSUGXKE/ref=ods_fs_ford) (date of use: 29 September 2015).

<sup>32</sup> 2007 prices converted in 2017 available at <http://www.x-rates.com> (date of use: 13 April 2017).

<sup>33</sup> Available at <http://www.engadget.com/2007/11/21/kindle-sells-out-in-two-days/> (date of use: 29 September 2015).

<sup>34</sup> Note that the US Dollar (US\$) price is for 2007, but the South African Rand (ZAR) conversion was done in 2017 to reflect actual value in real terms.

customers to e-books and continue to put pressure on the conventional print industry. One can safely argue that the tug-of-war between pixels and print is far from over.

## **1.2. But what is an e-book?**

An e-book, also known as an electronic book or a digital book, is the digital media equivalent of a conventional printed book. Typically, e-books are structured as virtual frames presented on a display device. During a reading session a user may turn or change from one virtual frame or 'page' to another by means of touch-screen or keyboard functions. E-books may be read on digital devices, for example, personal computers, personal digital assistants (PDAs), and smartphones, or on dedicated hardware devices known as e-book readers, e-book devices, or tablets. A typical convenience associated with e-books is the ability to purchase and download, or download and store, a reading selection directly from a digital library or commercial site. Some e-book readers, for example, Amazon's Kindle 2, use a third generation (3G) wireless network to allow the user to download digital books directly to the device even when a Wi-Fi hotspot is unavailable. Other electronic devices that can be 'repurposed' for reading e-books, such as Apple's iPod Touch, achieve similar functionality using a local wireless network connection.

E-books currently offer several advantages over conventional printed books, for example: text can be searched automatically and cross-referenced using hyperlinks; the font size and font type can be customised; non-permanent highlighting and annotation are supported; animated images or multimedia clips are supported; and reading can resume automatically at a later time or date at the page last read.

In addition, a single e-book reader containing the text of several e-books is easier to carry around than the same number of books in print format. Furthermore, an e-book reader's backlit display allows reading in sunlight, low light, or even in total darkness.

## **1.3 Digital fulfilment platforms**

In order for electronic content (e-content) to be disseminated by rightsholders such as publishers, digital fulfilment platforms (DFPs) and digital rights management systems (DRMs) are required. A DFP usually comprises of a service provider's server, a software application, and a database, which enable the secure uploading, storage, management, and distribution of e-content across various channels in a range of electronic formats. Various digital fulfilment

platforms are available and are used extensively by online vendors, such as Amazon, OLX, Bookboon and Takealot, to manage the distribution of e-books to end users.

## **1.4 Digital rights management systems**

Most online vendors retail products (both hardware and e-content) via non-proprietary DFPs and while doing so, enforce very strict security measures on the DFP service providers. These goods and services are offered in compliance with the strict requirements imposed by local and international publishers and other content owners. These security measures are termed DRMs. Publishers have had no option but to respond to the legal challenges raised by the unauthorised copying of e-content by putting in place fail-safe DRMs, payment gateways and logistical systems, of which *VitalSource's* Bookshelf<sup>35</sup> is a prime example.

These systems, however, arguably ignore the challenges raised by fair dealing in favour of the public or the end users of e-content. In fact, currently the technical restrictions (as imposed by DRM settings) on most e-books are such that end users are not able to select the copying or printing options for e-content, even if the selected pages or chapters fall within the limits of fair dealing, as would have been the case with a printed edition. Publishers, on the other hand, argue that these measures are necessary owing to the complex cost structure of print and e-books. Without them, they claim, they would be unable protect their own or the authors' legitimate rights. This dissertation aims, inter alia, to strike a balance between fair dealing and DRMs.

## **1.5 Background to the cost structure of books**

### **1.5.1 Origination cost of books**

Origination cost relates to the fixed costs that a publisher must incur to create a book.<sup>36</sup> Origination costs include – but are not limited to – typesetting, editing, cover and book design, project management, proofreading, obtaining copyright permissions, and all other once-off costs linked to developing and creating a book.<sup>37</sup> It is important to appreciate that the origination

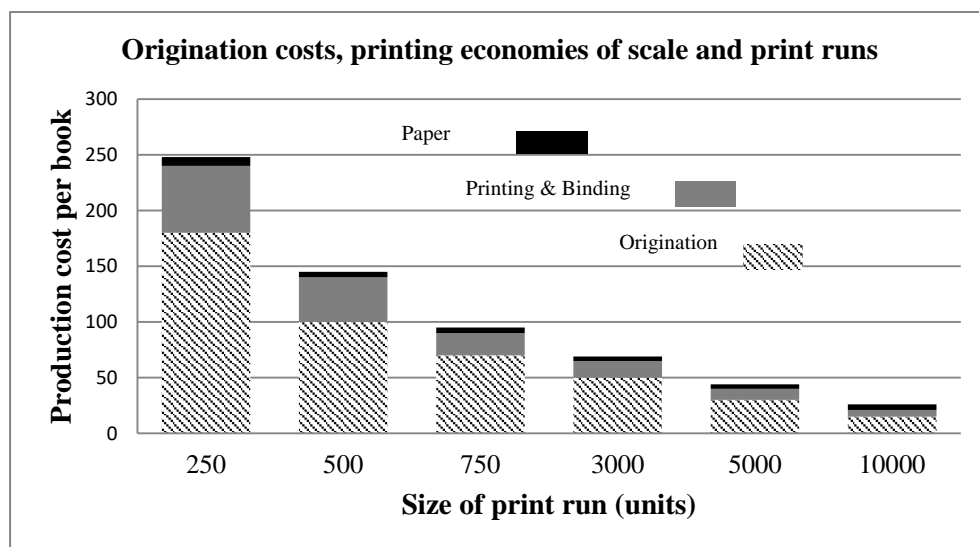
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<sup>35</sup> *VitalSource* Brochure 2015 available at <http://bookshelf.vitalsource.com/> (date of use: 29 September 2015).

<sup>36</sup> Minister for Economic Affairs, Belgium “Large-scale study on photocopying and printouts in Belgium 2013” available at [www.reprobel.be/en/component/downloads/downloads/225.html](http://www.reprobel.be/en/component/downloads/downloads/225.html) (date of use: 6 October 2016).

<sup>37</sup> See Genesis Report 100.

cost of a book in print format is exactly the same as the origination cost of a book in electronic format. Once a book has been created it can be printed and bound in the conventional manner or converted to e-book format. In fact, with the current technology and editing software available in the market, publishers are in any event creating books in e-book format, and then sending the electronic files to third party lithographic print and bind establishments. Although there are no technical bars to prevent the reproduction of e-books at this stage, it would be fair to argue that the origination cost of any book is substantial and to build in additional DRM features is indeed justifiable from a publisher's perspective. The exponential reduction in cost over 3 000 print runs is a result of the difference between lithographic and digital printing technology currently available in the marketplace (see Figure 1). This topic is excluded from the scope of this dissertation.



**Figure 1.** Origination costs, printing economies of scale, and print runs. Source: *Genesis Analytics* calculations based on industry role-player discussions, 2006.<sup>38</sup>

### 1.5.2 Total cost structure of printed books

Once a book has been created, ie the origination cost has been incurred, the publisher must still reckon in printing costs (which include paper and binding), royalty payments due to authors,

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<sup>38</sup> Genesis Analytics (Pty) Ltd "Factors influencing the cost of books in South Africa" (hereafter Genesis Report) report commissioned and funded by the South African National Department of Arts & Culture 2006.



publisher overheads, distribution costs, and retailer discounts. Table 1 quantifies the cost breakdown, with origination costs accounting for only 13,5 per cent<sup>39</sup> of the total cost of a book.

<b>Cost breakdown of the retail price of books</b>	
Printing, paper and binding	11.5%
Origination	13.5%
Royalties	10.5%
Publisher's overheads	29.0%
Distribution	5.5%
Retail	30.0%
<b>Total</b>	<b>100.0%</b>

**Table 1.** Cost breakdown of the retail price of educational books.<sup>40</sup>

With e-books, the distribution processes are potentially far less expensive as digital publishing eliminates costs related to printing, paper, binding, intermediaries, warehousing, and shipping (ie distribution costs), together with a shortened supply chain and new direct sales channels. The commissioning structures for e-books will also see significant changes resulting from direct contact with customers. With reference to Table 1 above, and also with reference to an interview with Griffin,<sup>41</sup> e-books still cost money to produce, ie origination cost (13,5%), publisher overheads (29%), royalties (10,5%), and distribution costs (albeit via a DFP). Therefore, any saving is limited to savings on retail and distribution costs (35,5-45%, depending on the publisher's cost structures). However, due to economy-of-scale arguments (similar to the lithographic-print arguments as illustrated in Figure 1 above and Figure 2 below), and by utilising disruptive technologies such as business-to-business (B2B) solutions – discussed in depth in Chapter 2 – it is argued that the percentage discount of e-books when compared with the equivalent print version should rather be closer to 60 per cent.

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<sup>39</sup> Id at iii Table 3.

<sup>40</sup> Ibid.

<sup>41</sup> Interview with Marion Griffen, Oxford University Press South Africa, Cape Town, South Africa, 13 June 2013.

### **1.5.3 E-readers in relation to e-book prices**

In terms of a recent study by Hao,<sup>42</sup> printed editions of books and e-book are two competing and mutually exclusive channels for providing the same content to consumers. As a result, the improvement in the quality of e-books and the changing cost of distribution, will inevitably affect the prices of printed editions of books in the near future. Hao also comments that in the long term, if we expect the relative cost benefit of e-books to continue and their profit margin to remain sustainable, the pricing of e-books at the correct level in order to encourage e-book consumption is strategically important to publishers. Finally, one also needs to appreciate that the prices of both electronic readers (e-readers) and e-books not only affect the e-book market share, but also e-book consumption by each e-book customer.<sup>43</sup>

And here lies the crux of the matter – are we dealing with books, or with content? Are we valuing books on the monetary cost of paper and ink or digital data, or on the actual content created by creative authors around the world?

## **1.6 The academic book market**

### **1.6.1 Introduction**

Having made the argument for the general book market, a specific market segment, namely the academic book market is now considered. The reason for this is the relevance of academic books to fair dealing. The relatively small print runs for academic books in South Africa means that printing, paper, and binding make up a large proportion of the price of academic books. This is based on the nature of lithography. The high setup cost associated with lithography requires print runs of at least 3 000 print units<sup>44</sup> (see Figure 2) before an economy of scale can be achieved. The typical sales of academic textbooks in smaller countries such as South Africa, or in languages other than English, do not always justify such big print runs, or simply result in expensive small print runs.

According to the Genesis Report<sup>45</sup> the academic book market is influenced by the following factors:

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<sup>42</sup> Hao & Fan (2014) 38/4/December *MIS Quarterly* 1017-32.

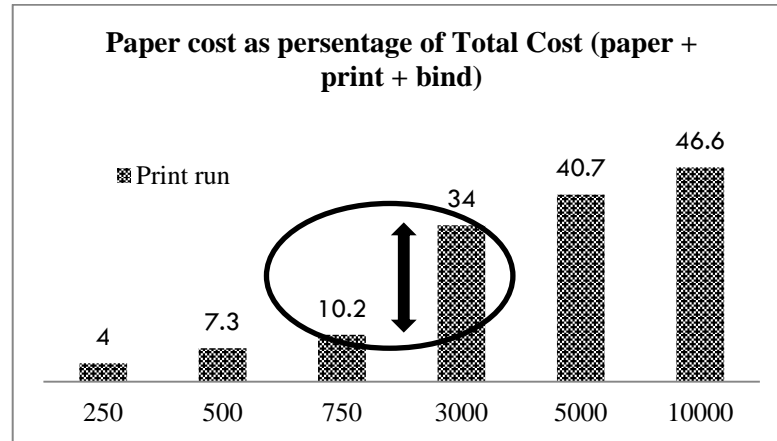
<sup>43</sup> Id at 1017-32.

<sup>44</sup> See Genesis Report ii Table 1.

<sup>45</sup> Id at 16.

- Size of the academic market:

As in the retail market, the limited extent of academic book runs increases the cost.<sup>46</sup>



**Figure 2.** Paper cost as percentage of total cost.<sup>47</sup>

- Limited sell-through of academic textbooks:

The size of the academic market is further reduced by sell-through rates that are often as low as 50 per cent. Illegal photocopying of books, the purchase of second hand books, lecturers not encouraging the purchase of prescribed books, and a lack of a book-buying culture at certain institutions reduce sell-through rates.<sup>48</sup>

- Under-ordering by academic booksellers:

Academic booksellers do not have confidence in enrolment numbers because of low sell-through rates, and tend to under-order textbooks. This increases the sell-through problem, since there is a critical period at the beginning of the year when students both have money and are interested in buying textbooks.<sup>49</sup>

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<sup>46</sup> Ibid.

<sup>47</sup> Id at ii Table 1.

<sup>48</sup> Id at 16.

<sup>49</sup> Ibid.

- Lack of coordination in the academic market:  
Lists of prescribed books are given to the bookseller and/or the publisher at a late stage, or on an ad hoc basis by individual departments, which limits the efficiency of ordering.<sup>50</sup>
- Potential concentration issues:  
While not currently a problem, fears exist that the concentrated nature of the academic bookselling market may increase the price of academic books in future.<sup>51</sup>

### 1.6.2 Case study: Coastal Carolina University

During the period 2011 to 2013 Coastal Carolina University<sup>52</sup> conducted a very interesting study to compare the use of the printed editions and e-books for identical titles in a scholarly collection. The aim was to determine format preference for a discrete collection of titles in the humanities and social sciences.

The findings can be summarised as follows:

- The use of printed editions is greater than or equal to e-book use for this collection.<sup>53</sup>
- The use of printed editions exceeds e-book use in the fields of history and the social sciences, and mirrors use in art, music, and literature.<sup>54</sup>
- Of 285 e-book titles purchased by the library, 73 per cent generated sufficient interest to be viewed at least once by the students whilst in the library.<sup>55</sup>
- Of 275 printed editions available in the library, only 29 per cent of the titles generated sufficient interest for students to remove them from the shelf and consult them.<sup>56</sup>

If these findings, together with the high cost of the printing of academic textbooks as discussed here, are representative of all universities around the world, one can appreciate publishers'

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<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

<sup>52</sup> Goodwin (2014) 33/4 *Collection Building* 101-05.

<sup>53</sup> Id at 102.

<sup>54</sup> Id at 104.

<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

predicament in deciding whether to make a book available as a printed edition or as an e-book. Arguably the solution lies in making both formats available, as is analysed further in this dissertation.

## 1.7 PASA Survey 2014

The most recent edition<sup>57</sup> of the Publishing Association of South Africa's (PASA) survey, the 2014 Survey,<sup>58</sup> revealed that the academic sub-sector recorded a R496 million<sup>59</sup> home market net turnover. The academic sector includes textbooks and scholarly books. Other relevant data emerging from the PASA survey include the following:

- Royalties paid to authors averaged at 16,3 per cent of net turnover.<sup>60</sup> In fact, Pedley mentioned that the UK's Society of Authors went so far as to recommend that e-book royalties should be much higher than royalties on traditional books.<sup>61</sup>
- Internet sales value contributed only 1,3 per cent to the market share in 2012, bearing in mind that only three participants (publishers) were active in the e-book market.<sup>62</sup>
- Direct supplies to libraries accounted for 2,3 per cent of turnover. A considerable proportion of these sales would have been bulk sales to teaching institutions which included the cost of textbooks in their tuition fees.<sup>63</sup>
- The estimated industry sales volumes amount to 3 689 000 books sold at an average retail price of ZAR257.<sup>64</sup>

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<sup>57</sup> Note that the methodology and authors of the 2012 and 2014 editions of the PASA surveys have changed and that the author was therefore extremely cautious with the interpretation of this data. For instance, the actual sales volumes, as cited in the 2012 report, was not reported in the 2014 survey. Furthermore, the 2012 edition reported sales of R948 million (of which 71% was generated by locally published print books, wholesale price to retailers, excluding VAT), as opposed to the 2014 survey's figures of R496 million.

<sup>58</sup> PASA "Annual Book Publishing Industry Survey 2014" 1-30 available at <http://www.publishsa.co.za/documents/industry-statistics> (date of use: 25 March 2017).

<sup>59</sup> Id at 28 Table 32.

<sup>60</sup> Id Table 33.

<sup>61</sup> Pedley *Copyright Companion* 31.

<sup>62</sup> See PASA "Annual Book Publishing Industry Survey 2014" at 16 Table 13.

<sup>63</sup> Ibid.

<sup>64</sup> PASA "Annual Book Publishing Industry Survey 2012" Figure A.13.1. available at <http://www.publishsa.co.za/documents/industry-statistics> (date of use: 25 March 2017).

The PASA survey must be analysed within the context of the data emerging from higher education sector in South Africa,<sup>65</sup> which reflects a headcount student enrolment at the 26<sup>66</sup> higher education institutions in South Africa in 2013, as 985 212 students.<sup>67</sup> A simple calculation results in an average of four textbooks bought per student per annum at a total cost of R1 000 per student. No empirical data are available on the number of textbooks actually prescribed per student on average at all universities, and at faculty level in particular.

According to the PASA survey, the supply of books to primary and secondary schools (the education sector) remains the biggest percentage of book sales in South Africa.<sup>68</sup> The business model for this market segment, where the government is the buyer, differs fundamentally from other markets. This market segment for e-books in particular is, therefore, excluded from this study.

## **1.8 Preliminary conclusion on publishers' views on e-books**

Gaigher et al<sup>69</sup> state that digital technology is seen as a disruptive technology in the traditional print publishing environment. Furthermore, digital publishing is still highly speculative in South Africa – Gaigher substantiates this argument with careful reference to data in recent PASA reports that correlate with paragraph 1.7 above.<sup>70</sup> Although no empirical evidence exists that e-books will eventually take over from printed books in the marketplace, publishers cannot afford to ignore the vast opportunities created by digital technology.

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<sup>65</sup> See Chapter 8 for a detailed discussion of the Higher Education System in South Africa.

<sup>66</sup> CHE “2013 Higher Education Data: Overview” available at [http://www.che.ac.za/focus\\_areas/higher\\_education\\_data/2013/overview](http://www.che.ac.za/focus_areas/higher_education_data/2013/overview) (date of use: 25 March 2017). Note that these universities are made up of the following three categories: six universities of technology (vocationally oriented education); eight comprehensive universities; eleven traditional universities offering theoretically-oriented university degrees; and one health sciences university.

<sup>67</sup> CHE “VitalStats Public Higher Education 2015” at 25 figure 34 available at <http://www.usaf.ac.za/category/he-sector-reports/> (date of use: 2 December 2017). Note that the four values indicated on the figure added.

<sup>68</sup> See PASA “Annual Book Publishing Industry Survey 2014” at 7 Table 2.

<sup>69</sup> Gaigher Susan, Le Roux Elizabeth & Bothma Theo “The effect of digital publishing on the traditional publishing environment” 95-101 *ESSAYS 101 INNOVATE* 9, 2014 available at <http://www.up.ac.za/innovate/article/1826999/essays> (date of use: 6 October 2016)

<sup>70</sup> Id at 95. Also see PASA “Annual Book Publishing Industry Survey 2014” at 28 Table 33.

Publishers can also not ignore the fact that digital technology has disrupted the way in which fair dealing in respect of e-books is perceived from legal, economic, technological, and sociological perspectives.

## **PART B**

# **BRIEF INTRODUCTION TO THE FAIR DEALING DOCTRINE**

### **1.9 Brief introduction to the fair dealing doctrine**

#### **1.9.1 The Berne Convention**

The Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) was concluded in 1886.<sup>71</sup> South Africa acceded to the Convention in 1928.<sup>72</sup> The South African copyright legislation was drafted to comply with the Berne Convention, as amended over the years. Four articles in the Berne Convention are of particular importance to this dissertation: Article 2(8) – providing that no copyright protection subsists in factual information; Article 9(1) – the reproduction of copyright works in any manner or form; Article 9(2) – exceptions to the exclusive right of reproduction; and Article 10 – allowing certain uses of copyright works.<sup>73</sup> The timeless aspects of the Berne Convention can be seen from Article 9(1) as quoted below, where digital content was not even conceived to be ‘any manner or form’ in 1886.

Article 9(1): Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form.<sup>74</sup>

#### **1.9.2 General fair dealing provisions in South African legislation**

In terms of section 2 of the Copyright Act 98 of 1978,<sup>75</sup> works eligible for copyright are: (a) literary works; (b) musical works; (c) artistic works; (d) cinematograph films; (e) sound recordings; (f) broadcasts; (g) programme-carrying signals; (h) published editions; and (i) computer programs.<sup>76</sup> Only section 12(1) of the Copyright Act explicitly deals with fair dealing in respect of literary or musical works, whilst ‘general exceptions’ in respect of each

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<sup>71</sup> Berne Convention for the Protection of Literary and Artistic Works (as amended), 1886.

<sup>72</sup> See the detailed discussion of the Berne Convention in Chapter 3 below.

<sup>73</sup> See Arts 2(8), 9(1), 9(2), and 10 of the Berne Convention.

<sup>74</sup> Article 9(1) of the Berne Convention.

<sup>75</sup> Copyright Act 98 of 1978 of South Africa.

<sup>76</sup> *Id* s 2.



of the other works eligible for copyright protection are being dealt with in sections 12(2) to 19 of the Copyright Act. Although it could be argued that fair dealing essentially provides for limited exceptions to the exclusivity of copyright-protected works, the Copyright Act differentiates between fair dealing and exceptions – something that must be borne in mind throughout this dissertation. In general, be it fair dealing or an exception under the same Act, if the cumulative effect of the reproductions that were made does not conflict with the normal exploitation of the work to the unreasonable prejudice of the legal interest of the rightsholder, the reproduction is considered to constitute fair dealing.

On a lighter note, were it not for the fair dealing doctrine, according to Von Lohmann,<sup>77</sup> each of the following activities would arguably be acts of infringement:

- |                                 |  |
|---------------------------------|--|
| (a) Literary works              | A journalist who wants to write a review for <i>Die Burger</i> about a play has to buy a ticket in order to review the play, whilst the theatre desperately needs the publicity.<br>Or, cutting out that same review, or a cartoon thereof, from <i>Die Burger</i> and posting it on your office door. |
| (b) Musical works               | Singing the latest hit by Adele at a family gathering.   |
| (c) Artistic works              | Producing a film where the background is the Parliament in Cape Town with famous paintings and buildings of architectural significance visible.  |
| (d) Films                       | Showing a ‘fees must fall’ video clip by a freelance journalist to students at a film school for teaching purposes.  |
| (e) Sound recordings            | Playing an excerpt from one of Lady Gaga’s songs for teaching purposes in a music course.  |
| (f) Broadcasts                  | ‘Time-shifting’ a radio or television programme.   |
| (g) Books                       | Quoting a paragraph translated from English to Afrikaans from a textbook in an e-mail to a fellow student.   |
| (h) Computer programs           | Reverse engineering of computer code.  |
| (i) Programme-carrying Signals. | Broadcasting news of current events.   |

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<sup>77</sup> Von Lohmann Fred “Fair dealing and Digital Rights Management: Preliminary Thoughts on the (Irreconcilable?) Tension between Them” Electronic Frontier Foundation 2002 available at <https://www.eff.org/> (date of use: 6 October 2016). Note: Analogies were slightly adjusted to reflect a South African context.

However, the focus is only on fair dealing in respect of literary works as defined in section 1(1) of the Copyright Act, more particularly, literary works in electronic format – ie e-books – to the exclusion of the other categories of work eligible for copyright protection.

### **1.9.3 Fair dealing provisions on literary works: Sections 12 and 13 of the Copyright Act 98 of 1978**

Section 12(1) of the Copyright Act provides for general exceptions to the protection of literary and musical works. It reads:

12(1) Copyright shall not be infringed by any fair dealing with a literary or musical work - for the purposes of research or private study by, or the personal or private use of, the person using the work;<sup>78</sup>

Section 12(4) of the Copyright Act provides as follows:

12(4) The copyright in a literary or musical work shall not be infringed by using such work, to the extent justified by the purpose, by way of illustration in any publication, broadcast or sound or visual record for teaching: Provided that such use shall be compatible with fair practice and that the source shall be mentioned, as well as the name of the author if it appears on the work.<sup>79</sup>

Section 13 provides for general exceptions regarding the reproduction of works. It also attempts to protect the economic interests of owners of copyright. It reads:

13 In addition to reproductions permitted in terms of this Act reproduction of a work shall also be permitted as prescribed by regulation, but in such a manner that the reproduction is not in conflict with a normal exploitation of the work and is not unreasonably prejudicial to the legitimate interests of the owner of the copyright.<sup>80</sup>

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<sup>78</sup> Copyright Act, 1978, s 12(1).

<sup>79</sup> Id s 12(4).

<sup>80</sup> Id s 13.

## 1.9.4 Fair dealing provisions in regulations 2 and 7 of the Copyright Act<sup>81</sup>

The Copyright Regulations provide for fair dealing as follows:

### **Regulation 2. Permitted reproduction**

The reproduction of a work in terms of section 13 of the Act shall be permitted – except where otherwise provided, if not more than one copy of a reasonable portion of the work is made, having regard to the totality and meaning of the work; and if the cumulative effect of the reproductions does not conflict with the normal exploitation of the work to the unreasonable prejudice of the legal interest and residuary rights of the author.<sup>82</sup>

### **Regulation 7. Multiple copies for classroom use**

Subject to the provisions of regulation 2, multiple copies (not exceeding one copy per pupil per course) may be made by or for a teacher for classroom use or discussion.<sup>83</sup>

## 1.9.5 Fair dealing: Literary works in a digital format

Having analysed the nature, cost structure, and general aspects of e-books in paragraphs 1.5 to 1.8 above, the focus in this paragraph shifts to the legal challenges pertaining to the fair dealing doctrine in respect of literary works in digital format. Fair dealing is considered from the perspectives of two distinct groups, namely, publishers, and end users, as well as educational end users (students and researchers alike) as a sub-category of end users.

The doctrine of fair dealing for printed literary works is well understood and codified around the world.<sup>84</sup> However, with the high volume of literary works being published in electronic format, academic publishers, in particular, are facing serious challenges in managing the unauthorised copying, reproduction, and distribution of e-content.

E-books, in particular, are growing in popularity at universities, schools, and in the public domain around the world.<sup>85</sup> However, they remain very expensive – the prices of e-books are

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<sup>81</sup> Copyright Regulations, 1978, to the Copyright Act 98 of 1978 of South Africa. (GN R1211 in GG 9775 of 7 June 1985 as amended by GN 1375 in GG 9807 of 28 June 1985).

<sup>82</sup> Id reg 2.

<sup>83</sup> Id reg 9.

<sup>84</sup> See international perspectives on fair dealing in Chapters 4 (USA), 5 (EU), 6 (UK), and 7 (RSA) respectively.

<sup>85</sup> Esposito Joseph “The Enduring Mystery of the Academic Book Market” The Scolary Kitchen (2015)

more or less the same as those of printed textbooks, with a forecast to grow at 6,4 per cent by 2019.<sup>86</sup>

One hypothesis for the high price of e-books is that digital rightsholders<sup>87</sup> neither understand nor know how to manage the legal challenges presented by the fair dealing doctrine<sup>88</sup> when it comes to works in electronic format. This results in publishers and similar rightsholders relying, in the main, on technological protection measures such as DRM systems to manage the electronic reproduction rights in literary works. In many cases this happens to the exclusion of reproduction right organisations (RROs) which have, to date, not been able to secure mandates from publishers to manage the electronic reproduction rights in literary works on the publishers' behalf.<sup>89</sup>

More specifically, once an e-book has been downloaded to one or more of an end user's electronic device(s), the rightsholder loses effective control over the digital content. Unless there are DRM settings imposed on the digital content, the end user can then print substantial portions or the complete e-book, or copy and distribute it without authorisation to third parties, even if the document is print-restricted and circumvention technologies are prohibited by legislation – for example, the USA's Digital Millennium Copyright Act.<sup>90</sup> These printed copies, or the use of the e-content on multiple devices, arguably falls outside of the permissible extent of reproduction allowed for private and study purposes. And because rightsholders have no means of establishing or policing the actual occurrence or quantity of the copies made, they turn to technological protection measures such as DRM systems. It is also important to appreciate that the procurement of an e-book does not necessarily mean that the owner (end user) has the implicit right to print a hard copy of the work, or that the end user owns the e-book. On the contrary, in some instances the e-book is only licensed to the end user for a limited time. At best, one could argue that, as in the case of printed editions, only a limited amount of

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available at <https://scholarlykitchen.sspnet.org/2015/04/15/the-enduring-mystery-of-the-academic-book-market/> (date of use: 25 March 2017).

<sup>86</sup> Ibid.

<sup>87</sup> Note that throughout this dissertation rightsholder(s) refer to copyright owners, which may be the author itself, or its assignee, such as a publisher(s).

<sup>88</sup> Section 12(1) of the Copyright Act 98 of 1978 of South Africa.

<sup>89</sup> McCann Worldgroup "Benefits of licensing through RROs" IFRRO (2012) available at [www.ifrro.org/sites/default/files/ppt\\_pres\\_s7\\_v\\_1.0\\_2012.ppt](http://www.ifrro.org/sites/default/files/ppt_pres_s7_v_1.0_2012.ppt) (date of use: 25 March 2017).

<sup>90</sup> See para 4.1.1.2 for a detailed discussion of the USA's Digital Millennium Copyright Act (DMCA).

reproduction of an e-book (ie within the limits allowed by fair dealing) is permitted. For example, this can be interpreted in the extreme as

no more than 27 short poems, articles, stories or essays [but no more than three from the same periodical volume] taken from nine different works, per term, per course.<sup>91</sup>

In the UK, for example, in terms of its Copyright Licensing Agency's licence directives for digital copies, a five per cent rule appears to be the norm for higher education institutions.<sup>92</sup>

It is submitted that publishers, a very important, influential and large category of rightsholders, have so far responded to this content management challenge by artificially linking the price of e-books to that of printed textbooks.<sup>93</sup> Therefore, if a solution to this problem can be found the price of e-books will be reduced substantially. Legal solutions that firstly aim to manage the unauthorised distribution of e-books to third parties, and secondly aim at managing the unauthorised reproduction (printing) of e-books, is sought as part of this dissertation. However, during the research phase of this study it soon emerged that a multidisciplinary approach would be more appropriate and the problem of fair dealing in respect of digital books was therefor approached from various perspectives. For example, the problem is approached by attempting to integrate law and economics, and by gaining a better appreciation of the socio-economic-legal aspects of the concept of fairness – in other words, the socio-economic-legal aspects of the challenges presented by fair dealing. Therefore, in Chapter 8 it is submitted that if a solution to this problem can be found which emphasises the socio-economic-legal aspects of fair dealing, the price of e-books can be substantially reduced while at the same time entrenching authors' rights to royalties, as well as publishers' rights to be financially rewarded for their efforts. To summarise, the study of the legal solution rests on two pillars and involves the management of:

- a) the unauthorised distribution of e-books to third parties; and
- b) the unauthorised printing of e-books,

while having cognisance of socio-economic-legal and technological considerations outlined above.

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<sup>91</sup> CHEC "Frequently Asked Questions" 2015 available at <http://plo.uct.ac.za/user.php> (date of use: 12 June 2016).

<sup>92</sup> See Pedley *Copyright Companion* 92.

<sup>93</sup> Widdersheim (2015) 20/6-1 (June) *First Monday* at 4 available at <http://journals.uic.edu/ojs/index.php/fm/article/view/5641/4575#author> (date of use: 6 October 2016). Note that in addition, according to Widdersheim: "Authors' e-book royalties were only 25 per cent of the sale of an already reduced price".

## **PART C**

### **SYNOPSIS: CHAPTER TRAJECTORY**

#### **1.10 SYNOPSIS: CHAPTER TRAJECTORY**

##### **CHAPTERS 1 TO 8 IN GENERAL**

Having briefly described the development of e-books in Part A of this chapter, together with a brief background to the fair dealing doctrine in Part B above, Chapter 2 touches on technological developments that impact on fair dealing. Chapter 3 addresses the international position on fair dealing relying in the main on the Berne Convention. Chapters 4 and 5 systematically describe, explain, and analyse fair dealing in the USA and the European Union (EU) respectively. Chapter 6 focuses on how South Africa approaches fair dealing with a detailed examination of fair dealing from a constitutional perspective. Chapter 7 briefly touches on the South African Higher Education sector as the fair dealing exception for educational purposes is the most important exception in the context of this dissertation. In conclusion, Chapter 8 proposes a solution to the legal challenges raised by the fair dealing doctrine in respect of e-books.

##### **CHAPTER 2: TECHNOLOGICAL PROTECTION MEASURES**

The law cannot ignore the disruptive nature of digital technology. In Part A of Chapter 2 technological protection measures (TPMs) – for example, DRMs – is placed in perspective. Essentially, DRMs are any technical security measures that restrict what third parties can do with an electronic file by means of encryption technology, licensing conditions, and/or end user authentication.

Fair dealing is essentially a doctrine that functions exclusively within the domain of copyright legislation. Most DRMs, however, are made up of methods, systems, and processes which can be protected by patent legislation. Part B of Chapter 2, therefore, aims to cross the divide

between the copyright and patent domains by analysing the exact nature of patented business methods and their impact on fair dealing.

### **CHAPTER 3: INTERNATIONAL PERSPECTIVES ON FAIR DEALING**

In this chapter the Berne Convention, the Trade Related Aspects of Intellectual Property Agreement (TRIPS Agreement), the World Intellectual Property Organisation's (WIPO) Copyright Treaty of 1996 (WCT), and the Marrakesh Treaty on Visually Impaired Persons (VIP) is discussed in order to set the international scene on fair dealing. This leads to an analysis of the position pertaining to specific countries in the next chapter.

Only the legitimate reproduction rights of rightsholders are discussed. In this regard the exceptions (and the so-called 'three-step' test) contained in Article 9(2) of the Berne Convention relating to the reproduction of a protected work, as well as the fair dealing provisions of Article 10(2) in respect of teaching are analysed.

The TRIPS Agreement contains important provisions on copyright and related rights that impact on developing countries, hence its inclusion in this chapter.

When the TRIPS Agreement was conceived in 1992, the impact of digital communication on global copyright issues was arguably not yet understood. This led to two further WIPO treaties that aim to address the existential threat to rightsholders as regards digital content. The WCT is a specific agreement under the Berne Convention that deals with the protection of digital works. WIPO's Performance and Phonograms Treaty (WPPT) treaty is discussed only briefly in this chapter as the dissertation addresses only literary works as works eligible for copyright protection.

The Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or otherwise Print Disabled (the Marrakesh VIP Treaty) deals with access to literary works by visually impaired or print disabled persons. Although South Africa has not yet implemented this treaty, much can be learned from it as regards fair dealing from a human rights perspective.

With the international perspectives well defined, the unpacking of fair dealing in specific countries around the world in Chapters 4 and 5 is done.

## **CHAPTERS 4 AND 5: INTERNATIONAL COMPARATIVE STUDY OF FAIR DEALING**

In Chapters 4 and 5 developments relating to fair dealing in countries in North America (USA and very briefly Canada), European countries such as Germany and the UK, are analysed within the framework of international treaties while also drawing on interesting and very important international case law. In the USA the Digital Millennium Copyright Act (DMCA) governs the latest developments on the fair use of digital content. In Europe the Court of Justice of the European Union (CJEU), as well as the European Commission's (EC) Electronic Commerce Directive and the EC's Copyright Directive (InfoSoc), are discussed in detail. Without this background, it would not be possible to analyse the developments in specific European countries. Germany was selected as one of the European countries for study on the basis of case law dealing with the first-sale doctrine and an interesting correlation between German and Canadian case law on the doctrine of fair dealing. In the UK two reports – the Gowers Review and the independent Hargreaves Report – are important documents impacting on policy. Fair dealing practices in Ireland are briefly referred to in the footnotes on the basis of Ireland's strong Information and Communication Technology (ICT) sector.

## **CHAPTER 6: THE FAIR DEALING PROVISIONS IN SOUTH AFRICA**

Chapter 6 aims to define the legal challenges raised by fair dealing in literary works in digital format as defined in the Copyright Act of South Africa while, however, remaining within the international context as set out in the earlier chapters. Because the Constitution of the Republic of South Africa, 1996, (the Constitution) entrenches citizens' right to education, this human right is briefly analysed from a fair dealing perspective.



## **CHAPTER 7: FAIR DEALING AT HIGHER EDUCATION INSTITUTIONS IN SOUTH AFRICA**

Chapter 7 focuses on a specific market segment, namely the higher education sector, which has always relied heavily on fair dealing due to the nature of teaching and learning. The restrictive nature of DRMs currently has a negative effect on higher education institutions. Institutions are gradually moving towards e-learning models, in particular in developing countries such as South Africa where the right to education is entrenched in our Bill of Rights. The impact of DRMs on education as a fundamental human right is briefly analysed as part of this chapter.

## **CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS**

The dissertation is concluded by proposing a techno-economic-socio-legal-solution to the question of fair dealing in the digital content while remaining fully compliant with the spirit and objectives of the Berne Convention in respect of fair dealing.

## CHAPTER 2

# TECHNOLOGICAL PROTECTION MEASURES THAT IMPACT ON FAIR DEALING

*Chapter overview:* In Part A of Chapter 2 some technological protection measures (TPMs) are presented in perspective of fair dealing. This chapter considers only TPMs, such as digital right management systems (DRMs) for the publishing sector. DRM systems for cinematographic films, computer games, metadata, music works, software, mobile phones, and television are excluded from the ambit of this dissertation.

In Part B of Chapter 2 the divide between the copyright and patent domains is crossed by analysing the exact nature of critically selected patented business methods relevant to TPMs and their impact on fair dealing.

## PART A

# TECHNOLOGICAL PROTECTION MEASURES AND E- PUBLISHING MODELS

## 2.1 Understanding what Digital Rights Management entails

DRM is one form of a TPM that is available to the publishing sector. TPMs include all technical security measures that restrict what third parties can do with an electronic file through encryption technology, licensing conditions, and/or end user authentication.<sup>94</sup>

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<sup>94</sup> See Cohen (2001-2002) 9 *J Intell Prop L* 170. Also see the definition of encryption technologies above.

Arguably the greatest strength of e-books is their infinite capacity for duplication. Unlike copies of analogue material, copies of e-books are identical; they involve virtually no production costs; and their quality does not change when duplicated. However, the biggest strength of e-books is also their inherent weaknesses: anyone can copy and transmit e-books cheaply and rapidly. This has led Widdersheim to argue that:

DRM was not a necessary technology, but one that was called for by the trajectory of the book publishing industry. The construction of DRM technology was the final technological advancement that book publishers needed to sell and distribute e-books online at low risk and high return.<sup>95</sup>

It has been said by Bill Gates<sup>96</sup> in 2006 that no one was satisfied with the current state of DRM which caused “too much pain for legitimate buyers” while trying to distinguish between legal and illegal uses. Almost ten years later we are all still grappling with the issue. According to Arrington, Gates said no one had yet “done it right”; there were still “huge problems” with DRM and “we need more flexible models...”.<sup>97</sup>

### **The analogue hole**

The human eye and ear perceive images and text in analogue format. Digital information, therefore, requires to be converted to a humanly perceptible (analogue) form – for example, from a compact disk (CD) recording to sound via a speaker; or from an electronic file on a memory stick to a printout on a sheet of paper. Once this initial conversion has taken place it is relatively simple to recapture that analogue reproduction digitally in an unrestricted form – for example, by scanning the printed text and saving it on a memory stick. Such actions fundamentally circumvent any and all restrictions placed on copyright works that are digitally distributed, regardless of the DRM’s restrictions that prevent the printing of works. It is small wonder that most media publishers use DRM systems to impose print restrictions on e-books.

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<sup>95</sup> See Widdersheim (2015) 20/6-1 (June) *First Monday* 7.

<sup>96</sup> Arrington Michael “Bill Gates on the future of DRM” 2006 *Techcrunch* available at <http://techcrunch.com/2006/12/14/bill-gates-on-the-future-of-drm/> (date of use: 07 March 2018).

<sup>97</sup> *Id* at 1.

## **Digital rights management versus copyright**

From a legal perspective, DRM differs fundamentally from copyright as far as public interest is concerned. Copyright protects the underlying work from unauthorised reproduction but also advances the dissemination of works to the public. In contrast, DRM entails access control or access protection by means of technological procedures that shield a copyright work from an attempt to copy it.<sup>98</sup> DRM can be described as any technical access-control security measure or software for digital works that restricts what third parties can do with an electronic file. The aim is to control the execution, viewing, copying, printing, and alteration of digital works by means of access protection. As such, DRMs are not subject to the same legal limitations and user rights established in traditional copyright law.

## **Publishers' views on DRM**

During normal trade activities publishers use the DRM platforms of service providers which enable secure uploading, storage, management and distribution of digital works across various channels in a range of electronic formats. Some publishers claim that DRM is necessary to fight copyright infringement and that it can help the rightsholder to maintain artistic control over a work. It also ensures continued revenue streams.

However, through excessive DRM measures publishers can restrict how consumers use personal copies even where such use is permitted under fair dealing. For example, is it fair to argue that the value of desirable consumer uses is implicitly monetised in the purchase price of any product? Einhorn consequently argues that publishers who fail to appreciate the importance of customer ease, might actually “reduce the market demand for new products and the resulting prices”.<sup>99</sup>

## **DRM in relation to computer and video games**

According to McDonald et al the computer and video games market outsold video and music content during 2014.<sup>100</sup> For instance, by comparing the video, music, and games market, the authors reported that in the UK alone the games market grew by 7,5 per cent to reach

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<sup>98</sup> Einhorn *Media, Technology and Copyright* 15.

<sup>99</sup> *Id.*

<sup>100</sup> McDonald et al *Digital Rights Management* 1.

£2,5 billion,<sup>101</sup> whilst video and music sales decreased by 1,4 per cent to reach £2,2 billion<sup>102</sup> and 1,6 per cent to reach £1 billion<sup>103</sup> respectively. E-book sales, on the other hand, make out only a negligible percentage of the overall e-content sales set out above. The debate surrounding the effectiveness and future of DRMs for e-books must therefore be closely aligned with DRMs for video games.

McDonald et al's socio-legal approach to DRM is refreshing, going back to how mankind perceived fairness before the electronic era and exploring the elements of law and human behaviour in rights protection security.<sup>104</sup> They quote from Hart's classic work, where he says that

fairness is achieved when people restrain their liberty in ways necessary to yield advantages for all.<sup>105</sup>

McDonald et al continue by arguing that the factors influencing the user's desire to circumvent DRM by acts of piracy can be construed as a social problem driven by human traits such as greed, intent, motive, or moral judgement.<sup>106</sup> From this we can see that the possible reasons behind the intentional circumvention of DRM systems go beyond any technological weaknesses inherent in DRM security into the human aspects of a socio-economic nature.

Next, the socio-legal problem is explored by examining the impact of DRM on four stakeholder groups as is proposed by McDonald et al: (i) game developers; (ii) distributors; (iii) users; and (iv) legal practitioners.<sup>107</sup>

- (i) *Game developers*: Game developers' perception of DRM may be influenced by the business model on which they base their business – for example, will the product generate a recurring income stream or can it be traded at a once-off price?<sup>108</sup>

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<sup>101</sup> Id.

<sup>102</sup> Id at 2.

<sup>103</sup> Id at 1.

<sup>104</sup> Id at 8.

<sup>105</sup> See Hart (1955) 64/2 *Philosophical Review* 175-91 as quoted by McDonald et al *Digital Rights Management* 8.

<sup>106</sup> See McDonald et al *Digital Rights Management* 8.

<sup>107</sup> Id at 4.

<sup>108</sup> Id at 6.

When this principle is applied to e-books, the options are either to sell the e-book or to license it under strict DRM conditions.

- (ii) *Distributors*: Distributors appear to have the strongest interests in DRM deployment. Interestingly, an emerging business model for games is the ‘freemium model’<sup>109</sup> where the core game content is offered free but value is added by optional in-game purchases such as in-game characters, extra content, cheats, or game customisations.<sup>110</sup> When this model – as opposed to the traditional purchase business model – is applied to e-books, the entire burden of rights protection and security becomes manageable, especially with the print-on-demand requirements of e-book users.
- (iii) *End users*: DRM simply fails to account for the copyright exceptions and limitations permitted and for the fair dealing allowances in copyright legislation the world over.<sup>111</sup> When one compares this to e-books, there is an underlying sense of imbalance in power with the scale tipping in favour of rightsholders.
- (iv) *Legal practitioners*: Dealing with DRM systems, fair dealing exceptions, negotiating licensing agreements, copyright disputes, and jurisdiction, to name but a few, can create a variety of fee-earning alternatives for legal practitioners.<sup>112</sup>

McDonald et al then conclude that

the human-related social difficulties of DRM are notably less discussed in the literature than the technical aspects (e.g. effectiveness) but nonetheless appear to be an underlying theme running through the debate surrounding DRM.<sup>113</sup>

The focus is now turned to how DRM systems are understood from a legal, consumer, and commercial perspective. International case law on the topic is drawn upon, as well as best industry practice – in the words of Einhorn: “integrating law and economics”.<sup>114</sup>

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<sup>109</sup> Id at 5.

<sup>110</sup> Ibid.

<sup>111</sup> Ibid.

<sup>112</sup> Id at 6.

<sup>113</sup> Id at 8.

<sup>114</sup> See Einhorn *Media, Technology and Copyright* 15.

## 2.2 Selected types of technological protection measures

### Digital watermarks (or social watermark)

Conventional watermarks are identification marks produced during the paper-making process and are in general use around the world, notably on banknotes. Watermarking may be used for a wide range of applications, including copyright protection, and are often used as part of a system for copyright enforcement, such as providing evidence for purely legal avenues of rights management.

Digital watermarks – also known as social watermarks – are embedded into a digital signal at each point of distribution; they are imperceptible to the average e-book reader because the underlying technology is invisible to the naked eye.<sup>115</sup> According to Kozlowski,<sup>116</sup> depending on how digital watermarking is handled, data can take two distinct forms: personal information about the users, such as their email addresses; or a user-specific identification number that the distributor can use to look up the user or user transaction in a database. If a copy of the original work is at a later stage found with the watermark present, the watermark can be retrieved from the copy and the source of the distribution will be revealed.<sup>117</sup>

Kozlowski has also commented that there is a trend among major publishers and bookstores to forgo DRM and instead embrace digital watermarking technology.<sup>118</sup> They are doing this because it makes it easier for the customer to load the e-books he or she has purchased onto an e-reader.<sup>119</sup> Part B of this chapter elaborates on the business methods governing digital watermarking.

From a publisher's perspective the greatest shortcoming of digital watermarking is that it does nothing to protect the e-book against file-sharing among end users within the limits of fair

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<sup>115</sup> Kozlowski Michael "Digital Watermarks Take the Publishing World by Storm" at 2 available at <http://goodereader.com/blog/e-book-news/digital-watermarks-and-social-drm-take-the-publishing-world-by-storm> (date of use: 22 September 2015).

<sup>116</sup> *Id.*

<sup>117</sup> *Id.* at 5.

<sup>118</sup> *Id.* at 1-2.

<sup>119</sup> *Ibid.*

dealing – something which terrifies publishers. In this regard Mackenzie, president of the Publishers Association (PA) of the UK, recently stated:

We are fully aware that DRM does not inhibit determined pirates or even those who are sufficiently sophisticated to download DRM removal software. The central point is that we are in favour of DRM because it inhibits file-sharing between the mainstream readers who are so valuable to us and our authors.<sup>120</sup>

Digital or social watermarking appears to be very popular in the Netherlands with various commercial companies entering the field: “*De meeste uitgevers zijn overgeschakeld naar social DRM.*”<sup>121</sup>

### **Consumer choice and versioning**

Versioning, according to Shapiro and Varian, entails “the ability to charge different prices for different kinds, levels and combinations of online products”.<sup>122</sup> Accordingly, a DRM system that provides the consumer with optional rights also allows the rightsholder to differentiate its pricing structure for different kinds of end user. Versioning will be investigated as a viable DRM option in the latter parts of this dissertation.

### **Steganography**

Steganography, in the context of digital works, is the concealment of information within computer files.<sup>123</sup> The practice of steganography dates back to 440 BC.<sup>124</sup> Modern steganography is highly relevant for digital messages and printed text.<sup>125</sup> Although Petitcolas and his colleagues praise the virtues of steganography,<sup>126</sup> no convincing argument is made in their thesis that steganography is indeed a reliable legal solution to DRM.

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<sup>120</sup> Mackenzie Ursula “Digital watermarking makes a comeback” available at <http://www.printondemand-worldwide.com/blog/digital-watermarking-makes-a-comeback> (date of use: 27 February 2017).

<sup>121</sup> Anon “The majority of publishers have switched to social DRM” available at <http://ereaderskiezen.nl/> (date of use: 30 September 2015).

<sup>122</sup> Shapiro & Varian *Information Rules* 110.

<sup>123</sup> Petitcolas, Anderson & Kuhn (1999) 87/7 (Special Issue) *IEEE* 1062.

<sup>124</sup> *Id* at 1065.

<sup>125</sup> *Id* at 1062.

<sup>126</sup> *Ibid*.



## **Creative Commons**

The Creative Commons<sup>127</sup> movement was started by Lessig in 2001 in response to a perceived hyper-restrictive copyright regime.<sup>128</sup> A creative commons licence, according to their website, is regarded as rights expression, not necessarily digital rights management.<sup>129</sup> Creative Commons licences are consequently not an alternative to copyright, but rather licences that work alongside copyright and enable authors to modify their copyright terms to best suit their needs.<sup>130</sup> Interestingly, Creative Commons licensees cannot use technological protection measures such as DRMs to restrict access by others to the work.<sup>131</sup> Because Creative Commons is regarded as a form of voluntary rights expression ('some rights reserved'),<sup>132</sup> as opposed to rights management, it will not be further considered in this dissertation.

### **2.3 Selected commercial DRM systems and platforms**

E-publishing refers to the production of any content formatted to be read on a computer or on an electronic device. There are several models in e-publishing, ranging from commercial e-publishing, subsidy e-publishing, self-publishing, and the print-on-demand of e-books and even the second-hand market for e-content.<sup>133</sup> In addition to the authors and publishers there are distributors, retailers, and agent vendors who package, distribute, and sell e-books and online journals. All these e-publishing role players require DRM systems and platforms to manage their respective rights.<sup>134</sup>

There are essentially three major commercial DRM systems currently in use by the major e-book retailers: Amazon, Apple and Adobe. In addition to these DRM systems, some digital watermarks – a form of DRM as explained in paragraph 2.2 – and other alternative commercial DRM models are also considered as part of this dissertation.

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<sup>127</sup> Creative Commons available at <https://creativecommons.org/> (date of use: 7 March 2018).

<sup>128</sup> See Widdersheim (2015) 20/6-1 (June) *First Monday* 13.

<sup>129</sup> See Creative Commons available at <https://creativecommons.org/share-your-work/licensing-considerations/> (date of use: 22 July 2016).

<sup>130</sup> Ibid.

<sup>131</sup> Ibid.

<sup>132</sup> See Pedley *Copyright Companion* 96.

<sup>133</sup> Musiani & Pererico (2014) 19/11 (November) *First Monday* at 2.

<sup>134</sup> Ibid.

## Amazon, Apple and Adobe

- Amazon<sup>135</sup> applies its own DRM technologies to Kindle e-books.<sup>136</sup>
- Apple<sup>137</sup> applies its *FairPlay* DRM to files purchased from its iBookstore.<sup>138</sup>
- Adobe's<sup>139</sup> DRM system uses a software program to manage the DRM of e-book files from a proprietary server.<sup>140</sup>

Adobe's core DRM functions include printing, copying, extraction, and alteration with the option of saving. These functions (notably printing) are the most critical for media publishers while the work remains under copyright.<sup>141</sup> Neither Amazon's, nor Apple's DRM system is compatible with other devices or applications – this is in my view arguably against the spirit of the objectives of fair dealing. This lack of interoperability, as Bittar argues,

can negatively affect competition by increasing network effects, barriers to entry, and switching costs. Although the protection of copyright is a legitimate goal, when such technological restrictions exceed what is considered prevention of infringement and instead interfere with competition, a series of negative effects may result. In the e-book market, we argue that such restrictions can seriously impact how readers access books and lead to a concentration of the e-book market in the hand of a few companies.<sup>142</sup>

## EPub

EPub (Electronic Publishing) is a free and open standard DRM system<sup>143</sup> published by the International Digital Publishing Forum (IDPF).<sup>144</sup> EPub's ability to be read on a wide variety

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<sup>135</sup> Amazon available at [www.amazon.com](http://www.amazon.com) (date of use: 07 March 2018).

<sup>136</sup> See Musiani & Pererico (2014) 19/11 (November) *First Monday* 4.

<sup>137</sup> Apple available at [www.apple.com](http://www.apple.com) (date of use: 07 March 2018).

<sup>138</sup> See Musiani & Pererico (2014) 19/11 (November) *First Monday* 4. According to Musiani & Pererico one of the reasons for the success of Apple in the digital music market "...may lie in the fact that Apple is verticalizing its offer, selling to its customers not only the music itself, but also the software and hardware tools with which to access it. Apple spent considerable engineering and marketing effort on these tools to maximize the ease and attractiveness of 'consuming' (listening to, recommending, backing up, etc.) music from Apple's own music distribution channel. By contrast, the effort spent on maximizing the ease and attractiveness of 'consuming' music from other channels appears virtually non-existent. Even if Apple takes no active measures to ban other channels from its devices, the result is a 'soft' lock-in for all but a tiny fraction of Apple's device users that very effectively cuts off those users from any second-hand digital music market".

<sup>139</sup> Adobe available at [www.adobe.com](http://www.adobe.com) (date of use: 07 March 2018).

<sup>140</sup> Adobe eBook Platform available at <http://www.adobe.com/solutions/ebook.html> (date of use: 25 March 2017).

<sup>141</sup> Ibid.

<sup>142</sup> See Bittar *Unlocking the gates* 2.

<sup>143</sup> Anon "What are the differences between eBook formats?" Overdrive Inc 2015 available at <https://help.overdrive.com/customer/portal/articles/1482564-what-are-the-differences-between-ebook-formats-> (date of use: 25 March 2017).

<sup>144</sup> IDPF available at <http://idpf.org/> IDPF (date of use: 25 March 2017).

of electronic devices has led to its wide adoption and allowed it to become the most dominant e-book format across the world, second only to Amazon's Kindle format.<sup>145</sup>

### **Vitalsource®**

VitalSource® Bookshelf® is the leading and most used e-textbook platform in the world.<sup>146</sup> VitalSource's unified platform for all major publishers relates to e-textbooks for the academic market as opposed to e-books in general. The platform provides full EPub-rich media support, pure-electronic, and electronic/print-hybrid textbook and print fulfilment options, including print-on-demand (POD).<sup>147</sup>

VitalSource®'s ability to manage print demand is of particular interest to this dissertation. Interestingly, the patented system of the University of Johannesburg, as discussed in paragraph 2.6, uses this platform for B2B fulfilment purposes.

### **Digital watermarking**

There are a few major players in the digital watermarking arena that have gained the most traction from publishers, notably companies from the Netherlands. BooXtream:<sup>148</sup> One of their biggest clients is Pottermore, JK Rowling's Harry Potter focused online community and e-book store. They have been using the technology since the service was first launched in 2012, where the content is digitally fingerprinted, using advanced watermarking and personalisation features, rather than encryption.<sup>149</sup> Blankfield says in this regard that: "Rowlings' decision is perhaps a sign of the times. Many industry professionals believe that DRM should, and will, be relaxed."<sup>150</sup>

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<sup>145</sup> Anon "What are the differences between eBook formats?" Overdrive Inc available at <https://help.overdrive.com/customer/portal/articles/1482564-what-are-the-differences-between-ebook-formats-> (date of use: 25 March 2017).

<sup>146</sup> Bloomberg "Company Overview of Vital Source Technologies Inc" available at <http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=908021> (date of use: 25 March 2017).

<sup>147</sup> Vitalsource® available at <https://www.vitalsource.com/> (date of use: 26 March 2017). Note: interestingly, according to their website, Vitalsource®'s offering is mostly related to text books in the fields of business & economics, humanities, mathematics & statistics and social sciences, to the excluding of engineering and health sciences.

<sup>148</sup> BooXtream available at <https://www.booxtream.com/> (date of use: 25 March 2017).

<sup>149</sup> Blankfield & Stevenson 2012 *Springer Science+Business Media* 86.

<sup>150</sup> Ibid.

- Digimarc® Guardian Watermarks:<sup>151</sup> This is fairly recently developed anti-piracy technology that not only embeds an invisible watermark into e-books, but also trawls the web 24/7 searching for watermarked content. When a watermark is detected, Digimarc® provides the unique identifier to the publisher to match against its own transaction records.<sup>152</sup>
- eBoekhuis<sup>153</sup> – BREIN: Any bookstore that sells e-books using eBoekhuis’ proprietary system is mandated to share previously private customer data directly with rightsholders and BREIN. This allows BREIN to pursue e-book pirates directly. BREIN was, however, recently challenged on the grounds of privacy of personal information, where the Dutch government posed the question:

Can the purpose of the laws and regulations regarding the protection of privacy force a third [party] to save customer information for at least two years?<sup>154</sup>

- Verso Books:<sup>155</sup> Kozlowski argues that companies actually take watermarking technology too far and are making their readers feel like criminals. For example, when Verso Books’ customers buy a book their names and e-mail addresses are displayed on the cover of the Verso Book that was bought.<sup>156</sup> According to Kozlowski one user said:

“Personally, I felt like I was constantly being sent a stalker’s note saying, ‘I know where you live.’ It put me off reading the books entirely.”<sup>157</sup>

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<sup>151</sup> Digimarc® available at <https://www.digimarc.com/application/copyright> (date of use: 26 March 2017).

<sup>152</sup> “Digimarc® Guardian Watermarking for Publishing” (2014) Corporate brochure available at <https://www.digimarc.com> (date of use: 26 March 2017). Note: The Digimarc® watermarks contain only anonymous digital identities.

<sup>153</sup> eBoekhuis is a Dutch publisher. Available at <https://www.vrijjeuitgevers.nl/?page=eBoekhuis> (date of use: 26 March 2017).

<sup>154</sup> Mackintosh Paul St John “Dutch Justice Ministry faces awkward questions on BREIN anti-piracy moves” Teleread available at <https://teleread.com/dutch-justice-ministry-faces-awkward-questions-on-brein-anti-piracy-moves/> (date of use: 07 March 2018). Note: Privacy of personal information falls outside the ambit of this dissertation. Privacy and digital watermarks will, in my view, continue to be a serious point of contention in the field of e-content.

<sup>155</sup> Verso Books available at <https://www.versobooks.com/> (date of use: 7 March 2018).

<sup>156</sup> See Kozlowski Michael “Digital Watermarks Take the Publishing World by Storm” GoodReader.com 4 November 2014 available at <http://goodereader.com/blog/e-book-news/digital-watermarks-and-social-drm-take-the-publishing-world-by-storm> (date of use: 22 September 2015).

<sup>157</sup> Ibid.

## Copyright Infringement Portal

The Copyright Infringement Portal (CIP)<sup>158</sup> is a web-based portal of the PA of the UK<sup>159</sup> that allows rightsholders and publishers to request Feeder and Locker website owners to remove material that infringes their copyright. CIP effectively makes use of takedown notices that are sent to webmasters or Internet Service Providers (ISPs) informing them of copyright infringement and requesting the removal of infringing content.<sup>160</sup>

A takedown notice is a legal notice in the UK.<sup>161</sup> Although the CIP is a reactive service, it can issue a takedown notice to any website anywhere in the world. It determines the jurisdiction of the infringement and sends an appropriate notice. This makes this tool extremely powerful. Since 2009 the portal has had four million infringing links reported and 1,5 million Google search links removed.<sup>162</sup> According to Blankfield and Stevenson the overall takedown rate is 89 per cent.<sup>163</sup>

In South Africa, takedown notices are legalised in terms of the Electronic Communications and Transactions Act 25 of 2002.<sup>164</sup> Since this Act primarily deals with “the facilitation and regulation of electronic communications...”<sup>165</sup> and not fair dealing per se, this dissertation does not further concern itself with this Act.

## Printing from DRM-controlled platforms

With all these commercial DRM systems and platforms the management of print fulfilment appears to be the main challenge. For example, Adobe’s default approach to printing is: (i) no printing; (ii) printing – fully allowed, low resolution; and (iii) printing.<sup>166</sup> VitalSource®’s printing solution limits end users to five pages per print or one chapter per online version of the

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<sup>158</sup> CIP available at <http://www.copyrightinfringementportal.org.uk/> (date of use: 07 March 2018).

<sup>159</sup> PA available at <https://www.publishers.org.uk/> (date of use: 7 March 2018).

<sup>160</sup> See CIP at 1 available at <http://www.copyrightinfringementportal.org.uk/>.

<sup>161</sup> See article 14 of Council Directive 2000/31/EC.

<sup>162</sup> See CIP at 1 available at <http://www.copyrightinfringementportal.org.uk/>.

<sup>163</sup> See Blankfield & Stevenson 2012 *Springer Science+Business Media* 83. Interestingly, the US, Netherlands and Hong Kong are cited as the worst infringing countries, responsible for 70% of illegal content (ibid).

<sup>164</sup> Section 77 of the Electronic Communications and Transactions Act 25 of 2002.

<sup>165</sup> Id at 1.

<sup>166</sup> See Adobe eBook Platform available at <http://www.adobe.com/solutions/ebook.html> (date of use: 25 March 2017).

e-book, which results in an appalling user experience.<sup>167</sup> In this light, it is hardly surprising that various online blogs offer advice to ICT experts on how to circumvent VitalSource®'s and other platforms' DRM systems and platforms.<sup>168</sup>

### **Summary of DRM systems and platforms**

In summary, from the commercial DRM systems and platforms mentioned above, ranging from watermarks and severe restrictions on printing to the escalation of alleged infringement of privacy, it should be clear that the permutations of DRM levels will continue to increase. The situation sketched above brings me back to my hypothesis that international publishers of e-content do not yet have the legal or digital rights management solutions at their disposal by which to manage the challenges posed by the fair dealing doctrine when the printing abilities are also made available to the end users of e-books, who could potentially abuse such e-content. A solution to address the challenge is proposed in Chapter 8.

## **2.4. International case law on TPM-related issues**

The four court cases below, together with the Sony incident, all relate to TPMs. This paragraph does not attempt to exhaust judgments on the topic but merely to contextualise TPMs, and DRM systems in particular. Country-specific judgments are discussed in the respective comparative chapters (ie Chapter 4 on the USA, Chapter 5 on the EU, Chapter 6 on the UK, and Chapter 7 on South Africa).

### ***Bernstein v United States Department of State***

In the *Bernstein*<sup>169</sup> case Bernstein, a student at the University of California at Berkley wrote a software program, which he named 'Snuffle', that was capable of encrypting and decrypting data.<sup>170</sup> He was then prevented by the USA's Department of State from loading the software on

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<sup>167</sup> See VitalSource® available at [http://247support.custhelp.com/app/answers/detail/a\\_id/10057/~vitalsource%3A-printing-limitations](http://247support.custhelp.com/app/answers/detail/a_id/10057/~vitalsource%3A-printing-limitations) (date of use: 23 September 2015).

<sup>168</sup> See VitalSource® available at <http://www.ebook-converter.com/vitalsource-converter.htm> (date of use: 23 September 2015).

<sup>169</sup> *Bernstein v United States Dep't of State* 922 F Supp 1426 (ND Cal 1996) (*Bernstein I*). Also see *Bernstein v United States Dep't of State* 945 F Supp 1279 (ND Cal 1996) (*Bernstein II*) and *Bernstein v United States Dep't of State* 974 F Supp 1288 (ND Cal 1997) (*Bernstein III*). Note that the Bernstein cases comprise of the District Court case (*Bernstein I*) and the subsequent court rulings that dealt with cross-motions for summary judgement (*Bernstein II & III*).

<sup>170</sup> *Bernstein I* at 1429.

the Internet where his fellow students could access and download it, because it was subject to a government regulation pertaining to software export.<sup>171</sup> Patrick Ross's<sup>172</sup> review of the *Bernstein I, II & III* cases<sup>173</sup> makes for interesting reading in that he points out that the court was correct in holding the District Court's initial ruling that computer source code is a constitutionally protected form of 'speech'.<sup>174</sup> This argument was successfully defended by Bernstein by citing the First Amendment<sup>175</sup> to the USA Constitution after he published Snuffle on the Internet.

In the light of the *Bernstein* case encryption programs could be considered a hybrid form of a DRM system, although Ross argues that the court decided too quickly that source code is 'speech' – in fact, he believes that encryption software is nothing other than a 'lock-making machine'.<sup>176</sup> Within the South African context, where freedom of expression is a constitutional right<sup>177</sup> similar to the constitutionally protected form of 'speech' in the USA, interesting questions can be posed – for example, can all forms of TPMs be regarded, as a form of 'speech' (or is it a lock-making machine?) that should be balanced with the right to education<sup>178</sup> in the South African Constitution. Arguments will be concluded in regards to Ross's 'lock-making machine' and further elaborated upon on this topic in paragraph 4.3 below when patents on TPMs and business methods is discussed. At this stage, though, Ross's view that the judgement is "too sweeping in scope"<sup>179</sup> is supported and that courts should apply a more analytical approach to what the technology precisely entails (ie posing the question of whether source code is essentially functional or communicative)<sup>180</sup> before considering the legal questions.

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<sup>171</sup> Id at 1430.

<sup>172</sup> Ross (1998) 13 *Berkeley Tech LJ* 405.

<sup>173</sup> Id at 406.

<sup>174</sup> See *Bernstein III* at 1308. Also see *Bernstein I* at 1436.

<sup>175</sup> USA Constitution, 1789, Amendment 1 – Freedom of Religion, Press, Expression. Ratified 15 December 1791.

<sup>176</sup> See Ross (1998) 13 *Berkeley Tech LJ* 411. Note that Ross quotes Samuelson et al as leading authorities on technology: "[P]rograms are, in fact, machines (entities that bring about useful results, i.e. behavior) that have been constructed in a medium of text (source and object code). The engineering designs embodied in programs could as easily be implemented in hardware as software, and the user would be unable to distinguish between the two".

<sup>177</sup> Constitution of the Republic of South Africa, 1996, s 16.

<sup>178</sup> Id s 29.

<sup>179</sup> See Ross (1998) 13 *Berkeley Tech LJ* 416.

<sup>180</sup> Id at 414.

### *Universal City Studios Inc v Reimerdes I, II*

In the *Reimerdes I* case<sup>181</sup> the plaintiffs were eight motion picture studios that filed suit against the defendants (Reimerdes et al)<sup>182</sup> for preventing them from providing a computer program, called DeCSS,<sup>183</sup> on the Internet that permits end users to decrypt and copy motion pictures from digital versatile disks (DVDs).<sup>184</sup> The court granted a preliminary injunction barring the defendants from posting DeCSS<sup>185</sup> – essentially, the court found that breaking DRMs was illegal, even if you were attempting to do something that would otherwise be legal.<sup>186</sup> In other words and by way of example, if your e-book has a restriction that prevents you from reading it over weekends, you cannot break that restriction, even if it would otherwise be legal to read the book over weekends.

The plaintiffs then filed and were granted motions in the *Reimerdes II*<sup>187</sup> case to confirm the preliminary injunction.<sup>188</sup>

Doctorow, known for his fierce criticism of DRM systems, has argued in a recent blog that ever since the *Reimerdes I & II* cases, “it’s been clear that DRM isn’t the right to prevent piracy: it’s the right to make up your own copyright laws.”<sup>189</sup>

No surprise then that one of the defendants, Corley and his company, 2600 Enterprises Inc, appealed against the ruling,<sup>190</sup> but Corley eventually failed to convince the court of a

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<sup>181</sup> *Universal City Studios Inc v Reimerdes* 82 F Supp 2d 211 (SDNY 2000) (*Reimerdes I*).

<sup>182</sup> *Id* at 215. Note that Reimerdes, of the defendants, is the owner of the website [www.dvd-copy.com](http://www.dvd-copy.com).

<sup>183</sup> *Id* at 215. Note that according to the court: “A Content Scramble System (CSS) is an encryption-based security and authentication system that requires the use of appropriately configured hardware such as a DVD player or a computer DVD drive to decrypt, unscramble and play back, but not copy, motion pictures on DVDs”.

<sup>184</sup> *Id* at 213.

<sup>185</sup> *Id* at 227.

<sup>186</sup> *Id* at 216. Note that according to the court: “It is undisputed also that [the software program] DeCSS defeats CSS and decrypts copyrighted works without the authority of the copyright owners. As there is no evidence of any commercially significant purpose of DeCSS other than circumvention of CSS, defendants’ actions likely violated Section 1201(a)(2)(B) of the Copyright Act of the USA”.

<sup>187</sup> *Universal City Studios Inc v Reimerdes* 111 F Supp 2d 294 (SDNY 2000) (*Reimerdes II*).

<sup>188</sup> *Id* at 346. The court ordered: “Given the peculiar characteristics of computer programs for circumventing encryption and other access control measures, the DMCA as applied to posting and linking here does not contravene the First Amendment. Accordingly, plaintiffs are entitled to appropriate injunctive and declaratory relief”.

<sup>189</sup> Doctorow Cory “What happens with digital rights management in the real world?” *The Guardian* 5 February 2014 available at <http://gu.com/p/3meyc/sbl> (date of use: 12 June 2016).

<sup>190</sup> *Universal City Studios Inc v Eric Corley* 273 F 3d 429 (2d Cir 2001) US App LEXIS 25330.



constitutional right to fair use.<sup>191</sup> The *Corley* case is discussed in depth in paragraph 4.1.2 below where USA case law pertaining to fair use is dealt with.

### **The Sony BMG incident**

In 2005, Sony BMG Music Entertainment launched a DRM program called MediaMax which limited the copying of CDs, while the player simultaneously collected information about end users' listening habits and sent the information back to Sony BMG.<sup>192</sup> Furthermore, the way in which the DRM software was installed (even if a user refused permission) on the computer altered the kernel of the Windows' operating system and used a 'cloaking' mechanism, or 'root kit',<sup>193</sup> that made detection of the software by Windows impossible.<sup>194</sup> Consumers reacted with outrage because in order to remove the software they had to go to Sony BMG's website. Users were then expected to disclose personal information, including their e-mail addresses, wait for an e-mail from Sony BMG, and then install additional software to remove the DRM.<sup>195</sup>

Sony eventually settled out of court in the face of a number of class-action lawsuits<sup>196</sup> and no binding legal precedent resulted from the Sony BMG settlement following a class-action lawsuit filed in California.<sup>197</sup> However, this matter is a clear example of a DRM system that far overstepped acceptable bounds.

### ***MGE UPS Systems Inc v General Electric***

In the *MGE UPS Systems*<sup>198</sup> case the proprietor of DRM software accused General Electric of using a software crack that circumvented MGE's DRM after General Electric employees acquired this crack from an undisclosed source and began using the circumvention software.<sup>199</sup>

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<sup>191</sup> Mihet "Universal City Studios Inc v Corley: The Constitutional Underpinnings of Fair Use Remain an Open Question" 2001 at 9 available at <http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=1044&context=dltr> (date of use: 8 October 2016).

<sup>192</sup> "Sony sued over copy-protected CDs" *BBC NEWS* 10 October 2005 available at <http://news.bbc.co.uk/go/pr/fr/-/2/hi/technology/4424254.stm> (date of use: 07 March 2018).

<sup>193</sup> *Ibid.* Note that according to the article: "Root kits are being increasingly used by virus makers to hide their malicious wares deep inside the Windows operating system".

<sup>194</sup> *Ibid.*

<sup>195</sup> *Ibid.*

<sup>196</sup> See Pedley *Copyright Companion* 61.

<sup>197</sup> *Ibid.* Also see "Sony sued over copy-protected CDs" *BBC NEWS* 10 October 2005 available at <http://news.bbc.co.uk/go/pr/fr/-/2/hi/technology/4424254.stm> (date of use: 07 March 2018).

<sup>198</sup> *MGE UPS Systems Inc v General Electric* 622 F 3d 361 (5th Cir 2010).

<sup>199</sup> *Id* at 365.

The claim was eventually dismissed after the court followed the rulings in the *Corley*<sup>200</sup> case, based on the interpretation of the Digital Millennium Copyright Act (DMCA).<sup>201</sup> According to Hill, the court ruled that: “The defendants did not circumvent the plaintiff’s software protections and, therefore, were not in violation of the DMCA.”<sup>202</sup>

Hill, however, argues that this ruling might compromise the viability of the DMCA because it reduces anti-circumvention provisions to a narrow subset of activity.<sup>203</sup> It further threatens the ability of rightsholders to receive fair compensation for their proprietary e-content.<sup>204</sup> This last comment by Hill is of particular interest to me, as will become clear in the latter parts of the dissertation.

### ***Vernor v Autodesk Inc***

According to the reported facts of the *Vernor* case,<sup>205</sup> Autodesk is the proprietor of AutoCAD software. The software relates to computer-aided design software that is mostly used by architects and engineers. The most recent version of the software, ‘Release 14’, has in the meantime been discontinued by Autodesk and is now only available on CD ROMs.<sup>206</sup> Vernor purchased a copy of Autodesk’s software at a yard sale and then listed the software for sale on eBay, an online store.<sup>207</sup> When Autodesk became aware of this offering on the website, it requested Vernor to remove the listing of Release 14. Autodesk, on the one hand, argued that the software itself was never actually sold to consumers, only a licence to use the software.<sup>208</sup> Vernor, on the other hand, argued that he had never actually purchased the software from Autodesk and that he was therefore not subject to any of the terms and conditions imposed by Autodesk.<sup>209</sup> The court eventually held that

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<sup>200</sup> See *Universal City Studios Inc v Eric Corley*. Also see para 4.1.2 below on the *Corley* case.

<sup>201</sup> Digital Millennium Copyright Act 1998 USA, Pub L No 105-304, 112 Stat. 2860 (1998). Also see para 4.1.1.2 below on the DMCA.

<sup>202</sup> Hill (2011) 56 *New York Law School Law Review* 806.

<sup>203</sup> *Id* at 807.

<sup>204</sup> *Ibid*.

<sup>205</sup> *Vernor v Autodesk Inc* 621 F 3d 1102 (9th Cir 2010).

<sup>206</sup> *Id* at 1104.

<sup>207</sup> *Id* at 1103-5. Note that Vernor sold more than 10 000 copies of Release 14.

<sup>208</sup> *Id* at 1104.

<sup>209</sup> *Id* at 1105-6.

a software user is a licensee rather than an owner of a copy where the rightsholder (1) specifies that the user is granted a licence; (2) significantly restricts the user's ability to transfer the software; and (3) imposes notable use restrictions.<sup>210</sup>

The court then ruled that:

CTA (Cardwell/Thomas& Associates, Inc.) was a licensee rather than an "owner of a particular copy" of Release 14, and it was not entitled to resell its Release 14 copies to Vernor under the first sale doctrine. Therefore, Vernor did not receive title to the copies from CTA and accordingly could not pass ownership on to others. Both CTA's and Vernor's sales infringed Autodesk's exclusive right to distribute copies of its work.<sup>211</sup>

The *Vernor* case is of particular importance to the fair dealing doctrine and DRMs. The court's ruling was explicit in that the proprietor of electronic content (be it software or an e-book) must specify that the content is indeed licensed (as opposed to sold) and that significant DRM measures should be in place.<sup>212</sup> Failing this, the buyer could indeed argue that content had been procured and not obtained under licensed conditions.<sup>213</sup> For example, e-books which are sold under conditions similar to those of Autodesk, will not be resalable by the student who bought them. This opens the debate on fair dealing, DRMs, as well as the first-sale doctrine in that the buyer no longer really owns the book, only the right to use it on a given electronic device until the device is lost or breaks, or the technology becomes outdated, or some other reason renders the e-book unusable.<sup>214</sup>

## **Conclusion on Part A of Chapter 2**

Having discussed technological protection measures such as DRMs, and selected case law above, a carefully selected number of patented business methods that are dealing with technological protection measures are discussed.

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<sup>210</sup> Id at 1110.

<sup>211</sup> Id at 1112. Note that CTA is another customer of Autodesk. According to the court: "Autodesk licensed CTA for Release 14, as well as Release 15. However, rather than destroying its Release 14 copies, CTA sold them to Vernor at an office sale with the handwritten activation codes necessary to use the software".

<sup>212</sup> Ibid.

<sup>213</sup> Id at 1111.

<sup>214</sup> Halpern et al (2011) 23/3 *Intellectual Property & Technology Law Journal* 5.

## PART B

# PATENTS FOR TECHNOLOGICAL PROTECTION MEASURES

In Part B of this Chapter 2, technological protection measures (TPMs) is presented from a patent perspective – a different intellectual property regime. The divide between the copyright and patent regimes is crossed by analysing the exact nature of critically selected patented business methods relevant to technological protection measures and their impact on fair dealing. Because computers and computer software are at the forefront of technology, one cannot ignore the local and international legal developments in this field and the potential or actual influence of these developments on technological protection measures.

This dissertation does not, however, extend to the legal questions relevant to the patentability of business methods, nor to research questions in respect of the patent regime in general and abusive patents in particular.

### 2.5. Business methods and systems

#### *Patentability of business methods*

It must be stated at the outset that in South Africa business methods *per se* are not patentable.

Section 25(2)(e) of the Patents Act provide as follows:

Section 25. Patentable inventions.

25(2) Anything which consists of ...

(e) a scheme, rule or method for performing a mental act, playing a game or doing business,

shall not be an invention for the purposes of this Act.<sup>215</sup>

Burrell,<sup>216</sup> however, submits that there is no good theoretical reason why such “scheme, rule or method ... for ... doing business” should not be patentable under the current law. He argues

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<sup>215</sup> Section 25(2)(e) of the Patents Act 57 of 1978 of South Africa.

<sup>216</sup> Burrell *Patent and Design* 44.

that “construing the sub-category of scheme, rule, or method, as *eiusdem generis*, a mechanical or electrical equivalent of such a scheme, rule, or method, for example, an adding machine or a calculator, would remain as patentable under the current Patents Act.”<sup>217</sup>

The patentability of business methods in South Africa is further complicated by section 25(2)(f) of the Patents Act in terms of which programs for computers are not patentable. Section 25(2)(f) of the Patents Act provides as follows:

Section 25. Patentable inventions.

25(2) Anything which consists of ...

(f) a program for a computer shall not be an invention for the purposes of this Act.<sup>218</sup>

The reasoning behind this exclusion is that software programs are in the first instance eligible works for copyright protection under section 2(1)(i) of the Copyright Act of South Africa.<sup>219</sup> With the rapid progression of the computer age, computers and computer software take on an increasingly central role in business and industry, and DRM software is no exception. In the USA, for example, in the *State Street Bank and Trust Company v Signature Financial Group Inc* case<sup>220</sup> the court found that computer software and business method inventions are subject to the same standard of patentability as any other patentable system or method if the software produces “a useful, concrete and tangible result”.<sup>221</sup>

A second example of patentable business methods in the USA<sup>222</sup> is a more recent case. In 2010 the USA Supreme Court ruled in the case of *Bilski v Kappos*<sup>223</sup> on the permissibility of business method patents in the USA. The Supreme Court held the Federal Circuit’s<sup>224</sup> first decision that a method (or process) is patentable only if it:

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<sup>217</sup> Id at 48.

<sup>218</sup> Section 25(2)f of the Patents Act 57 of 1978 of South Africa

<sup>219</sup> Copyright Act 98 of 1978 of South Africa.

<sup>220</sup> *State Street Bank and Trust Company v Signature Financial Group Inc* 149 F 3d 1368 (1998).

<sup>221</sup> Id at 1375.

<sup>222</sup> Title 35 US Code para 101: “Inventions patentable. Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title”.

<sup>223</sup> *Bilski v Kappos* 561 US 593 (2010).

<sup>224</sup> Id at 1. Affirmed *Bilski v Kappos* 545 F 3d 943 (Fed Cir).

1) is tied to a particular machine or apparatus; or 2) transforms a particular article into a different state or thing.<sup>225</sup>

However, according to the USA Supreme Court, this ‘machine-or-transformation test’ is not the only way of determining whether or not a business method patent is permitted.<sup>226</sup> In this regard Desai<sup>227</sup> notes that software and business method patents have been invalidated with greater frequency since the *Alice Corp v CLS Bank* case,<sup>228</sup> where the court found that

more than an instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer is [required] to transform the abstract idea into a patent-eligible invention.<sup>229</sup>

In his review of the *Alice* case Desai then poses a rhetorical question:

When technology is designed to, or substantially used for, infringing copyrights, should patent law make the technology patent-ineligible, such that the inventor can't gain exclusive rights?<sup>230</sup>

### ***Philosophical rationale of patents***

Apart from the patentability of business methods, it is also important to appreciate the philosophical foundations, functions, and limitations of patents as an intellectual property protection measure. Since Germany is one of the countries that is used in my comparative study, a position paper of the Max Planck Institute on this topic is briefly referred to.<sup>231</sup> The German Constitution<sup>232</sup> ensures that individuals enjoying the exclusive rights of intellectual property will also use them to serve the general welfare as intended by the legislative purpose of the system of protection (similar to the German *urheberrecht* in respect to copyright). To illustrate this philosophical rationale one need look no further than the famous *Magill*<sup>233</sup> case which is

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<sup>225</sup> Id at 1.

<sup>226</sup> Ibid.

<sup>227</sup> Desai (2015-2016) 15 *Marshall Rev Intell Prop L* 91.

<sup>228</sup> *Alice Corp v CLS Bank* 573 US, 134 S Ct 2347 (2014). *Alice Corp v CLS Bank* 717 F 3d 1269 (2013) affirmed.

<sup>229</sup> Id at 3.

<sup>230</sup> See Desai (2015-2016) 15 *Marshall Rev Intell Prop L* 105.

<sup>231</sup> Ullrich “Intellectual Property: Exclusive rights for a purpose - The case of technology protection by patents and copyright” (2013) Max Planck Institute for Intellectual Property and Competition Law 1-37.

<sup>232</sup> Article 14 para 2 of the German Constitution (*Grundgesetz for die Bundesrepublik Deutschland*).

<sup>233</sup> CJEU 6 April 1995 joined cases C-241/91 P & C-242/91 P [1995] ECR I-808 upholding Commission Decision No 89/205/EEC, OJ L 78/43 (1989); *Radio Telefis Eireann v Comm'n* Case T-69/89 [1991] ECR II-485; *Indep Television Publ'ns Ltd v Comm'n* Case T-76/89 [1991] ECR II-575 (*Magill* case). The *Magill* case is further discussed in paragraph 5.2 below on CJEU case law. In this

discussed more comprehensively in paragraph 5.2 below. For the present paragraph on patents it suffices to note that the court qualified the refusal by the broadcasters (the rightsholders) to grant a licence to a new entrant to the market (Magill) for weekly TV guides as an abuse, as the refusal resulted in preventing a new product for which there was a demand and for which the broadcasters were not willing grant a licence, from appearing on the market. Ullrich, an author of the Max Planck position paper, used the *Magill* case to illustrate that with technological protection measures, such as DRM systems, one must never lose sight of patents' underlying philosophical rationale, which is the incentive "to innovate, to disseminate, to substitute."<sup>234</sup> Thus, according to Ullrich, "patenting strategies, which deliberately are aimed at extending protection of technology by merely defensive or even purposively blocking patents, are likely to be qualified abusive"<sup>235</sup> in the sense that they arguably hinder, as opposed to promote, innovation. Within the context of this dissertation, abusive patents would by their very nature not be conducive to a fair and equitable fair dealing dispensation. The selected patents below are discussed within this context.

## **2.6. Overview of related patents on DRM systems and e-books**

In the paragraphs that follow a selection of international and local patented business methods and systems in the field of DRM and e-books is analysed. Some of the criteria<sup>236</sup> for the selection of patents were: (i) their relevance to DRM, e-books and the printing thereof; (ii) the commercial readiness or availability of the invention; (iii) the date of invention (post-2005 patents); and (iv) the profile of the assignees (dominant market leaders in their respective fields). This discussion will link to the recommendations made in Chapter 8.

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case which dealt with compulsory licensing, broadcasters in the Republic of Ireland each published weekly TV guides containing details of their individual TV programs. Magill wanted to publish all TV programs in a comprehensive weekly TV guide and requested TV listing information from the three broadcasters. The broadcasters claimed their TV listings were protected by copyright and refused to make the information available.

<sup>234</sup> See Ullrich "Intellectual Property: Exclusive rights for a purpose - the case of technology protection by patents and copyright" (2013) Max Planck Institute for Intellectual Property and Competition Law 7.

<sup>235</sup> *Id* at 5.

<sup>236</sup> Note that the criteria and search methodology is broadly based on best practices applied by technology transfer specialists. These methodologies form the subject matter of a very interesting research topic that is currently pursued by the Association of University Technology Managers available at [www.autm.net](http://www.autm.net) (date of use: 28 February 2017).

## **Patent A: System and methods for managing other publications of digital creative works**

This patent titled ‘System and methods for managing other publications of digital creative works’<sup>237</sup> of Digimarc Corporations<sup>238</sup> was invented by Erickson<sup>239</sup> in 2006 and illustrates the combined use of various technological protection measures available in the marketplace (eg, encryption technology, licensing conditions, and user authentication through digital signatures and watermarks)<sup>240</sup> while simultaneously attempting to promote fair and equitable access to information. In terms of the patent specification the object of the invention is “to provide a system and methodologies to protect the rights of intellectual property owners while promoting open and free sharing of information.”<sup>241</sup>

This object is, in the main, achieved by means of proprietary works being made available for limited use and possible license through an authorisation server.<sup>242</sup> This limited use is specified within the minimum permissions data set assigned to each proprietary work.<sup>243</sup> Without a licence, end users are typically permitted to view the proprietary works through a system which unpackages the works but cannot save, print, or otherwise transfer the works without obtaining auxiliary permissions to do so from the authorisation server.<sup>244</sup> The main problem with this invention in the context of this dissertation is that in the case of end users, such as students, the right to save and print the works is of critical importance and if an additional fee is required to

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<sup>237</sup> Erickson John S “System and methods for managing other publications digital creative works” USA patent 7047241 issued 16 May 2006 available at <http://patft.uspto.gov/netacgi/nph-Parser?Sect2=PTO1&Sect2=HITOFF&p=1&u=/netahtml/PTO/search-bool.html&r=1&f=G&l=50&d=PALL&RefSrch=yes&Query=PN/7047241> (date of use: 19 March 2017) (hereafter Erickson “System and methods”).

<sup>238</sup> Id at 1. Assignee: Digimarc Corporations, USA.

<sup>239</sup> Id at 1. Inventor: Erickson John S.

<sup>240</sup> The use of TPMs and watermarks in particular by Digimarc Corporation, the owner of this patented technology, is discussed in paragraph 2.2 of this dissertation.

<sup>241</sup> Erickson “System and methods” 21.

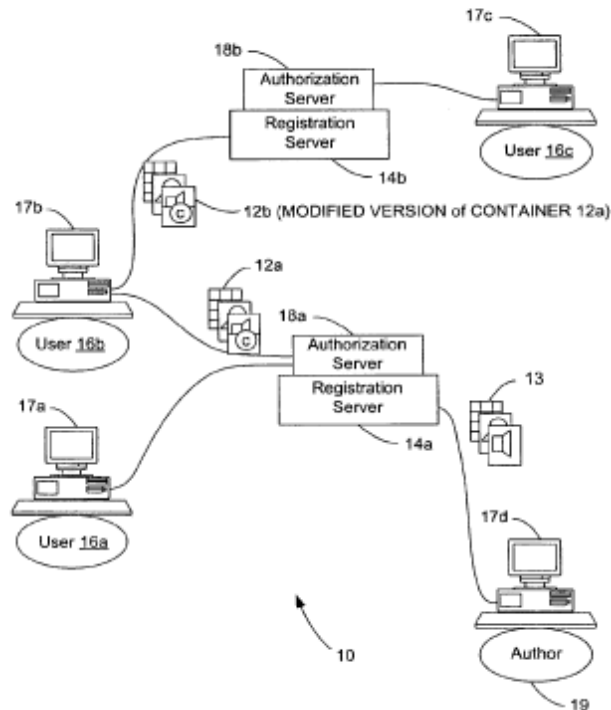
<sup>242</sup> Id at 1. “Abstract: Digital Creative Works such as copyrighted electronic media are packaged in a secure electronic format, or container, and registered on associated registration server, which serves to provide on-line licensing and copyright management for that Work. Users are connected to the registration server through a computer network or the Internet to enable data transfers and to transact licenses to utilize the media. Packaged electronic media are typically created by an author or derivative user of the work. Once the packaged media is registered on the server, the media is made available for limited use and possible license through an authorization server. This limited use is specified within the minimum permissions data set assigned to each packaged media. Without a license, users are typically permitted to view the packaged media – through a system which unpackages the media – but cannot save, print or otherwise transfer the media without obtaining auxiliary permissions to do so from the authorization server. The electronic media is authenticated through digital signatures and optional encryption”.

<sup>243</sup> Id at 45. See claims.

<sup>244</sup> Ibid.



obtain permission in the prescribed manner<sup>245</sup> the end user might simply click away from the e-content which might otherwise have been very useful.



**Figure 3:** System and methods for managing other publications of digital creative works.<sup>246</sup>

### Patent B: System and method for digital content distribution

The inventor and the assignee of this patent titled ‘System and method for digital content distribution’<sup>247</sup> are Satoshi Iinuma<sup>248</sup> and Seiko Epson Corporation respectively.<sup>249</sup> According to the patent’s abstract,<sup>250</sup> the invention aims to distribute digital content to end users through

<sup>245</sup> Ibid.

<sup>246</sup> Id at sheet 1 fig 1.

<sup>247</sup> Iinuma Satoshi “System and method for digital content distribution” USA patent 7373391 issued 13 May 2008 available at <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO2&Sect2=HITOFF&p=1&u=%2Fnetacgi%2FPTO%2Fsearch-adv.htm&r=24&f=G&l=50&d=PTXT&S1=7373391&OS=7373391&RS=7373391> (date of use: 19 March 2017) (hereafter Iinuma Satoshi “Digital Content Distribution”).

<sup>248</sup> Id at 1. Inventors: Iinuma; Satoshi.

<sup>249</sup> Id at 1. Assignee: Seiko Epson Corporation.

<sup>250</sup> Id at 1: “Abstract: The present invention makes it possible to distribute digital content managed under copyright to a large number of users through a communications network while ensuring copyright protection. The web server 12 distributes images requested by the user through the Internet

a communications network while ensuring copyright protection. Seiko Epson Corporation, commonly known as Epson, is a Japanese electronics company and one of the world leaders in intellectual property portfolios in respect of computer printers and information-and-imaging-related equipment.<sup>251</sup> In terms of the patent specification the object of this invention is to

make it possible to distribute digital content managed under copyright to a large number of end users through a communication network in a form that can be used by the user as the user desires ... in the form of a high image quality print to a user while ensuring copyright protection.<sup>252</sup>

Epson attempts to use TPMs such as encryption technology, licensing conditions, and user authentication in substantially the same manner as Digimarc above, while simultaneously trying to promote fair and equitable access to information. Epson, however, being a market leader in the print industry,<sup>253</sup> goes one step further in its attempt and also provides and manages high-image quality printing solutions to end users. Epson achieves this by firstly allowing a user interface where end users can download and edit pages that are earmarked for printing. These pages are DRM-protected and if printed on the user's own device, watermarked. Once the end user selects the desired pages, pays, and is ready to print, the server connects and is able to communicate with an Output Centre<sup>254</sup> that has very sophisticated printing machines which are difficult for an individual user to own or access. Instead of downloading images from the user's device, the Server System<sup>255</sup> sends a secured file to the Output Centre for printing.<sup>256</sup> The user may now collect the documents at his or her convenience. This business method for printing copyright works is very similar to Verhoef's patent described below. In fact, it is indeed one of

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to the user PC 6. The image data distributed from the web server 12 is encrypted and can only be decrypted by the special image editor 22 on the user PC 6. Control data indicating the usage restrictions according to copyright are included in the image data distributed from the web server 12. The image editor 22 controls the edit operations and print specifications that can be used with the images downloaded from the web server 12 according to that control data. The image editor 22 carries out image printing only in the case where a settlement process for image fees is completed".

<sup>251</sup> Corporate Profile: Seiko Epson Corporation 2016/2017 at 18 available at <http://global.epson.com/company/> (date of use: 20 March 2017). Epson ranks first and seventh in the USA and Japan respectively in respect of patents filed on computer printers and information-and-imaging-related equipment. Epson owns 50 000 patents worldwide.

<sup>252</sup> Iinuma, Satoshi "Digital Content Distribution" at 1.

<sup>253</sup> Corporate Profile: Seiko Epson Corporation 2016/2017 at 10 issued 13 May 2008 available at <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO2&Sect2=HITOFF&p=1&u=%2Fnetacgi%2FPTO%2Fsearch-adv.htm&r=24&f=G&l=50&d=PTXT&S1=7373391&OS=7373391&RS=7373391> (date of use: 19 March 2017).

<sup>254</sup> Id at sheet 1 fig 1 #3.

<sup>255</sup> Id at sheet 1 fig 1 #1.

<sup>256</sup> Id at 5.

the few inventions that could be found which aims to find a print solution within the constraints of DRM and fair dealing, and at the same time promote fair and equitable access to information, as is intended with this dissertation.

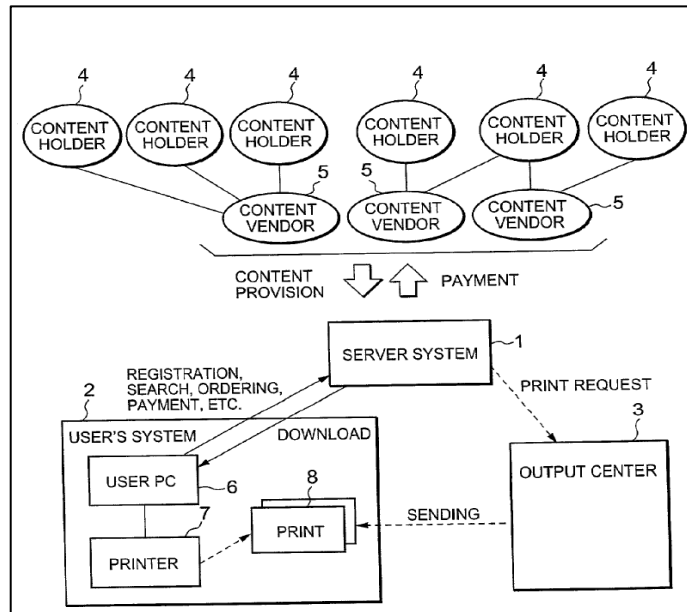


Figure 4. Flow diagram EPSON's patented method<sup>257</sup>

### Patent C: Apparatus and method of on-demand printing, binding, and trimming a perfect bound book

This invention titled 'Apparatus and method of on-demand printing, binding, and trimming a perfect bound book'<sup>258</sup> briefly entails the on-demand printing, binding, and trimming of a

<sup>257</sup> Id at sheet 1 fig 1.

<sup>258</sup> Marsh Jeffrey D "Apparatus and method of on demand printing, binding, and trimming a perfect bound book" USA patent 8177212 issued 15 May 2012 and European patent 2001991157 (WO2002045923) issued 21 July 2010 available at <http://patft1.uspto.gov/netacgi/nph-Parser?Sect1=PTO2&Sect2=HITOFF&p=1&u=%2Fnetacgi%2FPTO%2Fsearch-bool.html&r=4&f=G&l=50&co1=AND&d=PTXT&s1=%22Marsh+Jeffrey%22.INNM.&OS=IN/%22Marsh+Jeffrey%22&RS=IN/%22Marsh+Jeffrey%22> (date of use: 19 March 2017(hereafter Marsh "Apparatus and method").

book.<sup>259</sup> The inventor and assignee of this patent are Marsh<sup>260</sup> and Perfect Systems, LLC<sup>261</sup> respectively. Epstein,<sup>262</sup> a co-founder of On Demand Books which licenses the machine known as the Espresso Book Machine®,<sup>263</sup> to retailers, libraries and universities around the world, together with Neller<sup>264</sup> and the inventor Marsh,<sup>265</sup> recognised that it would be possible to deliver a manuscript in electronic form directly to the end user with no intermediate step, ie no bookseller. According to the On Demand Books' website<sup>266</sup> its users access a digital file from a vast web-based catalogue of titles either at the Espresso Book Machine® or remotely. The files are transmitted to the machine which automatically prints, binds and trims a library-quality paperback within minutes at the point of sale. All jobs are tracked, royalties are automatically remitted, and the file is deleted the moment it has been printed. In my view this invention addresses the 'economy of scale' challenges pertaining to e-books that are eventually printed by end users. The transient nature of the electronic files makes sense because it protect rightsholders from licensees that might otherwise print and distribute more copies than authorised.

#### **Patent D: Method and system for providing e-content**

In 2014 the University of Johannesburg, South Africa, filed a patent entitled 'Method and system for providing e-content'.<sup>267</sup> The inventors and the assignee of this patent are Boesenkool

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<sup>259</sup> Id at 1: "Abstract: A printing and binding apparatus (1) is disclosed which can print on demand, bind, and trim a perfect bound book. The apparatus includes one or more text page printers (110, 200) and a color cover printer (114). The text page printers print the text pages of a book and form the text pages into a book block (BB). The color cover printer (114) prints a cover for the book. The book block and the cover are delivered to a binding station at which the spine (S) of the book block is adhesively bound to the cover. The bound book is then delivered to a trimming station (TS) at which excess margins (are trimmed from the book. A method of printing and binding a perfect bound book on demand is also disclosed".

<sup>260</sup> Id at 1. Inventor: Marsh Jeffrey D.

<sup>261</sup> Id at 1. Assignee: Perfect Systems, LLC.

<sup>262</sup> Epstein Jason OnDemandBooks available at <http://www.ondemandbooks.com/> (date of use: 21 March 2017).

<sup>263</sup> Espresso Book Machine® available at [http://ondemandbooks.com/images/D95\\_D110\\_EBM\\_Brochure\\_020112.pdf](http://ondemandbooks.com/images/D95_D110_EBM_Brochure_020112.pdf) (date of use: 21 March 2017).

<sup>264</sup> Neller Dane "OnDemandBooks" available at <http://www.ondemandbooks.com/> (date of use: 21 March 2017).

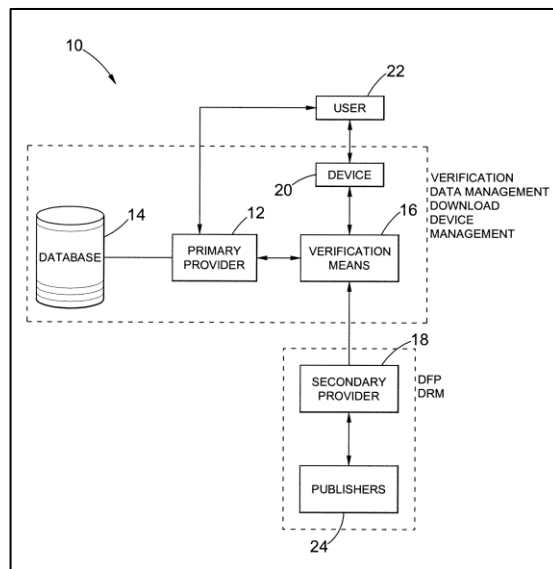
<sup>265</sup> Marsh "Apparatus and method" at 1.

<sup>266</sup> "OnDemandBooks" available at <http://www.ondemandbooks.com/> (date of use: 21 March 2017).

<sup>267</sup> Boesenkool A, Strydom D & Verhoef G "Method and system for providing e-content" RSA patent 2014/4226 issued 9 June 2014 available at [www.cipc.co.za](http://www.cipc.co.za) for registered users at a fee (hereafter Boesenkool, Strydom & Verhoef "Method and ststem").

et al<sup>268</sup> and the University of Johannesburg<sup>269</sup> respectively. According to the invention's first claim,<sup>270</sup> the patent comprises:

[A] primary provider<sup>271</sup> having a database<sup>272</sup> of user details and communication means; a device to be provided to the user which is adapted to contain prescribed e-content; and a secondary provider<sup>273</sup> for communicating with and providing the e-content to a verification means,<sup>274</sup> including communication means for interacting with the database of the primary provider, and the verification means adapted to provide the e-content to the device of the user upon fulfilment of set criteria as determined by publishers<sup>275</sup> of the e-content.



**Figure 5.** Flow diagram of the University of Johannesburg's patented method and system for providing e-content.<sup>276</sup>

<sup>268</sup> Id at 1: Inventors: Boesenkool A, Strydom D & Verhoef G.

<sup>269</sup> Id at 1: Assignee: University of Johannesburg.

<sup>270</sup> Id at 13: "Description of a preferred embodiment of the Invention: This invention relates to a system for providing e-content to a user. The system 10 comprises a primary provider 12, being a learning institution, such as a university or school, having a database 14 of user, being a student studying at the said learning institution, details and communication means for communicating with verification means 16, which in turn communicates with a secondary provider 18. The primary provider 12 provides e-content to a device 20, such as a known e-reader device, of the user 22, which is adapted/restricted to contain user specific prescribed e-content. The e-content is provided to the device 20 by the verification means 16 upon fulfilment of set criteria as determined by the verification means 16 from information retrieved from the database 14 as well as the DFP of the secondary provider 18, upon fulfilment of set criteria as determined by the publishers 24".

<sup>271</sup> Id at sheet 1 fig 1 #12.

<sup>272</sup> Id at sheet 1 fig 1 #14.

<sup>273</sup> Id at sheet 1 fig 1 #18.

<sup>274</sup> Id at sheet 1 fig 1 #16.

<sup>275</sup> Id at sheet 1 fig 1 #22.

<sup>276</sup> Id at sheet 1 fig 1.

Based on this patent some South African publishers<sup>277</sup> already seem to be amenable to providing substantial discounts (as high as 50% of the recommended retail price of the printed editions of the e-books) on the price of the e-books because: a) all the students enrolled for a particular course get the e-books (resulting in no need to make illegal copies); b) the substantial reduction in transaction cost because of the nature of B2B transactions (one invoice to the institution, as opposed to many invoices to students); and c) the second-hand book market is virtually eliminated. Unfortunately the sensitive political climate in South Africa as regards tuition fees has had a negative effect on this initiative and the author was therefore not able to obtain quantitative data on the success of the patent.

### **Patent E: Print job management system and method**

This invention titled ‘Print job management system and method’<sup>278</sup> relates to a process and a computer program for managing print jobs of electronic documents, particularly e-books at academic institutions.<sup>279</sup> According to claim one of Verhoef’s<sup>280</sup> patent, the process is carried out at a data server<sup>281</sup> and is made up of various steps<sup>282</sup> that are required to obtain the desired result which is

the need for a solution by means of which the printing of e-books can be effectively controlled and thereby encourage publishers to enter the e-book market and reduce the prices of e-books.<sup>283</sup>

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<sup>277</sup> Cilliers S “Letter of Intent: Oxford University Press Southern Africa participation in trial of e-book portal (Gradnet / University of Johannesburg)” Oxford University Press 2013.

<sup>278</sup> Verhoef G “Print job management system and method” RSA patent 2015/09171 issued 17 December 2015 available at [www.cipc.co.za](http://www.cipc.co.za) for registered users at a fee.

<sup>279</sup> Id at sheet 1 fig 1 #120.

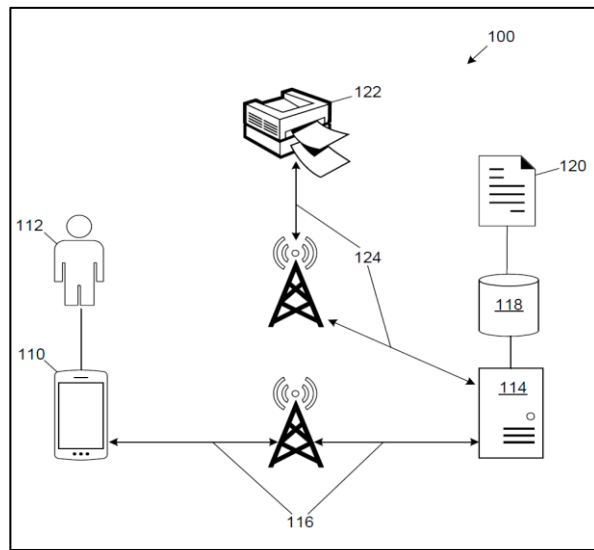
<sup>280</sup> Id at 1. Inventor and assignee: Verhoef G.

<sup>281</sup> Id at sheet 1 fig 1 #114.

<sup>282</sup> Id at 21: “Claim 1: A method for managing print jobs of electronic documents, the method being carried out at a data server and comprising the steps of: (i) receiving a print job request from the user’s electronic device to print an electronic document stored on the data server (the request includes a document identifier associated with the electronic document); (ii) comparing the received document identifier with a list of identifiers stored on the data server and identifying an electronic document the identifier of which matches the received document identifier; (iii) presenting an option to print the electronic document which includes at least one printing destination at which the document is to be printed; (iv) presenting an option to select a method of payment for printing the electronic document; (v) receiving a print order instruction which includes an identifier of the selected printing destination and information for the selected method of payment from the electronic device; and (vi) transmitting a printing instruction to the printing destination selected to print the identified electronic document”.

<sup>283</sup> Id at 3.

The implementation of inventions like this is complex, bearing in mind that institutional buy-in is required.<sup>284</sup> It is submitted, however, that academic publishers in particular will favour this approach.



**Figure 6.** Flow diagram of Verhoef's patented print method.<sup>285</sup>

**Patent F: Transfer of digital rights management information**

With this invention titled ‘Transfer of digital rights management information’<sup>286</sup> the inventors, Ljung et al<sup>287</sup> and the assignee, Sony,<sup>288</sup> aim to address a common problem that arises when an end user replaces his or her out-of-date device with a new device, or after the end user’s device has been repaired. The end user must usually go through cumbersome password and security checks to re-install e-content, such as e-books or music, before the original content can be restored. In some cases the ‘rights objects’ may even be encrypted to disallow use on multiple devices necessitating a second purchase by the user, which is wholly unacceptable. Under the patent description this

<sup>284</sup> Note that a trial that is based on this invention is currently being conducted at the University of the Free State, South Africa – the results will, however, only be available in 2018.

<sup>285</sup> Verhoef G “Print job management system and method” RSA patent 2015/09171 issued 17 December 2015 available at [www.cipc.co.za](http://www.cipc.co.za) sheet 1 fig 1.

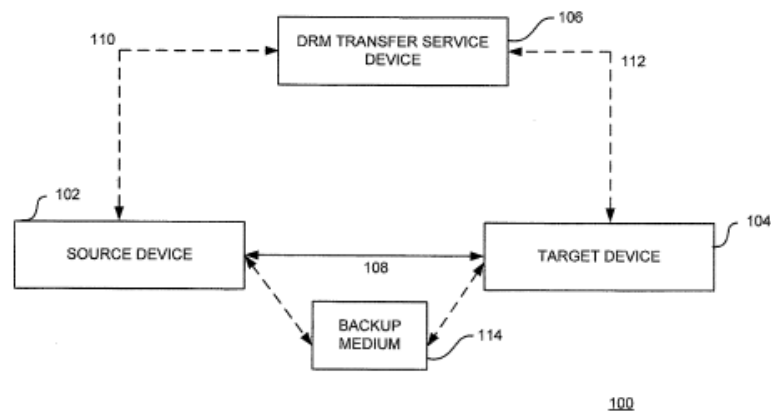
<sup>286</sup> Ljung Peter, Andersson Stefan “Transfer of digital rights management information” USA patent 8984652 issued 17 March 2015 available at <http://patft1.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PALL&p=1&u=%2Fmetahtml%2FPTO%2Fsrchnum.htm&r=1&f=G&l=50&s1=8984652.PN.&OS=PN/8984652&RS=PN/8984652> (date of use: 19 March 2017).

<sup>287</sup> Id at 1: Inventors: Ljung Peter, Andersson Stefan.

<sup>288</sup> Id at 1: Assignee: Sony Corporation (Japan) & Sony Mobile Communications AB (Sweden).

communication interface receives digital rights management [DRM] security information and content from a source device, the DRM information having been deactivated in the source device.<sup>289</sup>

The software program will then automatically reactivate the security information managed by the DRM system and deliver the e-content in accordance with the DRM's predetermined security settings. This invention is a good example of how the market is seeking alternatives to restrictive DRM systems that protect only the rights of rightsholders while fully paid-up end users cannot access content they legally own. In fact, this illustrates the complexities of fair dealing in the digital age – patents are monopolies, whilst fair dealing is about fair and equitable access to content. The balance between DRM and fair dealing in access of e-books will become clear in the latter parts of this dissertation.



**Figure 7:** Transfer of digital rights management information.<sup>290</sup>

### **Patent G: Apparatus and method for digital rights management**

Because of the nature of digital data, e-content can be readily copied without loss and then reused, processed, and distributed to third parties. With this patented DRM system<sup>291</sup> the

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<sup>289</sup> Id at 1: "Abstract: A device including a communication interface and processing logic is provided. The communication interface may receive digital rights management security information and content from a source device, the digital rights management information having been deactivated in the source device. The processing logic may reactivate the digital rights management security information and may render the content according to the digital rights management security information".

<sup>290</sup> Id at sheet 1 fig 1.

<sup>291</sup> Lee Jae-won, Chae Seung-chul, Jung Kyung-im & Jang Young-suk "Apparatus and method for digital rights management" USA patent 8983872 issued 17 March 2015 available at <http://patft1.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PALL&p=1&u=%2Fnetacgi%2FPTO%2Fsrchnum.htm&r=1&f=G&l=50&s1=8983872.PN.&OS=PN/8983872&RS=PN/8983872> (date of use: 19 March 2017).



inventors, Lee et al<sup>292</sup> and the assignee, Samsung,<sup>293</sup> aim to solve the problem arising when a party who has legally obtained e-content and paid the required fees for that content, intentionally distributes it to a third party. In terms of the patent description<sup>294</sup> digital content is encrypted to prevent distribution, and in order to use the encrypted digital content, a licence, termed a ‘rights object’ (RO),<sup>295</sup> is required. The ROs of the patent can be very useful in the management of transient copies used by intermediates when they print e-content on a print-on-demand basis. In fact, when recommendations is made at the end of this dissertation the underlying principles of this invention as regards transient copies is heavily drawn on.

### **Patent H: Rights management policies with non-traditional rights control**

It is common to most conventional DRM systems that when a user purchases e-content the ROs will be set to allow only certain digital rights, such as open/read, edit/write, print, copy, open the document in PDF format, while restricting the e-content to be printed in hard copy. The patent specification titled ‘Rights management policies with non-traditional rights control’<sup>296</sup> provides that there is a need

to provide a broader protection to digital documents by controlling end users’ actions in connection with other additional, non-traditional rights, such as the ones based on end users’ Internet Protocol (IP) address, end users’ location, number of devices used simultaneously to open a digital document, the time window granted for accessing a digital document.<sup>297</sup>

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<sup>292</sup> Id at 1. Inventors: Lee Jae-won, Chae Seung-chul, Jung Kyung-im & Jang Young-suk.

<sup>293</sup> Id at 1. Assignee: Samsung Electronics Co Ltd.

<sup>294</sup> Id at 1. “Abstract: An apparatus and method is provided for digital rights management. The method for digital rights management includes receiving encrypted content and a rights object representing use rights of the encrypted content, receiving a software module managing the rights object, and generating a new rights object using the software module”.

<sup>295</sup> Right objects (RO) means when the content publisher encrypts the content it also creates the RO for the encrypted content. The RO may include the policies associated with the content, eg: (i) details about the rights granted to the content user regarding the use or ‘rendering’ of the content; or (ii) the decryption key to decrypt the content.

<sup>296</sup> Rabindra Pathak, Taima Katsuyuki, Chang William & Yamamoto Akinori “Rights management policies with nontraditional rights control” USA patent application 20150271211 issued 24 September 2015 available at <http://appft.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PG01&p=1&u=%2Fnethtml%2FPTO%2Fsrchnum.html&r=1&f=G&l=50&s1=%2220150271211%22.PGNR.&OS=DN/20150271211&RS=DN/20150271211> (date of use: 19 March 2017).

<sup>297</sup> Id at 1: “Abstract: A method for managing rights management policies for user access and use of digital documents with nontraditional rights control in addition to traditional rights management services (RMS) based on digital rights management (DRM) policies assigned to respective digital documents and their users and stored in an RMS database, including the steps of: a server, upon receiving a user's request regarding a document protected by one or more DRM policies, determining

According to the assignee, Konica,<sup>298</sup> and the inventors, Rabindra et al,<sup>299</sup> this is achieved by means of a server that, upon receiving an end user's request regarding a document protected by one or more DRM system, is able to determine and validate the rights control for the end user against a database, after which the server will deny or grant the end user's specific request.

This invention might be useful where an e-book is initially only licensed to the end user such as a student at a reduced fee or for a limited period, and at a later stage the end user wishes to obtain permanent access to the e-book or requires full printing rights thereof, the academic publisher may allow such rights to the student – indeed a good solution to manage the high cost of e-books.

### **Patent I: Method and apparatus for digital rights management that is file type and viewer application agnostic**

Conventional DRM systems are typically tied to a specific file format or a specific viewer application. With this patent titled 'Method and apparatus for digital rights management that is file type and viewer application agnostic'<sup>300</sup> the inventor, Taneja,<sup>301</sup> and the assignee, Adobe,<sup>302</sup> aim to provide a DRM system that is file-type and viewer-application agnostic. In terms of the patent description,<sup>303</sup> a Dynamic Link Library (DLL) is created which intercepts DRM-related

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whether the document has additional nontraditional rights control for the user; the server checking a nontraditional policy service (NPS) database, and validating the user's information with one or more NPS database entries of NPS policy extensions pertaining to the document and the user, where the NPS policy extensions amend the DRM policies with additional nontraditional rights control; and the server denying the user's request if the user's information cannot be validated by anyone of said one or more NPS database entries of the NPS policy extensions pertaining to the document and the user, or granting the user's request if the user's information can be validated by all of said one or more NPS database entries of the NPS policy extensions pertaining to the document and the user".

<sup>298</sup> Id at 1. Assignee: Konica Minolta Laboratory Inc USA.

<sup>299</sup> Id at 1. Inventors: Rabindra Pathak, Taima Katsuyuki, Chang William & Yamamoto Akinori.

<sup>300</sup> Taneja Salil "Method and apparatus for digital rights management that is file type and viewer application agnostic" USA patent application 20150269357 issued 24 September 2015 available at <http://appft.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PG01&p=1&u=%2Fnetacgi%2FPTO%2Fsrchnum.html&r=1&f=G&l=50&s1=%2220150269357%22.PGNR.&OS=DN/20150269357&RS=DN/20150269357> (date of use: 19 March 2017).

<sup>301</sup> Id at 1: Inventor: Taneja Salil.

<sup>302</sup> Id at 1: Assignee: Adobe Systems Incorporated.

<sup>303</sup> Id at 1: "Abstract: A computer implemented method and apparatus for file type and viewer application agnostic digital rights management. The method comprises intercepting processing of one or more operating system calls from a viewer application, wherein each of the one or more operating system call requests performance of a function on a digital asset of a plurality of digital assets subject to digital rights management (DRM); performing DRM enforcement of the digital asset with respect to the requested function; and returning processing of the digital asset to the viewer application".

operating system calls from a viewer application, such as requests to open, edit, or print the electronic file. Typically the DLL identifies the end user of the application, determines whether the end user has permission to open the e-content, and then allows or denies the device's viewer application to proceed to grant the end user the permissions required for the use of the e-content file. In my view this DRM-agnostic approach is very useful and opens opportunities for academic publishers in particular to provide e-content without being locked into limited options for DRM systems such PDF or e-Pub.

## **2.7 Comparative analysis of the patented business methods**

### **2.7.1 Provision of e-content to end users**

Both the Digimarc<sup>304</sup> and University of Johannesburg<sup>305</sup> patents address DRM systems (eg encryption technology, licensing conditions, and/or user authentication through digital measures/signatures) which protect the rightsholders while simultaneously attempting to promote fair and equitable access to information for end users.

The University of Johannesburg, as an academic institution, is confronted with fair dealing for teaching and research purposes on a daily basis, and has come up with a DRM solution in the absence of the regulation of TPMs in South African copyright law. In the University of Johannesburg's case its ability to provide secure user verification, together with a business-to-business (B2B) approach,<sup>306</sup> appears to have convinced some local publishers that e-books can indeed be provided to end users at a substantial discount.<sup>307</sup> To be fair, however, the current legal solution to the problem of providing fair and equitable access to information to students for academic purposes, is the so-called 'blanket licence agreement' between higher education institutions (HEIs) and the Dramatic, Artistic and Literary Rights Organisation (DALRO).<sup>308</sup>

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<sup>304</sup> See Erickson "System and methods" at 1.

<sup>305</sup> See Boesenkool, Strydom & Verhoef "Method and system" at 1.

<sup>306</sup> Id at 5.

<sup>307</sup> See Cilliers S "Letter of Intent: Oxford University Press Southern Africa participation in trial of e-book portal (Gradnet / University of Johannesburg)" Oxford University Press South Africa 2013.

<sup>308</sup> DALRO brochure, "Creativity, Access Copyright" 2013 available at [www.dalro.co.za](http://www.dalro.co.za) (date of use: 07 March 2018). Under this licence: "DALRO grants a comprehensive authorisation to the licensee to copy from published editions it has mandates for. DALRO grants permission in advance for copies that comply with the terms and conditions of the licence agreement. The institution then reports retrospectively on what it has copied".

DALRO is a South African reproduction rights organisation mandated by publishers to issue reproduction rights in and to literary works to academic institutions.<sup>309</sup> Unfortunately, this solution does not cater for e-content as DALRO's mandate is limited to printed editions of literary works, to the exclusion of digital reproduction rights.<sup>310</sup> In all fairness to DALRO, it is submitted that its mandate is the result of publishers not having the legal or DRM tools to manage the challenges of the fair-dealing doctrine when the printed edition is also available to end users as an e-book.

In summary, it is submitted that the two key success factors in the University of Johannesburg's DRM system for distributing e-books are: (i) the fact that all the students who are enrolled for a specific course receive the e-books as part of their tuition fees resulting in no need to make illegal copies,<sup>311</sup> and (ii) the DRM is proactive, with no need to police the piracy of e-content.<sup>312</sup> This conclusion correlates with Einhorn's approach of integrating law and economics, as well as with McDonald's<sup>313</sup> socio-legal approach to DRM.<sup>314</sup>

Digimarc's solution, unlike the University of Johannesburg's DRM system, is reactive in the sense that the DRM system: (i) discovers alleged piracy (using guardian crawling and search techniques on the global Internet which include peer networks, Cyberlockers, Feeder Websites, e-commerce sites and social networks);<sup>315</sup> (ii) it then verifies actual infringement using its proprietary watermark technology;<sup>316</sup> and (iii) after this it enforces the rights of authors and rightsholders in terms of the DMCA,<sup>317</sup> using tactics such as DMCA take-down notices to offending sites, search engine de-listing, and higher escalation tactics reserved for non-responsive sites.<sup>318</sup>

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<sup>309</sup> DALRO, South Africa, available at [www.dalro.co.za](http://www.dalro.co.za) (date of use: 07 March 2018). Also see para 7.4 below on DALRO.

<sup>310</sup> *Id.* at 5.

<sup>311</sup> See Boesenkool, Strydom & Verhoef "Method and system" at 5.

<sup>312</sup> *Id.*

<sup>313</sup> See McDonald et al *Digital Rights Management* 4.

<sup>314</sup> See Einhorn *Media, Technology and Copyright* 55.

<sup>315</sup> See Erickson "System and methods" at 1.

<sup>316</sup> *Id.*

<sup>317</sup> *Ibid.* Also See Digital Millennium Copyright Act (DMCA) 1998. Also see para 4.1.1.2. below on the DMCA.

<sup>318</sup> Take-down notices are discussed in para 4.1.1.2 on the DMCA below.

Digimarc's DRM solution, however, does not resolve the problem of promoting fair and equitable access to e-content for end users within the limits of fair dealing, in particular for teaching and research purposes. The technology is also used at an additional cost to authors and rightsholders.

### 2.7.2 Providing solutions for the printing of e-content to end users

Various studies such as the Genesis Report,<sup>319</sup> the study at Coastal Carolina University,<sup>320</sup> a study by Bittar,<sup>321</sup> and a study by Aaltonen<sup>322</sup> have independently confirmed that the use of e-content will not replace printed editions. In fact, the use of e-content creates a niche market for end user-specific printing needs. On DemandBooks was quick to identify this niche market and responded with a print-on-demand solution that also protects the rights and interests of authors and rightsholders.<sup>323</sup> This solution is not necessarily cost effective as the reproduction fees of e-books in the On DemandBooks database are charged at the suggested retail price of the e-book in print format. A further point of criticism is that the On DemandBooks' device only prints in paperback (as opposed to high quality paper with a hard cover bound copy) and only the covers are of high quality colour print. For specific print runs the setup fees are high. For example, at Michigan University<sup>324</sup> where an Espresso Book Machine has been installed, the setup fee is US\$10<sup>325</sup> which includes the time needed to assess files for print readiness and upload them to the machine. Additional formatting charges are charged at US\$10 per half hour.<sup>326</sup> After the initial setup, each book is printed on a price-per-page fee.<sup>327</sup> To put this cost structure in perspective one must compare the actual reproduction cost of an e-book with the printed edition's suggested retail price. Assuming an exchange rate of ZAR1 = US\$13,50<sup>328</sup>

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<sup>319</sup> See Genesis Analytics (Pty) Ltd "Factors influencing the cost of books in South Africa" research commissioned and funded by the South African National Department of Arts & Culture 2006 at 7.

<sup>320</sup> See Goodwin (2014) 33/4 *Collection Building* 101-05.

<sup>321</sup> See Bittar *Unlocking the gates* 3.

<sup>322</sup> See para 8.5.2 on e-readers.

<sup>323</sup> See Marsh "Apparatus and method" at 1.

<sup>324</sup> Library, Michigan University available at <https://www.lib.msu.edu/ebm/pricing/> (date of use: 27 September 2015).

<sup>325</sup> Ibid.

<sup>326</sup> Ibid.

<sup>327</sup> Ibid. Black and white 40–99 pages: US\$8,00 flat rate; Black and white 100+ pages: US\$9,00 for the first 100 pages, plus US\$0,02 per page for each additional page in the range 101–800.

<sup>328</sup> RSA Reserve Bank. Average US\$/ZA Rand exchange rate March 2017, available at <https://www.resbank.co.za/Pages/default.aspx> (date of use: 07 March 2018).

and benchmarking an academic textbook of 500 pages at any local bookstore at ZAR800,<sup>329</sup> or a paperback novel with the same number of pages at ZAR250,<sup>330</sup> the price of the equivalent book produced by an Espresso Book Machine amounts to ZAR365 – more or less 45 per cent more expensive than the paperback version, but 50 per cent cheaper than the academic textbook. This analogy, however, is not that simple because academic textbooks contain graphs, illustrations, tables, references, and various other supporting diagrams all of which contribute to the underlying intellectual value of the content, and cannot be compared with the unrealistic market benchmark of US\$9,99 per paperback.<sup>331</sup> Furthermore, this solution does not address the need for end users to print a selection or a chapter from an e-book, which is one aspect of fair dealing that is critically analysed in this dissertation.

Duke University<sup>332</sup> offers another example of a sophisticated print management system. Essentially the system works on Android or iOS platforms and caters for three mobile print options: printing via email; web printing with a proprietary MyPrintCenter system,<sup>333</sup> and an iOS application (App).<sup>334</sup> The main drawback to this system is that it caters only for content that is available in the public domain. E-books with print restrictions, for example, can obviously not be printed. It is precisely this limitation that requires further investigation.

In conclusion, as is the case with Digimarc's DRM solution for the distribution of e-content,<sup>335</sup> neither On DemandBooks,<sup>336</sup> nor Duke University's print management system<sup>337</sup> resolves the problem of promoting fair and equitable access to printed copies of e-content for end users within the limits of fair dealing, in particular for teaching and research purposes.

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<sup>329</sup> Protea Boekhuis is a publisher. Online catalogue Protea Boekhuis available at <http://www.proteaboekhuis.com/site.php> (date of use: 7 March 2018).

<sup>330</sup> Ibid.

<sup>331</sup> "Paperback pricing suggestions?" Createspace available at <https://forums.createspace.com/en/community/thread/50448> (date of use: 07 March 2018).

<sup>332</sup> Duke University, USA available at <https://oit.duke.edu/comp-print/printing/ePrintMobile.php> (date of use: 7 October 2016).

<sup>333</sup> Ibid.

<sup>334</sup> Ibid.

<sup>335</sup> See Erickson "System and methods" at 1.

<sup>336</sup> See OnDemandBooks available at <http://www.ondemandbooks.com/> (date of use: 21 March 2017).

<sup>337</sup> See Duke University, USA at 1 available at <https://oit.duke.edu/comp-print/printing/ePrintMobile.php> (date of use: 7 October 2016).

The print job management system, computer program, and method adopted by Verhoef,<sup>338</sup> aim to address the fair and equitable access to printed copies of e-content for end users within the limits of fair dealing, in particular for teaching and research purposes. This goal is achieved by providing a solution to publishers of academic textbooks that will allow for the printing of user-selected e-content at the convenience of the user, but with the aid of a verified print site. The user-selected e-content can vary between a range of selected pages or chapters.<sup>339</sup> It should be noted, however, that this print solution could arguably work in the absence of a user verification DRM system that functions substantially similarly to the patented DRM system of the University of Johannesburg,<sup>340</sup> and where all the students enrolled for a particular course receive the e-books as part of their tuition fees. Consequently, there is no need to make illegal copies of the e-books in the first place.

As is the case with On DemandBooks, the Verhoef system needs to be benchmarked against the actual prices that students are charged by library reproduction facilities on campus, or at commercial reproduction facilities in close vicinity to university campuses. But before this is done the rationale behind the attempt to provide a print management system within the constraints of DRMs and the fair dealing doctrine needs to be understood:

Fairness is achieved when people restrain their liberty  
in ways necessary to yield advantages for all.<sup>341</sup>

As will be submitted in Chapter 8, fair dealing in respect of the reproduction of e-books in print format cannot be achieved unless such reproduction ‘yields advantages for all’,<sup>342</sup> that is for authors, publishers, distributors (in this context online content aggregators), retailers, academic institutions, and, most importantly, for students (the end users). This appears an impossible task, but is indeed possible. And here lies the challenge – the solution can be found by means of a socio-economic-legal approach. Einhorn’s<sup>343</sup> and McDonald’s<sup>344</sup> views on the economic-legal and socio-legal aspects regarding fair dealing are well documented above.

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<sup>338</sup> See Verhoef G “Print job management system and method” RSA patent 2015/09171 at 1.

<sup>339</sup> Ibid.

<sup>340</sup> See Boesenkool, Strydom & Verhoef G “Method and system” at 5.

<sup>341</sup> See Hart (1955) 64/2 *Philosophical Review* 175.

<sup>342</sup> Ibid.

<sup>343</sup> See Einhorn *Media, Technology and Copyright* 15.

<sup>344</sup> See McDonald et al *Digital Rights Management* 4.

By integrating the three concepts in a lateral manner the following objectives are achieved:

- ***Sociological:*** Fairness is achieved  
Sociological fairness is achieved. Students would no longer make illegal reproductions of e-books since all students enrolled for a particular course obtain the e-books as part of their tuition fees so obviating the need to make illegal copies.
- ***Legal:*** The international law and treaties on copyright are respected and not infringed. Legal equity is achieved because local or international laws are not infringed as fair dealing is managed in a manner that does not compromise Hart's 'advantages for all'.
- ***Economic:*** Authors, publishers, distributors, and retailers are not deprived of income – on the contrary, they will arguably receive more revenue while academic institutions and, most importantly, students, can use and disseminate knowledge freely.

Ultimately, economic fairness can be achieved because it should simply be cheaper to comply with copyright laws than to make unauthorised copies.<sup>345</sup>

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<sup>345</sup> Ibid.



## CHAPTER 3

### INTERNATIONAL PERSPECTIVES ON FAIR DEALING

*Chapter overview.* The reader's attention is immediately drawn to the footnote on *terminology*.<sup>346</sup> In this chapter the Berne Convention, the TRIPS Agreement, the WIPO Copyright Treaty (WCT), and the Marrakesh Treaty on Visually Impaired Persons (VIP) are discussed to set the international scene on fair dealing, after which specific countries will be analysed within the context of this chapter.

The Berne Convention dates back to 1886 – only the legitimate reproduction rights of rightsholders is addressed. In this regard the 'exceptions' (the so-called 'three-step test') in Article 9(2) of the Berne Convention relating to the reproduction of a protected work, 'limitations' (eg Arts *2bis* and 13) as well as the 'fair practice' provisions of Article 10(2) in respect of teaching and research are analysed. For ease of reference Articles 2, 9 and 10 of the Berne Convention is included in Addendum B below.

The TRIPS Agreement contains important provisions on digital copyright and related rights that impact on developing countries, and so is included in this chapter.<sup>347</sup>

When the TRIPS Agreement was conceived in 1992, the impact of digital communication on global copyright issues was arguably not yet understood. This led to the two WIPO treaties that aim to address the existential threat to rightsholders in respect of digital content. The WIPO Copyright Treaty (WCT), 1996, is a special agreement under the Berne Convention that deals with the protection of digital works. The other WIPO treaty is only briefly discussed in this chapter as the dissertation is limited to literary works as works eligible for copyright protection.

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<sup>346</sup> At this stage it is important to draw the reader's attention to terminology pertaining to fair dealing. The Berne Convention uses the words 'limitations' and 'exceptions' and the nearest it comes to the phrase fair dealing is 'fair practice' in article 10(2). In the latter part of this dissertation it is noted that specific countries have their own preferences, or distinct differences, such as the USA where the term 'fair use' is used and which has a different meaning than fair dealing. In South Africa the term fair dealing is used.

<sup>347</sup> The TRIPS Agreement is Annex 1C to the WTO Agreement of 1994.

The Marrakesh VIP Treaty deals with access to literary works by visually impaired or print-disabled persons. Although South Africa is not yet a signatory to this treaty, it is instructive as regards fair dealing from a human rights perspective.

One very important aspect of this chapter is that it aims to set the scene for Chapters 4, 5 and 6 below on respectively American, European and South African (as a developing country) perspectives on fair dealing. The major points of difference are the fair use doctrine in the United States, the author-centric protection of copyright in Europe,<sup>348</sup> whilst South Africa is considered to be a developing country with economic development priorities that rely heavily on the socio-cultural aspects of treaties such as the TRIPS Agreement. In South Africa, like in many African countries, the ‘right to exclude’ is met with unprecedented resistance, in particular within the education sector. In this regard Okediji advocates that an international standard pertaining to fair dealing is indeed possible and would “promote a minimum level of consistency in the application of the provisions of the TRIPS Agreement and thus prevent forum shopping by countries which do not yet have a coherent body of law governing exceptions to copyright rights.”<sup>349</sup>

### **3.1. BERNE CONVENTION**

#### **3.1.1 Introduction**

The Berne Convention<sup>350</sup> has been redrafted, revised, and amended eight times since its inception in 1886. The latest amendment dates back to 1979 through the Paris Act of 1979. South Africa signed the Berne Convention on 3 October 1928 and has subsequently ratified the Brussels amendments of 1948 dealing with substantive provisions, and the Paris Act of 1979 regarding administrative provisions. The South African Copyright Act 98 of 1978 was later amended to comply with the Paris Act of 1979, and although no formal steps have been taken to accede to the Paris Act, the necessary legislative measures are in place. Unlike other forms of intellectual property right such as patents and trademarks, copyright comes into being by the very act of creating the work – this is one of the fundamental principles of the Berne Convention

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<sup>348</sup> Okediji (2000-1) 39/75 *Columbia Journal of Transnational Law* 171.

<sup>349</sup> *Id* at 174.

<sup>350</sup> Berne Convention for the Protection of Literary and Artistic Works (as amended), 1886.

in that the enjoyment and exercise of the rights it governs are not subject to formalities or fees<sup>351</sup> and only original effort is required for the creation of a new work.<sup>352</sup>

Four articles of the Berne Convention are of particular importance in this dissertation, namely:

Article 2(8) withholding copyright protection from factual information;

Article 9(1) the reproduction of works in any manner or form;

Article 9(2) exceptions to the exclusive right of reproduction; and

Article 10(1) allowing certain uses of copyright works.

Article 9(1) deals with “the reproduction of these works, in any manner or form” and is also one of the four basic economic rights<sup>353</sup> conferred by the Berne Convention.

Article 9(1) Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form.<sup>354</sup>

In 1978, Masouye wrote – seven years after the appearance of the first e-book<sup>355</sup> – in his *Guide on the Berne Convention* that “any manner or form” can be interpreted as wide enough to include all forms of reproduction, including “all other processes known or yet to be discovered”.<sup>356</sup> Smith<sup>357</sup> argues convincingly with reference to Masouye’s interpretation of Article 9(1) of the Berne Convention, that the protection of transient copies is indeed an obligation for all Berne countries. The transient nature of e-books permits the work to be indirectly communicated to or further reproduced on other devices. Smith further proposes that e-books are indeed reproductions in terms of Article 9(1), but that one needs to deal with the matter within the analytical scope of exceptions as provided for in Article 9(2) of the Berne Convention.

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<sup>351</sup> Article 5(2) of the Berne Convention.

<sup>352</sup> Keeling *Intellectual Property Rights* 286.

<sup>353</sup> *Ibid.*

<sup>354</sup> Article 9(1) of the Berne Convention.

<sup>355</sup> See para 1.1 above on the history of e-books.

<sup>356</sup> Masouye *Guide to the Berne Convention* 201.

<sup>357</sup> Smith EH “The reproduction rights and temporary copies: The international framework, the USA approach and practical implications” Paper presented to Softic Symposium 2001 available at [http://www.softic.or.jp/symposium/open\\_materials/10th/index-en.htm](http://www.softic.or.jp/symposium/open_materials/10th/index-en.htm) (date of use: 7 October 2016).

### 3.1.2 The three-step test in respect of fair dealing

Article 9(2) deals with exceptions to the exclusive right of reproduction by establishing a three-step test setting out the requirements to be met by any legislative provision granting exemption from infringement of the right to reproduce:

Article 9(2) It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.<sup>358</sup>

More specifically, in terms of Article 9(2) the reproduction of a protected work must conform to the following cumulative steps: i) be confined to certain special cases; ii) not conflict with a normal exploitation of the work; and iii) not unreasonably prejudice the legitimate interests of the rightsholder. The importance of this three-step test also lies in the fact that it appears in three international treaties:<sup>359</sup>

- article 13 of the World Trade Organisation (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights Agreement (the TRIPS Agreement),<sup>360</sup>
- article 10 of the World Intellectual Property Organisation (WIPO) Copyright Treaty (WCT),<sup>361</sup> and
- article 16 of the WIPO Performances and Phonograms Treaty (WPPT).<sup>362</sup>

Article 5.5 of the EU Copyright Directive of 2001 also deals with the three-step test.<sup>363</sup> The WTO Dispute Settlement Body (WTO-DSB) panel<sup>364</sup> ruling WT/DS160<sup>365</sup> in 2000 was the first international ruling on the interpretation and application of the three-step test in the context of article 13 of the TRIPS Agreement.<sup>366</sup> In this specific case the EU filed a complaint with the

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<sup>358</sup> Article 9(2) of the Berne Convention.

<sup>359</sup> Schonwetter (2006) 7 *Southern African Journal of Information and Communication* 33.

<sup>360</sup> See para 3.2 below on the TRIPS Agreement.

<sup>361</sup> WIPO Copyright Treaty (WCT). Also see para 3.3 below on the WCT.

<sup>362</sup> WIPO Performance and Phonograms Treaty (WPPT). Also see para 3.3 below on the WTPP.

<sup>363</sup> See Council Directive 2001/29/EC "Directive on the harmonisation of certain aspects of copyright and related rights in the information society (Infosoc)" 167/10, European Parliament and of the Council, 22 May 2001.

<sup>364</sup> Article 6 of the WTO Agreement provides for the Dispute Settlement Body (DSB) panel of the WTO.

<sup>365</sup> WTO-DSB panel ruling WT/DS160 available at

[https://www.wto.org/english/tratop\\_e/dispu\\_e/1234db.pdf](https://www.wto.org/english/tratop_e/dispu_e/1234db.pdf) (date of use: 28 January 2017).

<sup>366</sup> See Schonwetter (2006) 7 *Southern African Journal of Information and Communication* 35.

WTO-DSB panel claiming that section 110(5)(a) and (b) of the American Copyright Act<sup>367</sup> violated the TRIPS Agreement since it creates too broad an exception to public-performance rights.<sup>368</sup> Although the WTO-DSB panel then dealt, among other things, with the meaning, application, and interpretation of the three-step test in article 13 of the TRIPS Agreement pertaining to public-performance rights, the importance hereof is also critical for digital content.<sup>369</sup>

The WTO-DSB panel ruled as follows on the three-step test:

**Step 1: “be confined to certain special cases”**

that a limitation or exception in national legislation should be clearly defined and should be narrow in its scope and reach...<sup>370</sup>

**Step 2: “not conflict with a normal exploitation of the work”**

that an exception or limitation to an exclusive right in domestic legislation rises to the level of a conflict with a normal exploitation of the work..., if uses, that in principle are covered by that right but exempted under the exception or limitation, enter into economic competition with the ways that rightsholders normally extract economic value from that right to the work (i.e. the copyright) and thereby deprive them of significant or tangible commercial gains...<sup>371</sup>

**Step 3: “not unreasonably prejudice the legitimate interests of the author”**

Firstly the interests of the authors needs to be defined, secondly, the legitimacy of the interests needs to be clarified and justified, thirdly, at what level does prejudice reach levels of unreasonableness.

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<sup>367</sup> See para 4.1 below on the Copyright Act of the USA.

<sup>368</sup> The USA exemption for public-performance rights, as is provided for in 17 US Code § 110(5)(B), which the WTO-DSB Panel invalidated, applied to “the public performance of radio or television transmissions of non-dramatic musical works by: any business establishment with less than 2000 gross square feet of space, and any food service or drinking establishment that has less than 3750 gross square feet of space, If the establishment is 2000 gross square feet or more, or if the food service or drinking establishment is 3750 gross square feet or more, the establishment will nonetheless be exempt, if: the performance of the radio transmission incorporating non-dramatic musical compositions is ‘communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space’, or the performance of a television transmission incorporating non-dramatic musical compositions is ‘communicated by means of a total of not more than 4 audiovisual devices, of which not more than one audiovisual device is located in any 1 room, and no such audiovisual device has a diagonal screen size greater than 55 inches, and any audio portion of the performance or display is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space”.

<sup>369</sup> See Schonwetter (2006) 7 *Southern African Journal of Information and Communication* 35.

<sup>370</sup> Ibid.

<sup>371</sup> Ibid.

The panel subsequently ruled “...that the prejudice the legitimate interests of rightsholders reaches an unreasonable level if an exception or limitation causes or has the potential to cause an unreasonable loss of income to the copyright owner...”.<sup>372</sup>

Ginsburg<sup>373</sup> argues that the predominantly economic focus of the WTO-DSB Panel’s analysis of public-performance rights and its eventual ruling, may be very useful in evaluating Gordon’s market failure theory<sup>374</sup> and economically-motivated exceptions alike – Ginsburg feels that a balance should be struck between the potential outlawing the exception entirely, and reviewing the exception “under the more conciliatory third step of the test”. Applying this argument to private copying of digital content (ie, a non-economic motivation for the exception), Ginsburg correctly argues that historical arguments in support of the *de minimis* impact or practical unenforceability of private copyright no longer apply since “modern technology considerably belies both premises”.<sup>375</sup> In conclusion she advocates for the development of the neglected normative dimension of ‘normal exploitation’<sup>376</sup> of works, which is strongly supported in this dissertation. In her works Ginsburg often cites Professor Sam Ricketson, a leading Australian authority on the Berne Convention. For instance, Ginsburg quotes Ricketson where the latter comments on ‘normal exploitation’, saying that there might be no conflict with a normal exploitation “if there is no realistic possibility that the rightsholder would be able to enforce her rights, either by way of refusing permission or obtaining a fee by free negotiation”.<sup>377</sup>

In the WIPO study on limitations of and exceptions to copyright and related rights in the digital environment, of which Ricketson<sup>378</sup> is the author, many important aspects pertaining to digital content are of relevance to this dissertation.

My own arguments pertaining to the impact of technology and socio-economic developments on the normal exploitation of digital works are closely aligned with these authors – in brief,

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<sup>372</sup> Ibid.

<sup>373</sup> Ginsberg (2001) 25/1 *Columbia-VLA Journal of Law & Arts* 1-16.

<sup>374</sup> Gordon (1982) 82 *Colum L Rev*. This theory is also discussed in paragraph 4.1.1 below.

<sup>375</sup> See Ginsberg (2001) 25/1 *Columbia-VLA Journal of Law & Arts* 15.

<sup>376</sup> Ibid. According to Ginsberg, Ricketson characterised ‘normal exploitation’ as covering “the ways in which an author might reasonably be expected to exploit his work in the normal course of events”.

<sup>377</sup> See Ginsberg (2001) 25/1 *Columbia-VLA Journal of Law & Arts* 13.

<sup>378</sup> Ricketson Sam (chairperson) “WIPO study on limitations and exceptions of copyright and related rights in the digital environment” Standing Committee on Copyright and Related Rights, Ninth Session, Geneva, June 23 to 27 (2003).

today's arguments pertaining to normal exploitation may not apply tomorrow. In fact, in the summary of this dissertation the hypothesis is started by saying that the aim of digital copyright is to balance conflicting interests in 'exclusivity' on the one hand, and in 'access to information' on the other (or, within the context of this paragraph, seeking a normative dimension of 'normal exploitation'). Exclusivity is achieved by the rightsholders that provide paid access to digital content while using technological protection measures to protect their commercial interests. Access to information is the requirement of information being available without technological protection measures and where the digital content is not directly marketed for commercial gain. Exclusivity and access to information are two conflicting cultures surrounding copyright in the digital era, and unless we find a socio-legal solution for the dynamic coexistence of these cultures by means of fair dealing, the exclusivity culture will eventually dominate.

### 3.1.3 Other provisions in the Berne Convention

Article 2(8) of the Berne Convention withholds copyright protection from factual information.

Article 2(8) The protection of this Convention shall not apply to news of the day or to miscellaneous facts having the character of mere items of press information.<sup>379</sup>

Article 10 of the Berne Convention allows certain uses of copyright works and entrenches the right of end users freely to make quotations and illustrations for teaching, provided that the source and author are indicated. The purpose of this article is to promote education by precluding possible claims of copyright infringement when protected works are included in materials used for teaching – arguably the protection of the public interest rather than the protection of the author's rights.<sup>380</sup> In terms of Article 10(1) there are three requirements to be met before the exception can be applied:

Article 10(1) The work must be lawfully available to the public, the quotation must be made in a manner that is compatible with fair practice, and the extent of the quotation does not exceed the justifying purpose.<sup>381</sup>

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<sup>379</sup> Article 2(8) of the Berne Convention.

<sup>380</sup> *Shay Users' Entitlements* 34.

<sup>381</sup> Article 10(1) of the Berne Convention.

Countries around the world that are signatories to the Berne Convention have over time developed legislation to ensure statutory compliance with the Convention. Case law relating to fair practice – as fair dealing is referred to in the Berne Convention – also developed. Some important judgments in the USA, the EU, and South Africa are discussed further below. All these judgments comply with the very important Articles 2(8), 9, and 10 of the Berne Convention.

### 3.1.4 The Appendix to the Berne Convention

Access to copyright goods from developed countries by developing countries was considered a problem by developing countries. In response to this concern the Appendix to the Berne Convention was formulated. The Appendix (which, interestingly, exceeds the total length of the original Berne Convention) provides for a system of

non-exclusive and non-transferable, non-voluntary licences in developing countries regarding: (a) the translation for the purposes of teaching, scholarship or research, and for use in connection with systematic instructional activities; (b) the reproduction of works protected under the Berne Convention.<sup>382</sup>

Developing countries have made limited use of this Appendix, arguably because it contains compulsory licensing provisions<sup>383</sup> “so complex and arcane”<sup>384</sup> that very few developing countries have been able or willing to take advantage of it.<sup>385</sup>

Chon makes out interesting arguments as to why the Appendix will in all likelihood never be used by a developing country: “there is no revenue at all if the market itself is not first developed through widespread literacy and education.”<sup>386</sup>

She then concludes that an “IP from below” approach is more appropriate, “where enhancing capability for education within a human development framework should take priority over

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<sup>382</sup> Articles II and III of the Appendix to the Berne Convention, 1886, as amended 28 September 1979.

<sup>383</sup> Article IV(4) of the Berne Appendix. Note that with narrow exceptions, the Berne Appendix does not allow a country issuing a licence to print books domestically to extend that licence to the publication of books outside of country with the purpose of importing them.

<sup>384</sup> Chon (2007) 40 *UC Davis L Rev* 829.

<sup>385</sup> Note that South Africa has so far only made use of this Appendix in the Copyright Bill, 2015 (Government Notices 646 GG 39028 of 27 July 2015), but since it has not yet been signed into law it falls outside the ambit of this dissertation.

<sup>386</sup> See Chon (2007) 40 *UC Davis L Rev* 843. Chon quotes former House of Lords member, John Maynard Keynes.



guarding excess rent to creators generated from the regulatory intervention of the state in the form of a patent or copyright.”<sup>387</sup>

Although Chon does not refer to digital content in her article, her approach to access to printed and digital textbooks in general is supported. This topic is further elaborated on in Chapter 8 below when dealing with South Africa as a developing country.

## 3.2. The TRIPS Agreement

### *Introduction*

The TRIPS Agreement<sup>388</sup> is administered by the World Trade Organisation (WTO) in terms of the WTO Agreement concluded in 1994 in Marrakesh.<sup>389</sup> To date the TRIPS Agreement, which has as its main objective

...the transfer and dissemination of technology... in a manner conducive to social and economic welfare...,<sup>390</sup>

represents the most comprehensive international agreement on intellectual property protection and a basis for the further development of international rules.<sup>391</sup> Although the TRIPS Agreement deals with intellectual property in general,<sup>392</sup> articles 9 to 14 contain important provisions which deal with copyright and related rights relevant to this dissertation.<sup>393</sup> According to Otton and Hannu<sup>394</sup> the negotiators recognised that the Berne Convention already provided adequate basic standards of copyright protection and the TRIPS Agreement therefore

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<sup>387</sup> Id at 846.

<sup>388</sup> The TRIPS Agreement is Annex 1C to the WTO Agreement of 1994.

<sup>389</sup> Kur & Dreier *European Intellectual Property Law* 215.

<sup>390</sup> See art 7 of the TRIPS Agreement: “Objectives. The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations”.

<sup>391</sup> Otton & Hannu (1996) 29 *Vanderbilt Journal of Transnational Law* 391.

<sup>392</sup> Anechitoae (2012) 4 *Contemp Readings L & Soc Just* 870.

<sup>393</sup> In the TRIPS Agreement ‘intellectual property’ refers to all the categories of intellectual property covered by sections 1-7 of Part II (Rule 870 relating to the existence, scope and exercise of intellectual property rights) of the Agreement, namely: s 1, Copyright and neighbouring rights; s 2, Brand or trademarks; s 3, Geographical indications; s 4, Designs and industrial models; s 5, Patents; s 6, Configuration schemes, (topographies) of integrated circuits; s 7, Protection of undisclosed information.

<sup>394</sup> See Otton & Hannu (1996) 29 *Vanderbilt Journal of Transnational Law* 397.

confines itself to clarifying<sup>395</sup> or adding obligations on a number of specific points. Essentially, article 9 obliges member states of the WTO to comply with Articles 1 to 21 of the Berne Convention, whilst article 13 ensures that provisions on copyright in the TRIPS Agreement do not derogate from WTO members' obligations under the Berne Convention.<sup>396</sup> The TRIPS Agreement furthermore provides for the application of the WTO dispute settlement mechanism to resolve disputes between member states.<sup>397</sup>

Interestingly, the three-step test in the TRIPS Agreement is also applied to other forms of intellectual property such as patents<sup>398</sup> and trade marks.<sup>399</sup> This topic, however, falls outside of the framework of this dissertation. Another interesting topic that the TRIPS Agreement addresses is the issues around copyright in traditional knowledge systems. Gervias<sup>400</sup> has written extensively on this topic and argues that the protection of folklore or other forms of original literary and artistic expression is indeed implied by the provisions of the TRIPS Agreement, but that as a matter of principle, the collective or communal ownership of such copyright is hugely problematic. In the chapter on South Africa this issue will be revisited because of the fundamental philosophy in Asian and African countries pertaining to the socio-cultural perspectives on copyright.

### **3.2.1 Article 13 of the TRIPS Agreement: Limitations and exceptions**

Article 13 of the TRIPS Agreement provides as follows:

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<sup>395</sup> The two clarifications made are firstly to computer programs, whether in source or in object code, which shall be protected as literary works under the Berne Convention; and secondly, to databases or other compilations of data or other material which shall be protected under copyright.

<sup>396</sup> Keeling *Intellectual Property Rights* 291.

<sup>397</sup> Article 64(1) of the TRIPS Agreement. Also see para 3.1.2 above. The WTO Dispute Settlement Body panel ruling in 2000 was the first international ruling on the interpretation and application of the three-step test in the context of art 13 of the TRIPS Agreement.

<sup>398</sup> Article 30 of the TRIPS Agreement. Also see Fusco (2016) 24 *Texas Intellectual Property Law Journal* 146. According to Fusco, many countries, including the USA, did not recognise patents on business methods when TRIPS was concluded. In particular, with regard to the *Alice* and *Bilski* decisions, the critical question is whether business methods and software are inventions 'in fields of technology' and thus inventions that cannot be excluded from patent protection under article 27(1) of the TRIPS Agreement. The *Alice* and *Bilski* decisions are discussed in Chapter 2B above. Also see Dinwoodie & Dreyfuss (2004) 7/2 *Journal of International Economic Law*. Dinwoodie argues, with reference to arts 27(1) and 30 of the TRIPS Agreement, that it should be read with more fluidity to allow for adjustments in national intellectual property regimes.

<sup>399</sup> Article 17 of the TRIPS Agreement. Also see Kur & Dreier *European Intellectual Property Law* 28 table 1.1.

<sup>400</sup> Gervias 2005 *Mich St L Rev* 137.

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 rightholder.<sup>401</sup>

Article 13 of the TRIPS Agreement is essentially the same as the three-step test set out in Article 9(2) of the Berne Convention.<sup>402</sup> Furthermore, two WTO-DSB panels have held independently that “all three steps must be passed separately and cumulatively”.<sup>403</sup> This means that if one step is missed, the test will fail in its entirety.<sup>404</sup>

Of particular interest to this dissertation are the limitations and exceptions for educational purposes. Chon<sup>405</sup> writes extensively about this topic in relation to Article 10(2) of the Berne Convention<sup>406</sup> and article 13 of the TRIPS Agreement within the context of social justice (‘distributive justice’, as she terms it), where she draws the reader’s attention to various factors that lead to severe problems of access to textbooks – in her view, arguably the biggest obstacle to literacy in developing countries.<sup>407</sup> Chon further argues that the current provisions of Berne (including the Berne Appendix) pertaining to compulsory licensing provisions for educational use, lack transparency and functionality. She then proposes a “reverse parallel educational use.”<sup>408</sup>

### **3.2.2 Selected viewpoints on the TRIPS Agreement in relation to fair dealing**

#### ***Max Planck Institute***

The two WTO-DSB panel’s rulings mentioned above are aligned with the Max Planck Institute’s declaration on the balanced interpretation of the three-step test – the Institute has

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<sup>401</sup> Article 13 of the TRIPS Agreement.

<sup>402</sup> Ibid. Also see Art 9(2) of the Berne Convention.

<sup>403</sup> Note that the first WTO Dispute Settlement Body (WTO-DSB) panel ruling was the 2000 ruling (WTO-Panel report WT/DS160/R) on the interpretation and application of the three-step test in the context of art 13 of the TRIPS Agreement (see para 3.1.2 above). The second ruling (WTO-Panel report WT/DS114/R of 17 March 2000) was on patents vis a vis the three-step test and is not of particular relevance to this dissertation.

<sup>404</sup> See Kur & Dreier *European Intellectual Property Law* 30 n 47.

<sup>405</sup> See Chon (2007) 40 *UC Davis L Rev* 821.

<sup>406</sup> Article 10(2) of the Berne Convention: “It shall be a matter for legislation in the countries of the Union, and for special agreements existing or to be concluded between them, to permit the utilization, to the extent justified by the purpose, of literary or artistic works by way of illustration in publications, broadcasts or sound or visual recordings for teaching, provided such utilization is compatible with fair practice.”

<sup>407</sup> See Chon (2007) 40 *UC Davis L Rev* 827.

<sup>408</sup> Id at 839. Note that this concept was developed in collaboration with Professor Ruth Okediji whose work is also cited below in this dissertation.

garnered the leading scholars in favour of reading these criteria together, with Declaration 1 which provides that:<sup>409</sup>

Declaration 1. The Three-Step Test constitutes an indivisible entirety. The three steps are to be considered together and as a whole in a comprehensive overall assessment.<sup>410</sup>

The signatories to this Declaration are leading scholars from fourteen European countries, as well as one signatory from the USA, adding some impetus to Declaration 6 in particular, which provides that:

Declaration 6. The Three-Step Test should be interpreted in a manner that respects the legitimate interests of third parties, including

- interests deriving from human rights and fundamental freedoms;
- interests in competition, notably on secondary markets; and
- other public interests, notably in scientific progress and cultural, social, or economic development.<sup>411</sup>

Declaration 6 is of particular importance to this dissertation because of its reference to cultural, social, or economic development and human rights, which in South Africa includes the right to education.<sup>412</sup> Or, to put it differently, the incentives that copyright law offers to rightsholders where the compensation at market rate is developed under anti-competitive conditions, cannot be justified.<sup>413</sup>

In 2011, after it had emerged that only a few developing countries had benefited from the deal struck in the TRIPS Agreement, Kur from the Max Planck Institute for Innovation and Competition in Munich,<sup>414</sup> together with the Institute for Intellectual Property and Market Law (IFIM),<sup>415</sup> initiated the ‘Intellectual Property Law in Transition’ (IPT) project in a serious

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<sup>409</sup> See para 5.4 below on Germany. Also see Geller (2009-2010) 57 *J Copyright Soc’y USA* 565.

<sup>410</sup> Max Planck Institute for Innovation and Competition “Declaration: A balanced interpretation of the ‘three-step test’ in copyright law” Munich 2008 available at [https://www.mpg.de/916499/immat\\_queter\\_wettbewerb](https://www.mpg.de/916499/immat_queter_wettbewerb) (date of use: 9 June 2017).

<sup>411</sup> *Id* at 6.

<sup>412</sup> See para 7.1.2 below for a brief discussion of the Constitution of the Republic of South Africa, 1996.

<sup>413</sup> See Max Planck Institute for Innovation and Competition “Declaration: A balanced interpretation of the ‘three-step test’ in copyright law” Munich 2008 3.

<sup>414</sup> Kur & Levin *The IPT Project* 216.

<sup>415</sup> Institute for Intellectual Property and Market Law (IFIM) at Stockholm University available at <http://www.juridicum.su.se/ifim/> (date of use: 07 March 2018).

attempt to transform the TRIPS regime. IPT embraces, inter alia, the concept of an ‘IP ceiling’ and proposes a modified version of the three-step test. Unlike article 13 of the TRIPS Agreement which lacks any reference to public or third-party interests, the proposed provision in essence adopts a user-centered approach, whereas the three-step test is formulated as an option for members of which they may or may not make use. According to Kur’s proposal, third-party interests as well as the larger public interest are necessarily implicated in the assessment of limitations and exceptions concerning all intellectual property rights, including copyright. Finally, the IPT proposal does not refer to digital content, but does contain a general privilege for private copying subject to the acknowledgment that it may be necessary to provide for adequate remuneration to be paid to rightsholders in order to comply with the general guidelines for limitations in the Berne Convention and the TRIPS Agreement.

### ***Court of Justice of the European Union***

An example of conflicting views on the TRIPS Agreement are the contradictory legal precedents emanating from the Court of Justice of the European Union (CJEU). Without running ahead – these cases are discussed in paragraph 5.2 below – in the *Dior* case<sup>416</sup> the CJEU held that it has jurisdiction to interpret the TRIPS Agreement in order to define the obligations of the EU.<sup>417</sup> The same court later negated the undeniable status of the Berne Convention in the *Magill* case.<sup>418</sup>

### ***Developing countries in general***

There is a school of thought which is of the view that some developed countries pushed hard for the inclusion of the TRIPS Agreement in the WTO set of agreements because it would force developing countries to strengthen their intellectual property rights legislation and put measures in place to manage their allegedly high rates of piracy. However, Cardwell and Ghazalian’s<sup>419</sup> empirical study, with the hypothesis that

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<sup>416</sup> CJEU 14 December 2000 joined cases C-300/98 & C392/98 [2000] ECR I-11334, *Parfumes Christian Dior v Tuk Consultancy* C-300/98 and *Assco v Layher* C-392/98 (*Dior* case).

<sup>417</sup> *Id* at 11357.

<sup>418</sup> See CJEU 6 April 1995 joined cases C-241/91 P and C-242/91 P [1995] ECR I-809 (*Magill* case).

<sup>419</sup> Cardwell & Ghazalian (2015) 15/2 *Global Economy Journal* 257-75.

the stronger are the trade ties, the larger is the ‘stick’ with which a [developing] country can be threatened [by developed countries], and the more the respondent country stands to lose in the event of trade sanctions,<sup>420</sup>

proved the contrary, with very few developing countries who actually changed their domestic IPR laws – even with the generous transitional periods of between five and eleven years so that developing and least-developed countries could meet their obligations under it.<sup>421</sup>

It is small wonder that authors such as Gindini et al<sup>422</sup> are convinced that strong intellectual property rights regimes such as the TRIPS Agreement are “out of phase with the shifting geopolitical dynamics of multilateralism in international relations”,<sup>423</sup> in particular when it comes to human rights and the economic development needs of poor and least-developed countries, as well as developing countries. Gindini’s work, like many other publications on the TRIPS Agreement, elaborates extensively on patent rights and their continuing expansion in the pharmaceutical and biotechnology sectors. However, in the copyright domain he strongly advocates support for the Intellectual Property Law in Transition (IPT) project briefly discussed above, saying that

the world has moved on since 1994, since TRIPS was concluded and that more hotspots have emerged on the IP trouble chart.<sup>424</sup>

One of these ‘hot spots’ is literary works in digital format (ie e-books) and Gindini and Kur’s endeavours to transform the TRIPS Agreement will, it is hoped, contribute to the future debate that may, in the view of Hinze, result in new multilateral means of creating mandatory minimum exceptions and limitations to international copyright law, in particular for educational purposes in order to “rebalance the international copyright regime to serve the needs of all the world’s citizens”.<sup>425</sup>

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<sup>420</sup> Id at 272.

<sup>421</sup> See Otten & Hannu (1996) 29 *Vanderbilt Journal of Transnational Law* 407.

<sup>422</sup> Ghidini *TRIPS and Developing Countries* 122.

<sup>423</sup> Ibid.

<sup>424</sup> Id at 123.

<sup>425</sup> Hinze Gwen “Making Knowledge Accessible Across Borders: the Case for Mandatory Minimum International Copyright Exceptions and Limitations for Education, Capacity Building and Development” (2008) Third World Network Briefing Paper No 49.

Gana,<sup>426</sup> another author with strong views on the TRIPS Agreement and developing countries, uses a lovely metaphor to put the TRIPS Agreement in perspective:

Like a wheel, the TRIPS Agreement envisages that the threat of trade sanctions will propel the forward motion of respect and protection of copyrights worldwide,<sup>427</sup>

and then bluntly concludes that such vision is unrealistic, because

concerns about literacy and education remain a salient feature of domestic policy.<sup>428</sup>

Whilst Gana analyses article 11 of the TRIPS Agreement<sup>429</sup> which deals with the rental of computer programs and cinematographic works, one can extrapolate many arguments in favour of digital books from her article. For instance, she argues that the problem with intellectual goods (eg, movies, books, computer programs in digital and/or analogue format) in developing countries is typically the cost at which they are made available to the general public.<sup>430</sup> Whether this is a valid argument or not, she argues that rightsholders can be seen to be simply concerned about the alleged high rates of piracy and developing countries' inability to enforce legislation, which results in strict TMPs, the high fees associated with the intellectual goods on the part of the rightsholder, and the accessibility of the work on the part of developing countries.<sup>431</sup> Gana then continues to study how the accessibility concern permeates other rights (eg, translation rights) incorporated into the TRIPS Agreement, from a politico-cultural perspective.<sup>432</sup> She argues that the definition of intellectual property in all treaties and legislation around the world contains the notion of exclusivity<sup>433</sup> – however, the 'right to exclude' is met with unprecedented

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<sup>426</sup> Gana (1996) 29 *Vanderbilt Journal of Transnational Law* 759.

<sup>427</sup> *Id* at 760.

<sup>428</sup> *Ibid*.

<sup>429</sup> Article 11 of the TRIPS Agreement: "Rental Rights. In respect of at least computer programs and cinematographic works, a Member shall provide authors and their successors in title the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works. A Member shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title. In respect of computer programs, this obligation does not apply to rentals where the program itself is not the essential object of the rental".

<sup>430</sup> See Gana (1996) 29 *Vanderbilt Journal of Transnational Law* 761.

<sup>431</sup> *Ibid*.

<sup>432</sup> *Ibid*.

<sup>433</sup> For instance, Art 2(3)*bis* of the Berne Convention of 1886 is one of the most noteworthy examples of the use of the word 'exclusive' by the draftsmen of an international treaty: "2(3) ...the author shall

resistance in developing countries while efforts are made to introduce the modern concept of intellectual property in many Asian and African countries.<sup>434</sup> Speaking of Asia, which falls outside the ambit of this dissertation, the author concurs with Gana on the historical development of intellectual property awareness in China from a socio-cultural perspective. In China, copyright has been used to prevent dilution of sacred texts<sup>435</sup> – in Asia knowledge, according to Confucian philosophy, cannot be owned or controlled, hence one of his famous phrases: “I transmit rather than create”.<sup>436</sup>

### ***South Africa as a developing country***

South Africa only recently deposited its instrument of acceptance of the 2005 amendments to the TRIPS Agreement.<sup>437</sup> This chapter does not attempt to exhaust the impact of the TRIPS Agreement on South Africa – this is the work of Chapter 8. For now, the Max Planck Institute’s declaration discussed above is referred to, that should not be seen as an isolated attempt by a first world country to address shortcomings in the TRIPS Agreement, as can be seen from paragraph 6.1.3 (*TRIPS-related legislation on copyright*) below in this dissertation, where a group of South African authors also attempt to achieve the same objectives by proposing alternative wording for South African copyright legislation.

## **3.3. WIPO Internet Treaties**

### ***Introduction***

South Africa is signatory to both the WIPO Copyright Treaty (WCT)<sup>438</sup> and the Performance and Phonograms Treaty (WPPT)<sup>439</sup> – the so-called WIPO Internet Treaties of 1996. However, these treaties will only become operational in South Africa once an instrument of ratification

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enjoy the exclusive right...”.

<sup>434</sup> See Gana (1996) 29 *Vanderbilt Journal of Transnational Law* 764.

<sup>435</sup> *Id* at 766. According to Gana’s article “... the invention of printing came from China in the 6th century, as did the invention of paper in A.D. 105. Yet history records that China did not exploit these inventions and many others through the intellectual property system. Consequently, several Chinese inventions were transferred to Europe, where the inventions were exploited by way of trade with Arabs”.

<sup>436</sup> *Ibid* where she quotes from *Analects of Confucious* Book VII Chapter 1.

<sup>437</sup> South Africa deposited its instrument of acceptance of the 2005 amendments to the TRIPS Agreement on 23 February 2016.

<sup>438</sup> WIPO Copyright Treaty (WCT) of 1996.

<sup>439</sup> WIPO Performance and Phonograms Treaty (WPPT) of 1996.



has been deposited. This should follow once the South Africa's Copyright Act has been amended to address digital technology and related issues.

The 1996 WCT<sup>440</sup> is a special agreement under the Berne Convention that deals with the protection of digital works and the rights of their authors in the digital environment. According to the Shuttleworth Report there is

considerable policy debate whether acceding to the WCT is appropriate for South Africa and its development needs,<sup>441</sup>

a view that is to some extent shared by Van Coppenhagen<sup>442</sup> in her article where she discusses the reasons for the WCT not yet being operational in South Africa – this matter is further discussed in paragraph 6.1 below.

But for now articles 1, 10, 11 and 12 of the WCT require further discussion.

### ***Article 1: Relation of the WCT to the Berne Convention***

Article 1 of the WCT emphasises the relationship between the WCT and the Berne Convention and reads as follows:

Article 1 This Treaty is a special agreement within the meaning of Article 20 of the Berne Convention for the Protection of Literary and Artistic Works, as regards Contracting Parties that are countries of the Union established by that Convention. This Treaty shall not have any connection with treaties other than the Berne Convention, nor shall it prejudice any rights and obligations under any other treaties.<sup>443</sup>

The WCT entrenches three economic rights which apply to rightsholders:

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<sup>440</sup> The WIPO Copyright Treaty (WCT) was adopted by the WIPO Diplomatic Conference on Certain Copyright and Neighbouring Rights Questions in Geneva on 20 December 1996.

<sup>441</sup> Rens A (ed) "Report on the South African Open Copyright Review" Shuttleworth Foundation 2010 at 4.

<sup>442</sup> Van Coppenhagen (2003) *SALJ* 430-52.

<sup>443</sup> Article 1 of the WIPO Copyright Treaty (WCT) of 1996.

- (i) the right of distribution;<sup>444</sup>
- (ii) the right of rental;<sup>445</sup> and
- (iii) a broader right of communication to the public.<sup>446</sup>

The treaty also deals with two subject matters to be protected by copyright: (i) computer programs (whatever the mode or form of their expression); and (ii) compilations of data or other material (databases).<sup>447</sup> Although article 7<sup>448</sup> mentioned above deals with the ‘right to rental’ of computer programs, phonograms, and cinematographic movies only, the arguments of the transient nature of reproduction rights is found very relevant for e-books from a South African perspective, hence the earlier comment on the Shuttleworth Report<sup>449</sup> and Van Coppenhagen.<sup>450</sup>

### ***Article 10: Limitations and exceptions***

Article 10 of the WCT applies the three-step test of the Berne Convention. It reads:

- 10(1) Contracting Parties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty in certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.<sup>451</sup>
- (2) Contracting Parties shall, when applying the Berne Convention, confine any limitations of or exceptions to rights provided for therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.<sup>452</sup>

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<sup>444</sup> Id art 6.

<sup>445</sup> Id art 7. Also see “Summary of the WIPO Copyright Treaty (WCT) (1996)” available at [http://www.wipo.int/treaties/en/ip/wct/summary\\_wct.html](http://www.wipo.int/treaties/en/ip/wct/summary_wct.html) (date of use: 07 March 2018). According to the summary, the right of rental is “the right to authorize commercial rental to the public of the original and copies of three kinds of works: (i) computer programs (except where the computer program itself is not the essential object of the rental); (ii) cinematographic works (but only in cases where commercial rental has led to widespread copying of such works, materially impairing the exclusive right of reproduction); and (iii) works embodied in phonograms as determined in the national law of Contracting Parties (except for countries which, since April 15, 1994, have had a system in force for equitable remuneration of such rental)”.

<sup>446</sup> Article 8 of the WCT.

<sup>447</sup> Ibid.

<sup>448</sup> Id art 7.

<sup>449</sup> See Rens A (ed) “Report on the “South African Open Copyright Review” Shuttleworth Foundation 2010. Also see para 6.1 below.

<sup>450</sup> See Van Coppenhagen (2003) *SALJ* 430. Also see para 6.1 below.

<sup>451</sup> See para 3.1.2 supra on the three-step test of the Berne Convention.

<sup>452</sup> Article 10 of the WCT.

The manner in which article 10 is interpreted becomes clear in the paragraph directly below dealing with article 11.

***Article 11: Obligations concerning technological measures***

The obligations regarding TPMs are set out in article 11 of the WCT as follows:

- 11 Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.<sup>453</sup>

Article 11 of the WCT requires member states to enact laws to prevent the circumvention of TPMs such as DRM systems. According to Ricketson, these TPMs can take various forms, from devices that prevent access to a work except on certain conditions, or copy-protection or other devices that restrict or prevent various infringing uses and leave a great deal to the discretion of member states.<sup>454</sup> Ricketson's insights into the subtle difference between exceptions and limitations pertaining to the same content in digital or printed (analogue) format in the WIPO study is intriguing.<sup>455</sup> He essentially demystifies the apparent anomaly between Articles 10(1) of the Berne Convention and 11 of the WCT in the digital age. The WIPO study in the footnotes below is quoted in order further to illustrate the point, namely that if content has already been made available in printed format, it will be possible for such exceptions and limitation rights to be exercised, even if this cannot be done in relation to a digital version protected by an effective TPM.<sup>456</sup> If, however, the content is only available in digital format, the effect will be to deny

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<sup>453</sup> Id art 11.

<sup>454</sup> See Ricketson Sam (chairperson) (2003) "WIPO study on limitations and exceptions of copyright and related rights in the digital environment" 83.

<sup>455</sup> Id at 85. "§7. The answer to the question posed in the preceding paragraph turns upon the meaning and scope of the words "a work which has already been lawfully made available" that are used in Article 10(1). These were clearly formulated in the pre-digital era when works were only made available in hard copy formats to users who could then access and use them without the copyright owner being able to impose any physical or technical limitations upon what the user could do. If anything, at this stage, the balance ran in favor of the user, although the formulation of provisions such as Article 10(1) sought to place legal limitations upon what the user could do. In the digital environment, however, the balance is potentially shifted sharply the other way, in favor of the copyright owner, if the latter can apply effective technological measures to deny protection completely, except on conditions that the owner specifies. However, the words "lawfully made available" in Article 10(1) pose a problem here: a work made available in a digital protected format is just as much lawfully made available as a work in a traditional hard copy format, even if the owner then imposes a veto on what users and other third parties may do with that version".

<sup>456</sup> Note that Art 10(1) of the Berne Convention was formulated in the pre-digital era. End users could then access and use the content without the copyright owner being able to impose any physical or

the exception under Article 10(1) of the Berne Convention altogether. According to Ricketson, this will obviously have consequences reaching far into the future as more and more works become available in digitally protected formats only.<sup>457</sup> He also remarks that

the result would be that the only exception specifically mandated under the Berne Convention would be effectively neutralized in the digital environment.<sup>458</sup>

Ricketson's insights compel me to draw an early conclusion that the Berne Appendix will not stand the test of time in the digital era.

According to Bäsler,<sup>459</sup> article 11 of the WCT requires protection only against the actual circumvention of protection measures that restrict acts that are either not authorised by the author or not permitted by law. Thus, under the WCT Treaty, rightsholders are only protected against acts that would also constitute copyright infringement. As this dissertation will demonstrate, both the USA and the EU go beyond this minimum level of protection.

#### ***Article 12: Obligations concerning Rights Management Information***

According to an official WIPO summary of article 12 of the WCT, the treaty

obliges contracting Parties to provide legal remedies against the circumvention of technological measures (e.g., encryption) used by authors in connection with the exercise of their rights, and against the removal or altering of information, such as certain data that identify works or their authors, necessary for the management (e.g. licensing, collecting and distribution of royalties) of their rights.<sup>460</sup>

This WIPO summary is later supported by an official WIPO statement which confirms that article 12 of the WCT applies to the exclusive and remuneration rights of rightsholders.<sup>461</sup> For the purposes of this dissertation such a statement is very important, since it is consistently argued that as long as the rights of both copyright creators and rightsholders are respected and

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technical limitations upon what the end user could do.

<sup>457</sup> See Ricketson Sam (chairperson) (2003) "WIPO study on limitations and exceptions of copyright and related rights in the digital environment" 85.

<sup>458</sup> Ibid.

<sup>459</sup> Bäsler (2003) 8/3 (Fall) *Va JL & Tech* 6.

<sup>460</sup> Summary of the WIPO WCT 1996, WIPO available at [http://www.wipo.int/treaties/en/ip/wct/summary\\_wct.html](http://www.wipo.int/treaties/en/ip/wct/summary_wct.html) (date of use: 07 March 2018).

<sup>461</sup> "Agreed Statements concerning the WIPO Copyright Treaty adopted by the Diplomatic Conference on December 20, 1996", WIPO available at [http://www.wipo.int/treaties/en/text.jsp?file\\_id=295456](http://www.wipo.int/treaties/en/text.jsp?file_id=295456) (date of use: 07 March 2018).

duly acknowledged, not only in terms of citation but also remuneration, fair dealing in respect of e-content is indeed possible.

Article 12 reads as follows:

12. Obligations concerning Rights Management Information

- (1) Contracting Parties shall provide adequate and effective legal remedies against any person knowingly performing any of the following acts knowing, or with respect to civil remedies having reasonable grounds to know, that it will induce, enable, facilitate or conceal an infringement of any right covered by this Treaty or the Berne Convention:
  - (i) to remove or alter any electronic rights management information without authority;
  - (ii) to distribute, import for distribution, broadcast or communicate to the public, without authority, works or copies of works knowing that electronic rights management information has been removed or altered without authority.
- (2) As used in this Article, 'rights management information' means information which identifies the work, the author of the work, the owner of any right in the work, or information about the terms and conditions of use of the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a work or appears in connection with the communication of a work to the public.<sup>462</sup>

Pistorius argues that these WCT provisions impact on developing countries and, in particular, that "implementations of the WCT and anti-circumvention provisions in developed countries have disturbed the copyright balance."<sup>463</sup> The reason for this is that rightsholders use technological protection measures to protect their works against unauthorised use, but also to impede users' legitimate rights of access to such works for research and teaching. This often results in the 'locking- out' of most citizens in developing countries. (Access to information for teaching purposes in South Africa as a fundamental human right is discussed in para 7.1.2 below.)

***USA legislation relating to the WCT***

Briefly, the Digital Millennium Copyright Act (DMCA), passed unanimously on 14 May 1998, is an amendment to United States' copyright law.<sup>464</sup> It criminalises the production and

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<sup>462</sup> Note that WIPO refers to Digital Rights Management (DRM) as 'Rights Management Information'.

<sup>463</sup> Pistorius (2006) 9/2 *Potchefstroom Electronic Law Journal* 157.

<sup>464</sup> Digital Millennium Copyright Act (DMCA), 1998, USA, Pub L No 105-304, 112 Stat 2860 (1998).

dissemination of technology which allows end users to circumvent technical copy-restriction methods while also outlining certain exceptions regarding fair use.<sup>465</sup> Furthermore, under this Act the circumvention of a technological protection measure that effectively controls access to a digital work is illegal<sup>466</sup> if done with the primary intention of violating the copyright of rightsholders.<sup>467</sup>

### ***European Union legislation relating to the WCT***

On 8 June 2000 and 22 May 2001 respectively, the EU's Parliament and Council passed the EC Directive on 'Certain Legal Aspects of Information Society Services, in particular Electronic Commerce',<sup>468</sup> and the EC Directive on the 'Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society' (InfoSoc Directive),<sup>469</sup> essentially an implementation of the 1996 WIPO Copyright Treaty. Interestingly, only article 5(1) (temporary acts of reproduction) is mandatory, whereas the remaining twenty acts of reproduction (art 5(2)(a-e) and art 5(3)(a-o))<sup>470</sup> of the treaty are optional.<sup>471</sup> (The EC's position on the TRIPS Agreement and the WCT is further analysed in Chapter 5 below.)

Cook<sup>472</sup> makes out an interesting argument that the EU legislators merely wanted to accede to the WCT and therefore simply pushed towards approving the two directives without applying their minds, in particular in respect of copyright exceptions. Be this right or wrong, many EU countries are now working towards more flexible legislation on exceptions.<sup>473</sup>

In her comparative study on how the USA and EU/Germany respectively implemented the provisions of the WCT, Bäsler points to the importance of differentiating between access-control devices and copy-control devices.<sup>474</sup> According to her the USA and Germany both prohibit the circumvention of, and trafficking in, access-control devices.<sup>475</sup> And although

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Also see Title 17 US Code para 1201. Also see para 4.1.1.2 below on the DMCA.

<sup>465</sup> Section 103 of the DMCA. Also see 17 USC para 1201(a).

<sup>466</sup> Section 103 of the DMCA. Also see 17 USC para 1201(a)(1)(A).

<sup>467</sup> Note the USA's position on the TRIPS Agreement and the WCT is further analysed in Chapter 4 below.

<sup>468</sup> See para 5.1 below on Council Directive 2000/31/EC.

<sup>469</sup> See para 5.1.1 below on Council Directive 2001/29/EC (InfoSoc).

<sup>470</sup> See article 5(2)(a-e) and art 5(3)(a-o)1 of InfoSoc.

<sup>471</sup> See Kur & Dreier *European Intellectual Property Law* 270.

<sup>472</sup> Cook (2012) 17 *Journal of Intellectual Property Rights* 224.

<sup>473</sup> Id at 227.

<sup>474</sup> Bäsler (2003) 8/3 (Fall) *Va JL & Tech* 3.

<sup>475</sup> Id at 4.

neither country prohibits the circumvention of copy-control devices, Germany (with its author-centric approach) requires the rightsholder to provide the user, in exchange for compensation, with the means of bypassing the copy-control devices so as to make fair use of the copyright works. It is also interesting at this point to appreciate Bäsler's remarks on the strong differences between these two countries and the EU:

The system of fair use in the European Union is more narrowly tailored than the system in the United States, and in most cases requires compensation of the rightsholder. The new German provisions preserve this requirement of compensation, and therefore correspond to the suggested solution for a restriction of fair use in United States Copyright Law based on the market failure theory.<sup>476</sup>

The respective positions of the USA, EU, UK and Germany are discussed in greater detail in the chapters that follow.

### **3.4. Marrakesh VIP Treaty**

#### ***Relevance of the Marrakesh Treaty***<sup>477</sup>

The Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or otherwise Print Disabled (the Marrakesh Treaty) entered into force on 30 September 2016.<sup>478</sup> In his article Ayoubi<sup>479</sup> makes out a strong case that countries should adopt the Marrakesh VIP Treaty, initiated and managed by WIPO, because it complements the three-step test for fair dealing entrenched in article 13 of the TRIPS Agreement as well as article 9(2) of the Berne Convention. South Africa has not yet ratified the Marrakesh Treaty. In this regard it is also important to appreciate that South Africa's Copyright Act does not contain dispositions on exceptions in respect of visually impaired persons.<sup>480</sup> However, the Copyright

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<sup>476</sup> Ibid.

<sup>477</sup> Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled, 2013 (Marrakesh Treaty).

<sup>478</sup> The Marrakesh Treaty only garnered the twenty accessions or ratifications needed for entry into force on 30 September 2016. Speaking to UN delegates in New York on Nelson Mandela International Day 18 July 2016, Stevie Wonder, a longtime Marrakesh Treaty supporter, urged greater efforts from delegates to join the 'Books for Blind' treaty that aims to boost accessibility to printed matter for the hundreds of millions of people living with visual impairments around the globe.

<sup>479</sup> Ayoubi (2015) 13 *New Zealand Journal of Public & International Law (NZJPIL)* 276.

<sup>480</sup> Van Wiele *The Marrakesh Treaty* 3.

Amendment Bills of 2015<sup>481</sup> and 2017<sup>482</sup> will in the near future have an impact on exceptions – see paragraph 6.4 for a brief discussion of these two bills.

The Marrakesh Treaty essentially deals with the right of access to content in a useable format by the visually impaired person (VIP).<sup>483</sup> According to Le Li and Selvadurai the preamble to the treaty provides for the need to provide both “effective protection of the rights of authors”<sup>484</sup> and the need to ensure

Effective and timely access to works for the benefit of persons with visual impairments, which will allow for the conversion of literary works into accessible formats for visually impaired persons in order to access material legitimately.<sup>485</sup>

However, in order not to hinder markets in which the supply of literature in an accessible format already functions, the treaty allows the limitations or exceptions to be confined to works that cannot be obtained commercially in an accessible format and under reasonable terms in the respective markets (art 4(4)).<sup>486</sup>

Essentially, the protection of visually impaired persons’ rights can be seen as a fair dealing exception which differs in two main ways from other exceptions in that the exception is well defined for a specific group of end user – the visually impaired – and the actual use is well defined. It is also important to appreciate that most visually impaired persons do not merely require a reproduction of the work – it will be of no use to them – they require a modified, accessible version that is suited to their specific needs.<sup>487</sup>

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<sup>481</sup> Government Notices 646 in GG 39028 of 27 July 2015.

<sup>482</sup> B13-2017, Bill tabled in the National Assembly on 16 May 2017 available at <http://www.gov.za/documents/copyright-amendment-bill-b13-2017-16-may-2017-0000> (date of use: 9 August 2017).

<sup>483</sup> Köklü Kaya “The Marrakesh Treaty – Time to End the Book Famine for Visually Impaired Persons Worldwide” (2014) Position paper of the Max Planck Institute for Innovation and Competition IIC 45:737-9, available at <http://www.ip.mpg.de/en.html> (date of use: 6 October 2016). In 2014, the World Blind Union estimated that over 93% of all published material is inaccessible to visually impaired persons in developed countries. In developing countries, the situation is even more dramatic with only one per cent accessibility. There are around 300 million blind and visually impaired persons worldwide.

<sup>484</sup> Li & Selvadurai (2014) 36/10 *EIPR* 653-64.

<sup>485</sup> See Marrakesh VIP Treaty 2 preamble.

<sup>486</sup> Hilty Reto M “Concerning the Implementation of the WIPO Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled” Position Paper of the Max Planck Institute for Innovation and Competition, IIC 46:707–716, 2015 available at <http://www.ip.mpg.de/en.html> (date of use: 6 October 2016).

<sup>487</sup> See Van Wiele *The Marrakesh Treaty* 39.



Li and Selvadurai successfully argue that it is necessary to harmonise the enforcement of proprietary intellectual property rights with the upholding of fundamental human rights – something that the Marrakesh Treaty indeed succeeds in doing.<sup>488</sup> More specifically, the Marrakesh Treaty supports many arguments in this dissertation in respect to less stringent access to digital content, in particular for educational purposes, in the light of South Africans’ constitutional right to education. In this regard interesting analogies can be drawn between the legal challenges related to the access to literary works by visually impaired or print-disabled persons, and fair dealing as regards digital works.

### ***USA viewpoint on visually impaired persons***

Since the USA signed the Marrakesh Treaty it has acted swiftly and a ruling by the USA’s Copyright Office now provides for DRM-circumvention exemptions for six classes of work as contained in the Digital Millennium Copyright Act.<sup>489</sup> The exception relating to literary works is of particular importance to the current work. It reads as follows:

(6) Literary works distributed in ebook format when all existing ebook editions of the work (including digital text editions made available by authorized entities) contain access controls that prevent the enabling either of the book’s read-aloud function or of screen readers that render the text into a specialized format.<sup>490</sup>

In terms of this ruling the Library of Congress now has a mandate to allow audio-impaired end users access to technological protection measures to unlock e-books in order to hear the words. According to Anderson<sup>491</sup> this exemption only applies in cases where there is no alternative, for example, where e-book vendors offer no version that allows screen-reading or text-to-speech. Even if the price is significantly higher, people must use any suitable version rather than bypassing DRM.<sup>492</sup> However, if there are no commercial alternatives, visually impaired e-book buyers are at least legally allowed to bypass DRMs.<sup>493</sup>

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<sup>488</sup> See Li & Selvadurai (2014) 36/10 *EIPR* 653-64.

<sup>489</sup> See para 4.1.1.2 below on the DMCA.

<sup>490</sup> Registrar of Copyright of the USA “Sixth Triennial Proceeding to Determine Exemptions to the Prohibition on Circumvention: Section 1201 Rulemaking” (2015) 128 available at <https://www.copyright.gov/1201/2015/registers-recommendation.pdf> (date of use 9 June 2017). Also see 17 USC para 1201 available at <http://www.copyright.gov/1201> (date of use: 29 May 2016).

<sup>491</sup> Anderson Nate “Apple loses big in DRM ruling: Jailbreaks are ‘fair use’” available at <http://arstechnica.com/tech-policy/2010/07/apple-loses-big-in-drm-ruling-jailbreaks-are-fair-use/> (date of use: 29 May 2016).

<sup>492</sup> *Ibid.*

<sup>493</sup> *Id* at 2.

### *Canadian viewpoint on visually impaired persons*

Canada acceded to the Marrakesh VIP Treaty in 2016. In Canada, in terms of the Canadian Copyright Act,<sup>494</sup> the conversion of the work into an alternative format for persons with visual disabilities is a statutory right which accrues to libraries.<sup>495</sup> Horava goes so far as to argue that

publishers and vendors need to be strongly encouraged to provide the original digital files to libraries and trusted repositories (under specified conditions) to allow us to make them available in alternative formats.<sup>496</sup>

In practice this could imply that publishers are required to allow the decryption of digital content for authorised purposes. Significant negotiation would be required here because no DRM is geared to so extreme a position. Horava continues to propose six strategies by which to negotiate an appropriate balance between licensing exigencies and copyright law, particularly with respect to e-books, whilst continuing to promote the role of copyright doctrine as a policy instrument to ensure a balance between private and public interests in the distribution of information goods.<sup>497</sup> Notably his one recommendation – “Acquire e-books via ownership, rather than subscription”<sup>498</sup> – is of importance to this dissertation in that ownership also affords future options for alternative access methods.<sup>499</sup>

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<sup>494</sup> Article 32.1 of the Canadian Copyright Act RSC 1985 c C-42.

<sup>495</sup> See Horava (2009) 4/1 *Canadian Journal of Library and Information Practice and Research* 1.

<sup>496</sup> *Ibid.*

<sup>497</sup> *Id* at 2.

<sup>498</sup> *Id* at 6.

<sup>499</sup> Also see the discussion of the first-sale doctrine in par 4.1.2 below.

## CHAPTER 4

### FAIR USE IN THE UNITED STATES OF AMERICA

**Chapter overview:** Note that in the USA ‘fair use’ is the regime of limitations and exceptions as prescribed by the Berne Convention. This chapter is started by discussing the four factors to be considered in determining whether or not a particular use is fair in the USA with specific reference to section 107 of the USA’s Copyright Act, 1976. In the USA fair use, as opposed to fair dealing, is essentially a highly flexible instrument in that courts can find a use to be fair – this notion is confirmed in this chapter through various court judgments.<sup>500</sup> The USA Digital Millennium Copyright Act, 1996, is then briefly discussed. This piece of legislation is important because it was adopted in response to the WIPO treaties.

Canada, as a Commonwealth country in North America with strong UK, USA and French ties, and with civil- and common-law influences, is influential in international policy making on fair dealing in the digital era. Relevant Canadian legislation<sup>501</sup> and case law<sup>502</sup> on fair dealing are therefore briefly considered in support of my arguments in respect of fair use in the USA in particular, but also in support of the UK’s position discussed in the next chapter of this dissertation.

#### 4.1. United States of America

##### *Introduction*

In the USA the fair use doctrine started to develop with the nineteenth-century USA copyright case of *Folsom v Marsh*<sup>503</sup> which dealt with George Washington’s biography. Over the next century and a half the 1841 *Folsom v Marsh* case was repeatedly cited for its discussion of what uses of copyright protected content might be fair. The fair use doctrine was subsequently

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<sup>500</sup> Burrell & Coleman *Copyright Exceptions* 250.

<sup>501</sup> Canadian Copyright Act, 1985, (Copyright Act of Canada RSC c C-42 1985).

<sup>502</sup> Note that the following three Canadian cases are discussed below: *CCH Canadian v Law Society of Upper Canada* [2004] 1 SCR 339; *Alberta (Minister of Education) v Canadian Copyright Licensing Agency (Access Copyright)* [2012] 2 SCR 345; and *SOCAN v Bell Canada* [2012] 2 SCR 326.

<sup>503</sup> *Folsom v Marsh* 9 F Cas 342 (CCD Mass 1841).

incorporated in the USA Copyright Act, 1976, notably in section 107. The Digital Millennium Copyright Act (DMCA) of the USA followed more than a century later and essentially implemented the two WIPO 1996 Internet treaties. The Copyright Act, 1976, and the DMCA, as codified in the US Code,<sup>504</sup> are discussed in separate paragraphs below.

Bearing in mind that the digital revolution arguably only started between 1950 and 1970, the *Sony Corp of Am v Universal City Studios Inc*<sup>505</sup> case discussed below is regarded as one of the first fair use cases on digital content in the USA.<sup>506</sup> The *Sony* case is further discussed in paragraph 4.1.2 below to set the scene before various other relevant judgments are discussed.

#### **4.1.1 Copyright Acts in the USA**

##### **4.1.1.1 Copyright Act, 1976, of the USA**

Section 107 of the USA's Copyright Act, 1976,<sup>507</sup> sets out four factors to be considered in determining whether or not a particular use is fair. These four factors are:

- Factor 1: the purpose and character of the use, including whether such use is of commercial nature or is for non-profit educational purposes;<sup>508</sup>
- Factor 2: the nature of the copyrighted work;<sup>509</sup>
- Factor 3: the amount and substantiality of the portion used in relation to the copyrighted work as a whole;<sup>510</sup> and
- Factor 4: the effect of the use on the potential market for, or value of, the copyrighted work.<sup>511</sup>

The *Basic Books Inc v Kinko's Graphics Corp* case<sup>512</sup> is one of the leading cases where the four factors contemplated in section 107 of the Copyright Act were applied in order to ascertain whether the copying indeed fell within the limits of fair use.<sup>513</sup> In the *Basic Books* case, Kinko's Graphics Corp was held to be infringing copyright when it photocopied book chapters for sale

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<sup>504</sup> Note that the US Code or USC is the official compilation and codification of the general and permanent federal statutes of the United States of America.

<sup>505</sup> *Sony Corp of Am v Universal City Studios Inc* 464 US 417, 429 (1984).

<sup>506</sup> Gerhardt & Wessel (2009-2010) 11 *NC JL & Tech* 461.

<sup>507</sup> Section 107 of the Copyright Law of the United States, 1976, circular 92 as contained in Title 17 of the US Code available at <http://uscode.house.gov/> (date of use: 07 March 2018).

<sup>508</sup> Id s 107(a).

<sup>509</sup> Id s 107(b).

<sup>510</sup> Id s 107(c).

<sup>511</sup> Id s 107(d).

<sup>512</sup> *Basic Books Inc v Kinko's Graphics Corp* 758 F Supp 1522 (SDNY) 1991.

<sup>513</sup> Id at 4.

to students as ‘course packs’ for their university classes (“copied excerpts from books”).<sup>514</sup> Interestingly the court reported on “5 packets, by number and title”, on the approximate percentage of the entire book that was copied,<sup>515</sup> and eventually “award[ed] plaintiffs injunctive relief, as well as statutory damages in the amount of US\$510 000.”<sup>516</sup> This was because the purpose of the copying was commercial (course packs competed directly with the potential sales of the original books as assigned reading for the students), and not for educational purposes.<sup>517</sup> Furthermore, the percentage of some of the works copied, which varied from five per cent to 25 per cent of the original textbook, was indeed excessive.<sup>518</sup> The four factors are further assessed below. What is liked most about this case is that the court coined the fair use doctrine as an “equitable rule of reason”<sup>519</sup> – indeed very much aligned with my hypothesis.

### ***FACTOR 1: Purpose and character of the use***

#### **Transformative use**

At issue is whether the material has been used to help create a new copyrightable work (ie, to create a derivative work) or merely copied verbatim into another work.<sup>520</sup> Transformative use was first raised in *Campbell v Acuff-Rose Music*,<sup>521</sup> a 1994 USA Supreme Court decision on parody and fair use,<sup>522</sup> discussed below, and developed as a relatively new test to establish the purpose and character of the use of material. According to the *Campbell* case, the use of material is considered transformative if it uses a source work in completely new or unexpected ways.<sup>523</sup> Importantly, a work may be transformative, and thus a fair use, even when all four of the statutory factors would traditionally weigh against fair use. It was also emphasised in this case that when a use is substantially transformative, the other factors are less significant. Beebe

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<sup>514</sup> Id at 1, 16.

<sup>515</sup> Id at 1. One example used by the applicant makes interesting reading, namely “ PACKET # 34. 9. Business Ethics (PX 10) 22pp. [14%], in-print, by Norman Bowie. Pages 17-38 (all of chapter 2) of this book were copied. The book has 7 chapters, 159 pages of text and index, and 13 pages of introductory material. This book was published in 1982. The amount copied weighs against defendant” and illustrates the detail to which the respective parties resorted to in order to substantiate the merits of their cases.

<sup>516</sup> Ibid.

<sup>517</sup> Id at 16.

<sup>518</sup> Id at 7.

<sup>519</sup> Id at 4.

<sup>520</sup> Srinivasa, Rao & Moorthy “Scholarly Communication and Intellectual Property Rights” papers presented at the National Conference 4-5 August 2014 available at <http://docplayer.net/5969469-Scholarly-communication-and-intellectual-property-rights.html> (date of use: 6 October 2016).

<sup>521</sup> *Campbell v Acuff-Rose Music* 510 US 569 (1994) SC.

<sup>522</sup> Id at para 578.

<sup>523</sup> Id.

argues that the *Campbell* case effectively sought to overwrite the *dictum* of the 1984 *Sony* case,<sup>524</sup> also discussed below, that is that “[i]f the intended use is for commercial gain”, then a likelihood of market harm under factor four “may be presumed”.<sup>525</sup>

Another case on transformative use is the *Kelly v Arriba Soft Corporation* case.<sup>526</sup> This case relates to Kelly, a commercial photographer, the copyright owner of images of the American West,<sup>527</sup> and Arriba soft Corp, an Internet search engine company, that copied images of Kelly from other websites.<sup>528</sup> The first aspect of the infringement related to crawlers and thumbnails.<sup>529</sup> The more relevant issue, though, was the second aspect of the alleged infringement, namely that once the end user double clicks on the thumbnail, the webpage will “display the original full-sized image, surrounded by text describing the size of the image, a link to the original web site, the Arriba banner, and Arriba advertising.”<sup>530</sup> These works were found to constitute both commercial and transformative use, and the court accordingly held that

(t)his first factor weighs in favour of Arriba due to the public benefit of the search engine and the minimal loss of integrity to Kelly’s images.<sup>531</sup>

The court also held that the use of small sized pictures (thumbnails) does not contradict the licence agreement for the pictures and does not create an obstacle to their commercial sale.<sup>532</sup>

It accordingly held that:

Arriba’s reproduction of Kelly’s images for use as thumbnails in Arriba’s search engine is a fair use under the Copyright Act.<sup>533</sup>

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<sup>524</sup> See *Sony Corp of Am v Universal City Studios Inc* 464 US 417, 429 (1984), 464 US 417, 451 (1984).

<sup>525</sup> Beebe (2008) 156/3 *University of Pennsylvania Law Review* 618.

<sup>526</sup> *Kelly v Arriba Soft Corporation* 280 F 3d 934 (9th Cir 2002) withdrawn, re-filed at 336 F 3d 811 (9<sup>th</sup> Cir 2003).

<sup>527</sup> *Id* at 815.

<sup>528</sup> *Ibid*.

<sup>529</sup> *Ibid*. Note that in order to provide this service: “Arriba developed a computer program that ‘crawls’ the web looking for images to index. This crawler downloads full-sized copies of the images onto Arriba’s server. The program then uses these copies to generate smaller, lower-resolution thumbnails of the images. Once the thumbnails are created, the program deletes the full-sized originals from the server. Although a user could copy these thumbnails to his computer or disk, he cannot increase the resolution of the thumbnail; any enlargement would result in a loss of clarity of the image”.

<sup>530</sup> *Id* at 816.

<sup>531</sup> *Id* at 820.

<sup>532</sup> *Id* at 821.

<sup>533</sup> *Id* at 822.

Alarkurt<sup>534</sup> comments on the *Kelly* case from a higher education perspective. Whilst concurring that Arriba's use was significantly transformative, carrying an aim of usage for common good, he pointed out that the majority of academic users have a low level of awareness of fair use principles which results in the transformative use of study material for the common good (education) always being at risk of being abused.<sup>535</sup>

In yet another case on transformative use, the *Perfect 10 v Google* case<sup>536</sup> between an online magazine and a "software, technology, Internet, advertising, and media company rolled into one",<sup>537</sup> the works were found to constitute highly commercial and partly transformative use, and the District Court of the Central District of California accordingly held that this transformative use factor "weighs slightly in favor of P10".<sup>538</sup> This ruling was, however, overturned by a panel of three judges in the Court of Appeals, Ninth Circuit, who stated:

We conclude that Perfect 10 is unlikely to be able to overcome Google's fair use defence and, accordingly, we vacate the preliminary injunction regarding Google's use of thumbnail images.<sup>539</sup>

The definition of transformative use can therefore be formulated to determine whether the use merely supersedes the objects of the original creation, or instead adds something new with a further and different purpose which alters the original by presenting a new expression, meaning or message. In his analysis of the *Perfect 10* case, Ding<sup>540</sup> argues with great relief that the case "signified the continued trend of liberal interpretation of the copyright fair use doctrine"<sup>541</sup> by the courts, adding that while the ruling strengthens search engines' function in promoting public knowledge, it simultaneously leaves them responsible for deterring infringement committed using their technology.

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<sup>534</sup> Alakurt (2015) 4/4 *International Journal of Higher Education* 26.

<sup>535</sup> Id at 29. Note: On the notion of the possible abuse of 'transformative use' Alakurt quotes one of the participants in his survey to illustrate the general ignorance that exists among users: "I did not develop anything. We have already worked on this developed platform and in it they especially carried out situation discussions. These text based contents were ready. Therefore, I did not constitute anything but used what already existed."

<sup>536</sup> *Perfect 10 v Google Inc et al* 416 F Supp 2d 828 (CD Cal 2006). Note: The plaintiff, Perfect 10 Inc, filed separate suits against Google Inc, and against Amazon.com, Inc, and Amazon's subsidiary, A9.com, alleging copyright and trademark infringement and various related claims. The suits were later consolidated after both parties appealed against the ruling.

<sup>537</sup> Id at 832.

<sup>538</sup> Id at 849.

<sup>539</sup> *Perfect 10 Inc v Amazon.com Inc* 508 F 3d 1168 (9th Cir 2007).

<sup>540</sup> Ding (2008) 23 *Berkeley Technology Law Journal* 374-409.

<sup>541</sup> Id at 409.

From a non-profit institution's perspective, the notion of transformative use is of particular importance to this dissertation with reference to the *Cambridge* case,<sup>542</sup> which is, according to Findley,<sup>543</sup> the first fair use case to deal with digital content at universities and other non-profit organisations. In this case the court noted that all four factors must be weighed together, and that the *Campbell* case should serve as precedent to guide the analysis, but by avoiding a transformative use analysis.<sup>544</sup> The court in the *Cambridge* case ruled that

straight reproduction for the classroom was an exception to the emphasis on transformation and as such the e-reserve excerpts favoured a finding of fair use.<sup>545</sup>

### **Purpose and nature of use at academic institutions or non-profit organisations**

Due to the nature of academic institutions this first factor generally weighs in favour of such institutions, as opposed to commercial entities, as was held in *Princeton University Press v Michigan Document Services Inc.*<sup>546</sup> Educational use alone, however, does not automatically result in a finding of fair use. Similarly, commercial use is not always an infringement.

Transformative use at academic institutions was also an issue in the *iParadigms* case<sup>547</sup> where the court held that copying high school student papers to an electronic archive used to detect plagiarism, constitutes fair use because the plaintiffs' works had an entirely different function and purpose than the original works, namely to detect plagiarism. Paul<sup>548</sup> summarises the court's ruling to mean that "archiving of students' work for the purposes of plagiarism detection is fair use". She reasons that it was transformative, and although used for commercial purposes, did not harm the market value of the works. In her summary of the *iParadigms* case,

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<sup>542</sup> *Cambridge University Press v Becker* 863 F Supp 2d 1190 (ND Ga 2012). Note: The plaintiffs were a triumvirate of academic publishers – Cambridge University Press, Oxford University Press, and Sage Publications. Georgia State University's (GSU) officials were sued in their professional capacities. Furthermore, the court noted that as regards the quality or substantiality of GSU's copying, it was not aimed at stealing 'the heart of the book' but rather focused on filling a 'need' or gap in the course curriculum. (See the *Cambridge* case 1233.)

<sup>543</sup> Findley (2013) 64 *Mercer Law Review* 612-29. Note: This article was written by Findley while the *Cambridge* case was under appeal to the Eleventh Circuit. In the meantime universities and libraries will continue to look to the *Cambridge* case as strong, positive, persuasive authority when sued or when creating guidelines for fair use.

<sup>544</sup> *Id* at 617.

<sup>545</sup> See *Cambridge University Press v Becker* 863 F Supp 2d 1190 (ND Ga 2012) para 49.

<sup>546</sup> See *Princeton University Press v Michigan Document Services Inc* 99 F 3d 1381 (6th Cir 1996).

<sup>547</sup> *AV v iParadigms LLC* 562 F 3d 630, 634 (4th Cir 2009).

<sup>548</sup> Paul 2009 *DEPAUL J Art, Tech & IP Law* 216-25.



Nusbaum<sup>549</sup> also correctly points out that the purpose and scope as a digitised record was for electronic comparison purposes only and that no market substitute was created by iParadigms.

***FACTOR 2: Nature of the copyrighted work***

With reference to various judgments, notably the *Los Angeles Times v Free Republic* case,<sup>550</sup> this second factor generally weighs in favour of fair use if the work to be used is factual in nature. Works involving more creative expression such as plays, poems, fictional works, photographs, paintings, or musical compositions, as was the situation in *Higgins v Detroit Educational Television Foundation*,<sup>551</sup> generally weigh against fair use.

According to the case law above, the case in favour of fair use becomes stronger when there are only a few ways of expressing the ideas or facts contained in a factual work. The line between unprotected facts and ideas on the one hand, and protected expression on the other, is often difficult to draw. If there is only one or very few ways to express a fact or idea, the expression is said to have merged into the fact or idea, and there is no copyright protection for the expression. The development of factor two is a good example of how American legislation developed in compliance with Article 2(8) of the Berne Convention which withholds copyright protection from factual information.

***FACTOR 3: The amount and substance of the portion used in relation to the copyrighted work as a whole***

This third factor could be seen as a sliding-scale factor: the greater the amount you copy, the less likely it is to be regarded as fair use. In the *Basic Books* case 25 per cent was found to be excessive, while in the *Princeton University Press*<sup>552</sup> case even five per cent of the content was found to be excessive. The USA's Copyright Act, like similar Acts in other countries, does not give numbers or percentages.<sup>553</sup> This deliberate flexibility allows each situation to be judged on its specific facts and increases the functionality of fair use, particularly in the higher education setting. It remains important, however, to consider the qualitative and quantitative nature of the

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<sup>549</sup> Nusbaum (2010) 66/1 *The Business Lawyer* 205-11.

<sup>550</sup> *Los Angeles Times v Free Republic* 54 USPQ 2D 1453 (CD Cal 2000).

<sup>551</sup> *Higgins v Detroit Educational Television Foundation* 4 F Supp 2d 701 (ED Mich 1998).

<sup>552</sup> See *Princeton University Press v Michigan Document Services Inc* 99 F 3d 1381 (6th Cir 1996).

<sup>553</sup> Note that, on the contrary, s 36 of the UK Copyright Act does prescribe percentages. See para 6.2.1 below for a detailed discussion.

portion copied. Sometimes, even when only a small amount is taken, this factor weighs against fair use if the portion is justly characterised as “the heart of the matter”.<sup>554</sup>

In the *ASCAP* case,<sup>555</sup> which dealt with ringtones, the extent and substance of the portion used in relation to the copyright work as a whole, was analysed by Jacobs J.<sup>556</sup> He notes that the court ruled in favour of the collecting society, ASCAP, based on this fourth factor simply because of the nature of ringtones – ringtones are inherently short lasting 10 to 60 seconds – and excerpts therefore essentially constitute the entire work.<sup>557</sup> This left the court with little choice but to rule that there had indeed been copyright infringement.

***FACTOR 4: The effect of the use on the potential market for, or value of, the copyrighted work***

This fourth factor relates to the effect of the copying on the market and is often cited as the most important of the four factors (“undoubtedly the single most important element of fair use” since the 1985 *Harper* case).<sup>558</sup> However, all factors are interrelated and must be evaluated jointly.

Essentially, this factor considers whether the copying of a work negatively impacts the market for or value of the copyright work, and if it does this is likely to weigh against a finding of fair use. For instance, one could ask: “Are the authors and publishers deprived of potential royalties or sales?”, or to quote directly from Article 9(2) of the Berne Convention

such reproduction does not conflict with a normal exploitation of the work.<sup>559</sup>

In practice most educational institutions and reproduction rights organisations (on behalf of publishers) enter into licensing agreements that give permission to reproduce copyright works.

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<sup>554</sup> *Sundeman v The Seajay Society Inc* 142 F 3d 194 (4th Cir 1998).

<sup>555</sup> *United States v American Society of Composers, Authors and Publishers* 599 F Supp 2d 415 (SDNY 2009) (*ASCAP* case).

<sup>556</sup> Jacobs (2009) *DEPAUL J Art, Tech & IP Law* 200-16.

<sup>557</sup> *Id* at 205.

<sup>558</sup> See *Higgins v Detroit Educational Television Foundation* 4 F Supp 2d 708 (ED Mich 1998). Note: The Supreme Court found that the publishing house's verbatim copying of some 300 words from President Ford's unpublished memoir constituted the 'heart' of the work and was not fair use (569).

<sup>559</sup> Article 9(2) of the Berne Convention.

However, in the *Princeton University Press* case<sup>560</sup> the decision was built on market effect and specifically emphasised

- (1) that an existing licensing system will weigh heavily against fair use, and
- (2) that ‘course-pack’ production by a commercial copy shop does not constitute fair use even if professors select the copied materials.<sup>561</sup>

In this case eight judges ruled against fair use, and five judges dissented finding that the copying should constitute fair use.

### **On all four factors together**

In 2008, Beebe<sup>562</sup> conducted an empirical study of 557 opinions<sup>563</sup> to ascertain which of the four factors are applied by the courts as the most important, or dominating factor. Whilst drawing strongly on the 1994 *Campbell* case<sup>564</sup> (where the court formulated a sensible refinement of the *Sony* presumption), he argues that factor four is not the most important factor, as was commonly accepted after the *Harper* case,<sup>565</sup> concluding that:

Ultimately, the paradox of the fourth factor is that it is everything in the fair use test and thus nothing.<sup>566</sup>

He also remarks that in practice, “judges appear to apply section 107 in the form of a cognitively more familiar two-sided balancing test in which they weigh the strength of the defendant's justification for its use, as that justification has been developed in the first three factors,<sup>567</sup> against the impact of that use on the incentives of the plaintiff.”<sup>568</sup>

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<sup>560</sup> See *Princeton University Press v Michigan Document Services Inc* 99 F 3d 1381 (6th Cir 1996) para 18.

<sup>561</sup> *Id* at para 98.

<sup>562</sup> See Beebe (2008) 156/3 *University of Pennsylvania Law Review* 624.

<sup>563</sup> *Id* at 623. Beebe conducted an empirical study to ascertain the data set consisting of all 557 reported federal opinions that made substantial use of the s 107 four-factor test for fair use through 2005. One interesting finding was that lower courts are in general ignorant of the higher courts' findings in leading cases such as the *Campbell* case.

<sup>564</sup> See *Campbell v Acuff-Rose Music* 510 US 569 (1994) SC.

<sup>565</sup> See *Harper & Row, Publishers, Inc v Nation Enters* 471 US 539, 566 (1985).

<sup>566</sup> See Beebe (2008) 156/3 *University of Pennsylvania Law Review* 620.

<sup>567</sup> *Id* at 621.

<sup>568</sup> *Ibid*.

Goldstein<sup>569</sup> was clearly intrigued by the findings of Beebe’s empirical study of fair use. In his article he was able to integrate Gordon’s market failure theory with the findings of Beebe, within the context of the *Sony* and *Campbell* cases. Goldstein then used two examples, namely technologies (TCMs), and parody to successfully illustrate that cases are decided inside the relevant category rather than on factors imposed from outside. He, inter alia, came to the conclusion that:

First, fair use is a quintessentially pragmatic doctrine, one that proceeds from fact to fact, case to case, with expedience, not theory, as its guiding influence.<sup>570</sup>

In 2015, with the advantage of having insight into technological advances over the last two decades, Leval<sup>571</sup> (himself a judge) had the opportunity to write about the collective wisdom of the courts on the application of the four factors when dealing with fair use – interestingly, as a judge, he reverted to the *Campbell* case as the landmark case after two decades of technological advances and many other cases at his disposal. Among a long list of contributions that the *Campbell* case made to the fair-use doctrine, he remarks that: “Finally, Campbell rejected treating the statute’s four factors as disparate inquiries, requiring instead that they be ‘weighed together, in light of the purposes of copyright’.”<sup>572</sup>

#### **4.1.1.2 The Digital Millennium Copyright Act**

The Digital Millennium Copyright Act (DMCA)<sup>573</sup> of the USA implemented two WIPO Internet treaties of 1996, namely the WIPO Copyright Treaty (WCT), and the Performance and Phonograms Treaty (WPPT).<sup>574</sup> In this regard section 103 of the DMCA adds a new Chapter 12 to Title 17 of the US Code (USC).<sup>575</sup> This new section 1201 of the USC<sup>576</sup> implements the obligation to provide adequate and effective protection against circumvention of technological measures used by rightsholders to protect their works. In essence the DMCA bans the circumvention of DRM technologies used to control copyrightable digital content. More

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<sup>569</sup> Goldstein (2007-2008) 31/4 *Colum JL & Arts* 433-46.

<sup>570</sup> *Id* at 440.

<sup>571</sup> Leval (2015) 90 *Washington Law Review* 598; Leval is a judge of United States Court of Appeals for the Second Circuit.

<sup>572</sup> *Id* at 602.

<sup>573</sup> Digital Millennium Copyright Act 1998 USA, Pub L No 105-304, 112 Stat. 2860 (1998).

<sup>574</sup> See para 3.3.2 above on the WCT.

<sup>575</sup> Section 103 of the DMCA. Also see 17 US Code para 1201.

<sup>576</sup> 17 US Code para 1201.

specifically, the DMCA contains four main provisions that are relevant to fair use of copyrightable digital content, namely:

- Anti-circumvention provision prohibiting the use of a circumvention technology that prevents access to certain works: “No person shall circumvent a technological measure that effectively controls access to a work protected under the Copyright Act.”<sup>577</sup>
- Clarification on the prohibition of devices which circumvent technologies designed to prevent access to a work.<sup>578</sup>
- Anti-trafficking provisions that circumvent technologies designed to permit access to a work but prevent copying of the work or some other infringement of the owner’s copyrights.<sup>579</sup>
- Non-profit library, archive, and educational institution exception.<sup>580</sup>

### **On Online Service Providers (OSPs), the notice-and-takedown system and the DMCA**

The DMCA arguably attempts to balance the rights of rightsholders (by means of a notice-and-takedown system) with OSPs (by means of safe havens). In this respect the DMCA provides a safe haven for Online Service Providers (OSPs).<sup>581</sup> The DMCA's safe havens are for: (1) transitory digital network communications;<sup>582</sup> (2) system caching;<sup>583</sup> (3) information residing on systems or networks at the direction of users;<sup>584</sup> and (4) information locations tools, such as directories, indexes, and hypertext links.<sup>585</sup> However, the notice-and-takedown system, as a legal tool for rightsholders, can go astray. In his critical review of the *Lenz* case,<sup>586</sup> Concepción<sup>587</sup> points out how absurd the notice-and-takedown system can be when applied in

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<sup>577</sup> Section 103 of the DMCA. Also see 17 USC para 1201(a).

<sup>578</sup> Id. Also see 17 US Code para 1201(c)3.

<sup>579</sup> Id. Also see 17 US Code para 1201(b)(1).

<sup>580</sup> Id. Also see 17 US Code para 1201(d). Further note that the prohibition on the act of circumvention of access control measures is subject to an exception that permits non-profit libraries, archives, and educational institutions to circumvent it solely for the purpose of making a good faith determination as to whether they wish to obtain authorised access to the work.

<sup>581</sup> Concepción (2010) 18/1 *Geo Mason L Rev* 219-26.

<sup>582</sup> Id at 226. Also see 17 USC para 512(a).

<sup>583</sup> Ibid. Also see 17 US Code para 512(b).

<sup>584</sup> Ibid. Also see 17 US Code para 512(c).

<sup>585</sup> Ibid. Also see 17 US Code para 512(d).

<sup>586</sup> *Lenz v Universal Music Corp* 572 F Supp 2d 1150 (ND Cal 2008).

<sup>587</sup> See Concepción (2010) 18/1 *Geo Mason L Rev* 219.

practice. In the *Lenz* case a takedown notice was served on YouTube in accordance with DMCA protocols, based on the fact that the video clip that the mother posted on YouTube, and which apparently went viral over the Internet, contained random background music<sup>588</sup> that was playing at that specific time over the radio in her house. YouTube owns no copyright in content<sup>589</sup> and acted mechanically by adhering to the take-down notice – which is not incorrect as the DMCA lacks an enforcement mechanism to ensure that the alleged infringement constitutes fair use, which is the point that Concepcion attempted to show in his review of the case. The Ninth Circuit, therefore, attempted to combat such abuse by ruling that rightsholders must first conduct an analysis of whether the material constitutes fair use, and so is not an infringement, before issuing a take-down notification.<sup>590</sup> Concepcion closes his argument by stating that rightsholders have a responsibility to check whether allegedly infringing content constitutes fair use before they resort to the notice-and-takedown system available to them.<sup>591</sup> Unfortunately, the ease with which a takedown notice can be served negates such responsibility of rightsholders.

Randazza,<sup>592</sup> writing on the *Lenz* case six year later than Concepcion, and with the advantage of legal developments and technological advances in the field, argues that the *Lenz* case stands as an example of the need to treat fair use as a right, rather than merely as a defence.<sup>593</sup> He bases this on questionable arguments such as:

Stephanie Lenz was only able to bring her case because an advocacy organization took up the cause. ... when a copyright claim is filed against an otherwise fair user, the fair user is presented with the potential to recover attorney's fees if he wins.<sup>594</sup>

Randazza is, however, correct when he remarks that:

The DMCA takedown scheme virtually ensures censorship of fair use before there is even adjudication as to whether the use is actually fair.<sup>595</sup>

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<sup>588</sup> Note: The song was 'Let's Go Crazy' by the musical artist Prince.

<sup>589</sup> Youtube Copyright policy available at <https://www.youtube.com/yt/copyright/> (date of use: 24 June 2017).

<sup>590</sup> See *Lenz v Universal Music Corp* 572 F Supp 2d 1150 (ND Cal 2008) 6. Judge Tallman held that § 512 of the USA Copyright Act "unambiguously contemplates fair use as a use authorized by the law," and, as such, "requires copyright holders to consider fair use before issuing takedown notices".

<sup>591</sup> See Concepción (2010) 18/1 *Geo Mason L Rev* 222

<sup>592</sup> Randazza (2016) 18/4 *Vand J Ent & Tech L* 743-81.

<sup>593</sup> *Id* at 772.

<sup>594</sup> *Ibid*.

<sup>595</sup> *Id* at 773.

Interestingly, he also recommends the amendment of 17 USC section 107 to prevent attorneys from taking on fair use cases on a contingency basis, and advocates for additional penalties for bad-faith copyright lawsuits or takedown notices restricting fair use or otherwise protected speech – indeed a very interesting perspective on fair use.

In addition to the views of Randazza on the *Lenz* case, the author of a recent article appearing in the *Harvard Law Review*<sup>596</sup> argues that the court’s ruling in the *Lenz* case “encourages exactly the kind of abuse it was trying to stem – that of reckless and careless issuing of DMCA takedown requests.”<sup>597</sup> Be that as it may, the author concludes by making a sensible recommendation that:

In order to target this abuse more directly, the Ninth Circuit should have construed ‘knowing’ misrepresentation to include statements recklessly made asserting infringement without a basis for the belief that the work was not fair use.<sup>598</sup>

As this dissertation is concerned with publishers, one may be intrigued as to how publishers will put appropriate measures in place in cases of alleged infringement of copyright by education institutions. However, as is suggested by the author, it would actually not be a bad idea, were rightsholders to start labelling their procedures on ‘considerations of fair use’ – at least fairness can then be achieved in that both parties are transparent as to their intentions.

After a careful look at the above, one could argue that DMCA lawmakers sought to protect information from those who might illegally profit by making unauthorised reproductions of copyright digital content.<sup>599</sup> In fact, Hoffer goes so far as to comment that

lawmakers consider the act of circumventing a technological protection measure put in place by a rightsholder to control access to copyright digital content as the electronic equivalent of breaking into a locked room in order to obtain a copy of a printed edition of a book.<sup>600</sup>

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<sup>596</sup> Anon (2015-2016) 129 *Harv L Rev* 2289-96.

<sup>597</sup> *Id* at 2293. Note that, in terms of the court’s ruling, ‘actual knowledge’ standard need to be met, which means that for plaintiffs to prove ‘knowing’ misrepresentation, they must show (as long as the copyright holder claims to have evaluated fair use) that the copyright holder did not actually believe the takedown target to be outside fair use.

<sup>598</sup> *Id* at 2296.

<sup>599</sup> Hoffe (2011) 7 *Wash J L Tech & Arts* 13.

<sup>600</sup> *Id* at 16.

Von Lohmann, however, argues that under the DMCA rightsholders now have the ability to write their own intellectual property regimes in computer code, secure in the knowledge that the DMCA will back the regime with the force of law.<sup>601</sup> However, this only became a reality after rightsholders, in urging Congress to pass the DMCA's prohibitions on circumventing access controls, contended that without this reinforced protection they would lack the incentive to make their works available on the Internet.<sup>602</sup>

From a practical perspective let us consider how the DMCA deals with multiple copies. For example, when you buy an e-book that can be accessed on only one computer and cannot be printed (as per content rightsholder specifications, ie DRM settings), the DMCA would not prohibit circumvention to enable printing *per se*, but it would prohibit the making or distribution of software that can be used for this act. The DMCA also prohibits the bypassing of the software code to make an e-book accessible on other digital devices. The exception permitted for individual acts of circumvention of usage controls (DRM settings) is insufficient to preserve fair use. Furthermore, fair use is not a valid excuse for the act of circumvention in situations prohibited by the DMCA.

In a recent publication Desai<sup>603</sup> makes a very interesting point on Congress's attempt to moderate the balance between protection of copyright works and advancing technology and innovation by means of the DMCA. With reference to the *ReDigi* case<sup>604</sup> he argues that, on the one hand, innovators will continue to design technologies to circumvent copyright measures ("design[ed] to infringe copyright"), because, ironically, the current patent regime permits patenting such DRM inventions.<sup>605</sup> On the other hand, rightsholders will protect themselves from patented infringement-inducing technologies by simply developing new and more advanced DRM software.<sup>606</sup> These comments should be seen in the light of the philosophical

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<sup>601</sup> Von Lohmann Fred "Fair dealing and Digital Rights Management: Preliminary Thoughts on the (Irreconcilable?) Tension between Them, Computers, Freedom & Privacy" 2002 available at <https://www.eff.org/> (date of use: 6 October 2016). Note that analogies were slightly adjusted to reflect a South African context.

<sup>602</sup> Ginsburg (2001) 25/1 *Columbia-VLA Journal of Law & Arts* 11.

<sup>603</sup> See Desai (2015-2016) 15 *Marshall Rev Intell Prop L* 113.

<sup>604</sup> See para 4.1.2 below where the *ReDigi* case is discussed in depth.

<sup>605</sup> See Desai (2015-2016) 15 *Marshall Rev Intell Prop L* 113.

<sup>606</sup> *Ibid.*



rationale of the patent regime.<sup>607</sup> Desai's point is further illustrated by Schlesinger and Metalitz from the International Intellectual Property Alliance who argue as follows in the "Copyright Industries in the US Economy" Report:

Despite the robust achievements of the copyright industries during the period covered [in the Report] significant challenges remain. The copyright industries derive a growing percentage of their revenue from the digital marketplace. Problems such as online piracy and unlicensed uses of copyright materials, as well as market access and other discriminatory challenges, inhibit the growth of these markets in the U.S. and abroad. Economic reports such as this one underscore what is at stake. They provide a compelling argument for more effective legal, enforcement, and market access regimes to promote and foster the growth of the copyright industries throughout the world.<sup>608</sup>

Bäsler<sup>609</sup> has some interesting perspectives on the DMCA where she argues in favour of fair use justification from a market-failure theory angle.<sup>610</sup> For example, in cases such as parody or criticism it is probable that the user will not be able to acquire a licence, or that he or she will acquire a licence only against payment of a huge royalty – in which case fair use has a rightful place in society to 'excuse socially beneficial uses', whilst in the case of academic text books a licence should be fairly easy to obtain – she then concludes by asking if we actually need fair use in today's world of information and communication technologies.

In conclusion on the DMCA, Cohen<sup>611</sup> is fierce in his criticism of the DMCA. He argues that "instead of relying on a fair use defence, the alleged infringer will have to defend himself for violating the DMCA." He further argues that The DMCA can be used in the future by publishers to maximise profits and ensure the destruction of the fair-use defence by taking advantage of the strict decryption prohibitions contained in that statute. Cohen's arguments are analysed further in Chapter 8.

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<sup>607</sup> See para 2.5 above on the "Philosophical rationale of patents".

<sup>608</sup> Stephen E Siwek "Copyright Industries in the US Economy: The 2014 Report" prepared for Economists Incorporated for the International Intellectual Property Alliance (IIPA) December 2014 available at [www.iipa.com](http://www.iipa.com) (date of use: 6 October 2016).

<sup>609</sup> See Bäsler (2003) 8/3 (Fall) *Va JL & Tech* 8.

<sup>610</sup> Note: The market failure theory essentially means that when the transaction costs for acquiring a license to use the work would exceed the royalties that would potentially be accrued to the copyright owner, the fair-use defence serves as justification for using the work. The market-failure theory was introduced into copyright law by Gordon (1982) 82 *Colum L Rev* 1600.

<sup>611</sup> See Cohen (2001-2002) 9 *J Intell Prop L* 171.

### 4.1.2 USA case law on fair use

Arguments surrounding the fair use of digital works must be analysed within the context of the USA's Constitution. A review of the relatively 'old' 1984 *Sony* case, the 1994 *Campbell* case, and the more recent 2001 *Corley* case below, aims to set the constitutional context before other cases on fair use are discussed.

#### *Sony Corp of Am v Universal City Studios Inc*

The 1984 *Sony* case<sup>612</sup> relates to first-generation digital content, more particularly videocassettes (VCRs).<sup>613</sup> VCRs became available to the public around 1970 and enabled consumers to record television (TV) programs, to create home video recordings, and to copy entire TV programs onto videocassette for private home viewing. Whilst relying on the constitutional purpose of copyright that embraces both promoting "the Progress of Science and useful Arts," and serving "the welfare of the public,"<sup>614</sup> the court held in this case that "time-shifting"<sup>615</sup> a television program by means of the VCR technology described above, constituted fair use "even though the entire work was reproduced."<sup>616</sup> This judgment is easy to understand in the context of its time – for all practical purposes the creation of a videocassette, of which the magnetic tape is essentially in analogue format, by a consumer could only result in a single analogue copy, which is quite obviously fit for private use only. Or to put it differently, in the 1980s, with only analogue technology available, it was easy for the judge in the *Sony* case to make the fair-use ruling. Bäsler also concurs with another perspective on the *Sony* case – ie, that one of the justifications asserted for the fair-use defence is that the transaction costs for acquiring a licence to use the work would exceed the royalties that would be due to the rightsholder.<sup>617</sup> However, in a world of instant communication at negligible cost, it is theoretically easy to obtain a licence speedily and at a fair price. Therefore, under Gordon's<sup>618</sup> market-failure theory there is no justification for fair use.<sup>619</sup>

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<sup>612</sup> See *Sony Corp of Am v Universal City Studios Inc* 464 US 417-98 (1984).

<sup>613</sup> Note: A VCR (videocassette recorder) is an electromechanical device for recording and playing back full-motion audio-visual programming on cassettes containing magnetic tape.

<sup>614</sup> Article I, § 8 cl 8 Constitution of the USA of 1789.

<sup>615</sup> Note: Time-shifting means the process of recording and storing data for later viewing, listening or reading.

<sup>616</sup> See *Sony Corp of Am v Universal City Studios Inc* 464 US 496 (1984). Also see Gerhardt & Wessel (2009-2010) 11 NC JL & Tech 497.

<sup>617</sup> See Bäsler (2003) 8/3 *Va JL & Tech* 9.

<sup>618</sup> Gordon (1982) 82 *Colum L Rev* 51.

<sup>619</sup> See Bäsler (2003) 8/3 *Va JL & Tech* 9.

Nowadays, more than 30 years later, videocassettes are obsolete and digital content is managed by means of third-generation DRM technologies. As a result, the recording of TV programs can only be done in digital format. The challenge lies in the fact that multiple copies of the digital work can be made and distributed without passing the fourth factor test described above, because such unauthorised reproductions of copyright digital content will interfere with rightsholders' market or potential market. Differently phrased, according to Desai<sup>620</sup> general copyright policy weighs against creating a digital first-sale doctrine because rightsholders' rights would be over-exhausted. For instance, the sale prices for digital content are not set to incorporate secondary sale possibilities, so rightsholders would arguably end up earning less in royalties.

Lastly, although the copying of the 'entire work' was regarded as fair use in the *Sony* case, it would be very difficult to argue that such copying of complete works is fair use if we superimpose this argument on the educational sector – despite Gerhardt and Wessel arguing that “whether the issue is classroom access to research and scholarship or the publication of a substantive scholarly critique, we think both copyright jurisprudence and equity will often support fair use.”<sup>621</sup> Gerhardt and Wessel also suggests that the first and fourth factors will generally weigh heavily in favour of a fair-use finding, whilst the second and third factors may tip against such a finding in specific cases. However, most courts when confronted with the academic use of content, would ultimately find the use to be fair. This topic is discussed further in Chapter 8.

### ***Campbell v Acuff-Rose Music***

In 1994 the *Campbell* case<sup>622</sup> on 'parody & fair use' the court formulated a sensible refinement of the *Sony* presumption which, twenty years later, still informs the way in which courts think about fair use:

No 'presumption' or inference of market harm that might find support in *Sony* is applicable to a case involving something beyond mere duplication for commercial purposes. *Sony's* discussion of a presumption contrasts a context of verbatim copying of the original in its entirety for commercial purposes, with the non-

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<sup>620</sup> See Desai (2015-2016) 15 *Marshall Rev Intell Prop L* 112.

<sup>621</sup> See Gerhardt & Wessel (2009-2010) 11 *NC JL & Tech* 530.

<sup>622</sup> *Campbell v Acuff-Rose Music* 510 US 569-598 (1994) SC.

commercial context of Sony itself (home copying of television programming). In the former circumstances, what Sony said simply makes common sense: when a commercial use amounts to mere duplication of the entirety of an original, it clearly ‘supersede[s] the objects’ of the original and serves as a market replacement for it, making it likely that cognizable market harm to the original will occur. But when, on the contrary, the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred.<sup>623</sup>

The facts of the *Campbell* case are briefly as follows. The co-rightsholder of the 1964 rock ballad *Oh, Pretty Woman* by Roy Orbison, accused the hip-hop group 2 Live Crew of infringing Orbison’s rights to the song by releasing a 1989 parody version under the title *Pretty Women*.<sup>624</sup> The Sixth Circuit ruled that the parody was not fair use and that its commercial nature rendered it presumptively unfair. The court also found that by using the ‘heart’ of the original song, ie, *Oh Pretty Woman*, as the ‘heart’ of the parody, ie, *Pretty Women*, 2 Live Crew had appropriated too much and had established market harm by presumption.<sup>625</sup> The Supreme Court, overruled this finding, stating that:

Like other uses, parody has to work its way through the relevant [four] factors, and be judged case by case, in light of the ends of the copyright law.<sup>626</sup>

The Supreme Court ultimately ruled that the use indeed amounted to fair use.

Reese<sup>627</sup> has written extensively on the *Campbell* case. In the article cited here he attempts to clarify the nature of the ‘transformativeness’ enquiry in fair-use analysis. One of his findings is that “the courts focus more on the purpose of a defendant’s use than on any alteration the defendant has made to the content of the plaintiff’s work.”<sup>628</sup> In my view this purpose-based focus of the transformativeness inquiry is the correct approach, as long as the market for original work is not appropriated by that transformative purpose.

Finally, in order best to appreciate the importance of the *Campbell* case, an analysis of the article by Judge Leval<sup>629</sup> is of critical importance. Although he is not proposing the five considerations

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<sup>623</sup> Id at 595-6.

<sup>624</sup> Id at 569.

<sup>625</sup> Id at 595-6.

<sup>626</sup> Ibid.

<sup>627</sup> Reese (2007-2008) 31 *Colum JL & Arts* 467-77.

<sup>628</sup> Id at 477.

<sup>629</sup> See Leval (2015) 90 *Washington Law Review* 600.

below as a new test, his wisdom is very helpful when analysing new judgments on fair dealing. These five considerations/criticisms are: complete unchanged copies;<sup>630</sup> evisceration of the fourth factor;<sup>631</sup> vagueness and unpredictability;<sup>632</sup> complementarity;<sup>633</sup> and valid criticism.<sup>634</sup> Leval's wisdom essentially means that 'digital is not different' and that the notion of 'fairness' should always prevail.

### ***Universal City Studios Inc v Eric Corley***

The 2001 *Corley*<sup>635</sup> case was argued, on the one hand, around freedom of expression (the First Amendment to the USA Constitution), and on the other hand, the rights of authors.<sup>636</sup> Mihet<sup>637</sup> argues that because of the potential conflict between constitutional rights, both the USA Congress and the courts have imposed limitations on copyright, such as the fair use doctrine.<sup>638</sup> But let us firstly see what the First Amendment and section 8 in particular entails.

The First Amendment: Freedom of Religion, Press, Expression clause provides as follows:

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.<sup>639</sup>

Section 8 of the USA Constitution provides as follows:

To promote the Progress of Science and useful Arts, by securing for limited Times to Inventors the exclusive Right to their respective Writings and Discoveries.<sup>640</sup>

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<sup>630</sup> Id at 603. Leval J commented: "One entrusted with a unique manuscript to read would want to make a copy to ensure against loss, coffee stains, or, if in Europe, cigarette burns".

<sup>631</sup> Id at 604: "*Campbell* itself explicitly explored whether the secondary work infringed the plaintiffs right in derivative forms".

<sup>632</sup> Id at 605: "I believe the great majority of circuit-level opinions since *Campbell* have been well justified and reasonably predictable".

<sup>633</sup> Id at 607: "Conversion of a novel into a film, or of a cartoon character into a plush toy, translation of a poem – these are perfect examples of complementarities, but they do not qualify for fair use".

<sup>634</sup> Id at 608: "[The] need for standards to distinguish derivatives (which are governed by the original author's copyright) from fair uses (which are not)".

<sup>635</sup> *Universal City Studios Inc v Eric Corley* 2001 US App LEXIS 25330.

<sup>636</sup> USA Constitution s 8.

<sup>637</sup> See Mihet "Universal City Studios Inc v Corley: The Constitutional Underpinnings of Fair Use Remain an Open Question" 2001 available at <http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=1044&context=dltr> (date of use: 8 October 2016).

<sup>638</sup> See para 4.1. Fair use as codified and defined in para 107 of the USA Copyright Act.

<sup>639</sup> USA Constitution, Amendment 1 – Freedom of Religion, Press, Expression. Ratified 12/15/1791.

<sup>640</sup> USA Constitution s 8.

Mihet has argued that there has always been a robust debate among scholars on whether fair use is compelled by the First Amendment of the Constitution, or whether it exists solely at the discretion of Congress.

The *Corley* case involved the enactment of a new law: the DMCA.<sup>641</sup> The Second Circuit was presented with an opportunity to settle the debate on fair use as argued above. Although the debate was not settled in the *Corley* case, the case has two implications for fair use in future cases. First, the need for a better evidentiary record to support an argument of a constitutional requirement of fair use; and secondly, that the courts are willing to recognise at least some constitutional restriction on the ability of Congress to impede fair use. Mihet concludes his review of this case by stating that

rather, future litigants must convince the courts that a constitutional requirement of Fair Use exists, and that its contour is such that it invalidates any measure which prohibits the most prevalent, efficient, or superior form of Fair Use.<sup>642</sup>

### ***Authors Guild v HathiTrust***

Case law precedent is scarce given that many lawsuits relating to the fair use of digital content are settled before judgment. A notable example, however, is the *Authors Guild*<sup>643</sup> *v HathiTrust et al*<sup>644</sup> case (the *HathiTrust* case) which dealt with the scanning of books. HathiTrust Digital Library is a digital repository available to its members.<sup>645</sup> HathiTrust's membership includes approximately 80 colleges, universities, and other non-profit institutions that collaborated with Google Inc on the Google Books project to digitise library collections.<sup>646</sup> The Authors Guild, representing its individual authors and author associations, appealed the district court's finding that the defendants (HathiTrust) were entitled to raise the fair use defence. Two fair use uses

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<sup>641</sup> See para 4.1.1.2 below on the DMCA.

<sup>642</sup> See Mihet "Universal City Studios Inc v Corley: The Constitutional Underpinnings of Fair Use Remain an Open Question" 2001 at 9 available at <http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=1044&context=dltr> (date of use: 8 October 2016).

<sup>643</sup> Note: The Authors Guild is a professional society of over 8 000 published authors working to improve the rights of authors. See <https://www.authorsguild.org/> (date of use: 7 November 2016).

<sup>644</sup> *Authors Guild v HathiTrust* 755 F 3d 87-105 (2d Cir 2014). Note that this case should not be confused with the series of *Authors Guild v Google* cases, namely *Authors Guild Inc v Google Inc* 282 FRD 384, 387 (SDNY 2012); *Authors Guild Inc v Google Inc* 721 F 3d 132 (2d Cir 2013); and *Authors Guild v Google Inc* 804 F 3d 202 (2nd Cir 2015).

<sup>645</sup> *Id* at 90.

<sup>646</sup> *Ibid*.

were relevant: the creation of a full-text searchable database; and access for print-disabled persons.

As regards the first use, the court held that the use was ‘quintessentially transformative’ because

the result of a word search is different in purpose, character, expression, meaning, and message from the page (and the book) from which it is drawn. The copies were reasonably necessary to facilitate the HDL’s services to the public and to mitigate the risk of disaster or data loss.<sup>647</sup>

According to the facts of this case, in 2014, the USA Copyright Office reported that the Hathi Trust used the digital copies: (i) to create a database for full-text searching by the general public;<sup>648</sup> (ii) to permit library patrons with certified print disabilities to have access to full texts of works;<sup>649</sup> and (iii) to allow libraries to replace their original copies that were lost, destroyed, or stolen where a replacement was unobtainable at a fair price elsewhere.<sup>650</sup>

It was eventually held by the Court of Appeals, Second Circuit, that the search and online accessibility uses of digitised books are fair use.<sup>651</sup> In short, the *HathiTrust* decision indicates that a library could make mass digital copies of all the analogue works in its collection and store those copies as text and image files for purposes of facilitating fair use (such as the creation of a full-text search database or access for the print disabled). This argument is aligned with the first statutory factor (purpose and character of the use) that developed from case law around section 107 of the Copyright Act<sup>652</sup> for printed works. More important, however, is that the transformative use of original printed works in the form of digital works is considered to constitute fair use. In addition, the court held that the full-text search posed no harm/threat to any existing or potential traditional market for the copyright works.<sup>653</sup> This position is aligned with the fourth statutory factor (the effect of the use upon the potential market for, or value of, the copyright work – see above).

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<sup>647</sup> Id at 98.

<sup>648</sup> Id at 91.

<sup>649</sup> Id at 92.

<sup>650</sup> Id at 93. Note that the US Copyright Office “Fair Use Index” is available at <http://copyright.gov/fair-use/index.html> (date of use: 07 March 2018).

<sup>651</sup> *Authors Guild v HathiTrust* 755 F 3d 87-105 (2d Cir 2014) at 105.

<sup>652</sup> See s 107 of the Copyright Law of the United States. Also see *Basic Books Inc v Kinko’s Graphics Corp* 758 F Supp 1522 (SDNY) 1991, as discussed in para 4.1.1 above.

<sup>653</sup> See *Authors Guild v HathiTrust* 755 F 3d 87-105 (2d Cir 2014) at 94.

Regarding the second use – access for the print-disabled persons<sup>654</sup> – the court held that it was fair. It concluded that providing such access was

a valid purpose under the first statutory factor, even though it was not transformative. The court held that it was reasonable for the defendants to retain both text and image copies because the text copies were required for text searching and text-to-speech capabilities, and the image copies provide an additional method by which many disabled patrons can access the works.<sup>655</sup>

During January 2015 the parties reached a settlement, ending the litigation in a ‘victory’ for HathiTrust and fair use. This case may affect the pending *Authors Guild v Google* case discussed below, either by making the parties more likely to settle, or resulting in a ruling in Google’s favour.

### ***Authors Guild v Google Inc***

In the *Authors Guild v Google*<sup>656</sup> cases the Authors Guild, an association of authors, together with several individual authors, and initially also the Association of American Publishers (AAP) and McGraw-Hill publishers, instituted action against Google in 2005.<sup>657</sup> The plaintiffs alleged that Google had committed copyright infringement through the Google Library Project. The Google Library Project<sup>658</sup> essentially entails scanning and indexing more than twenty million printed editions of books, and making ‘snippets’ of those newly created e-books available for public display on a user search. The initial settlement agreement in 2008, and the amended settlement agreement (ASA) in 2009 between the Authors Guild, AAP, and Google, were ultimately rejected by Judge Chin of the District Court in 2011.<sup>659</sup> However, according to a 4 October 2012 press release by Google,<sup>660</sup> the ASA was reached between Google, McGraw-Hill,

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<sup>654</sup> Id at 101. Also see para 3.4 above on the Marrakesh VIP Treaty.

<sup>655</sup> Id at 103.

<sup>656</sup> *Authors Guild Inc v Google Inc* 282 FRD 384-393 (SDNY 2012); *Authors Guild Inc v Google Inc* 721 F 3d 132 (2d Cir 2013); *Authors Guild v Google Inc* 804 F 3d 202 (2nd Cir 2015).

<sup>657</sup> *McGraw-Hill Cos v Google Inc* No 05-CV-8881 (SDNY 19 Oct 2005).

<sup>658</sup> Benhamou (2015) 39/2 *J Cult Econ* 124-30. Note: Google’s business model consists of free access, advertising, indirect revenues due to an increase in traffic, exploitation of personal data, and a broadening of Google’s panel of services.

<sup>659</sup> *Authors Guild Inc v Google Inc* 282 FRD 384-387 (SDNY 2012) at 384.

<sup>660</sup> Note: Publishers and Google reached an agreement on 4 October 2012 available at <http://googlepress.blogspot.co.uk/2012/10/publishers-and-google-reach-agreement.html> (date of use: 16 June 2016).



and various publishers (on behalf of the AAP)<sup>661</sup> which now allows end users to browse up to twenty per cent of books and then purchase digital versions through Google Play.<sup>662</sup> Under the ASA, books scanned by Google as part of the Library Project can now be included by publishers. As the settlement is between the parties to the litigation, the court is not required to approve its terms and one therefore needs to consider statements like that by Allen, President and CEO of AAP, below, to establish how future developments regarding the fair use of digital material will develop. Allen said: “It shows that digital services can provide innovative means to discover content while still respecting the rights of copyright-holders.”<sup>663</sup>

Following the District Court’s denial of the motion to approve the ASA, the Authors Guild moved to certify a proposed class of

[a]ll persons residing in the United States who hold a United States copyright interest in one or more Books reproduced by Google as part of its Library Project, who are either (a) natural persons who are authors of such Books or (b) natural persons, family trusts or sole proprietorships who are heirs, successors in interest or assigns of such authors.<sup>664</sup>

In 2013, Google opposed the motion for class certification and persuaded the Court of Appeals for the Second Circuit to hold the issue of class certification in abeyance until Google’s fair-use defence has been resolved.<sup>665</sup> In this regard the judge said that:

Putting aside the merits of Google’s claim that plaintiffs are not representative of the certified class—an argument which, in our view, may carry some force—we believe that the resolution of Google’s fair use defense in the first instance will necessarily inform and perhaps moot our analysis of many class certification issues, including those regarding the commonality of plaintiffs’ injuries, the typicality of their claims, and the predominance of common questions of law or fact.<sup>666</sup>

The presiding USA Second Circuit judge ruled to vacate the District Court’s order of 11 June 2012 certifying plaintiffs’ proposed class, and “remand the cause to the District Court,

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<sup>661</sup> Note that McGraw-Hill was joined by other publishers that are members of the Association of American Publishers (AAP).

<sup>662</sup> Google Play is Google’s online store, available at <https://play.google.com/store?hl=en> (date of use: 7 March 2018).

<sup>663</sup> “Publishers and Google Reach Settlement” 3 October 2012 available at <http://publishers.org/news/publishers-and-google-reach-settlement> (date of use: 07 March 2018).

<sup>664</sup> See *Authors Guild Inc v Google Inc* 282 FRD 384-393 (SDNY 2012) at 393.

<sup>665</sup> Grimmelmann (2010/11) 55 *New York Law School Law Review* 55.

<sup>666</sup> See *Authors Guild Inc v Google Inc* 721 F 3d 132 (2d Cir 2013) at 134.

for consideration of the fair use issues.”<sup>667</sup>

Shah (a protagonist of future digital library projects),<sup>668</sup> arguing from a perspective that digital libraries, particularly those accessible by the public via the Internet, are important and should be encouraged, is very much in favour of an earlier case, namely *Field v Google*.<sup>669</sup> In the *Field* case the so-called ‘Field framework’ was developed. In terms of this framework the judge found authority to use good faith in its fair-use analysis because:

[The Copyright Act] authorizes courts to consider other factors than the four non-exclusive factors discussed above.<sup>670</sup>

Some argue that he might be right when he argues that by applying the *Field* framework, courts would gain the ability to promote the growth of technology without requiring changes to copyright law.<sup>671</sup> Leval, however, would strongly disagree with the judge’s view that fair use is an ‘equitable doctrine’.<sup>672</sup> The fair use doctrine cannot be fully understood unless cases pertaining to the first-sale doctrine are also considered, which is now done below.

### **Selected cases pertaining to the first-sale doctrine<sup>673</sup>**

#### ***Capitol Records LLC v ReDigi Inc***

The *ReDigi*<sup>674</sup> case is critical for protagonists who seek to establish a first-sale doctrine for digital content – a doctrine that is well established with respect to physical content such as printed editions of books, CDs, and DVDs, but not for digital content such music and e-books. *ReDigi*, a cloud-based Internet company, facilitates the sale of used digital music from one user to another. Essentially, *ReDigi* allows the resale of music purchased from iTunes, which sells its music without restriction. Other rightsholders, such as Amazon, limit buyers to merely purchasing a non-transferable licence through a click-wrap agreement.<sup>675</sup> In order to use the

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<sup>667</sup> *Id* at 133.

<sup>668</sup> Shah (2006-2007) 15 *Comm Law Conspectus* 574.

<sup>669</sup> *Field v Google Inc* 412 F Supp 2d 1106-1122 (D Nev 2006).

<sup>670</sup> *Id* at 1122.

<sup>671</sup> See Shah (2006-2007) 15/2 *Comm Law Conspectus* 613.

<sup>672</sup> See Leval (2015) 90 *Washington Law Review* 600.

<sup>673</sup> Note that the exhaustion-of-rights principle (EU) and the first-sale doctrine (USA) have similar meanings. Also see para 5.4.2 for the German perspective on the first-sale doctrine (ie the exhaustion principle in the EU), as well as the *UsedSoft* case.

<sup>674</sup> *Capitol Records LLC v ReDigi Inc* 934 F Supp 2d 640 (SDNY 2013) (No 12 Civ 95).

<sup>675</sup> Soma & Kugler (2013-2014) 15 *NC JL & Tech* 425.

technology, users must download and install ReDigi's Marketplace App. According to ReDigi's marketing material the *application* (essentially a software verification engine) scans the user's computer for music that is eligible to be stored in their cloud and resold (ie, ReDigi verifies that the file was 'lawfully purchased' and is 'legally owned').<sup>676</sup> Users can then upload their eligible music to ReDigi's cloud, list any songs they wish to sell, and purchase songs from others who have stored their music in the cloud. The sales process itself involves ReDigi transferring ownership of the music stored in its cloud from one owner to another without making any copies. This last phrase, namely '...without making any copies...' was the core of ReDigi's defence.

In this case the court accepted that "the sale of a used CD (ie the physical copy of the original CD that was purchased) is acceptable under the first sale doctrine because the CD itself is the original material object in which a work is fixed." However, on the issue of "whether a digital music file, lawfully made and purchased, may be resold by its owner through ReDigi under the first-sale doctrine", the court held that it cannot resell the music file and that ReDigi was accordingly guilty of infringing the plaintiff's distribution and reproduction rights.<sup>677</sup> Furthermore, the court also rejected the defendant's argument that the sales were protected under fair use.<sup>678</sup>

In conclusion, the *ReDigi* case is undoubtedly a setback for protagonists of the establishment of a digital first-sale doctrine for digital content, in particular e-books. In this regard McKenzie argues<sup>679</sup> that e-book publishers and retailers are going to great lengths to ensure that e-books are not subject to the same piracy problems that have plagued the music and film industries – for example, e-books are typically sold under restrictive licensing agreements and embedded with DRM technology that prevents purchasers from re-selling, lending, or otherwise transferring an e-book after it has been purchased. McKenzie continues to point out that when these publishers are confronted with the first-sale doctrine, which is essentially entrenched in article 109(a) of the USA's Copyright Act,<sup>680</sup> they "attempted to skirt this restriction by maintaining that e-books are distributed by license."<sup>681</sup> From a technological point of view, one

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<sup>676</sup> *Id* at 426.

<sup>677</sup> *Id* at 439.

<sup>678</sup> See *Capitol Records LLC v ReDigi Inc* 934 F Supp 2d 640 (SDNY 2013) (No 12 Civ 95) para 653.

<sup>679</sup> McKenzie (2013) 12 *Chi-Kent J Intell Prop* 57.

<sup>680</sup> Article 109(a) of the USA Copyright Act.

<sup>681</sup> See McKenzie (2013) 12 *Chi-Kent J Intell Prop* 58.

also needs to appreciate that the first-sale doctrine is easy to defend when dealing with printed editions of books as such copies are in analogue format, whilst e-books are in digital format. The resale of a printed edition of a book, therefore, makes sense (one book equals one owner), as opposed to digital content that can be multiplied and theoretically resold to multiple users. This explains why the publishing industry fiercely objects to online file sharing and resorts to DRM and restrictive licensing agreements. Mckenzie finally concludes that:

Libraries and second-hand markets serve as crucial, low-cost sources of knowledge for many underprivileged or undereducated individuals, and we should not justify a policy that would inhibit their growth in the digital age.<sup>682</sup>

– a topic that is further discussed in Chapter 8 below.

### ***Righthaven LLC v Hoehn***

In the *Righthaven LLC v Hoehn* case<sup>683</sup> the plaintiff filed copyright-infringement suits against the defendants,<sup>684</sup> Georgia State University and one of its professors, for posting excerpts from the *Las Vegas Review Journal* without authorisation on the University's online e-reserve section for students to download.<sup>685</sup> It is important to note that Righthaven did not actually own the copyright in the articles and is generally considered to be a copyright-trolling company,<sup>686</sup> hence the Ninth Circuit Court of Appeals' ruling that it had no standing to sue for infringement. The four factors<sup>687</sup> pertaining to fair dealing were, however, extensively discussed in this case. It was held that the fourth factor, which is of particular interest to this dissertation, favoured the university because the court found that “students would not buy the book if they could not download it for free.”<sup>688</sup> Connelly strongly opposes this finding, arguing that libraries can

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<sup>682</sup> *Id* at 85.

<sup>683</sup> *Righthaven LLC v Hoehn* 792 F Supp 2d 1138 (D Nev 2011).

<sup>684</sup> Note that two cases have been consolidated for appeal, with the respective defendants Wayne Hoehn and Thomas DiBiase.

<sup>685</sup> See *Righthaven LLC v Hoehn* 792 F Supp 2d 1138 (D Nev 2011) at 4.

<sup>686</sup> Note that in this regard Circuit Judge Clifton intentionally cited Abraham Lincoln on page 3 of this case on an alleged copyright trolling company: “...[Lincoln] who told a story about a lawyer who tried to establish that a calf had five legs by calling its tail a leg. But the calf had only four legs, Lincoln observed, because calling a tail a leg does not make it so. Before us is a case about a lawyer who tried to establish that a company owned a copyright by drafting a contract calling the company the copyright owner, even though the company lacked the rights associated with copyright ownership. Heeding Lincoln’s wisdom, and the requirements of the Copyright Act, we conclude that merely calling someone a copyright owner does not make it so.”

<sup>687</sup> See *Basic Books Inc v Kinko’s Graphics Corp* 758 F Supp 1522 (SDNY) 1991 and s 107 of the USA Copyright Act.

<sup>688</sup> See Connelly (2013-2014) 22 *Cardozo J Int’l & Comp L* 586.

actually increase sales of books and that the publishers' argument that making e-books available in libraries will result in lost profits may not be strong enough to prevail in this fourth, and most important, factor.<sup>689</sup>

Erlank<sup>690</sup> approaches the first-sale doctrine (or the German 'exhaustion of rights principle', as is discussed in paragraph 5.4.2) from an interesting perspective when he analysed the "digital bookself"<sup>691</sup> in his article. Similar to chapter 1 of this dissertation, an argument is first made as regards the actual cost of books in printed format in comparison to electronic format whilst fiercely (and rightfully) criticising Amazon for their approach towards e-content,<sup>692</sup> where after he comments that

I can buy a digital book and read it, enjoy it (hopefully), destroy it (i.e. delete it), move it around (between one's own devices) and in certain instances, lend it to someone else...<sup>693</sup>

before he concludes that

...possession and (ownership) of digital books should not be viewed as some kind of long term lease or being subject to a limited licence of use, but rather be treated as intangible objects of property to which the same rights of ownership are accorded as their tangible counterparts.<sup>694</sup>

When Germany's approach toward the first-sale doctrine is considered the arguments of Erlank will become even more valid.

#### **4.1.3 A brief excursus on Canadian case law on fair dealing**

Although it is indicated in the introduction to this chapter, that Canada (with a world class Copyright Act, in particular in respect of fair dealing,<sup>695</sup> where a common- and civil-law

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<sup>689</sup> Ibid.

<sup>690</sup> Erlank (2013) 2(2) *EPLJ* 194-212.

<sup>691</sup> Id at 200.

<sup>692</sup> Ibid.

<sup>693</sup> Id at 207.

<sup>694</sup> Ibid.

<sup>695</sup> Section 29 of the Canadian Copyright Act, 1985, (Copyright Act of Canada RSC c C-42 1985) provides as follows: "Section 29. Fair dealing for the purpose of research, private study, education, parody or satire does not infringe copyright." The Canadian judgments have, in the main, relied on s 29 in matters pertaining to fair dealing, but also on the Canadian Constitution, as can be seen from the case law below.

systems co-exist)<sup>696</sup> is not one of the countries selected for this comparative study, there are three relatively recent Canadian cases (copyright quintet cases), dated 2012, which are considered to be important to the overall context of fair dealing and my comparative survey in particular. The reason for this lies in the influence these cases have had on the position in the USA discussed in the current chapter, and that in the UK considered in the next chapter.

### ***CCH Canadian case***

Firstly, in 2004, in the landmark Supreme Court case of *CCH Canadian v Law Society of Upper Canada*,<sup>697</sup> three publishers, CCH Canadian Limited, Carswell Thomson Professional Publishing, and Canada Law Book Inc, sought relief against the Canadian Law Society in the form a declaration of subsistence of copyright. The Law Society's counter argument was that the services it offered were necessary to provide equal access to the library's collection of legal materials.<sup>698</sup> The Law Society essentially offered request-based photocopying services to students, members, the judiciary, and authorised researchers at their library. Based on these activities, the Law Society was eventually sued for copyright infringement of eleven specific works.<sup>699</sup>

In its unanimous ruling in the *CCH Canadian* case the judges of the Supreme Court indicated that fair dealing exceptions were characterised as a user right, and must be balanced against the rights of rightsholders.<sup>700</sup> Therefore, it followed that when dealing with users' rights the following factors that influence fairness must be taken into account: "i) how much material has been copied, ii) the effect on the market, iii) whether the defendant could have used other means to achieve the same objective, iv) the nature of the work, and v) what happens to a copy after it has been made."<sup>701</sup> Judge McLachlin further emphasised the importance of balancing "the public interest in promoting the encouragement and dissemination of works of the arts and

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<sup>696</sup> Canada - Background - Canada is an important country to review because of its unique history, geographical location and two official languages, namely English and French. Furthermore, the English brought the common law system to Canada and the French the civil law system – today these two systems co-exist within the country (See Canada's System of Justice available at <http://www.justice.gc.ca/eng/csj-sjc/> (date of use: 07 March 2018).) As a Commonwealth country its first piece of copyright legislation was the UK's Copyright Act of 1911. (See Burrell & Coleman *Copyright Exceptions* 130.)

<sup>697</sup> *CCH Canadian v Law Society of Upper Canada* [2004] 1 SCR 339.

<sup>698</sup> *Id* para 140.

<sup>699</sup> *Ibid*.

<sup>700</sup> *Ibid*.

<sup>701</sup> *Id* para 53.

intellect and obtaining a just reward for the creator.”<sup>702</sup> The fifth factor provided for in the *CCH Canadian* case is of particular importance to this dissertation because of the nature of digital content which lends itself to be available, even if the user has undertaken to destroy the copy or only use it as a transient copy for fair dealing purposes.

### ***Copyright quintet cases***

In 2012 the Canadian Supreme Court made five important rulings on copyright exceptions (commonly referred to in Canada as the ‘copyright quintet cases’). The court made “ample use of the notion of users’ rights”,<sup>703</sup> citing the *CCH Canadian* case above. Only two of these cases, the *Alberta (Minister of Education) v Canadian Copyright Licensing Agency* case (the *Access Copyright* case), and the *SOCAN v Bell Canada* case (the *SOCAN* case) are discussed below.

### ***Access Copyright case***

In 2012 the *Access Copyright* case<sup>704</sup> dealt with the photocopying of textbook excerpts made at the teachers’ initiative as complementary materials for students. Access Copyright was dissatisfied with the royalty scheme for the photocopying in the agreements with the Ontario School Boards and approached the Copyright Board.<sup>705</sup> The latter resolved that such photocopying did not constitute fair dealing and was therefore subject to a royalty.<sup>706</sup>

In the *Access Copyright* case which followed, the Supreme Court disagreed and eventually referred the matter back to the Canadian Copyright Board for reconsideration, citing several errors in its analysis of the fairness factors and stating that the Board’s conclusion “was not in accordance with the test in *CCH Canadian*.”<sup>707</sup>

### ***SOCAN case***

In the *SOCAN* case<sup>708</sup> of 2012 various service providers allowed consumers to listen to excerpts (30-90 second extracts of the songs) of musical works before purchasing the entire work. It is

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<sup>702</sup> Id para 23.

<sup>703</sup> Gendreau (2012-2013) 60 *J Copyright Society USA* 673.

<sup>704</sup> *Alberta (Minister of Education) v Canadian Copyright Licensing Agency (Access Copyright case)* 2012 CarswellNat 2419; [2012] 2 SCR 345; (2012) 102 CPR (4th) 255.

<sup>705</sup> Id at 3.

<sup>706</sup> Id at 4 para 8.

<sup>707</sup> Id at 4 para 11.

<sup>708</sup> See *SOCAN v Bell Canada* [2012] 2 SCR 326-344; (2012) SCC 36 (CanLII).

important to appreciate that during such act of listing, the consumer's computer does not store a permanent copy of the preview (ie, transient copies).<sup>709</sup> However, consumers can listen to the previews as many times as they wish, regardless of whether they make a purchase or have registered with the online service provider.<sup>710</sup> SOCAN,<sup>711</sup> the plaintiff, argued for the collection of music royalties for communication over the Internet of an online music service, because these excerpts constituted online streaming.<sup>712</sup>

The defendants, on the other hand, argued that the actions of consumers who preview musical works before making a purchase on commercial websites that sell music, constitute fair dealing under section 29 of the Canadian Copyright Act.<sup>713</sup> The defendant's position, as confirmed by the Canadian Copyright Board, was eventually upheld by the Supreme Court after Bell Canada et al took the matter on appeal.<sup>714</sup> In the literature, Rush refers to the former and latter cases as the inclusion within fair dealing of 'private study' and 'commercial research' respectively, as provided for in section 29 of the Canadian Copyright Act.<sup>715</sup> And in both instances it was indeed held that the copying amounted to fair dealing.<sup>716</sup>

A third writer on this topic who is also a librarian, Horava, concludes that

we need to be vigilant that our users' interests are not eroded by licensing arrangements with publishers and vendors, in order to provide the broadest possible access to licensed material for legitimate purposes.<sup>717</sup>

Horava's viewpoint is of particular importance to this dissertation because she also draws extensively on the CARL Report<sup>718</sup> and pleads strongly that

we need to acquire e-books via ownership, rather than subscription, whenever

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<sup>709</sup> Gendreau (2012-2013) 60 *J Copyright Society USA* 673.

<sup>710</sup> *Ibid.*

<sup>711</sup> The Society of Composers, Authors and Music Publishers of Canada (SOCAN) is the Canadian collective society which represents the administration and collection of royalties for the performance and the communication rights of composers.

<sup>712</sup> See Gendreau (2012-2013) 60 *J Copyright Society USA* 674.

<sup>713</sup> *Rogers Communications Inc v Society of Composers, Authors and Music Publishers of Canada* (2012) SCC 35 (*SOCAN II* case).

<sup>714</sup> *Id* para 1.

<sup>715</sup> Rush (2010-2011) 58 *J Copyright Society USA* 483.

<sup>716</sup> Gendreau (2012-2013) 60 *J Copyright Society USA* 673.

<sup>717</sup> Horava (2009) 4/1 *Canadian Journal of Library and Information Practice and Research* 5.

<sup>718</sup> Library Education Working Group "Final Report to the Canadian Association of Research Libraries (CARL) Board of Directors" Canada 2008.



possible. This will ensure that your investment doesn't disappear when you can no longer afford an annual subscription to a publisher for an e-book collection or specific titles. Ownership also affords future options for alternative access methods.<sup>719</sup>

Horava's view resonates with the arguments on the first-sale doctrine (the exhaustion of rights-principle as it is referred to in Europe), especially for library users where the availability of multiple copies can indeed be justified. In fact, the world will become a very poor place if digital content in libraries around the world is subjected to expiry dates.

In her article on these important Canadian Supreme Court cases (the 'copyright quintet') Gendreau concludes that authors, rightsholders, and especially collecting societies will continue to fight for their recognition in the age of the Internet, even more so where most first world countries strive to become knowledge economies and tend to use constitutional rights to education.<sup>720</sup>

### **Brief conclusion on Canada**

Like many other Commonwealth countries, including South Africa, The Canadian Copyright Act "delineates the limits of copyright protection by way of an exhaustive list of specifically defined exceptions".<sup>721</sup> As a result this Commonwealth approach by a North American country is often contrasted with the USA's approach towards fair use (ie, a highly flexible instrument in that courts can find a use to be fair even if it is not on the list).<sup>722</sup> The expected tension in Canada between the Commonwealth approach towards fair dealing and the USA approach towards fair use was illustrated in 1984 when the Department of Consumer and Corporate Affairs recommended that Canada adopt a fair-use defence modelled along USA lines – this recommendation was rejected, but over the years interest in moving towards the USA approach has remained.<sup>723</sup> Lastly, the *Access Copyright* case,<sup>724</sup> in particular, informs my conclusions in the latter parts of this dissertation.

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<sup>719</sup> Horava (2009) 4/1 Canadian Journal of Library and Information Practice and Research 6.

<sup>720</sup> See Library Education Working Group "Final Report to the Canadian Association of Research Libraries (CARL) Board of Directors" Canada 2008 at 681.

<sup>721</sup> Burrell & Coleman *Copyright Exceptions* 249.

<sup>722</sup> *Id* at 250.

<sup>723</sup> *Id* at 251.

<sup>724</sup> See the discussion of the *Access Copyright* case above.

## CHAPTER 5

### FAIR DEALING IN EUROPE

*Chapter overview.* As a general rule, the European fair dealing system, with defined circumstances where the rightsholders cannot complain of copyright infringement, is less flexible or user-friendly to rightsholders than the USA fair-use system.<sup>725</sup> Two very important directives commissioned by the European Commission is analysed to address, inter alia, fair dealing as regards digital content. These are: the Electronic Commerce Directive; and the Copyright Directive (InfoSoc). The De Wolf Report is then briefly discussed because of its influential position in the application of the InfoSoc. Leading rulings on fair dealing and exceptions recognised by the CJEU are also considered in this chapter.

Germany and the UK's position on fair dealing and its exceptions are then analysed as good examples of European countries' diverse approach to this topic. Although the law in relation to copyright exceptions has supposedly been harmonised throughout Europe, the position in fact differs from country to country.<sup>726</sup> In the UK two reports, namely, the Gowers Review and the independent Hargreaves Report that followed soon after Gowers, are important documents that have influenced policy and case law on the fair dealing doctrine. The UK also has relevant case law on fair dealing in respect of higher education institutions and these cases are analysed in anticipation of Chapter 7 which deals with the South African higher education system. Additionally, in the footnotes the position in Ireland, a common-law country, is briefly analysed because of its strong ICT sector, but also because of interesting case law that draws on constitutional considerations – a topic that is important when fair dealing in South Africa is analysed.

#### *A brief note on the legal status of the EU*

The treaties establishing the EU provide that it is an autonomous entity with its own sovereign rights and a legal order independent of the member states.<sup>727</sup> Those EU treaties do not confer

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<sup>725</sup> Caddy, Shan & Aumage (2009-2010) 57 *J Copyright Society USA* 573.

<sup>726</sup> *Id* at 585.

<sup>727</sup> Consolidated versions of the Treaty on European Union and of the Treaty

on the Union institutions – such as the European Commission, its Parliament, and Council – any general power to take all measures necessary to achieve the objectives of the treaties, but rather lay down the extent of the powers to act.<sup>728</sup>

### **5.1. European Copyright Acts (European Commission Directives)**

During 2000 and 2001 the Parliament and Council of the European Commission (EC)<sup>729</sup> of the EU, adopted the Electronic Commerce Directive<sup>730</sup> on certain legal aspects of information society services, in particular electronic commerce, as well as the InfoSoc<sup>731</sup> dealing with the harmonisation of certain aspects of copyright and related rights in the information society. Both directives are essentially an implementation of the 1996 WIPO Copyright Treaty.<sup>732</sup> They also address many of the issues covered by the DMCA in the USA.

The Electronic Commerce Directive, in particular, protects Internet service providers (ISPs) from liability for third-party content transmitted, hosted, or stored on their sites, and has been criticised as being far less clear for ISPs than the DMCA – “for example, it does not provide a clear notice and takedown procedure”.<sup>733</sup> The Electronic Commerce Directive is not further discussed in this dissertation.

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establishing the European Community (2002) (2002/C 325/01) available at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12002E/TXT&from=EN> (date of use: 28 February 2017).

<sup>728</sup> Borchardt Klaus-Dieter “The ABC of European Union law” European Union, 2010 available at <http://www.eulaws.eu/?p=1541> (date of use: 6 October 2016).

<sup>729</sup> Note that the acronym EC is used when referring to the European Union’s Parliament and Council Directives and should not to be confused with the European Communities, better known as the European Union.

<sup>730</sup> Council Directive 2000/31/EC: Directive on certain legal aspects of information society services, in particular electronic commerce OJ L 178/1; European Parliament and of the Council 8 June 2000.

<sup>731</sup> Council Directive 2001/29/EC: Directive on the harmonisation of certain aspects of copyright and related rights in the information society L 167/10, European Parliament and of the Council, 22 May 2001. (Hereafter the InfoSoc.)

<sup>732</sup> See para 3.2 above on the WIPO treaties.

<sup>733</sup> Monseau *Copyright and the Digital Economy* 9.

The Anti-Counterfeiting Trade Agreement (ACTA)<sup>734</sup> contains a few provisions on copyright, of which only online copyright enforcement is of relevance to this dissertation. The ACTA will, however, not be further discussed, save for one comment by Baraliuc in the footnote below.<sup>735</sup>

### 5.1.1 Council Directive 2001/29/EC (InfoSoc)

The aim of the InfoSoc is to harmonise aspects of copyright law – for example, copyright exceptions – across Europe and to “foster substantial investment in creativity and innovation”.<sup>736</sup> The InfoSoc was subject to unprecedented lobbying and has been hailed as a success for the copyright industry. Three Recitals in the InfoSoc, namely Recitals 4, 36 and 44 are of particular importance to this dissertation and provides as follows:

#### **Recital 4**

A harmonised legal framework on copyright and related rights, through increased legal certainty and while providing for a high level of protection of intellectual property, will foster substantial investment in creativity and innovation, including network infrastructure, and lead in turn to growth and increased competitiveness of European industry, both in the area of content provision and information technology and more generally across a wide range of industrial and cultural sectors. This will safeguard employment and encourage new job creation.<sup>737</sup>

#### **Recital 36**

The Member States may provide for fair compensation for rightsholders also when applying the optional provisions on exceptions or limitations which do not require such compensation.<sup>738</sup>

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<sup>734</sup> Anti-counterfeiting trade agreement (ACTA) between the European Union and its member states, Australia, Canada, Japan, the Republic of Korea, the United Mexican States, the Kingdom of Morocco, New Zealand, the Republic of Singapore, the Swiss Confederation and The United States of America (2011) available at <http://register.consilium.europa.eu/pdf/en/11/st12/st12196.en11.pdf> (date of use: 1 December 2016).

<sup>735</sup> Baraliuc et al (2012) 21/1 *International Journal of Law and Information Technology* 1-13. As a protagonist of fundamental rights, Baraliuc strongly argues that we cannot just use online filtering measures, applied to all electronic communications for the purpose of preventing copyright infringement, simply because it is possible in the digital age that we live in - fundamental rights such as the right to privacy and the principle of the presumption of innocence and due process do continue to be valid and applicable in the online environment and such safeguards are not encoded in the proposed online copyright enforcement regime. She says: “Offline, we would not accept to be permanently surveilled because some engage in counterfeiting and commercialise copyrighted goods”.

<sup>736</sup> Recitals of the InfoSoc.

<sup>737</sup> Id recital 4.

<sup>738</sup> Id recital 36.

#### **Recital 44**

When applying the exceptions and limitations provided for in this Directive, they should be exercised in accordance with international obligations...<sup>739</sup>

It is already clear from Recitals 4 and 36 of the InfoSoc, that a harmonised approach towards copyright exceptions is sought and that no member state should negate rightsholders' legitimate expectation of being fairly compensated. In terms of Recital 44, exceptions should be applied in accordance with international obligations.

Schönning points out that when examining copyright exceptions to digital content, consideration should be given to the fact that third-generation technology in these fields makes *bona fide* reproduction and rapid dissemination possible, and that the scope for economic harm or loss of royalties for rightsholders is far greater than in the case of analogue content (eg printed editions of books).<sup>740</sup> Therefore, under Recital 44 the scope of certain exceptions allowed for digital content may have to be even further limited.

Article 5 then continues to deal in detail with exceptions and limitations. Notably, article 5(1) (the only mandatory copyright exception) deals with acts of reproduction which “*shall* be exempted from the reproduction right...”, whilst article 5(5) provides that: “Member States *may* provide for exceptions or limitations...”. The mandatory exceptions in article 5(1) mean that, for example, caching and routing are exempted acts under the InfoSoc.<sup>741</sup>

#### **Articles 5(1), 5(2), 5(3) and 5(5): Exceptions and limitations**

In general, article 5 contains an exhaustive list of exceptions and limitations that, save for the mandatory exception for temporary acts of reproduction provided for in article 5(1), member states are free to incorporate into their own legal systems, while article 5(5) effectively incorporates the Berne three-step test into the InfoSoc. These articles read as follows:

- 5.1. Temporary acts of reproduction referred to in Article 2, which are transient or incidental [and] an integral and essential part of a technological process and whose sole purpose is to enable:

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<sup>739</sup> Id recital 44.

<sup>740</sup> Schönning *Legitimacy of the InfoSoc Directive* 49.

<sup>741</sup> Id at 21.

- (a) a transmission in a network between third parties by an intermediary, or
  - (b) a lawful use
- of a work or other subject-matter to be made, and which have no independent economic significance, shall be exempted from the reproduction right provided for in Article 2.
- 5.2 Member States may provide for exceptions or limitations to the reproduction right provided for in Article 2 in the following cases:
- (a) in respect of reproductions on paper or any similar medium, effected by the use of any kind of photographic technique or by some other process having similar effects, with the exception of sheet music, provided that the rightholders receive fair compensation;
  - (b) in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial, on condition that the rightholders receive fair compensation which takes account of the application or non-application of technological measures referred to in Article 6 to the work or subject matter concerned;
- 5.3 Member States may provide for exceptions or limitations to the rights provided for in Articles 2 and 3 in the following cases:
- (a) use for the sole purpose of illustration for teaching or scientific research, as long as the source, including the author's name, is indicated, unless this turns out to be impossible and to the extent justified by the non-commercial purpose to be achieved;...[5.3(b-o) and 5.4 not quoted]
- 5.5 The exceptions and limitations provided for in paragraphs 1, 2, 3 and 4 shall only be applied in certain special cases which do not conflict with a normal exploitation of the work or other subject-matter and do not unreasonably prejudice the legitimate interests of the rightholder.<sup>742</sup>

As can be seen from these provisions, articles 5(2) and 5(3)(a) of the InfoSoc leave it in the discretion of member states whether or not to adopt an exception covering illustration for teaching or scientific research.<sup>743</sup> The discretionary adoption of these exceptions take various public policy objectives into account, such as the freedom of expression, freedom of the press, and the right to equal access.<sup>744</sup> These objectives run parallel with the teaching exception in Article 10(2) of the Berne Convention.<sup>745</sup> Article 5(5) essentially repeats the three-step test of the Berne Convention.<sup>746</sup>

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<sup>742</sup> Articles 5(1), 5(3)(a) and 5(5) of the InfoSoc.

<sup>743</sup> Articles 5(2)(a-e) and 5(3)(a-o) are discretionary provisions of the InfoSoc.

<sup>744</sup> Arnold & Rosati (2015) *Journal of Intellectual Property Law & Practice* 744. For instance, Richards comments that the UK rejected the idea of transposing the language of the three-step test into UK law on the basis that relevant copyright exceptions already complied with it, while France has decided to reproduce the language of the three-step test directly in its national laws.

<sup>745</sup> See para 3.1 above on the Berne Convention.

<sup>746</sup> See para 3.1.1 above on the three-step test of the Berne Convention.

Schönning,<sup>747</sup> referring to article 5 of the InfoSoc,<sup>748</sup> argues that, the Directive's effective endorsement of contractual and technological measures for the use of copyright exceptions by rightsholders, as well as the Directive's failure to take into consideration national cultural policy and the historically strong territoriality of copyright, has in essence resulted in the failure of the InfoSoc to protect consumers. The judgments discussed below aim, inter alia, to illustrate this view.

Before specific judgments are discussed, Ghidini's interesting remark on the InfoSoc is echoed, namely that the InfoSoc is not about freedom of information and culture for the public good, but about copyright itself, and authors' freedom of expression.<sup>749</sup>

## 5.2. Court of Justice of the European Union judgments on fair dealing

It is important to appreciate that individual EU member states and not the EU as such, are party to the Berne Convention and the TRIPS Agreement.<sup>750</sup> It is, however, expected of EU members to legislate and apply legal precedent as far as possible in a manner that is consistent with the EU's obligations under international agreements.<sup>751</sup>

Keeling<sup>752</sup> argues strongly with reference to two judgments and to article 9<sup>753</sup> of the TRIPS Agreement in particular, that the CJEU appears to be ignorant as to its own legal precedents. He continues to point out that in the *Dior* case<sup>754</sup> the court held that it had jurisdiction to interpret the TRIPS Agreement when defining the obligations of the EU. The same court later negated the undeniable status of the Berne Convention in the *Magill*<sup>755</sup> case by concluding that:

Article 9 of the Berne Convention could not be relied on to limit the powers of the European Community.<sup>756</sup>

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<sup>747</sup> See Schönning *Legitimacy of the InfoSoc Directive* 1-64.

<sup>748</sup> *Id* at 49.

<sup>749</sup> Ghidini "Exclusion and access in copyright law: The unbalanced features of InfoSoc" *ATRIP* 2011.

<sup>750</sup> See Keeling *Intellectual Property Rights* 293.

<sup>751</sup> CJEU 10 September 1996 case C-61/94 *Commission v Germany* [1996] ECR I-3989.

<sup>752</sup> See Keeling *Intellectual Property Rights* 293.

<sup>753</sup> See para 3.2 above on art 9 of the TRIPS Agreement.

<sup>754</sup> CJEU 14 December 2000 joined cases C-300/98 and C329/98 [2000] ECR I-11334, *Parfumes Christian Dior v Tuk Consultancy* (C-300/98) and *Assco v Layher* (C-329/98) (*Dior* case).

<sup>755</sup> CJEU 6 April 1995 joined cases C-241/91 P & C-242/91 P [1995] ECR I-808 upholding Commission Decision No 89/205/EEC, OJ L 78/43 (1989); *Radio Telefis Eireann v Comm'n Case T-69/89* [1991] ECR II-485; *Indep Television Publ'ns Ltd v Comm'n Case T-76/89* [1991] ECR II-575 (*Magill* case).

<sup>756</sup> See Keeling *Intellectual Property Rights* 295.

Keeling continues with his fierce criticism of the CJEU with reference to the European Human Rights Convention. Ultimately, he concludes that the CJEU should treat the Berne Convention as “just a fundamental in the field of copyright” as is the case with human rights, stretching his sound argument back to cases as early as the 1974 *Nold* case where it was held that “...international treaties ...supply guidelines, which should be followed within the framework of Community law...”.<sup>757</sup>

In addition to the *Magill* case, three other CJEU cases are particularly relevant to this dissertation: the *Infopaq I*<sup>758</sup> & *II*<sup>759</sup> cases (on exceptions for temporary acts of reproduction or ‘transient copies’); the *Premier League*<sup>760</sup> case (on the Berne Convention’s three-step test); and the *Painer*<sup>761</sup> case (on the discretion of member states as regards exceptions and jurisdiction). In all these cases the CJEU took the position that exceptions and limitations must be interpreted strictly.<sup>762</sup>

### ***Magill***

In the *Magill* case which dealt with compulsory licensing, broadcasters in the Republic of Ireland (the British Broadcast Corporation (BBC), Radio Telefis Eireann (RTE), and Independent Television Publications Ltd (ITP) each published weekly TV guides containing details of their individual TV programs. *Magill* wanted to publish all TV programs in a comprehensive weekly TV guide and requested TV listing information from the three broadcasters. The broadcasters claimed their TV listings were protected by copyright and refused to make the information available.

On the basis of the so-called ‘exceptional circumstances test’, the European Commission ordered (and the CJEU later upheld the ruling) the three broadcasters to provide *Magill* with

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<sup>757</sup> CJEU 14 May 1974 case C-4/73 *Nold v Commission* [1974] ECR I-491.

<sup>758</sup> CJEU 16 July 2009 case C-5/08 *Infopaq International A/S v Danske Dagblades Forening* [2009] ECR I-6569 (*Infopaq I* case).

<sup>759</sup> CJEU 27 January 2012 case C-302/10 *Infopaq International A/S v Danske Dagblades Forening* [2012] ECLI:EU:C:2012:16 (*Infopaq II* case).

<sup>760</sup> CJEU 24 October 2011 joined cases C-403/08 and C-429/08 *Football Association Premier League Ltd and Others v QC Leisure and Others* (C-403/08) and *Karen Murphy v Media Protection Services Ltd* (C-429/08) [2011] ECR I-9159 (*Premier League* case).

<sup>761</sup> CJEU 1 December 2011 case C-145/10, *Eva-Maria Painer v Standard VerlagsGmbH and Others* [2011] ECR I-12594 (*Painer* case).

<sup>762</sup> See Kur & Dreier *European Intellectual Property Law* 302.



the information it had requested which is essentially the “compulsory licensing of an IP right”.<sup>763</sup> Only time will tell whether fair dealing for educational purposes, for example, will pass this ‘exceptional circumstances test’.

### ***Infopaq International A/S v Danske Dagblades Forening***

It is often presumed that works made available for download result in a reproduction at the downloader’s end which requires prior consent. In this regard the CJEU was requested in the *Infopaq International A/S v Danske Dagblades Forening* case (*Infopaq I*)<sup>764</sup> to rule on reproductions that were part of a ‘data capture process’. The *Infopaq I* case involved a media monitoring and analysis business for customers of Danish newspapers, which consisted of summaries of various publications sent to the customers by e-mail. The court stated that an act can be held to be ‘transient’ “only if its duration is limited to what is necessary for the proper completion of the technological process in question, it being understood that that process must be automated so that it deletes that act automatically, without human intervention, once its function of enabling the completion of such a process has come to an end.”<sup>765</sup> The court further held that<sup>766</sup>

...the act of printing out an extract of eleven (11) words during the data capture process... does not fulfil the conditions of being transient in nature as required by Article 5(1).<sup>767</sup>

This narrow interpretation by the court implies that consent of the rightsholders is now required for such copying.

In the *Infopaq II* case,<sup>768</sup> based on the same facts, the CJEU specified the conditions for the operation of the exception in respect of transient copies with reference to article 5(1) of the InfoSoc. It stated that: the act of reproduction must pursue the lawful use of the protected work; no additional profit may be derived from such act; and the act may not lead to the modification

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<sup>763</sup> Ahlborn et al (2004) 28/4 *Fordham International Law Journal* 1110.

<sup>764</sup> See CJEU 16 July 2009 Case C-5/08 *Infopaq International A/S v Danske Dagblades Forening* [2009] ECR I-6569 (*Infopaq 1* case).

<sup>765</sup> *Id* para 64.

<sup>766</sup> *Id* para 74.

<sup>767</sup> Article 5(1) of the InfoSoc.

<sup>768</sup> See CJEU 27 January 2012 Case C-302/10 *Infopaq International A/S v Danske Dagblades Forening* ECLI:EU:C:2012:16 (*Infopaq II* case).

of the original work.<sup>769</sup> In the absence of these three requirements, the narrow interpretation of the *Infopaq I* case would have caused untold problems pertaining to originality for European countries and this second ruling was obviously welcomed, as Alexandra<sup>770</sup> rightly points out in her review of the *Infopaq I & II* cases.

Alexandra further comments that the court's finding that storing an extract would fall within the concept of reproduction if the elements reproduced could be characterised as original – with originality defined as “the expression of the intellectual creation of their author”<sup>771</sup> – appears to interpret the InfoSoc as having harmonised the legal concept of originality alongside harmonisation of the reproduction right. She is, however, not necessarily convinced that countries such as the UK would apply the same standard to determine ‘intellectual creation’, with reference to the relatively old *Ladbroke* case,<sup>772</sup> where the test for the creation of copyright protectable work is whether the author has exercised “skill, judgment and labour” in producing a work. This test is, according to Alexandra, generally assumed to be a lower standard than that of ‘intellectual creation’, but that a UK court might still not consider the eleven words that were at issue in the *Infopaq I & II* case, as substantial enough to justify the creation of a new copyright protectable work.<sup>773</sup>

Manning,<sup>774</sup> another author who concerns himself with originality, goes one step further and differentiates between originality in common-law versus civil-law countries (in the latter case notably individual-centric countries such as France (*droit d'auteur*) and Germany (*urheberrecht*), where the contribution of the author is recognised first and where the ‘personality of the author’ reflects originality. As regards to common-law countries, according to Manning, the English test for originality (see above) no longer applies.<sup>775</sup>

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<sup>769</sup> See Kur & Dreier *European Intellectual Property Law* 302-5.

<sup>770</sup> Alexandra (2009) *Cambridge Law Journal* 521.

<sup>771</sup> *Id* at 522.

<sup>772</sup> *Ladbroke v William Hill* [1964] 1 WLR 273-82.

<sup>773</sup> See Alexandra (2009) *Cambridge Law Journal* 523.

<sup>774</sup> Manning Colin “English & Continental Tests of Originality: Labour, Skill, and Judgement versus Creations of the Mind” 1-15 paper delivered Cork Institute of Technology 19 May 2016 available at SSRN: <https://ssrn.com/abstract=2782052> or <http://dx.doi.org/10.2139/ssrn.2782052> (date of use: 9 June 2017).

<sup>775</sup> *Id* at 4.

*Football Association Premier League Ltd and Others v QC Leisure and Others*

In the *Premier League* case<sup>776</sup> the CJEU unpacked Berne's three-step test<sup>777</sup> in order to establish whether the sole purpose of the reproduction process was either to enable a transmission on a network between third parties by an intermediary, or constituted a lawful use. Briefly, the background to this case is the issue of partitioning the internal market by means of decoders sold in one EU member state but not in others. The court observed that reproductions that meet the conditions of article 5(1) of the InfoSoc do not conflict with the three-step test. It stated that "...in order for the exception...to be capable of being relied upon, those acts must also fulfil conditions of Article 5(5) of the Copyright Directive...".<sup>778</sup>

Unfortunately, the *Infopaq I&II* cases, together with the *Premier League* case, created uncertainties in that the 'technological process' and its relation to the 'sole purpose' is not well understood by copyright experts. However, these cases are of particular relevance to technological developments in respect of e-books in this dissertation. The use of transient copies of e-books for printing purposes is one possible solution to fair dealing, as was discussed in paragraph 2.6 above where the use of business methods as a possible technological solution to fair dealing in respect of e-books is addressed. The *Infopaq I&II* cases essentially confirm that transient copies of e-books can be used provided that: the prior consent of rightsholders has been obtained; the act does not lead to a modification of the original work; and no additional profit is made.<sup>779</sup>

If one applies the rulings in these cases to the physical printing of e-books by an end user, one can argue that the act of making a paper print (hard copy) is a reproduction falling outside of the computer sphere because the hard copy of the e-book's deletion after the act of reproduction is not decided by the automated process as described in the cases. In other words, "the reproduction disappears only when the material support is destroyed and when the user decides to do so."<sup>780</sup> This appears somewhat anomalous as such a physical reproduction of an e-book

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<sup>776</sup> See CJEU 24 October 2011 joined cases C-403/08 and C-429/08 [2011] ECR I-9159 (*Premier League* case).

<sup>777</sup> Article 9(2) of the Berne Convention and art 5(5) of the InfoSoc.

<sup>778</sup> See *Premier League* case para 181.

<sup>779</sup> See *Infopaq I* case paras 2, 33.

<sup>780</sup> *Id* at para 67.

in print format can obviously not be transient and can, therefore, not be exempted under the exception for temporary acts of reproduction. It then follows that fair dealing, in particular for private and educational purposes, appears to be impossible with respect to the physical reproduction of e-books. Chapter 8 below attempts to propose solutions to this legal problem.

### ***Eva-Maria Painer v Standard VerlagsGmbH***

The background to the *Eva-Maria Painer v Standard VerlagsGmbH* case (the *Painer* case)<sup>781</sup> dealt with the unauthorised publication of photographs taken by the applicant (a freelance photographer) which appeared in several newspapers. The photographs related to the abduction of an Austrian national, Natascha K, and included the search measures conducted by the security authorities in that case and the media reporting after she had escaped from her abductor. The defendants were from Germany and Austria, but the plaintiff filed suit against all defendants in Austria. The German defendants subsequently objected. This resulted in the referral to the CJEU.<sup>782</sup> While acknowledging member countries' sovereignty, the judges of the CJEU stressed in the *Painer* case that the discretion of member states to implement the exceptions in their national laws must be exercised within the limits imposed by EU law.<sup>783</sup> In particular, the following principles should apply:

- The principle of proportionality.<sup>784</sup>  
(Accordingly, measures adopted by member states must be appropriate to the realisation of their objective and must not go beyond what is necessary to achieve it.)
- The compliance with the aim of a high level of protection for copyright.<sup>785</sup>  
(Member states cannot, in exercising this discretion, compromise the principal purpose of the InfoSoc, ie a high level of protection for authors.)
- The need for legal certainty.<sup>786</sup>  
(The conditions for exceptions within the limits imposed by EU law cannot rely upon uncertain circumstances such as a discretionary human intervention.)

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<sup>781</sup> The *Painer* case paras 101-108.

<sup>782</sup> See Kur & Dreier *European Intellectual Property Law* 305.

<sup>783</sup> See the *Painer* case para 101.

<sup>784</sup> Id at para 105.

<sup>785</sup> Id at para 107.

<sup>786</sup> Id at para 108.

### ***Deckmyn and Vrijheidsfonds VZW v Vandersteen***

The *Deckmyn*<sup>787</sup> case clarified what is to be understood as ‘parody’ within article 5(3)(k) of the InfoSoc in order to strike a balance between the interests of rightsholders and ‘freedom of expression’ – a ruling that Arnold and Rosati<sup>788</sup> consider to be an indirect, but correct, application of the InfoSoc’s three-step test. The other important implication of this ruling, according to the authors, is that national courts (in this case Belgium) “must determine not only whether the acts of the defendant in question are eligible for the application of a certain exception or limitation, but also whether they comply with the cumulative conditions set in the InfoSoc three-step test”<sup>789</sup> – in other words, the courts of member states must apply the three-step test, even in those cases where the member states have not transposed the language of the InfoSoc’s three-step test into their own legal systems.

### ***Hewlett-Packard v Reprobel***

The *Reprobel* case<sup>790</sup> deals with exceptions to reproduction rights regulated by article 5(2)(a) and (b) of the InfoSoc – the case is more comprehensively discussed in paragraph 7.4 below on Reproduction Rights Organisations (RROs), where the facts of the case are also briefly mentioned. The case was referred to the CJEU by the Belgium Court of Appeal for guidance after both the applicant and respondent appealed against an earlier ruling.<sup>791</sup> According to Rosati, this decision is likely to raise a number of issues in the area of collective rights management because the ruling on, inter alia, “publishers should not be entitled to any fair compensation because they do not suffer any harm” links the fair compensation requirement to an actual harm.<sup>792</sup> Here there is disagreement with Rosati. The mere fact that publishers are not listed in article 2 of the InfoSoc does not mean that they are not creators/authors of works as intended in the Berne Convention, and in terms of which published editions are also a copyright protectable works.<sup>793</sup>

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<sup>787</sup> CJEU 2014 case C-201/13 *Deckmyn and Vrijheidsfonds VZW v Vandersteen* [2014] ECR I-2132.

<sup>788</sup> Arnold & Rosati (2015) 10/10 *Journal of Intellectual Property Law & Practice* 749.

<sup>789</sup> *Id* at 741.

<sup>790</sup> CJEU 12 November 2015 Case: C-572/13 *Hewlett-Packard Belgium SPRL/13 v Reprobel SCRL Epson Europe BV intervening* [2015] ECLI:EU:2015:750. Note that Reprobel is Belgium’s Reproduction Rights Organisation, available at [www.reprobel.be](http://www.reprobel.be) (date of use: 28 February 2017).

<sup>791</sup> *Id* at 7 para 20.

<sup>792</sup> Rosati (2016) 11/3 *Journal of Intellectual Property Law & Practice* 169.

<sup>793</sup> Article 1 of the Berne Convention: “The expression ‘literary and artistic works’ shall include every production in the literary, ...such as books...”.

### 5.3. The De Wolf Report, 2013

The De Wolf Report<sup>794</sup> (De Wolf) is the result of a study commissioned by the European Commission to consider the application of Directive 2001/29/EC (InfoSoc) to copyright and related rights in the information society. It concentrates on eleven countries (in alphabetical order: the Benelux countries, Denmark, France, Germany, Hungary, Italy, Poland, Spain, and the UK). De Wolf concentrates on two important aspects: exclusive rights; and exceptions.

#### *Exclusive rights*

Exclusive rights relate to the ‘making-available right’ and its localisation, and some other aspects of rights related to the transmission of content on digital networks (including links to the Satellite and Cable Directive and the Rental and Lending Directive<sup>795</sup> – these directives are not discussed in this dissertation).

#### *Exceptions*

Exceptions relate to a number of key limitations and exemptions, notably in favour of libraries and archives, research and educational purposes, persons with a disability, user-generated/created content (UGC/UCC) and press reviews.

The importance of De Wolf for this dissertation lies in the exceptions for educational purposes. De Wolf also reports extensively on e-learning as a specific education exception. In this regard Recital 36<sup>796</sup> of Council Directive 2001/29/EC leaves it in the discretion of member states to “provide for fair compensation for rightsholders also when applying the optional provisions on exceptions or limitations which do not require such compensation”. According to De Wolf, the education exception results in compensation for rightsholders in many member states.<sup>797</sup> In

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<sup>794</sup> De Wolf & Partners “Study on the application of Directive 2001/29/EU on Copyright and Related Rights in the Information Society (InfoSoc)” EU 2013 available at [http://ec.europa.eu/internal\\_market/copyright/docs/studies/131216\\_study\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/studies/131216_study_en.pdf) (date of use: 12 June 2016).

<sup>795</sup> Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission available at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31993L0083&from=EN> (date of use: 28 February 2017).

<sup>796</sup> See recital 36 of the InfoSoc.

<sup>797</sup> See De Wolf & Partners “Study on the application of Directive 2001/29/EU on Copyright and Related Rights in the Information Society (InfoSoc)” EU 2013 AT 367 available at [http://ec.europa.eu/internal\\_market/copyright/docs/studies/131216\\_study\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/studies/131216_study_en.pdf) (date of use: 12 June 2016).

practice some countries responded by imposing strict compensation measures, while other countries, such as the Netherlands, Germany, and France,<sup>798</sup> use sectoral agreements – Poland, for instance, is silent on the matter.<sup>799</sup> This individual-centric approach should be seen in the light of specific countries’ strong views on rightsholders – eg in France (*droit d’auteur*), Germany (*urheberrecht, treu und glauben*), and the Netherlands (*redelijkheid en billijkheid*).

Unfortunately, according to Hugenholtz,<sup>800</sup> member states also do not take cognisance of current technological advances in respect of educational practices, such as the use of copyright-protected e-content (eg PowerPoint, Blackboard, and e-books). He states:

By obstructing these [e-content] and other uses that many believe should remain outside the reach of copyright protection – and would likely be called fair use in the USA – the law in Europe impedes not only innovation, science, and cultural progress, but also undermines the social legitimacy of copyright law.<sup>801</sup>

All countries, irrespective of their national objectives, appear to agree that compensation measures in some form or another are necessary in order to protect the legitimate interests of authors. This notion is in line with my hypothesis that a socio-economic-legal approach is required if we are to find a solution “in ways necessary to yield advantages for all”.<sup>802</sup>

Hugenholtz uses arguments reminiscent of those of Dnes<sup>803</sup> when he comments on De Wolf and the UK’s Gower Review. He argues that the time is ripe for a critical review of the EU’s closed list of permitted limitations and exceptions to copyright fair use, and that a revised Directive would better serve the combined goals of copyright harmonisation and the promotion of a culture of innovation.<sup>804</sup> In my view it is obvious that all critics of the EU copyright regime

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<sup>798</sup> Hugenholtz & Senftleben (2012) *Amsterdam Law School Legal Studies, Research Paper 5*.

<sup>799</sup> *Id* at 369.

<sup>800</sup> Hugenholtz (2013) 56/5 *Communications of the ACM* 27.

<sup>801</sup> *Id* at 26.

<sup>802</sup> See Hart (1955) 64/2 *Philosophical Review* 175.

<sup>803</sup> Dnes (2013) 44/4 *ICC* 442. Also see Dnes’s criticism of the UK’s approach to fair dealing in the paragraphs on the UK below.

<sup>804</sup> Hugenholtz (2013) 56/5 *Communications of the ACM* 28. Hugenholtz refers to the Wittem Group Project, namely the “EU Copyright Code” of which he is a co-author. Available at <http://www.copyrightcode.eu> (date of use: 9 November 2016). Note that according to the website “the European Copyright Code is the result of the Wittem Project that was established in 2002 as a collaboration between copyright scholars across the European Union concerned with the future development of European copyright law. The project has its roots in an International Network Program run by three Dutch universities (Radboud University of Nijmegen, University of Amsterdam, and Leiden University) and sponsored by the government-funded Dutch ITeR Program”.

(eg, Hugenholtz and Dnes) are concerned that the current dispensation will result in European countries lagging behind the USA as regards striking a balance between technological advances and fair use for the benefit of society.

De Wolf also reports extensively on the cross-border dimension of e-learning activities, a topic that falls outside the immediate scope of this dissertation.

## 5.4. Germany

### *Background*

In Germany, a civil-law country,<sup>805</sup> the term ‘free utilisation’ (*freie benutzung*) is most often used as opposed to the term ‘fair use’ in the USA, or ‘fair dealing’ in most other jurisdictions. Essentially, in copyright infringement cases, German courts often lead by asking whether one work is sufficiently differentiated from another work to avoid infringement<sup>806</sup> citing ‘hard law’ in the context of constitutional guarantees of freedom of expression cases.<sup>807</sup> This contrasts to the USA’s test for fair use which leads with an evaluative inquiry into “the purpose and character of the use”<sup>808</sup> made of a prior work in a later one. The USA essentially has a value-based approach which is a highly flexible instrument in that courts can find a use to be fair even if it is not on the list. This German approach to fair dealing is further discussed in the paragraphs below. An early observation on Germany is that for private-use copying, Germany (like France) has a levy system which requires payment of royalties on all recording hardware and audio carriers. Music rightsholders have a right to remuneration from manufacturers of hardware, especially of tape recorders, CD recorders, computers, and blank digital carriers.<sup>809</sup>

Note that Germany’s position on constitutional limitations and copyright exceptions and the potential tensions they create with the TRIPS Agreement are discussed in paragraph 3.2 (TRIPS Agreement) above.

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<sup>805</sup> Schroff *Copyright Policies* 19.

<sup>806</sup> Geller (2009-2010) 57 *J Copyright Soc’y USA* 553.

<sup>807</sup> *Id* at 589.

<sup>808</sup> See para 4.1.1 above on the USA’s four factors pertaining to fair use.

<sup>809</sup> Caddy, Shan & Aumage (2009-2010) 57 *J Copyright Society USA* 582. Note that the UK, along with some other member states, has chosen not to impose levies on media.



### 5.4.1 Copyright Acts in Germany

Briefly, the two main pillars of German copyright law are the German Constitution (*Grundgesetz*),<sup>810</sup> and the German Copyright Act, 1965, (*Urheberrechtsgesetz*)<sup>811</sup> which is very author-centric and includes, inter alia, the codification of authors' moral rights.<sup>812</sup>

In 2003 German legislators<sup>813</sup> incorporated articles 5 and 6 of the InfoSoc and article 11 of the WCT into the German Copyright Act by means of the 'Law to Regulate Copyrights in the Information Age' (the *UrhG* Act).<sup>814</sup> In this regard § 53 (reproduction for private and other personal uses, as an exception),<sup>815</sup> § 95a (technological protection measures),<sup>816</sup> and § 95b (exceptions and limitations)<sup>817</sup> require further discussion in this dissertation.

On the implications of § 95a, Bäsler<sup>818</sup> points out an anomaly in the *UrhG* Act – a researcher who makes reproduction(s) for “personal scientific use[s],” will not be liable for copyright infringement (as an exception). However, the researcher will be liable for infringing § 95a because of alleged hacking activities.<sup>819</sup> On § 95b, Bäsler points out that the group litigation right is an exception in German civil procedure because “an individual claim is usually not sufficient because the enforcement of that right is burdensome, might take a long time, and binds the rightsholder only in the individual case.”<sup>820</sup>

On the § 53 fair-use provisions, Bäsler points out that Germany only provides for exceptions and limitations of the authors' rights in certain circumstances (in contrast with the USA's fair-

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<sup>810</sup> *Grundgesetz for die Bundesrepublik Deutschland [Grundgesetz] [GG] [BASIC LAW] 23 May 1949, last amended 2009 (hereafter the German Constitution).*

<sup>811</sup> Copyright Act of 9 September 1965 (*Federal Law Gazette Part I 1273*), as last amended by art 83 of the Act of 17 December 2008 (*Federal Law Gazette Part I 2586*).

<sup>812</sup> See Schroff *Copyright Policies* 19.

<sup>813</sup> Both the *Bundestag*, the Lower House of the German parliament, and the *Bundesrat*, the Upper House of the German parliament in which the states are represented.

<sup>814</sup> *Gesetz zur Regelung des Urheberrechts in der Informationsgesellschaft [Law for the Regulation of Copyright in the Information Society], BGBl I 2003, 1774 (hereafter the *UrhG* Act).*

<sup>815</sup> § 53 of the *UrhG* Act deals with reproduction for private and other personal uses, as an exception.

<sup>816</sup> § 95a of the *UrhG* Act deals with technological protection measures (TPMs) and prohibits the circumvention of any technological measure without the rights holder's authorisation. The Act's provisions are nearly identical to art 6 of the InfoSoc.

<sup>817</sup> § 95b of the *UrhG* Act deals with the enforcement of exceptions and limitations; § 95b of the *UrhG* Act address art 6(4) of the InfoSoc.

<sup>818</sup> See Bäsler (2003) 8/3 (Fall) *Va JL & Tech* 3-30.

<sup>819</sup> *Id* at 20.

<sup>820</sup> *Id* at 22.

use rights).<sup>821</sup> She then continues with her comparative study<sup>822</sup> into how the USA and EU/Germany have respectively implemented the provisions of the WCT, pointing out the importance of differentiating between access-control devices and copy-control devices. According to her, both the USA and Germany prohibit the circumvention of, and the trafficking in, access-control devices. And although both countries do not prohibit the circumvention of copy-control devices, Germany (with its author-centric approach) requires the rightsholder to provide the user with the means to bypass the copy-control devices and make fair use of the copyright work in exchange for compensation.<sup>823</sup>

Other exceptions include §19(a) – the “right to make publicly available” (*Recht der öffentlichen Zugänglichmachung*) – which was also added to the German Copyright Act in 2003 by the *UrhG* Act to address unlawful uses of copyright works on electronic networks, specifically the Internet.<sup>824</sup> According to Williams, a prominent exception of the *UrhG* Act permits public access to digitized library books accessible exclusively on library computer stations within the confines of the library<sup>825</sup> – a topic that is further analysed under case law below. This exception for libraries is also of particular relevance in the USA *HathiTrust* case and the Canadian *SOCAN* case discussed above.<sup>826</sup> Interestingly, there is no exception for parody which has rather been classified as a free utilisation under § 24 of the *UrhG* Act.<sup>827</sup>

To summarise, the German solution to fair dealing is to use exceptions in all cases where there is a strong public interest – this is achieved by obliging rightsholders to provide content users (beneficiaries) with the necessary means to use the rights under the exceptions as provided for in the amended German Copyright Act, whilst users of content are required to pay compensation to the rightsholder, which can essentially be seen as a form of a compulsory licence – a model which is strongly supported.

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<sup>821</sup> *Id* at 24.

<sup>822</sup> *Id* at 20.

<sup>823</sup> See § 53, 95a, 95b of the *UrhG* Act.

<sup>824</sup> Williams (2011) 19/1 (Winter) *Univ Miami Bus Law Rev* 60.

<sup>825</sup> *Id* at 61.

<sup>826</sup> See the discussion of the *SOCAN* case in para 4.2 above – Horava strongly pleaded for precisely this exception for e-books in libraries also to be allowed in Canada. Also see para 4.1.2 on the *HathiTrust* case.

<sup>827</sup> See Bäsler (2003) 8/3 (Fall) *Va JL & Tech* 24.

## 5.4.2 German case law on fair dealing

### *HathiTrust case (The Google Books Library Project)*

The Google Books Library Project<sup>828</sup> and the related *HathiTrust*<sup>829</sup> case in the USA (also discussed in detail in paragraph 4.1.2 under USA case law above) are of particular importance to the German law on this topic. The *Google* case resulted in an initial settlement and then in a subsequent ‘Amended Settlement Agreement’<sup>830</sup> between the Authors Guild and Google in 2009, but only after Germany had claimed that the initial settlement’s opt-out provision was illegal under German law and set a dangerous precedent for international copyright law.<sup>831</sup> In summary, the parties agreed in the Amended Settlement Agreement to “exclude all foreign authors and publishers”. According to Williams: “German authors and publishers are therefore no longer affected by the Amended Settlement Agreement; of course, they remain free to reach separate, private agreements through Google’s ‘Partners Program’.”<sup>832</sup> Williams concludes by stating that “the settlement runs afoul of German law, and that the author-centric, morality-based philosophy underlying continental European copyright law currently hinders the digitizing of ... works.”<sup>833</sup>

The Europeana<sup>834</sup> project on digital libraries is an EU initiative that not only provides interesting insights into the European approach to e-content for the public good, but also on the German response on the Google Books Project discussed above. In a very insightful comparative analysis between the Europeana Project and the Google Books Project, Matulionyte<sup>835</sup> analyses three objectives of the potential of mass digitisation, namely for preservation purposes (the public benefits associated here are incontestable and the German approach is aligned herewith);

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<sup>828</sup> Note that, according to Sergey Brin, the co-founder of Google, over ten million books were scanned and digitized. Google’s main argument was that they merely scanned books in order to facilitate their indexing for search purposes.

<sup>829</sup> See *Authors Guild v HathiTrust* 755 F 3d 87 (2d Cir 2014) and para 4.3 above where this case is discussed.

<sup>830</sup> Amended Settlement Agreement, *Authors Guild Inc v Google Inc* No 05 CV 8136 DC (SDNY 9 Nov 2009).

<sup>831</sup> See Williams (2011) 19/1 (Winter) *Univ Miami Bus Law Rev* 67.

<sup>832</sup> *Ibid.*

<sup>833</sup> *Id* at 80.

<sup>834</sup> See Europeana Collections available at <http://www.europeana.eu/portal/en> (date of use: 07 March 2018). The Europeana project (which is similar to the Google Book Project) was implemented by the European Commission in 2005 in order to digitise European cultural heritage and also to make it accessible online and for the public good, where all people can study, research or otherwise interact with it.

<sup>835</sup> Matulionyte (2016) *International Journal of Law and Information Technology* 44-71.

for the purpose of creating a searchable database; and for making the digitized materials accessible for online consumption by users. On the purpose of searchable databases he argues that when creating searchable databases such use does not conflict with the ‘normal exploitation’ of a work (as is the case with the Google Project discussed above). However, in Germany/EU rightsholders might still argue that their legitimate interests have been unreasonably prejudiced as the printed editions are digitised in full.<sup>836</sup> He continues to argue that the net effects of full-text databases in libraries are positive for both rightsholders and society at large, and that Germany/EU should rather be concerned with the third purpose of mass digitisation, namely for making the digitized materials accessible for online consumption by users.<sup>837</sup> Certainly, under these circumstances the legitimate interests of rightsholders to control the public dissemination of their works online, and to receive adequate remuneration in return, would prevail. Matulionyte concludes by arguing that the EU (and by implication Germany with its very strong author-centric approach) should make serious concessions as regards “copyright exceptions that are more business-friendly could create new opportunities for use of original content in the creation of innovative information services, while simultaneously preserving the markets for original works.”<sup>838</sup>

In conclusion, and in support of the Google Books Library Project, it could be argued that the societal advantages of wide scholarly availability and historic preservation outweigh the German’s moral-rights-based *Urheber* (creator of the works) controls and protections. This author-centric protectionism in the proposed solutions to digital content management is addressed in the final chapter.

### *Selected German cases on the ‘exhaustion of rights principle’<sup>839</sup>*

#### *UsedSoft GmbH v Oracle International Corp*

In the *Usedsoft*<sup>840</sup> case – another important case for German copyright law – the Federal Court (*Bundesgerichtshof (BGB)*), Germany’s highest civil court, joined the CJEU as regards used

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<sup>836</sup> Id at 69.

<sup>837</sup> Id at 70.

<sup>838</sup> Id at 71.

<sup>839</sup> Note that the exhaustion-of-rights principle (EU) and the first-sale doctrine (USA) have similar meanings.

<sup>840</sup> CJEU 3 July 2012 Case C-128/11 *UsedSoft GmbH v Oracle International Corp* [2012] ECLI:EU:C:2012:407 (hereafter *UsedSoft* case).

software, and confirmed the legality of trading in used software. The *UsedSoft* case involved a dispute between UsedSoft, a German reseller of used software, and Oracle, an American multinational corporation that develops software. After Oracle's initial success in the *Landgericht München*, a regional German court, the matter was referred to the CJEU by the *Bundesgerichtshof* who declined to take the matter on appeal at that time.<sup>841</sup> The one question relevant to this dissertation on which the CJEU was asked to make a preliminary ruling were essentially whether the exhaustion principle can apply to online software distribution models such as a download, accompanied by a more or less restrictive licence. The CJEU eventually found that a sale was indeed made, whilst relying on the 'offline-online equivalence'<sup>842</sup> principle, when interpreting a sale. This principle requires "exhaustion to apply to intangible copies of software (and other digital goods) just as it does to tangible ones, because the situation online is in essence comparable to the situation offline."<sup>843</sup> Furthermore, in the judgment some guidelines for the exhaustion-of-rights principle were given, which are very useful.<sup>844</sup>

In order to understand the relevance of this judgment as regards e-books, one must go back more than a hundred years to when the USA Supreme Court ruled in the *Bobbs-Merrill Co v Straus*<sup>845</sup> case that a book publisher could not enforce minimum resale price covenants against secondary book purchasers based on copyright, because the rightsholder's right to control distribution falls away after the initial sale of every book. This first-sale doctrine was subsequently included in legislation and treaties around the world, and in the *Usedsoft* case the first-sale doctrine was specifically applied to software.<sup>846</sup> Both the German court and the CJEU held that

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<sup>841</sup> Savic (2016) 37/7 *European Intellectual Property Review* 415.

<sup>842</sup> See *UsedSoft* case at paras 84-88. Note that the 'offline-online equivalence' means that "there is essentially no difference whether a copy of the computer program was made available to a customer by the rights holder by means of an online download or an offline DVD - the online transmission method is merely the functional equivalent of the supply of e-content in a tangible manner such as a DVD of memory stick".

<sup>843</sup> *Id* at 416.

<sup>844</sup> See *UsedSoft* case at paras 55-68. These guidelines are: "i) appropriate economic remuneration was achieved by the right holder (here the BGH concluded that it shall be assumed that when the right holder has agreed to the download of a copy of the software, he has agreed that the price charged for the software enables him to achieve appropriate economic remuneration); ii) the right holder granted the original purchaser the right to use the copy without any time-limit (a perpetual licence); iii) improvements, updates and in other additional services must be covered in a maintenance or service contract concluded between the copyright owner and the original buyer, if exhaustion is to apply to such improved and updated copies; iv) the original purchaser made her copy unusable; and v) the lawful acquirer is entitled only to those actions that constitute intended use of the computer program".

<sup>845</sup> *Bobbs-Merrill Co v Straus* 210 US 339 (1908).

<sup>846</sup> See *UsedSoft* case at para 5. Also see article 6 of the WCT.

the rightholder can no longer oppose the resale of this copy, even if the licence agreement prohibits sale at a later time.<sup>847</sup>

It is important to analyse the implication of the *Usedsoft* case's ruling, discussed above, from an e-books perspective, in particular if one argues that the sale of an e-book falls within the scope of the first-sale doctrine. The first-sale doctrine must not be confused with leasing or licensing – a licence does not confer ownership rights but merely provides access to the content for a limited period. But before we proceed to case law on the exhaustion principle, it is important to understand the legal principles involved. Article 4(2) of the InfoSoc provides as follows:

4(2) The distribution right shall not be exhausted within the Community in respect of the original or copies of the work, except where the first sale or other transfer of ownership in the Community of that object is made by the rightholder or with his consent.<sup>848</sup>

In terms of article 4(2), the conditions for the distribution right to be exhausted are: “first sale or other transfer of ownership in the Community”; which results in the right to distribution being exhausted once the content contained in the protected work has been sold; within the EU; and with the consent of the rightholder (simply put – there must be a sale).<sup>849</sup> According to Schulze, exhaustion was designed to allow the ‘resale of objects’, not to allow the ‘resale of rights’ and that is the logical outcome of reselling content files.<sup>850</sup> Musiani<sup>851</sup> makes interesting remarks on the resale of digital products in the second-hand market (ie the ‘resale of objects’ as referred to by Schulze above), even drawing on experiences in the sports sector.<sup>852</sup> He briefly

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<sup>847</sup> See *UsedSoft* case at para 77.

<sup>848</sup> See art 4(2) of the InfoSoc.

<sup>849</sup> Schulze (2014) 36/1 *EIPR* 12.

<sup>850</sup> *Id* at 11.

<sup>851</sup> Musiani & Pererico (2014) 19/11 *First Monday* 3. Musiani is a researcher at the Institute for Communication Sciences, National Centre for Scientific Research (ISCC-CNRS), Paris, France. Throughout this dissertation I kept an open mind as regards other disciplines – lateral thinking is required.

<sup>852</sup> *Id* at 4. The authors comment that “...interestingly, very different numbers can be obtained for other types of digital goods protected by copyright. For example, most sport events have a peak number of watchers that is very close to the total number of watchers over time: relatively few people watch a football match after it is over. Similarly, many types of professional software products, such as database management systems, remain constantly in use throughout their lifetime once bought. In these cases, the presence of a second-hand market would not drastically affect the primary market, since there would be relatively little demand and/or supply for second-hand goods”.

compares the German *UsedSoft* case<sup>853</sup> with the *ReDigi* case<sup>854</sup> in the USA. In the *UsedSoft* case the CJEU court held that the user actually buys a right to indefinite use, or by implication ‘buys a copy’.<sup>855</sup> In the *ReDigi* case, according to Musiani, the court held an opposing view that a new work was created, and as such required the explicit permission of the rightsholder. However, he argues correctly that the main reason for this might be the intrinsic difference between music and database software.<sup>856</sup> Musiani is also correct when he draws the reader’s attention to the open secret that software has a realistic lifespan of no more than five years.<sup>857</sup>

But here lies the issue, and possibly also the solution, for e-books. Five judgments are called on in four different jurisdictions to illustrate the point. These are: the *Campbell* case (USA),<sup>858</sup> the *Deckmyn* case (CJEU) which deal with parody;<sup>859</sup> and the *ReDigi* case (USA) addressing music;<sup>860</sup> the *UsedSoft* case (CJEU/Germany) on computer software;<sup>861</sup> and the *Fraser-Woodward* case (UK)<sup>862</sup> which addressed the issue of critics.<sup>863</sup> It is relatively easy to appreciate the rulings on parody and critics which were based on the transformative-use test. Software has a short lifespan and one can probably assume that the software companies discounted the ‘resale of objects’ in their corporate strategies. Music, simply by its nature – we all know about those ‘earworms’ lyrics that stick in our subconscious – is surely a copyright category that requires the full 50 year protection, hence, in my view, the correct ‘first-sale’ ruling in the *ReDigi* case. These arguments are now extrapolated to e-books. On both Kindle and Nook e-book reader devices, it appears far easier to ‘consume’ e-books sourced from the ‘official’ channels of the respective e-book vendor than from other sources. Why? – simply because commerce understands that it is the ‘first penny that counts’ and therefore mitigates the risks (both technical and legal) which pose a sufficient threat and in so doing ensures that piracy is no

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<sup>853</sup> See *UsedSoft* case above.

<sup>854</sup> *Capitol Records LLC v ReDigi Inc* 934 F Supp 2d 640 (SDNY 2013) (No 12 Civ 95) (*ReDigi* case). Also see the discussion of the *ReDigi* case above.

<sup>855</sup> See *UsedSoft* case para 30.

<sup>856</sup> See Musiani & Pererico (2014) 19/11 *First Monday* 3.

<sup>857</sup> *Ibid.*

<sup>858</sup> See *Campbell v Acuff-Rose Music* 510 US 569 (1994) SC.

<sup>859</sup> See CJEU 2014 Case C-201/13 *Deckmyn and Vrijheidsfonds VZW v Vandersteen* [2014] ECR I-2132.

<sup>860</sup> See *ReDigi* case above.

<sup>861</sup> See *UsedSoft* case above.

<sup>862</sup> See *Fraser-Woodward Limited v (1) British Broadcasting Corporation (2) Brighter Pictures Limited* [2005] EWHC 472 Ch above.

<sup>863</sup> Note that the *Campbell*, *Deckmyn*, *ReDigi*, *UsedSoft*, and *Fraser-Woodward* cases are discussed in the chapters on the USA, EU and UK respectively.

longer a worthwhile or profitable exercise.<sup>864</sup> To close this argument, the views of McDonald<sup>865</sup> and Einhorn:<sup>866</sup> “we need to integrate economics and law” (see Chapter 2 above)<sup>867</sup> correspond to those of Musiani discussed above.

### *SAP v Susensoftware*

In the case between SAP and Susensoftware (the *SAP* case),<sup>868</sup> Susensoftware, a German reseller of used SAP and Microsoft software licences, sued SAP, a German software manufacturer (in fact, one of the biggest software developers in Europe), based on the argument that SAP was engaged in unfair business practices by using licensing terms which unfairly restricted the resale of SAP software.<sup>869</sup> According to its ‘general terms and conditions’ SAP only allows the resale of its software with its written consent.<sup>870</sup> In its judgment the Regional Court in Hamburg (*Landgericht Hamburg*), whilst referring to the *UsedSoft* case, found that SAP’s terms and conditions were not compatible with the exhaustion-of-rights principle and were also in breach of § 307 of the German Civil code.<sup>871</sup> SAP appealed the judgment, but later withdrew its appeal electing rather to revisit its general terms and conditions.<sup>872</sup> Although Savic comments in his review of the *SAP* case that the actual reason might have been that the decision in the matter now

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<sup>864</sup> Musiani & Pererico (2014) 19/11 *First Monday* 5.

<sup>865</sup> McDonald et al *Digital Rights Management* 1.

<sup>866</sup> Einhorn *Media, Technology and Copyright* 15.

<sup>867</sup> *Ibid.*

<sup>868</sup> *SAP and Susensoftware LG Hamburg* 315 O 449/12, 25 October 2013. Note that this case is available in German only and I therefore used the secondary source, Savic, cited below.

<sup>869</sup> Savic (2016) 37/7 *European Intellectual Property Review* 417-22

<sup>870</sup> *Id* at 417.

<sup>871</sup> Section 307 of the German Civil Code, in the [translated] version promulgated on 2 January 2002 (Federal Law Gazette [*Bundesgesetzblatt*] (BGB) I p. 42, 2909; 2003 I p. 738), last amended by art 2(16) of the statute of 19 February 2007 (Federal Law Gazette [*Bundesgesetzblatt*] I p 122); Section 307 of BGB: “Test of reasonableness of contents: (1) Provisions in standard business terms are ineffective if, contrary to the requirement of good faith, they unreasonably disadvantage the other party to the contract with the user. An unreasonable disadvantage may also arise from the provision not being clear and comprehensible. (2) An unreasonable disadvantage is, in case of doubt, to be assumed to exist if a provision 1. Is not compatible with essential principles of the statutory provision from which it deviates, or 2. Limits essential rights or duties inherent in the nature of the contract to such an extent that attainment of the purpose of the contract is jeopardised. (3) Subsections (1) and (2) above, and sections 308 and 309 apply only to provisions in standard business terms on the basis of which arrangements derogating from legal provisions, or arrangements supplementing those legal provisions, are agreed. Other provisions may be ineffective under subsection (1) sentence 2 above, in conjunction with subsection (1) sentence 1 above”.

<sup>872</sup> Savic (2016) 37/7 *European Intellectual Property Review* 418.



remains at the first instance, which, also in a continental civil law system, does not carry as much weight as a higher instance judgment.<sup>873</sup>

Savic's commentary on the *SAP* case is interesting because he draws analogies between video games and software, and of importance to this dissertation, also between e-books and software. In this regard he mentions that the exhaustion-of-rights principle only applies to the distribution right and never to the reproduction right of an e-book, which is fair.<sup>874</sup> In regard to e-books he points out that the court reverted to the primary purpose and technical execution of the contract as point of departure in order to make an informed judgement. Savic also refers to the *Bielefeld* decision<sup>875</sup> (discussed below) to conclude his arguments.<sup>876</sup>

### ***Technische Universität Darmstadt***

Briefly, the facts of the *Technische Universität Darmstadt* case<sup>877</sup> on e-books are as follows: The university scanned textbooks which were part of their electronic repository and then made those digitised books available to its students online for downloading (or rather, availing e-books at 'reading posts' or 'dedicated terminals', as the university refers to such online availability).<sup>878</sup> The plaintiff (Eugen Ulmer publishers) subsequently demanded ('offered', according to the publisher) that the university should rather purchase the title as an e-book and then delete the digital copy from its repository, an offer that the university declined.<sup>879</sup> The CJEU's interpretation of the exception (ie, realising the core mission of the library to promote the public interest in promoting research and private study)<sup>880</sup> was that the university indeed could digitise a work and make it available via electronic reading posts within the library premises. However, the university was restrained from printing out certain pages of the digitised book, or storing it on a USB stick, unless fair compensation was paid to rightsholders, because such acts were regarded by the court as reproduction, in so far as they aimed to create a new

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<sup>873</sup> Ibid.

<sup>874</sup> Id at 421.

<sup>875</sup> Ibid.

<sup>876</sup> Ibid.

<sup>877</sup> CJEU 11 September 2014 case C-117/13 *Technische Universität Darmstadt v Eugen Ulmer KG* [2014] ECLI:EU:C:2014:2196 (TUD case).

<sup>878</sup> Id at para 9.

<sup>879</sup> Id at para 12.

<sup>880</sup> Ibid. In the press release 124/24 on case C-117/13 of the CJEU, dated 11 September 2014 (the *TUD* case), the court adds that "this ancillary right of digitisation does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the rightholder, given that the German legislation at issue in this case provides that the number of copies of each work available on dedicated terminals must not be greater than that which those libraries have acquired in analogue format".

copy of the digital copy and make it available to individuals.<sup>881</sup> The court further argued that such acts of reproduction (ie, printing or storing the digitised books on USB sticks) are not necessary for communicating the digitised book to students by means of ‘reading posts’ or ‘dedicated terminals’ and are therefore not covered by the right of communication by means of the exception, particularly since they are made by individuals and not by the library itself.<sup>882</sup>

The *Technische Universität Darmstadt* case is closely aligned with the Canadian *Copyright* quintet cases of which two (the *SOCAN* and *Copyright Access* cases) were discussed earlier in this dissertation.<sup>883</sup> In his review of the *Technische Universität Darmstadt* case, Andersdotter<sup>884</sup> therefore rightly pointed out that the Canadian writer, Hovara,<sup>885</sup> advocates for copyright legislation to respond to the disruptive impact of digital content and information technology on the ways in which copyright works are used at libraries. Andersdotter then continues to ask: “[W]hat is a loan, and what is access?”<sup>886</sup> in a modern library, where most content is digital – a far more renowned author would possibly have asked: “*What’s in a name?*”

This question is of particular importance to this dissertation, because it is also aimed to define the borders between analogue and digital loans, and analogue and digital access to copyright works (eg, analogue browsing – ie, a student flipping through a book from the shelves in a library – has not been extended to the digital environment).<sup>887</sup> And, as with Andersdotter’s conclusion, the possibility of rather opting for ‘extended collective licencing’<sup>888</sup> of digital content via collecting societies is also supported, because such an approach will address many of the uncertainties between loans versus access and libraries versus end users. The final chapter reverts to this approach (ie, closer collaboration between libraries and collecting societies) as a possible legal solution.

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<sup>881</sup> See *TUD* case at para 42.

<sup>882</sup> *Id* at para 50.

<sup>883</sup> See para 4.1.3 above: ‘A brief excursus on Canadian case law on fair dealing’.

<sup>884</sup> Andersdotter *Cross-border Copyright* 21.

<sup>885</sup> See Horava (2009) 4/1 *Canadian Journal of Library and Information Practice and Research* 5.

<sup>886</sup> *Id* at 6.

<sup>887</sup> Weatherall Kimberlee G & Hudson Emily (2005) “Response to the Issues Paper: Fair Use and Other Copyright Exceptions in the Digital Age” at 20 Intellectual Property Research Institute of Australia (IPRIA) available at: <http://works.bepress.com/kimweatherall/6/> (date of use: 27 November 2016).

<sup>888</sup> Andersdotter *Cross-border Copyright* 24.

### *The Landgericht Bielefeld decision*

Following the CJEU’s recent ruling on the resale of computer programs downloaded with a perpetual licence in the *Usedsoft* case, the German Federation of Consumer Organisations (GFCO)<sup>889</sup> lost a first-instance application in the German District Court of Bielefeld (*Landgericht Bielefeld* decision).<sup>890</sup> In the *Bielefeld* decision the GFCO sued an unnamed website that sold e-books and audiobooks in CD, DVD, and digital download formats. Citing the *Usedsoft* case as authority, the GFCO claimed that the website platform’s terms and conditions violated German law and that users have the right to resell e-books and audiobooks.<sup>891</sup>

Unfortunately – from my perspective – the German District Court held that the extension of the exhaustion principle in the *Usedsoft* case applies only to computer programs.<sup>892</sup> The court referred only to Council Directive 2009/24, despite the fact that e-books and audio books are regulated under the InfoSoc.<sup>893</sup> It further held that the exception under article 5(1)<sup>894</sup> of the InfoSoc did not apply in this case because

“the reproduction was permanent, and neither transient or incidental.”<sup>895</sup>

More specifically, the court classified a copy that was automatically deleted after the end of a user session or after a certain period, as a transient reproduction. In this case, however, the court found that the copy was intended to be permanent.<sup>896</sup> The GFCO appealed this ruling, mainly because, according to them, buying a print book or a CD is essentially the same as acquiring perpetual access to an e-book, music, film, or computer game in digital format, and should, therefore, receive the same treatment.<sup>897</sup> This view of the GFCO is in contrast to the exhaustion principle discussed above, where the Commission’s arguments against allowing an extension of the exhaustion principle to intangible objects is supported.

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<sup>889</sup> The original German translation of GFCO is the *Verbraucherzentrale Bundesverband* (VZBV).

<sup>890</sup> *Landgericht Bielefeld* Decision of 5 March 2013 Docket no 4 O 191/11 Unreported 2013.

<sup>891</sup> See Schulze (2014) 36/1 *EIPR* 12.

<sup>892</sup> *Id* at 4.

<sup>893</sup> See the InfoSoc.

<sup>894</sup> See art 5(1) of the InfoSoc.

<sup>895</sup> See *UsedSoft* case at para 30.

<sup>896</sup> See *Landgericht Bielefeld* Decision of 5 March 2013 Docket no 4 O 191/11, Unreported 2013 at para 7.

<sup>897</sup> See Schulze (2014) 36/1 *EIPR* 7 13.

Savic undertook an interesting comparative study between the *UsedSoft* case<sup>898</sup> pertaining to software (discussed above) and the *Bielefeld* decision<sup>899</sup> (on e-books and audio books, also discussed above).<sup>900</sup> In the latter case it was pointed out that if the primary purpose and technical execution entails the provision of the possibility of using an e-book or audio book (including the enabling of repetitive listening or viewing of the file on the local disk), from a technical perspective, such use merely represents a download and nothing more.<sup>901</sup> Therefore, in the *Bielefeld* case, the making of copies for third parties and reselling the files can no longer be justified as falling within the primary purpose of the contract.<sup>902</sup> The prohibition on the resale of the files does, therefore, not represent an unreasonable disadvantage for the purchaser.<sup>903</sup>

Even though it does not support the hypothesis in this dissertation, there is support for this view because for literary works such as e-books, the distribution right is embedded in either a physical reproduction or online distribution of the whole e-book, which the exhaustion-of-rights principle does not cover.<sup>904</sup> Even though the author of dissertation is a protagonist of the German author-centric approach with the guiding principle of the widest possible participation by the author in commercial exploitation of his or her work, a solution to the fair and equitable use of e-books should be sought.

### ***The Germania 3 & Google Bildersuche cases***

The *Germania 3* case,<sup>905</sup> considered by some as a landmark case in Germany,<sup>906</sup> involved a substantial number of pages being copied verbatim from two of the artist Berthold Brecht's plays. Although the court was of the view that the number of quotes indeed exceeded the statutory limits, it held that on the basis of the public interest (the freedom of artistic expression

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<sup>898</sup> See *UsedSoft* case above.

<sup>899</sup> See *Landgericht Bielefeld* Decision above.

<sup>900</sup> See Savic (2016) 37/7 *European Intellectual Property Review* 417-22.

<sup>901</sup> *Id* at 421.

<sup>902</sup> *Ibid*.

<sup>903</sup> *Id* at 422.

<sup>904</sup> *Ibid*. Savic mentions that: "The court strongly emphasised the fact that there is no loss in quality with the use of digital content and that the original copy could be retained by the original purchaser, so that the primary market for such content would break, if 'used' e-books, audiobooks and other digital content were simply be allowed to be resold".

<sup>905</sup> *Germania 3 Gespenster am toten Mann*, Federal Constitutional Court 29 June 2000, *Zeitschrift für Urheber- und Medienrecht* (ZUM) 2000, 867.

<sup>906</sup> Hugenholtz P, Bernt & Senftleben Martin RF "Fair use in Europe. In search of flexibilities" Amsterdam Law School Legal Studies Research Paper No 2012-39 (2012) at 11.

embedded in article 5(3) of the German Constitution), the quotation-right should be broadly applied when dealing with artistic works.

Although the author of this dissertation is a protagonist of the German's *urheberrecht* approach, it is submitted that the court's view in the *Germania 3* case is correct, in that copyright exceptions should reflect the balancing of relevant interests. This view is echoed in the *Google Bildersuche* case<sup>907</sup> where, interestingly, the court drew on the 'doctrine of implied consent' as a copyright exception, confirming German courts' moves towards the balancing of relevant interests. Hugenholtz, however, remarks that this might actually be because "insufficient flexibility in the German system of limitations and exceptions, was rendered incapable of solving the case on the basis of the right of quotation."<sup>908</sup>

## 5.5. UNITED KINGDOM

### 5.5.1 UK Copyright Act

Chapter III of the UK's Copyright, Designs and Patents Act (UK Copyright Act),<sup>909</sup> deals with acts permitted in relation to copyright works. Four permissible purposes relevant to this dissertation are: (i) research and private study;<sup>910</sup> (ii) criticism, review and news reporting;<sup>911</sup> (iii) reprographic copying by educational establishments of passages from published works,<sup>912</sup> and (iv) libraries and archives.<sup>913</sup>

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<sup>907</sup> *Google am Bildersuche*, Bundesgerichtshof, April 29, 2010, case I ZR 69/08, p 14-15, available in German at [www.bundesgerichtshof.de](http://www.bundesgerichtshof.de).

<sup>908</sup> See Hugenholtz P Bernt & Senftleben Martin RF "Fair use in Europe. In search of flexibilities" Amsterdam Law School Legal Studies Research Paper No 2012-39 (2012) at 17.

<sup>909</sup> Copyright, Designs and Patents Act 1988 of the United Kingdom (UK Copyright Act).

<sup>910</sup> Section 29 of the UK Copyright Act.

<sup>911</sup> Section 30 of the UK Copyright Act. The relevance will become evident when the *Moneyweb* case is discussed in paragraph 6.2 below.

<sup>912</sup> Section 36 of the UK Copyright Act.

<sup>913</sup> Section 37 of the UK Copyright Act.

## Section 29

Unlike the USA copyright legislation, section 29 of the UK Copyright Act<sup>914</sup> delineates the specific categories into which the use in question must fall to even merit consideration as an expression of fairness. Key parts of section 29 of the mentioned Act provide as follows:

- 29 (1C) Fair dealing with a literary, dramatic, musical and artistic work for the purposes of private study does not infringe any copyright in the work.
- (2) Fair dealing with a typographical arrangement of published edition for the purposes of research or private study does not infringe any copyright in the arrangement.
- (3) Copying by a person other than the researcher or student himself is not fair dealing if -
  - ...(b) in any other case, the person doing the copying knows or has reason to believe that it will result in copies of substantially the same material being provided to more than one person substantially the same time and for substantially the same purpose.<sup>915</sup>

In relation to fair dealing defences, Lord Phillips considered three factors that are now well established in the UK courts (as discussed in paragraph 5.5.2 below), namely:

"...( 1) whether the alleged fair dealing is in commercial competition with the owner's exploitation of the work, (2) whether the work has already been published or otherwise exposed to the public and (3) the amount and importance of the work which has been taken."<sup>916</sup>

According to D'Agostino,<sup>917</sup> a defendant must overcome three hurdles in that the fair dealing must: (i) fall into the following categories (i.e. research or private study; criticism or review or reporting current events); (ii) the dealing must be fair in accordance with the common-law criteria; and (iii) there must be sufficient acknowledgement.

Burrell and Coleman<sup>918</sup> argue that the way in which section 29(3)(b), in particular, is worded may lead to arbitrary interpretations. For instance, if an academic makes a number of copies of

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<sup>914</sup> See s 29 of the UK Copyright Act.

<sup>915</sup> Ibid.

<sup>916</sup> *Ashdown v Telegraph Group Ltd [2001] EWCA Civ 1142* para 20. Lord Phillips quoted from Laddie, Prescott & Vitoria, "The Modern Law of Copyright and Designs", 3rd ed para 20.16.

<sup>917</sup> D'Agostino (2008) 53 *McGill LJ* 309 337.

<sup>918</sup> Burrell & Coleman *Copyright Exceptions* 131.

an article or similar work and distributes them to attendees during a conference, his or her act “still falls within the aegis of the research exception”, whilst this is not the case if such work is e-mailed to the conference organiser who then makes copies for delegates. This appears somewhat anomalous.

### **Section 36**

Key parts of Section 36 of the Act, a section that deals with reprographic copying exceptions, provide as follows:

- 36 (1) Reprographic copies of passages from published literary, dramatic or musical works may, to the extent permitted by this section, be made by or on behalf of an educational establishment for the purposes of instruction without infringing any copyright in the work, provided that they are accompanied by sufficient acknowledgement and the instruction is for non-commercial purpose.
- (2) Not more than one percent (1%) of any work may be copied by or on behalf of an establishment by virtue of this section in any quarter.<sup>919</sup>

In practice this one per cent fair dealing exception provided for in section 36(2) above is managed by the Copyright Licensing Agency Ltd<sup>920</sup> (CLA) in the UK. At this stage, it is noteworthy to cross reference to paragraph 7.4 of this dissertation where South African licensing agencies are discussed and in terms of which a ten per cent tolerance for fair dealing is permitted.<sup>921</sup> This ten per cent tolerance for fair dealing in South Africa is a far cry from the dispute between the Universities UK,<sup>922</sup> a body representing higher education vice-chancellors and principals, and the CLA which resulted in a final licence between the parties in 1998. Burrell and Coleman elaborate on this dispute in depth and point out that the actual controversial issue was the provisions of the licence dealing with the compilation of course packs. They further note that the cost of compliance was merely passed on to students, although course packs were defined and the new guidelines resulted in a five per cent tolerance on copying as the settlement outcome of the dispute.<sup>923</sup> The dispute resulted in three principal questions being

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<sup>919</sup> Section 36 of the UK's Copyright Act.

<sup>920</sup> Note that the Copyright Licensing Agency Ltd of the UK is similar to DALRO, the South African reproduction rights organisation.

<sup>921</sup> See FAQ, CHEC, 2015 available at <http://plo.uct.ac.za/user.php> (date of use: 12 June 2016).

<sup>922</sup> UUK is the informal acronym for the Committee of Vice-Chancellors and Principals of the Universities of the United Kingdom.

<sup>923</sup> See Burrell & Coleman *Copyright Exceptions* 131.

determined by the Tribunal in the *Universities UK v Copyright Licensing Agency* case:<sup>924</sup> i) how much money must universities pay? ii) should there be a unitary licensing system, or a two-tier system that allows for course packs? and iii) what is meant by the exclusion of separate illustrations, diagrams and photographs? Most noteworthy of the Tribunal's findings is the statement that:

A healthy publishing industry is important in general, but of particular importance to those in education... . If education is burdened too heavily with copyright restrictions, teaching and scholarship is discouraged, to the disadvantage of the public interest in general, and the publishing industry in particular.<sup>925</sup>

### ***Brief note on libraries***

Briefly, the UK Copyright Act also allows librarians to “make and supply from a published edition a copy of part of a literary work without infringing any copyright in the work.”<sup>926</sup> However, this provision in the Copyright Act was drafted with printed editions of books in mind – the rapid emergence of e-books involve one way in which people around the world have accessed books throughout history, namely the conventional library with millions of bookshelves around the world containing printed editions. How libraries' business models in the UK, but also worldwide, are evolving as a result of e-books, becomes critical in this dissertation.<sup>927</sup> In this regard a good appreciation of the Canadian approach towards libraries is critical.<sup>928</sup> What further disturbs me is a recent finding on agency in Australia<sup>929</sup> where a statement was made that “taken on its face, stands for the principle that if a defendant reproduces material on behalf of someone else, it is irrelevant that the recipient would have had the protection of fair dealing had they made the copy themselves.”<sup>930</sup> For libraries this a problematic approach and solutions that also addresses concerns of libraries should be sought.

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<sup>924</sup> *Universities UK v Copyright Licensing Agency Ltd* [2002] EMLR 693.

<sup>925</sup> See Burrell & Coleman *Copyright Exceptions* 134.

<sup>926</sup> Section 39 of the UK Copyright Act.

<sup>927</sup> Connelly (2013-2014) 22 *Cardozo J Int'l & Comp L* 561.

<sup>928</sup> See para 4.1.3 above: 'A brief excursus on Canadian case law on fair dealing'.

<sup>929</sup> *De Garis v Neville Jeffress Pidler Pty Ltd* (1990) 95 ALR 625. The *De Garis* case has striking similarities with the *Infopaq I & II* cases of the CJEU.

<sup>930</sup> Weatherall Kimberlee G & Hudson Emily (2005) “Response to the Issues Paper: Fair Use and Other Copyright Exceptions in the Digital Age” at 16 Intellectual Property Research Institute of Australia (IPRIA) available at: <http://works.bepress.com/kimweatherall/6/> (date of use: 27 November 2016).



## 5.5.2 UK case law on fair dealing

### *Universities UK v Copyright Licensing Agency*

The *Universities UK*<sup>931</sup> case involved a blanket licence issued to a university which included photocopying books and journals but supposedly excluded the production of course packs. Apart from the three questions asked by the Tribunal and discussed in paragraph 5.5.1 above, the court also made a crucial effort to balance the rights of the respective parties (ie, the rightsholders versus the general public). In this regard the court stated that making multiple copies for research and private study remains a personal right, but “... copying by [a] librarian of an article, or a reasonable proportion of a book if the librarian is satisfied that the person requiring the copies requires them for the purposes of his research or private study” is indeed permissible (a fair use defence).<sup>932</sup> Essentially this ruling now affords librarians the power – albeit limited – to copy portions of any given work.<sup>933</sup>

With the *Universities UK* case in mind, and given the high demand for e-books as shown in paragraph 1.1 above, it is reasonable to expect that libraries will seek wider access to e-books. However, several leading publishers refuse to make their titles available to libraries as e-books. Furthermore, Amazon does not license the use of its Kindle e-readers for libraries.<sup>934</sup> In what seems to be an anomaly, three recent independent studies<sup>935</sup> have indicated that even though e-books are available in libraries, many users still prefer printed editions. One could, therefore, argue that publishers are unreasonably selling their e-book titles to libraries on fairly strict terms, including subjecting them to DRM restrictions.

### *Hubbard v Vosper*

As regards case law in the UK, the first major judicial attempt to define the concept of ‘fairness’ with regard to the fair dealing provisions is the *Hubbard v Vosper* case (*Hubbard* case).<sup>936</sup> The

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<sup>931</sup> *Universities UK v Copyright Licensing Agency Ltd* [2002] EMLR 693.

<sup>932</sup> *Id* at para 762.

<sup>933</sup> See Connelly (2013-2014) 22 *Cardozo J Int'l & Comp L* 575.

<sup>934</sup> *Id* at 577.

<sup>935</sup> See Aaltonen et al (2011) 37/1 *International Federation of Library Associations and Institutions* 16-27. At the University of Adger, when students are reading books, 54% preferred print, 28% preferred a combination of print and e-reader, and finally only 11% of students were satisfied using only an e-reader. Also see Connelly (2013-2014) 22 *Cardozo J Int'l & Comp L* 578. According to a recent American Library Association (ALA) study in 2012 only 5% of recent library users tried to borrow an e-book. *Id* at 564 n 21. As part of a project by the Library Journal, a study found 50% of library users buy books by an author they were first introduced to at the library.

<sup>936</sup> *Hubbard v Vosper* [1972] 2 QB 84 (*Hubbard* case).

facts in the *Hubbard* case make interesting reading in that the defendant, Vosper, a former disillusioned member of the scientology 'cult' for fourteen years,<sup>937</sup> attempted to publish a book that was very critical of the 'Scientology'<sup>938</sup> cult. The plaintiff (Hubbard) then obtained an *ex parte* interim injunction to restraint the publication of the book titled *The Mind Benders*.<sup>939</sup> Although Vosper conceded that substantial portions of Hubbard's work (which was publicly available) were copied verbatim, he argued that it was necessary in order to comment freely upon them and to criticise them in his book – in other words, an act of fair dealing.<sup>940</sup> In the *Hubbard* case the UK's Court of Appeal held that "the Appeal is allowed with costs and injunction removed".<sup>941</sup> Lord Denning MR stated that whether a dealing is fair is a matter of fact and degree, and all the circumstances of a particular case must be taken into account.<sup>942</sup> Subsequent to this case several factors/criteria have emerged from the case law, notably: the nature of the work;<sup>943</sup> how the work was obtained; the amount taken; uses made; commercial benefit; motives for the dealing; consequences of the dealing; and purpose achieved by different means.<sup>944</sup>

### ***Ashdown v Telegraph Group Ltd***

As discussed above, for a party successfully to assert the fair dealing defence to copyright infringement in the UK, three permissible purposes are stipulated: (i) research or private study; (ii) criticism or review; and (iii) reporting current events.<sup>945</sup> In the *Ashdown v Telegraph Group* case<sup>946</sup> confidential information<sup>947</sup> concerning the Liberal Democrats, a political party then led by Paddy Ashdown, was about to be published under fair dealing claims by the *Sunday*

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<sup>937</sup> Id at 84.

<sup>938</sup> Ibid. Note that according to the judgement: "Scientology' is a word invented by Mr. Hubbard himself. He has invented a lot of other words too which he has set out in a Scientology Dictionary. He defines it in this way: "SCIENTOLOGY: An applied religious philosophy dealing with the study of knowledge, which, through the application of its technology can bring about desirable changes in the conditions of life".

<sup>939</sup> Id at 84.

<sup>940</sup> Id at 95.

<sup>941</sup> Id at 101.

<sup>942</sup> Id at 94.

<sup>943</sup> Id at 96.

<sup>944</sup> Id at 101.

<sup>945</sup> Sections 29 and 30 of the UK Copyright Act. Also see D'Agostino (2008) 53 *McGill LJ* 337, where he draws similarities to Canadian copyright laws in this respect.

<sup>946</sup> *Ashdown v Telegraph Group Ltd* [2001] EWCA Civ 1142 available at <http://www.bailii.org/ew/cases/EWCA/Civ/2001/1142.html> (date of use: 07 March 2018).

<sup>947</sup> Id at para 7. It is described as a "leaked document" and a "secret record" in the first and second sentences of his front-page article in the *Sunday Telegraph* of 28 November 1999.

*Telegraph* newspaper.<sup>948</sup> Although the *Telegraph* group lost its appeal,<sup>949</sup> the Lord Phillips laid out a hierarchy of factors for determining fair dealing, whilst drawing from the work of Laddie, Prescott and Vitoria,<sup>950</sup> in the following specific order:

- (1) whether there was a market substitute to the dealing (if so, fair dealing will fail);
- (2) whether the work was published or previously exposed to the public (if not, fair dealing will fail, especially if the work was obtained by breach of confidence or some other underhanded way – motive is relevant); and
- (3) the extent of the work taken (though a substantial part of the entire work may be allowed).<sup>951</sup>

Connelly<sup>952</sup> rightly points out that in this prescribed hierarchy ‘commercial competition’ is the most important factor for UK courts. This is analogous to the important fourth factor, namely ‘market competition’, as applied in the USA courts’ evaluation of fair use.<sup>953</sup>

### ***Phonographic Performance Ireland Ltd v Cody***

In a recent article where Kennedy<sup>954</sup> analyses the *Phonographic Performance Ireland Ltd v Cody* Supreme Court case,<sup>955</sup> he immediately draws the reader’s attention to his hypothesis that authors’ rights are protected by the private property provisions in the Irish Constitution.<sup>956</sup>

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<sup>948</sup> See D’Agostino (2008) 53 *McGill LJ* at 343.

<sup>949</sup> See *Ashdown v Telegraph Group Ltd* [2001] EWCA Civ 1142 at para 84.

<sup>950</sup> Id para 20. Lord Phillips quoted from Laddie, Prescott & Vitoria, “The Modern Law of Copyright and Designs”, 3rd ed para 20.16.

<sup>951</sup> Id at paras 21, 70 & 71. Also see D’Agostino (2008) 53 *McGill LJ* at 343, where he quotes from *Modern Law of Copyright and Designs* 3 ed (London: Butterworths, 2000).

<sup>952</sup> See Connelly (2013-2014) 22 *Cardozo J Int’l & Comp L* 574.

<sup>953</sup> See *Basic Books Inc v Kinko’s Graphics Corp* 758 F Supp 1522 (SDNY) 1991.

<sup>954</sup> Kennedy (2011) 33 *Dublin U LJ* 253.

<sup>955</sup> *Phonographic Performance Ireland Ltd v Cody* [1998] 4 IR 504 (HC).

<sup>956</sup> Irish Copyright Acts: The CRC’s ‘Modernising Copyright’ Report has unfortunately not yet resulted in changes to Irish copyright laws. This is arguably as a result of the Irish general elections and the Brexit referendum both held in 2016. At present one of the few clauses that deal with fair dealing is s 50(1) of the Irish Copyright Act (The Copyright and Related Rights Act, 2000, of Ireland) which provides as follows: “Section 50(1) Fair dealing with a literary, dramatic, musical or artistic work, sound recording, film, broadcast, cable programme, or non-electronic original database, for the purposes of research or private study, shall not infringe any copyright in the work.”

Article 40.3.20 and art 43.1 of the Constitution of Ireland, 1937, (The Constitution of Ireland) also refers to the entrenchment of private property, but not copyright in particular. Be that as it may, Ireland is realistic about its international copyright obligations (eg, Berne, WCT, TRIPS) and in a recent submission to the European Commission it stated that: “It has become increasingly clear that copyright reform is necessary in order to meet the needs and demands created by the uses of copyrighted works in our modern society.” See See Hyland (2015) 37/12 *EIPR* 781.

Ireland – a brief note – The ICT sector in Ireland, a common-law country, is rated as one of the eight best ICT destinations in the world. Furthermore, Ireland is the world’s second-largest exporter of computer and ICT services. The sector is thriving, with exports and employment in both indigenous

Briefly, the *Cody* case involved a nightclub that was allegedly allowing sound recordings to be heard in public without the payment of proper remuneration to the rightsholders of the copyright in those recordings.<sup>957</sup> The defendants (the nightclub owners and manager) attempted to base their counter arguments on constitutional property rights in an attempt to delay and complicate proceedings. Keane J, however, correctly noted that the “please, go to the gist of the action”,<sup>958</sup> which is equitable remuneration. Note that only the way in which evidence had to be provided by the plaintiff was overturned by the Supreme Court and not the underlying issue of equitable remuneration of the rightsholders.<sup>959</sup> Kennedy concludes his review of the *Cody* case with the remark that a

human rights perspective on copyright reform could bring something new and useful to a debate that has been ongoing for some years, particularly in the digital environment where it could have interesting ramifications for the use of contract and technological solutions.<sup>960</sup>

Although Kennedy was not able to propose a solution to balancing the restrictive terms in contracts for access to copyright works *vis á vis* statutory and judicial intervention to protect/entrench constitutional rights to access to information, education, and culture, his views are of particular importance when, in Chapter 8, a similar approach to the South African Constitution and the right to education is proposed.

### ***EMI (Ireland) Ltd and Ors v Eircom Ltd***

The *EMI*<sup>961</sup> High Court case concerned four record companies (the plaintiffs) which approached the court to give effect to a private settlement agreement they had concluded with Eircom, an Internet Service Provider (ISP). In terms of this settlement Eircom agreed to adopt a three-strikes policy against its Internet subscribers in terms of which Internet subscribers would be

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and multinational technology firms continuing to grow. It therefore came as no surprise that the Irish Department of Jobs, Enterprise and Innovation published a report titled ‘Modernising Copyright’ after the Copyright Review Committee (CRC) was established in 2011 to examine the Irish copyright regime and identify any barriers to innovation, and to propose solutions for removing these barriers. In the Copyright Review Committee’s ‘Modernising Copyright’ Report the main recommendation was that significant changes to Irish law including “the introduction of tightly-drafted and balanced exceptions for innovation and fair use” were needed.

<sup>957</sup> See Kennedy (2011) 33 *Dublin U LJ* 283.

<sup>958</sup> See *Phonographic Performance Ireland Ltd v Cody* [1998] 4 IR 504 (HC) at 516.

<sup>959</sup> See Kennedy (2011) 33 *Dublin U LJ* 255.

<sup>960</sup> *Id* at 283.

<sup>961</sup> *EMI (Ireland) Ltd and Ors v Eircom Ltd* [2010] IEHC 108.

cut-off from Eircom's Internet service where they were guilty of persistent infringements of copyright. More specifically, the three-strikes policy entails:

- Step 1: Eircom, as the ISP must inform the Eircom subscriber that their IP address is being used to infringe copyright;
- Step 2: Eircom will issue a warning that if they do not cease to use their IP address to engage in illegal file-sharing they will be disconnected;
- Step 3: Eircom will disconnect the IP address user if they fail to heed the warning. This disconnection does not apply to any telephone or television service that a subscriber might get with their Internet facility.<sup>962</sup>

The court held that the application of the three-strikes policy is indeed lawful.<sup>963</sup> This decision by Charleton J confirms the high regard in which Irish courts hold rightsholders and emphasises the protective function of copyright. Although Nagle does not go so far as to refer to this three-strikes policy as another form of DRM, she predicts that alternative methods of circumvention will soon be spawned simply because, in her view,

the music industry does not have a right to define the parameters of their digital freedom or their rights to access the Internet, to privacy and their rights to express themselves and to receive information.<sup>964</sup>

Although the two cases above deal only with fair dealing in music and data as two specific forms of copyright, both judges drew on the importance of constitutional rights in order to make a fair and equitable finding. It should be clear, therefore, that the Irish debate on the effect of DRM systems on freedom to contract and fundamental freedoms rages on.

### ***Fraser-Woodward Limited v (1) British Broadcasting Corporation; (2) Brighter Pictures Limited***

The *Fraser-Woodward* case<sup>965</sup> is an interesting example of parody and criticism as fair dealing defence. The case could be compared with the landmark *Campbell* case<sup>966</sup> in the USA on 'parody v fair use' where the understanding of the nature of transformative use (the first of four factors used in the USA) was critical. The UK transformative use can be better understood if

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<sup>962</sup> Nagle (2010) 24 *Int'l Rev L Computers & Tech* 309.

<sup>963</sup> See *EMI (Ireland) Ltd and Ors v Eircom Ltd* [2010] IEHC 108.

<sup>964</sup> See Nagle (2010) 24 *Int'l Rev L Computers & Tech* 316.

<sup>965</sup> *Fraser-Woodward Limited v (1) British Broadcasting Corporation (2) Brighter Pictures Limited* [2005] EWHC 472 Ch.

<sup>966</sup> See *Campbell v Acuff-Rose Music* 510 US 569 (1994) US SC.

we refer to format-shifting. In the *Fraser-Wood* case format-shifting occurred when a documentary film was produced using various tabloid newspaper images of footballer David Beckham and his family, for which copyright resided in the plaintiff (a renowned photographer).<sup>967</sup> The court ruled in favour of the defendants based on the fact that ‘criticism or review’ is permissible use under the Copyright Act – the format-shifting occurred for a purpose (criticism and review)<sup>968</sup> that differed completely from the original use of the photographs by the newspapers.<sup>969</sup> In Caddy’s review of this case she points out that the judge developed five guidelines for evaluating whether a criticism or review is fair, namely: motive; amount of work involved; the nature of the allegedly infringing work; the type of copyright work; and lastly, the effect on the author’s normal exploitation of the work<sup>970</sup> – arguably comparable with the four-factor test applied by courts in the USA.

### 5.5.3 UK reports and policy developments on copyright reforms

#### *Gowers Review of Intellectual Property, 2006*

In 2006 Gowers was commissioned to review of intellectual property rights in the UK. The Gowers Review of Intellectual Property (Gowers Review)<sup>971</sup> was published later that year and offered a number of recommendations to improve the UK’s intellectual property system.<sup>972</sup> Gowers regarded the USA’s fair use defence as considerably more flexible than the UK’s fair dealing defence, because it can be adapted as new events unfold.<sup>973</sup> The Gowers Review, however, refrained from recommending ‘more flexible’ changes to legislation and recommended rather to add specific new exceptions, including parody and format-shifting:

Recommendation 11: Propose that Directive 2001/29/EC be amended to allow for an exception for creative, transformative or derivative works, within the parameters of the Berne Three-step test.<sup>974</sup>

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<sup>967</sup> See *Fraser-Woodward Limited v (1) British Broadcasting Corporation (2) Brighter Pictures Limited* [2005] EWHC 472 Ch at para 1.

<sup>968</sup> *Id* at para 84.

<sup>969</sup> Copyright, Designs and Patents Act 1988 of the United Kingdom (UK Copyright Act).

<sup>970</sup> Caddy, Shan & Aumage (2009-2010) 57 *J Copyright Society USA* 578.

<sup>971</sup> HM Treasury “Gowers Review of Intellectual Property” December 2006 Her Majesty’s Stationery Office 2006 (hereafter Gowers Report).

<sup>972</sup> See Caddy, Shan & Aumage (2009-2010) 57 *J Copyright Society USA* 573.

<sup>973</sup> Dnes (2013) *ICC* 438.

<sup>974</sup> See Gowers Report at 73, Recommendation 11.

On format-shifting (also known as media-shifting and a topic of particular interest to this dissertation),<sup>975</sup> the Gowers Review recommended the introduction of a limited private copying exception for works published after the date on which the law comes into effect, with no accompanying levies for consumers. In this regard Gowers anticipated that fair compensation could be built into the price of the content covered by format-shifting.<sup>976</sup> The UK government subsequently initiated two stakeholder engagements to gauge reaction to the format-shifting proposal. One of the biggest concerns raised during these two consultation processes was that the parties could not agree on the classes of work which would be subject to the format-shifting exception. Notably, sound recordings and films seemed to be acceptable classes, but not e-books. In 2009, the consultation process ended with the government stating that “[w]e would however encourage the EU to look at the options that benefit consumers, including the possibility of a broad exception to copyright for non-commercial use”.<sup>977</sup>

The Gowers Review, however, resulted in the Digital Economy Act, 2010, of the UK designed to regulate online media. While it has no direct bearing on the fair dealing defence, Docherty remarks that “the Act has raised the stakes in copyright infringement cases by allowing some quite controversial punishments, including disconnection from the Internet, if end users are suspected of acting out with a very narrow range of provisions”.<sup>978</sup>

The Gowers Review also made two recommendations that relate to DRM. Recommendation 15 of the Review relates to procedural measures that make it easier for users to file notices of complaint relating to DRM, and Recommendation 16 relates to consumer guidance on DRM systems.<sup>979</sup>

### ***The Hargreaves Report, 2010***

In 2010, four years after the Gowers Review, Professor Hargreaves released the independent Hargreaves Report.<sup>980</sup> In addition to the exceptions investigated (like those in the Gowers Review), the report also sought and considered comments from interested parties.

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<sup>975</sup> Note that format-shifting is also discussed under South African law in para 7.1 below. In the USA transformative use can be compared with format-shifting.

<sup>976</sup> See Caddy, Shan & Aumage (2009-2010) 57 *J Copyright Society USA* 583.

<sup>977</sup> Ibid.

<sup>978</sup> Docherty (2010) *City Law School GDL* 1-14.

<sup>979</sup> Pedly *Copyright Companion* 63.

<sup>980</sup> Hargreaves Report “Digital opportunity: A review of intellectual property and growth” Independent Report 2011 available at <http://www.ipo.gov.uk/ipreview-finalreport.pdf>. (date of use: 6 October 2016).

In response to (then) Prime Minister Cameron's<sup>981</sup> question: "Could it be true that laws designed more than three centuries ago with the express purpose of creating economic incentives for innovation by protecting creators' rights are today obstructing innovation and economic growth?", Hargreaves came to the conclusion that there was evidence that UK intellectual property laws, and particularly copyright laws, were, in fact, hindering growth and innovation.<sup>982</sup> Hargreaves's main recommendation was that the UK should

realise all the opportunities within the EU framework including format-shifting, parody, non-commercial research, and library archiving.<sup>983</sup>

The UK government broadly accepted Hargreaves's recommendations and in 2014 amended its copyright law to include specific exceptions for research and education, disabled people, quotation and parody, private, non-commercial copying, and limited use of orphan works.

#### ***Comments on the UK's views on fair dealing post the Gowers Review and Hargreaves Report***

Dnes,<sup>984</sup> clearly a USA fair use protagonist, is not satisfied that the Gowers Review and subsequent amendments to the copyright regime in the UK, are adequate – in fact, he argues that a move to incorporate the USA's approach towards fair use in UK copyright law could bring in a doctrine of copyright exceptions that would be adjustable by courts as technological developments unfold. He says:

US federal courts have shown a surprising sensitivity to issues of social benefit connected to innovation and creativity, and, by concentrating on transformative use, which appears to be a dimension pointing to an increasingly bright line, have dealt pragmatically with the issue of what makes a new work with new rights for a separate creative worker.<sup>985</sup>

In my view Dnes is correct, provided that transformative uses should be considered by the legal fraternity in the light of new technological innovations, placing a responsibility on them to

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<sup>981</sup> Then British Prime Minister, David Cameron, 2015.

<sup>982</sup> See Hargreaves Report "Digital opportunity: A review of intellectual property and growth" Independent Report 2011 available at <http://www.ipa.gov.uk/ipreview-finalreport.pdf>. (date of use: 6 October 2016).

<sup>983</sup> *Id* at 55.

<sup>984</sup> Dnes (2013) 44/4 ICC 442.

<sup>985</sup> *Id* at 442.



develop a deep technical understanding of what innovative technological protection measures (TPMs) are and aim to achieve.

Jacques,<sup>986</sup> a young scholar, echoes many of the views of Dnes, Hugenholtz, and other authors on the urgent need for copyright reform in the UK in our current digital age. His insights are very important to me because he is able to extrapolate case law on parody and criticism (ie, the *Campbell* case<sup>987</sup> in the USA and the *Fraser-Woodward* case<sup>988</sup> in the UK) to more commercial ‘transformative use’ applications in the music industry, while also drawing on the recent *Deckmyn* case.<sup>989</sup> In this case the CJEU pointed out that the ‘exception principle’ does not mean that an exception must be interpreted to give the most restrictive meaning possible. In the same vein, it is aimed to extrapolate recent parody and criticism wisdoms on fair dealing to e-books – in particular in the education sector. Reducing Jacques’s arguments to a single phrase could in my view be represented by “firstly there must be a parody, secondly it must be fair” – for e-content in the educational sector (the topic of this dissertation) one could go one step further and paraphrase this as: “Firstly, there must be an equitable use, secondly it must be fair”.

Leval would probably disagree with this ‘equitable’ approach, but then, the law needs to reinvent itself in the digital age – the irony is that ‘digital is not different’, as has been said before, and that the underlying principles of Article 9(2) of the Berne Convention will not let us down – we simply need to go back to the basic philosophical understanding of ‘fairness’ as Hart intended us to do.

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<sup>986</sup> Jacques (2015) 10/9 *Journal of Intellectual Property Law & Practice* 699-706.

<sup>987</sup> See *Campbell v Acuff-Rose Music* 510 US 569 (1994) US SC.

<sup>988</sup> See *Fraser-Woodward Limited v (1) British Broadcasting Corporation (2) Brighter Pictures Limited* [2005] EWHC 472 Ch.

<sup>989</sup> See CJEU 2014 Case C-201/13 *Deckmyn and Vrijheidsfonds VZW v Vandersteen* [2014] ECR I-2132.

## CHAPTER 6

# FAIR DEALING IN SOUTH AFRICA

*Chapter overview:* In this chapter the legal challenges posed by fair dealing in respect of literary works in digital format as defined in the South African Copyright Act is defined. Because the South African Constitution entrenches all citizens' right to education, this human right is briefly analysed from a fair dealing perspective. The author was reluctant to analyse fair dealing in depth from a constitutional and human rights perspective because such an excursion could have led to a loss of focus. In the last section of the chapter, South African case law on copyright is analysed.

### Note of caution

At this stage of the dissertation it is considered to be appropriate to make the following comment on fair dealing: Around the world, civil and common law countries are equally grappling with the topic. For example: fair dealing as a defence (see paragraph 5.5 on the UK); fair dealing as a constitutional right (RSA – see Pistorius' arguments in paragraph 6.1 below); the USA's more pragmatic approach in respect of fair use (Chapter 4); the latest WCT and European trends in respect of exceptions and limitations (Chapter 5); the Canadian approach, where common- and civil law systems co-exist (paragraph 4.1.3); or any uninformed combination hereof (as is clearly illustrated as to what can go wrong, with reference to the South African Copyright Amendment Bill, no 13 of 2017 – see paragraph 6.4 below). The reader is therefore cautioned to the different terminology used in the mentioned chapters.

## 6.1 Copyright-related legislation in South Africa

### *Introduction*

Even though the South African Copyright Act, 1978, as amended, was enacted well before the 1996 Constitution, fair dealing in South Africa requires a sensitive approach in light of our relatively young democracy and the Constitution's Bill of Rights in terms of which the right to

education, inter alia, is entrenched.<sup>990</sup> South Africa is also in the unique position of now being able to develop progressive policies and legislation on fair dealing in digital works for educational purposes within the contexts of our Bill of Rights and South Africa's developmental needs. This chapter, therefore, also focuses on three constitutional rights in an attempt better to understand South Africa's developmental needs.<sup>991</sup> One also needs to appreciate that some authors such as Pistorius argue that fair dealing is a right, as opposed to a defence in South African copyright law. She says:

...the general purpose of copyright exceptions and limitations is to balance the public's right to access copyright works and the economic rights of copyright owners.<sup>992</sup>

Pistorius's view is in contrast with those of Dean and Karjiker who argue the opposite, namely that fair dealing is indeed a defence.<sup>993</sup> Pistorius rightly argues three points in support of her hypothesis that fair dealing is a right, namely: that "legislation intends to benefit the public";<sup>994</sup> that the heading of section 12 of the Copyright Act would have contained the phrase 'exemption from liability';<sup>995</sup> and lastly, that section 12(3) explicitly provides for the "right to quote from works and to quote summaries of works."<sup>996</sup> She further substantiates her argument with reference to the *Moneyweb* case<sup>997</sup> where the judge stated that copyright is a constitutional right<sup>998</sup> in terms of section 25(1) of the Constitution – this case is further discussed below.

As mentioned, fair dealing extends to the online realm and is equally applicable to digital works hosted and stored on electronic devices and the Internet.<sup>999</sup> At this stage South African intellectual property law has, however, been somewhat slow in responding to the challenges created by the digital era in the form of the Internet, multimedia, digital technology, and e-

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<sup>990</sup> See para 7.1.2 below on the Constitution of the Republic of South Africa, 1996.

<sup>991</sup> These three Constitutional rights are: section 22, 29 and 36 of the Constitution of the Republic of South Africa, 1996. Also see para 6.1.2 below for a more comprehensive discussion of these rights.

<sup>992</sup> Van der Merwe (ed) *Intellectual Property* 289. Note that Pistorius is the author of chapters 21 to 31 of this work.

<sup>993</sup> Id at 289, where Pistorius refers to Dean & Karjiker *Handbook II*.

<sup>994</sup> See Van der Merwe (ed) *Intellectual Property* 289.

<sup>995</sup> Id at 290.

<sup>996</sup> Ibid.

<sup>997</sup> *Moneyweb (Pty) Limited v Media 24 Limited and Another* (31575/2013) [2016] ZAGPJHC 81; [2016] 3 All SA 193 (GJ); 2016 (4) SA 591 (GJ) (5 May 2016).

<sup>998</sup> Id at para 108.

<sup>999</sup> Rens et al "Report on the South African Open Copyright Review" Shuttleworth Foundation 2010 at 12.

commerce.<sup>1000</sup> For example, only as late as 1992 computer programmes were added as “a work eligible for copyright” in the Copyright Act.<sup>1001</sup> In 1997, the Intellectual Property Laws Amendment Act 38 of 1997 has substantially improved the Copyright Act as far as digital works eligible for copyright are concerned – for example, a work of which the digital content ...is represented in digital data...”,<sup>1002</sup> and a broadcast, and a programme-carrying signal once it has been broadcast or transmitted<sup>1003</sup> is now also protected. Ten years later the Copyright Amendment Act of 2002 created a needletime royalty payable to rightsholders of sound recordings and performers features on sound recordings (and collectively, via “representative collecting societies”).<sup>1004</sup> Interestingly, the entrenched rights of collecting societies in South Africa lag behind that of other countries. A case in point is the position obtaining in Canadian law,<sup>1005</sup> where Gendreau, inter alia, mentioned that “collecting societies will continue to fight for their recognition in the age of the Internet”.<sup>1006</sup>

However, no effort was made to address issues around literary works in digital format, such as e-books. In this regard it is important to appreciate that South Africa is a signatory to both the WIPO Copyright Treaty (WCT)<sup>1007</sup> and the Performance and Phonograms Treaty (WPPT)<sup>1008</sup> – the so-called WIPO Internet Treaties of 1996.<sup>1009</sup> These treaties will only become operational in South Africa once an instrument of ratification has been deposited. This should follow once the South Africa’s Copyright Act has been amended to address digital technology and related issues.

According to Van Coppenhagen<sup>1010</sup> the draft articles 7(1) and 7(2) of the WTC, however, seemed to be problematic to South Africa during the Diplomatic Conference on the topic.<sup>1011</sup> She is one South African author who advocates for the ratification of the WCT in South Africa and points out that the reason for this is arguably because of “the extent to which temporary

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<sup>1000</sup> Van der Merwe *Information and Communications* 101.

<sup>1001</sup> Copyright Act (as amended in 1992) s 2(1)(i).

<sup>1002</sup> Id s 51 of Act 38 of 1997 amending s 2(2).

<sup>1003</sup> Id s 2(2A) inserted by s 2(d) of the Copyright Amendment Act 125 of 1992.

<sup>1004</sup> Id ss 9(A)(1b) & 9(A)(2b).

<sup>1005</sup> See para 4.1.3 above: ‘A brief excursus on Canadian case law on fair dealing’.

<sup>1006</sup> See Gendreau (2012-2013) 60 *J Copyright Society USA* 681.

<sup>1007</sup> See WIPO Copyright Treaty (WCT) of 1996.

<sup>1008</sup> See WIPO Performance and Phonograms Treaty (WPPT) of 1996.

<sup>1009</sup> WCT notification no 2 “WIPO Copyright Treaty signatories” available at [http://www.wipo.int/treaties/en/notifications/wct/treaty\\_wct\\_2.html](http://www.wipo.int/treaties/en/notifications/wct/treaty_wct_2.html) (date of use: 07 March 2018). South Africa signed the WCT on December 12, 1997.

<sup>1010</sup> See Van Coppenhagen (2003) *SALJ* 435.

<sup>1011</sup> Id at 433.

(transient) reproductions fall within the reproduction right is not settled.”<sup>1012</sup> Although article 7 mentioned above deals with the ‘right to rental’ of computer programs, phonograms and cinematographic movies (the exclusion of e-books), the arguments of the transient nature of reproduction rights are found to be very relevant for e-books from a South African perspective. For example, it makes sense rather to limit reproduction rights for certain e-books, as opposed to reproduction being dependant on a voluntary application process.<sup>1013</sup> Unfortunately, this argument then triggers the management of TPM arguments and how rightsholders would perceive such measures.

### **6.1.1 South African Copyright Act 98 of 1978<sup>1014</sup>**

#### **6.1.1.1 Sections 12 and 13 of the Copyright Act of South Africa**

Section 12(1) of the Copyright Act provides for general exceptions to the protection of literary and musical works. It reads as follows:

Copyright shall not be infringed by any fair dealing with a literary or musical work—  
for the purposes of research or private study by, or the personal or private use of,  
the person using the work;<sup>1015</sup>

Section 12(4) of the Copyright Act provides that:

The copyright in a literary or musical work shall not be infringed by using such work, to the extent justified by the purpose, by way of illustration in any publication, broadcast or sound or visual record for teaching: Provided that such use shall be compatible with fair practice and that the source shall be mentioned, as well as the name of the author if it appears on the work.<sup>1016</sup>

Section 13 provides for general exceptions regarding the reproduction of works in an attempt to protect the owners of copyright:

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<sup>1012</sup> Id at 434.

<sup>1013</sup> Ibid.

<sup>1014</sup> See Copyright Act 98 of 1978 of South Africa, read together with its Copyright Regulations, 1978. (GN R1211 in GG 9775 of 7 June 1985 as amended by GN 1375 in GG 9807 of 28 June 1985).

<sup>1015</sup> Copyright Act 98 of 1978 of South Africa s 12(1).

<sup>1016</sup> Id s 12(4).

In addition to reproductions permitted in terms of this Act reproduction of a work shall also be permitted as prescribed by regulation, but in such a manner that the reproduction is not in conflict with a normal exploitation of the work and is not unreasonably prejudicial to the legitimate interests of the owner of the copyright.<sup>1017</sup>

Sections 12 and 13 are a confirmation of South Africa's compliance with Article 9(2) (the three-step test) and Article 10(2) (fair dealing for teaching purposes) of the Berne Convention.<sup>1018</sup> Sections 12 and 13 are further entrenched in the Regulations to the Copyright Act. These regulations are briefly discussed below in order to provide a holistic picture of South African legislation on fair dealing. At a later stage, when South African case law is analysed, two specific sections pertaining to fair dealing, namely, sections 12(1)(c) and 12(8) are also discussed.

### **6.1.1.2 Fair dealing provisions in the Regulations to the Copyright Act of South Africa**

Regulations 2 and 7 are discussed – to the exclusion of other regulations – because they bear directly on fair dealing in respect of literary works for education purposes.

#### **Regulation 2: Permitted reproduction**

The reproduction of a work in terms of section 13 of the Act shall be permitted – except where otherwise provided, if not more than one copy of a reasonable portion of the work is made, having regard to the totality and meaning of the work; and

if the cumulative effect of the reproductions does not conflict with the normal exploitation of the work to the unreasonable prejudice of the legal interest and residuary rights of the author.<sup>1019</sup>

#### **Regulation 7: Multiple copies for classroom use**

Subject to the provisions of regulation 2, multiple copies (not exceeding one copy per pupil per course) may be made by or for a teacher for classroom use or discussion.<sup>1020</sup>

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<sup>1017</sup> Id s 13.

<sup>1018</sup> Berne Convention for the Protection of Literary and Artistic Works, 1886.

<sup>1019</sup> Copyright Regulations of the Copyright Act 98 of 1978 of South Africa reg 2 (GN R1211 in GG 9775 of 7 June 1985 as amended by GN 1375 in GG 9807 of 28 June 1985).

<sup>1020</sup> Id reg 7.

As with sections 12 and 13, these two regulations are aligned with Article 9(2) of the Berne Convention which permits member states to allow the reproduction of certain copyright works, provided that the reproduction does not conflict with a normal exploitation of the work or unreasonably prejudice the legitimate interests of the author – essentially compliance with the three-step test.<sup>1021</sup>

### 6.1.1.3 Compilations

This dissertation is limited to literary works and does not extend to compilations of other copyright works such as music albums. A compilation is regarded as a literary work in terms of section 1 of the Copyright Act where it states

‘literary work’ includes ... g) tables and compilations, including tables and compilations of data stored or embodied in a computer or a medium used in conjunction with a computer, but shall not include a computer program;<sup>1022</sup>

Compilations are created by selecting, compiling, and arranging chapters, paragraphs, poems, excerpts and articles collected from proprietary works in such a way that the resulting work as a whole constitutes a new literary work. The copyright in a compilation extends only to the selection, coordination, or arrangement of the proprietary works, and not to the proprietary works themselves.<sup>1023</sup>

The Information Guide of the Publishing Association of South Africa (PASA)<sup>1024</sup> confirms that compilations are excluded from fair dealing. It therefore comes as no surprise that publishers are extremely cautious when granting permission to education institutions to compile study guides for academic and study purposes. Although collecting societies such as the Copyright Clearance Center Inc (CCC) of the USA, and South Africa’s Dramatic, Artistic and Literary Rights Organisation (DALRO) are mandated to grant permission to education institutions to use compiled study guides under strict reporting conditions, these permissions do not extend to

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<sup>1021</sup> See Art 9(2) of the Berne Convention.

<sup>1022</sup> Section 1 of the Copyright Act 98 of 1978 of South Africa.

<sup>1023</sup> Circular 14 reviewed 10/2013 *US Copyright* available at [www.copyright.gov](http://www.copyright.gov) (date of use: 6 October 2016).

<sup>1024</sup> PASA “Copyright Information Guide 2008” available at [www.pasa.co.za](http://www.pasa.co.za) (date of use: 07 March 2018).

digital compilations. For example, CCC only clears e-reserves and learning management system postings, course packs, and classroom handouts.<sup>1025</sup>

One hypothesis explaining this limitation on digital compilations by publishers, is that, in addition to the complexities surrounding fair dealing when it comes to e-books, publishers also face trade mark-related challenges such as passing off and dilution of their respective trade marks – in particular under section 34 of the Trade Mark Act.<sup>1026</sup> Passing off and dilution of trade marks are specialised legal fields in their own right and are not further discussed.

### **6.1.2 The South African Constitution and Bill of Rights**

#### ***Background***

The digital era, specifically with the introduction of e-books and the availability of digital content over the Internet, was seen as opening up opportunities to provide fair and equitable access to textbooks, readers and other course material to all learners (ie from primary to tertiary level), reduce the price of textbooks (by means of e-books), and increase income for publishers.<sup>1027</sup> Or rather, many people naively thought that this would be the case, given the fact that our Constitution's Bill of Rights entrenches many of these expectations. However, this proved to be a pipe dream! In this regard Schonwetter<sup>1028</sup> argues that the fair use doctrine is a reasonable measure to achieve sustained improvement in the educational sector, particularly for those previously deprived of a sound education. He continues to point out that despite the constitutional right to education and the high demand for adequate education and knowledge, many poor people can afford only unauthorised copies.<sup>1029</sup> He draws attention to a very interesting fact: the disproportionately high price of books in the South African education sector in comparison with wealthier countries, and also with reference to Mandela's biography.<sup>1030</sup> He

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<sup>1025</sup> CCC available at <https://www.copyright.com/academia/annual-copyright-license/> (date of use: 6 October 2016).

<sup>1026</sup> Section 34 of the Trade Mark Act 194 of 1993 of South Africa.

<sup>1027</sup> See Goodwin (2014) 33/4 *Collection Building* 101-5.

<sup>1028</sup> See Schonwetter (2006) 7 *Southern African Journal of Information and Communication* 36.

<sup>1029</sup> *Id* at 50.

<sup>1030</sup> *Ibid*. "For example, Nelson Mandela's book *Long Walk to Freedom* is almost twice as expensive in South Africa as it is in the United States (SA price: R135; price at [www.Amazon.com](http://www.Amazon.com) on 5 February 2005: R70)."



concludes that agreements such as the TRIPS Agreement might eventually further limit the ability of governments to make education and learning materials affordable, saying that

ultimately, copyright is intended to encourage the dissemination of knowledge, and fair use must be preserved to achieve this worthy goal.<sup>1031</sup>

### ***A brief note on balancing human rights in the USA to set the scene***

In South Africa the mechanism for balancing human rights is currently only entrenched in our Constitution with no case law that specifically relates to balancing the Constitution's freedom of trade<sup>1032</sup> and the right to education.<sup>1033</sup> It is useful, however, to reflect on the principles discussed in paragraph 4.1.2 above where we considered two recent USA cases on the subject, namely the *Corley* case<sup>1034</sup> and the *Bernstein* case.<sup>1035</sup> For example, in 2001 the *Corley* case was argued, on the one hand, around freedom of expression (the First Amendment of the USA Constitution), and on the other, the rights of authors (s 8 of the USA Constitution).<sup>1036</sup>

### ***Hypothetical case: Balancing sections 22 and 29 in South Africa***

With the *Corley* case as inspiration, how the balancing of human rights could be argued in the South African context is hypothetically explained below, with section 22 and section 29 of the Constitution as the two respective rights.

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<sup>1031</sup> Id at 52.

<sup>1032</sup> Constitution of the Republic of South Africa, 1996, s 22.

<sup>1033</sup> Id 29: "29. Education. (1) Everyone has the right - (a) to a basic education, including adult basic education; and (b) to further education, which the state, through reasonable measures, must make progressively available and accessible. (2) Everyone has the right to receive education the official language or languages of their choice in public educational institutions where that education is reasonably practicable. In order to ensure the effective access to, and implementation of, this right, the state must consider all reasonable educational alternatives, including single medium institutions, taking into account – (a) equity; (b) practicability; and (c) the need to redress the results of past racially discriminatory laws and practices. (3) Everyone has the right to establish and maintain, at their own expense, independent educational institutions that - (a) do not discriminate on the basis of race; (b) are registered with the state; and (c) maintain standards that are not inferior to standards at comparable public educational institutions. (4) Subsection (3) does not preclude state subsidies for independent educational institutions".

<sup>1034</sup> See *Universal City Studios Inc v Eric Corley* 2001 US App LEXIS 25330.

<sup>1035</sup> See *Bernstein v United States Dep't of State* 922 F Supp 1426 (ND Cal 1996) (Bernstein I case). Also see the *Bernstein II & III* cases).

<sup>1036</sup> See Mihet "Universal City Studios Inc v Corley: The Constitutional Underpinnings of Fair Use Remain an Open Question" 2001 at 9 available at <http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=1044&context=dltr> (date of use: 8 October 2016).

### ***On the one hand: Section 29: Right to education***

In terms of section 29 of the Constitution everyone has the right to basic and further education.<sup>1037</sup> This right, however, does not implicitly extend to fair and equitable access to textbooks, hence the brief discussion below.

Fair and equitable access to textbooks and other course material has long been a barrier to entry into education for many learners, in particular in developing countries where the average price of a university textbook<sup>1038</sup> is more than the weekly wage of an unskilled labourer.<sup>1039</sup> For example, according to the 2015 Council on Higher Education (CHE) report, the headcount student enrolment at higher education institutions in South Africa in 2015 was 985 212<sup>1040</sup> (with a corresponding 666 947 Full Time Equivalent (FTEs) enrolments).<sup>1041</sup> It is estimated that less than 30 per cent of these students bought prescribed textbooks (extrapolations from the PASA report of 2014<sup>1042</sup> and the recent Department of Higher Education Report).<sup>1043</sup>

In another publication, the Tralec Report, Rens et al<sup>1044</sup> confirm the data above, but from a Southern African perspective. Interestingly, Rens et al did a similar comparison to Schonwetter, where the authors compared the USA and South African prices of Nelson Mandela's autobiography, with similar results.<sup>1045</sup> In the light of their findings, Rens et al also considered photocopying as an access mechanism.<sup>1046</sup> It came as no surprise that a sizable amount of copying comes from books that are available in libraries, stressing the point that the relationship between photocopying businesses and educational institutions is "one of mutual

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<sup>1037</sup> See s 29 of the Constitution of the Republic of South Africa, 1996.

<sup>1038</sup> In 2017, R870 per textbook, Verhoef "Informal survey of bookstores and online bookstores" 2017, on file with the author.

<sup>1039</sup> Note that according to Mywage weekly wages can be as low as R517/week, available at <http://www.mywage.co.za/main/salary/minimum-wages> (date of use: 7 March 2018).

<sup>1040</sup> See "VitalStats Public Higher Education 2015" CHE at 25 figure 34 available available at <http://www.usaf.ac.za/category/he-sector-reports/> (date of use: 2 December 2017).

<sup>1041</sup> Id at 29 figure 43.

<sup>1042</sup> See PASA "Annual Book Industry Survey" University of Pretoria, 2014.

<sup>1043</sup> Ministry of Higher Education and Training "Ministerial statement on higher education funding: 2009/10 to 2011/12" (2012) available at <http://www.gov.za/ministerial-statement-higher-education-funding-200910-201112> (date of use: 07 March 2018).

<sup>1044</sup> Rens Andrew, Prabhala Achal & Kawooya Dick "Intellectual Property, Education and Access to Knowledge in Southern Africa" (2006) available at <http://www.iprsonline.org/unctadictsd/docs/06%2005%2031%20tralac%20amended-pdf.pdf> (date of use: 28 February 2017).

<sup>1045</sup> Id at 11 table 2. The USA price was \$11.60, as compared to the RSA price of \$23.70.

<sup>1046</sup> Id at 27.

dependence”.<sup>1047</sup> Although the authors “attributed the widespread violation of copyright law to the limited education of photocopying business owners and operators”,<sup>1048</sup> This argument in respect of South Africa, with its sophisticated legal system, cannot be supported because as consumers of copyright works, universities often reproduce teaching material and are reliant on the fair dealing provisions of section 12 of the South African Copyright Act to ensure that reproduction of such material is allowed. And even though some schools of thought that consider the fair dealing provisions a constitutional right to education are supported,<sup>1049</sup> our legal system is sophisticated enough not to plead ignorance.

***On the other: Section 22: Right to freedom of trade, occupation, and profession***

In terms of section 22 of the Constitution everyone has the right to:

Freedom of trade, occupation and profession.-Every citizen has the right to choose their trade, occupation or profession freely. The practice of a trade, occupation or profession may be regulated by law.<sup>1050</sup>

From a constitutional point of view, publishers and other rightsholders, in turn, argue that they have an equal right, claiming their right to “freedom to trade, occupation and profession” as entrenched in section 22 of the Constitution.<sup>1051</sup> Therefore, rightsholders rely on section 13 of the South African Copyright Act to ensure that reproductions are not unreasonably prejudicial to their legitimate interests (ie freedom of trade).<sup>1052</sup> Publishers are indeed receiving payment for reproduction rights, but again, from the SAMRO Integrated Report of 2017<sup>1053</sup> it is evident that publishers are losing millions (an estimated R36.7 million in 2015,<sup>1054</sup> bearing in mind the latest (i.e. 2015) FTE enrolments<sup>1055</sup> in South Africa)<sup>1056</sup> due to inefficient copyright-

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<sup>1047</sup> Id at 28.

<sup>1048</sup> Ibid.

<sup>1049</sup> Section 29 of the Constitution of the Republic of South Africa, 1996. Also see See Schonwetter (2006) 7 *Southern African Journal of Information and Communication* 52.

<sup>1050</sup> Section 22 of the Constitution of the Republic of South Africa, 1996.

<sup>1051</sup> Ibid.

<sup>1052</sup> Id. Also see s 13 of the Copyright Act of RSA.

<sup>1053</sup> SAMRO “Integrated Report 2017” available at [www.samro.co.za](http://www.samro.co.za) (date of use: 07 March 2018).

Note that DALRO is a wholly owned division of SAMRO, hence the reference to the SAMRO Integrated Report of 2017.

<sup>1054</sup> Id at 33.

<sup>1055</sup> See “VitalStats Public Higher Education 2015” *CHE* at 29 available at <http://www.usaf.ac.za/category/he-sector-reports/> (date of use: 2 December 2017).

<sup>1056</sup> Id at 29. Note that the calculation, based on the latest (i.e. 2015 and 2017) figures reported by CHE and DALRO respectively, is as follows: FTE (678 842) multiply by an estimated ZAR110/FTE = potential DALRO income = ZAR74.7 million minus actual income of ZAR38.0 million = ZAR36.7 million.

enforcement strategies. DALRO's latest enforcement strategy is to promote blanket licence agreements at institutions of higher education and is indeed a move in the right direction in that it avoids the high cost of reactive policing strategies.<sup>1057</sup>

These two constitutional rights of end users<sup>1058</sup> on the one hand, and publishers and other rightsholders<sup>1059</sup> on the other, need to be weighed and balanced in terms of section 36 of the Constitution.<sup>1060</sup>

### ***Section 36: Balancing of rights***

In terms of section 36 of the Constitution a limitation on any a right in the Bill of Rights – including, therefore, either section 22 or section 29 of the Constitution – must be ‘reasonable and justifiable’.<sup>1061</sup> The digital era, and specifically the introduction of e-books, opened up opportunities to provide fair and equitable access to textbooks, readers, and other course material to all learners (from primary to tertiary). It also offers the possibility of reducing the price of textbooks (by means of e-books), increasing the income for publishers (in fact, the income stream is doubled since many students will continue to buy hard copies, while the e-

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<sup>1057</sup> See SAMRO “Integrated Report 2017”. DALRO reported that “Blanket licence income increased marginally by 0,8% to R38 million (2016: R37,8 million). Other licence income decreased to R3,9 million (2016: R8,1 million). This was a result of reduced licensing in the theatrical streams and challenges in licensing tertiary institutions in light of pending changes to the copyright legislation. The proposed changes to copyright law for education could potentially reduce DALRO’s revenue by two thirds, if the legislation is passed

in the original format without amendment. Following written submissions and parliamentary hearings, the portfolio committee has established a task team. This team will consider policy on various topics raised in the Copyright Amendment Bill (the Bill), and with the support of parliament’s legal and technical advisors, redraft it. These technical advisors include Prof Caroline Ncube and Dr Tobias Schonwetter of University of Cape Town’s (UCT) IP Policy Unit. The team is also considering engaging/creating a panel of stakeholders from those who made submissions during the public hearings. DALRO, other rightsholder groups and the opposition members of the portfolio committee, are concerned about the impartiality of the named technical advisors from the UCT IP Policy Unit. They have actively participated in contributing to the notion of “users’ rights” to the Bill, including an expanded form of “fair use”. SAMRO, CAPASSO, PASA and other rightsholders groups are member of the Copyright Alliance. The Copyright Alliance has supported DALRO’s campaign for a more balanced and fact-based hearing of issues and treatment of the policy concepts in the Bill, to which there have been no response at the time this report being published”.

<sup>1058</sup> Section 29 of the Constitution of the Republic of South Africa, 1996.

<sup>1059</sup> Id s 22.

<sup>1060</sup> Id s 36 :“36. Limitation of rights.-(1) The rights in the Bill of Rights may be limited only in terms of law of general application to the extent that the limitation is reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom, taking into account all relevant factors, including - (a) the nature of the right; (b) the importance of the purpose of the limitation; (c) the nature and extent of the limitation; (d) the relation between the limitation and its purpose; and (e) less restrictive means to achieve the purpose. (2) Except as provided in subsection (1) or in any other provision of the Constitution, no law may limit any right entrenched in the Bill of Rights”.

<sup>1061</sup> Ibid.

book option serves as the additional income stream), and ensuring that reproductions are not unreasonably prejudicial to publishers' legitimate interests. However, publishers and other rightsholders are reluctant to enter the e-book market due to copyright and market considerations, and e-books are often on offer at prices that are discounted at only five to twenty per cent of the equivalent hard copy price.

Universities and other teaching institutions have various content management systems in place. All these systems have constraints, because either the systems are web-based or the institution's internal operating system cannot interface with commercial operating systems and platforms.

It is clear that as learners represent 'core business' for educational institutions, the maintenance of state-of-the-art databases that comprise detailed learner information (eg student enrolment details, registered courses, etc) remains a key priority at any educational institution.

This hypothetical attempt to balance the constitutional rights of learners and publishers is, however, much more complex than these few paragraphs on the subject, but hopefully the scene has been set for a more in-depth discussion of the education sector in South Africa in Chapter 8 below.

### **6.1.3 TRIPS Agreement-related legislation on copyright**

As mentioned in paragraph 3.2 above, the TRIPS Agreement is administered by the WTO in terms of the WTO Agreement concluded in 1994 in Marrakesh. In 1995, South Africa acceded to the TRIPS Agreement. As a party, South Africa is obliged to amend its applicable legislation in order to comply with the provisions of the treaty. Although this has not happened so far, the Copyright Amendment Bills<sup>1062</sup> and the Intellectual Property Laws Amendment Act<sup>1063</sup> are a big step towards such compliance.

As far as the Copyright Act and the TRIPS Agreement are concerned, many authors are applying their minds to the use of the TRIPS Agreement to make content available for education purposes. For instance, Baude et al<sup>1064</sup> propose exceptions that would greatly increase public

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<sup>1062</sup> See Government Notice 646 in GG 39028 of 27 July 2015. Also see B13-2017, Bill tabled in the National Assembly on 16 May 2017.

<sup>1063</sup> See Intellectual Property Laws Amendment Act 28 of 2013.

<sup>1064</sup> Baude et al (2006) 7 Southern African Journal of Information and Communication 82.

access to learning materials while remaining within the boundaries of the ‘three-step test’ of article 13 of the TRIPS Agreement governing exceptions to copyright. These proposed amendments to the Copyright Act correlate with the Declarations on the three-step test made by the Max Planck Institute and read as follows:

Section 1: When and to the extent article [X – fair use in education] protects the use and reproduction of portions of copyright works, the production of textbooks incorporating portions of copyright works is not a violation of copyright.

Section 2: Textbooks incorporating copyright works[, including those produced for commercial purposes,] can be produced for use in the course of instruction upon payment of a reasonable fee to be determined by [some official governmental body which collects the fee and distributes compensation to the author], where the fee takes into account the extent to which the producer will receive compensation for the effort and/or revenue for the individual copies, along with fair compensation for the author.<sup>1065</sup>

South Africa is further obliged under article 51(b) of the TRIPS Agreement to prevent the importation of articles that have not been authorised in their country of manufacture.

Article 51(b) of the TRIPS Agreement reads as follows

‘pirated copyright goods’ shall mean any goods which are copies made without the consent of the rights holder or person duly authorised by the rights holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation.<sup>1066</sup>

This matter was considered in the *Frank & Hirsch* Appeal Court case<sup>1067</sup> that was concerned with ‘parallel importation’. In this case Frank & Hirsch (the appellant) who had since 1974 acted as the sole and exclusive importer and distributor of TDK tapes into South Africa,<sup>1068</sup> succeeded in preventing parallel importation of TDK tapes by means of the Copyright Act.<sup>1069</sup> The judge held that the “appellant did establish infringement of its copyright in the get-up.”<sup>1070</sup> The defendant essentially imported genuine TDK tapes from an authorised dealer via

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<sup>1065</sup> See Max Planck Institute “Declaration: A balanced interpretation of the ‘three-step test’ in copyright law” 2008.

<sup>1065</sup> Id at 6.

<sup>1066</sup> Article 51(b) of the TRIPS Agreement.

<sup>1067</sup> *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd* (580/91) [1993] ZASCA 90; 1993 (4) SA 279 (AD) (2 June 1993).

<sup>1068</sup> Id at para 2.

<sup>1069</sup> Id at para 1.

<sup>1070</sup> Id at paras 5, 41.

Singapore.<sup>1071</sup> This ruling on the parallel importation of authorised products results in a problematic interpretation of legally-sourced legitimate products,<sup>1072</sup> in particular with respect to e-content, the topic that this dissertation concern itself with. Whilst article 51(b) of the Trips Agreement concerns itself with ‘pirated copyright goods’, one can only wonder how the judge in the *Frank & Hirsch* case in the Appeal Court would consider the parallel importation of e-content today, 24 years later and in an era where analogue audio tapes are redundant.

#### 6.1.4 Legal Deposit Act

Legal deposit is a statutory obligation which requires publishers who publish material to deposit a copy or copies of their publications in designated repositories. South Africa was among the first countries globally to include electronic publications in its legal deposit legislation.<sup>1073</sup> According to Nicholson,<sup>1074</sup> neither the Copyright Act nor the Legal Deposit Act<sup>1075</sup> has any provisions for format-shifting or digitisation of digital works housed in depositories. In other words, once the publisher has complied with its legal duty to deposit, the statutory burden is shifted to the legal deposit libraries to provide access and preserve the nation’s documentary heritage for perpetuity. This implies that legal deposit libraries bear the burden of coping with new electronic formats and technological protection measures (TPMs). According to Visser,

[t]he fact that possession of the physical object that contains the copyright work (the CD-ROM, for example) no longer guarantees access to the work can have serious implications for the possessor of such object. Even a lawful possessor will not be able to access a copyright work shielded behind technological protection measures (TPMs) without an access key, or without circumventing the TPM. And without access, it is impossible to use the copyright work.<sup>1076</sup>

This dissertation is not further concerned with the impact of fair dealing on legal deposits.

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<sup>1071</sup> Id at para 9.

<sup>1072</sup> Rippes & de Villiers 2002 *Stellenbosch Law Journal* 550.

<sup>1073</sup> Nsibirwa, Hoskins & Stilwell “Legislation affecting the legal deposit and preservation of digital materials in South Africa” Paper presented at SCECSAL XX Conference (4-8 June 2012) in Nairobi, Kenya.

<sup>1074</sup> Nicholson DR “Legal deposit in South Africa: Transformation in a digital world” The Ministry of Arts and Culture’s Legal Deposit Committee 2015.

<sup>1075</sup> Legal Deposit Act 54 of 1997 of South Africa.

<sup>1076</sup> Visser (2006) 7 *Southern African Journal of Information and Communication* 60.

## 6.2 South African case law on copyright-related matters

Unfortunately, there are not many judgments on copyright, and more specifically on fair dealing in South Africa, from our courts. An exception is the *Media24* case.

### *Media24 v Oxford University Press*

The *Media24 v Oxford University Press* case<sup>1077</sup> is one of the most recent copyright cases in South Africa. In 2011, according to the facts of the matter, one of Media24's subsidiaries began work on a new edition of the 1993 bilingual dictionary for learners (*Tweetalige Aanleerderswoordeboek vir Skole / Bilingual Learner's Dictionary for Schools*),<sup>1078</sup> during which time it discovered that Oxford University Press Southern Africa (OUPSA), the defendant, had apparently copied certain of its earlier content.<sup>1079</sup> Essentially, Media24 was not able to prove, according to Gamble J, that the content had indeed been copied. The judge argued that:

Media 24 must establish, on a balance of probabilities, that OUP[SA] has unlawfully reproduced and/or adapted the Pharos work (or a substantial portion thereof), in compiling it's Oxford Afrikaans- Engels/ English-Afrikaans School Dictionary.<sup>1080</sup>

To this effect Media24, on the one hand, argued that OUPSA had copied more than twenty per cent of the *Aanleerderswoordeboek vir Skole / Learner's Dictionary for Schools*, 2006 – the proprietary dictionary of Media24 – and used the same words in the *Oxford Afrikaans-Engels / English-Afrikaans Skoolwoordeboek / School Dictionary*, 2007 – OUP's dictionary.<sup>1081</sup> OUP (the defendant), on the other hand, argued that they had used freelance lexicographers and created the content independently, and that pointing out a phrase, or analogies of example sentences, does not demonstrate copyright infringement in works of the nature of dictionaries.<sup>1082</sup> In Gamble J's final ruling where he dismissed the application he concluded that

the dissimilarities in the competing works (from layout to typeface and example sentences) are so extensive that I have come to the view that any true copying by

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<sup>1077</sup> *Media 24 Books (Pty) Ltd v Oxford University Press Southern Africa (Pty) Ltd* (23368/12) [2015] ZAWCHC 68 (21 April 2015).

<sup>1078</sup> *Id* at para 5.

<sup>1079</sup> *Ibid*.

<sup>1080</sup> *Id* at para 18.

<sup>1081</sup> *Id* at para 51.

<sup>1082</sup> *Id* at para 74.



OUP of Pharos example sentences must be regarded as lacking in sufficient similarity to warrant interdictory relief.<sup>1083</sup>

In my view Gamble J's judgment can be compared with the USA's interpretation of fair use, with specific reference to the so-called 'Factor 2: Nature of the Copyright Work' discussed in paragraph 4.1 above, where this factor generally weighs in favour of *fair use* if the work to be used is factual in nature, as is indeed the case with dictionaries. Differently phrased – the line between unprotected facts and ideas on the one hand, and protected expression on the other, is often difficult to draw, as was mentioned in the *Higgins* case pertaining to this Factor 2.<sup>1084</sup>

On 28 May 2015, Media24 applied for leave to appeal the copyright infringement ruling against it, which was eventually dismissed with cost.<sup>1085</sup>

### ***Fax Directories v SA Fax Listings CC***

In the *Fax Directories v SA Fax Listings CC* case<sup>1086</sup> the applicant, the publisher of 'The Pink Pages', sought an interdict to restraint SA Fax Listings from distributing and selling its rival directory on the basis of alleged infringement of the applicant's copyright in and to its directory.<sup>1087</sup> The applicant proved that the respondent had copied 28 or 29 fictitious entries in its 11 000-entry directory in its (the respondent's) directory.<sup>1088</sup> (In order to detect and prevent infringement of its copyright, the applicant inserted a number of fictitious entries in its directories.<sup>1089</sup>) The judge held that the probabilities were overwhelming that many more entries had been copied and that even though it was impossible to determine the extent of the copying, the applicant had shown that the copying was not insubstantial.<sup>1090</sup> The interdict was therefore granted because the legitimate interests of the owner had been infringed.<sup>1091</sup>

The relevance of this case as regards fair dealing is that infringement generally weighs in favour of fair dealing if the work to be used is factual in nature. In this particular case the factual

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<sup>1083</sup> Id at para 100.

<sup>1084</sup> See *Higgins v Detroit Educational Television Foundation* 4 F Supp 2d 701 (ED Mich 1998).

<sup>1085</sup> *Media 24 Books (Pty) Ltd v Oxford University Press Southern Africa (Pty) Ltd* (886/2015) [2016] ZASCA 119 (16 September 2016).

<sup>1086</sup> *Fax Directories (Pty) Ltd v SA Fax Listings CC* 1990 (2) SA 164 (D).

<sup>1087</sup> Id at 164.

<sup>1088</sup> Id at 165.

<sup>1089</sup> Id at 166.

<sup>1090</sup> Id at 167 & 178.

<sup>1091</sup> Id at 178.

content (the addresses and numbers contained in the telephone directory, which constitute facts) was blatantly scanned and reproduced using modern technology and no original effort, as is inherently required for copyright to exist in terms of the Copyright Act,<sup>1092</sup> was applied in creating a work eligible for copyright protection.

### ***Haupt v Brewers Marketing Intelligence***

The *Haupt* case<sup>1093</sup> in the Supreme Court of Appeal involved the reproduction of a substantial part of three proprietary computer programs and a database with the aid of the source code.<sup>1094</sup> It was held that whether the reproduction of a part of the computer program being reproduced is substantial or not depends more on the quality than on the quantity of reproduction.<sup>1095</sup> In this case 26 per cent of graphic content, and 83 per cent of the search component of a computer program was reproduced.<sup>1096</sup> This amounted to 63 lines out of several thousand lines of source code.<sup>1097</sup> However, these reproduced components were considered valuable ingredients and an integral part of the computer program.<sup>1098</sup>

Of further interest regarding computer programs in general, is that section 19B(2)(a) of the Copyright Act permits “mak[ing] copies thereof [computer programs] to the extent reasonably necessary for back-up purposes.”<sup>1099</sup>

### ***Moneyweb (Pty) Limited v Media 24 Limited and Another***

The *Moneyweb*<sup>1100</sup> case was the first case in South Africa where the fair dealing doctrine was tested in court. In this case both Moneyweb (the plaintiff) and Fin24, the electronic news division of Media24, a listed company in South Africa, are in the business of publishing articles on the Internet and other digital platforms and therefore in direct competition with each other. Moneyweb alleged that Fin24 “copied, appropriated and/or plagiarised [eight of] its

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<sup>1092</sup> Section 2(1)(a) of the Copyright Act of South Africa.

<sup>1093</sup> *Haupt t/a Soft Copy v Brewers Marketing Intelligence (Pty) Ltd and Others* 2006 (4) SA 458 (SCA).

<sup>1094</sup> *Id* at 460.

<sup>1095</sup> *Id* at 476.

<sup>1096</sup> *Id* at 458.

<sup>1097</sup> *Ibid*.

<sup>1098</sup> *Ibid*.

<sup>1099</sup> Section 19(B)(2)(a) of the Copyright Act of SA.

<sup>1100</sup> See *Moneyweb (Pty) Limited v Media 24 Limited and Another* (31575/2013) [2016] ZAGPJHC 81; [2016] 3 All SA 193 (GJ); 2016 (4) SA 591 (GJ) (5 May 2016).

articles.”<sup>1101</sup> Moneyweb and Fin24 are both so-called ‘aggregators’.<sup>1102</sup> Media24 relied on the fair dealing provision of the Copyright Act<sup>1103</sup> and a statutory defence that excludes certain official texts from copyright protection such as laws, speeches of a political nature, or in the “news of the day” that are “mere[ly] items of press information”.<sup>1104</sup> In his judgment Berger J, whilst laying down a (non-exhaustive) number of factors that should be considered in determining fair dealing, said that Fin24 had only infringed in one article.<sup>1105</sup> These factors, with reference to section 12(1)(c)(i), which requires that the source shall be mentioned, as well as the name of the author,<sup>1106</sup> are:

- (i) whether the original work has already been published;
- (ii) the time lapse between the publication of the two works;
- (iii) the amount (quality and quantity) of the original work that has been taken; and
- (iv) the extent of the acknowledgment given to the original work.<sup>1107</sup>

Although this case dealt with news of the day, it is foreseen that these four factors will also be applied in future to other fair dealing exceptions, such as the reproduction of books and e-content for teaching purposes. Furthermore, there are similarities between these four factors and the respective factors used to determine fair dealing in the UK and fair use in the USA – for instance, Berger J’s factor iii is almost identical to factor 3 used in the USA,<sup>1108</sup> whilst in

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<sup>1101</sup> Id at para 53.

<sup>1102</sup> Note that an e-content aggregator can be seen as a digital business model where an entity aggregates information on e-content from several competing sources at its website.

<sup>1103</sup> Section 12(1)(c)(i) of the Copyright Act of 1978: “Section 12(1) Copyright shall not be infringed by any fair dealing with a literary or musical work - (a) for the purposes of research or private study by, or the personal or private use of, the person using the work; (b) for the purposes of criticism or review of that work or of another work; or (c) for the purpose of reporting current events - (i) in a newspaper, magazine or similar periodical; or (ii) by means of broadcasting or in a cinematograph film: Provided that, in the case of paragraphs (b) and (c) (i), the source shall be mentioned, as well as the name of the author if it appears on the work.

<sup>1104</sup> Section 12(8)(a) of the Copyright Act of 1978: No copyright shall subsist in official texts of a legislative, administrative or legal nature, or in official translations of such texts, or in speeches of a political nature or in speeches delivered in the course of legal proceedings, or in news of the day that are mere items of press information”. Also see *Moneyweb (Pty) Limited v Media 24 Limited and Another* (31575/2013) [2016] ZAGPJHC 81; [2016] 3 All SA 193 (GJ); 2016 (4) SA 591 (GJ) (5 May 2016) at para 64.

<sup>1105</sup> Id at para 139. Berger, J declared “that the respondents’ publication of the article of 16 January 2013, entitled “Amplats: CEO cites JSE rules”, constituted an infringement of the applicant’s copyright under the Copyright Act 98 of 1978. Also note para 115 where the respondents pointed out that, “during the period covered by Fin24 1 to Fin24 7 (26 July 2012 to 4 July 2013), Fin24 published more than 10 000 articles. During that period, only 11 articles sourced content from Moneyweb (including the articles at issue in this application)”.

<sup>1106</sup> Section 12(1)(c)(i) of the Copyright Act of South Africa.

<sup>1107</sup> See *Moneyweb (Pty) Limited v Media 24 Limited and Another* (31575/2013) [2016] ZAGPJHC 81; [2016] 3 All SA 193 (GJ); 2016 (4) SA 591 (GJ) (5 May 2016) para 113.

<sup>1108</sup> See para 4.1.1.1 above where the four fair use factors used in the USA are analysed. These four

his judgement he also drew on UK case law<sup>1109</sup> to fully understand the factors used to determine if a fair dealing defence can succeed. Berger, J, did, however, not apply the UK factors because “our Copyright Act must be interpreted through the prism of our Constitution, the Constitution of the Republic of South Africa, 1996. In order to survive constitutional scrutiny, the Act must be capable of being interpreted in a manner that is consistent with the Constitution”.<sup>1110</sup>

In this regard Shay<sup>1111</sup> mentioned in 2014 that the test for direct copyright infringement firstly comprises an objective assessment of similarities between the original work and the derivative work, followed by an investigation into the causal connection between the two works.<sup>1112</sup> Shay also referred to the four-factor test used in the USA when he concluded that a liberal application of the fair dealing provisions is the most suitable approach for South Africa.<sup>1113</sup> It would indeed be interesting to analyse in detail the four factors laid down by Berger, J and the factors used in the UK and the USA. Lastly, on the topic of hyperlinks, the court held that the hyperlink to the original Moneyweb article substantially complied with the requirement that the source and the name of the author should be acknowledged.<sup>1114</sup> At least one aspect of e-content has, therefore, been clarified by our courts.

Unfortunately, other available case law relevant to digital rights in South Africa is, in the main, limited to computer programs (eg the *Haupt* case above) and of little or no interest as regards e-books and DRM systems.

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factors are: “Factor 1: The purpose and character of the use, including whether such use is of commercial nature or is for non-profit educational purposes; Factor 2: The nature of the copyrighted work; Factor 3: The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and Factor 4: The effect of the use upon the potential market for, or value of, the copyrighted work”.

<sup>1109</sup> Id at para 105. Berger, J quoted the *Ashdown v Telegraph Group Ltd [2001] EWCA Civ 1142* case, where Lord Phillips considered three factors, namely “is whether the alleged fair dealing is in fact commercially competing with the proprietor’s exploitation of the copyright work”; “whether the work has already been published or otherwise exposed to the public”; “the amount and importance of the work that has been taken”.

<sup>1110</sup> Id at para 106.

<sup>1111</sup> Shay (2014) 26 SA Merc LJ 587.

<sup>1112</sup> Id at 591.

<sup>1113</sup> Id at 604.

<sup>1114</sup> See *Moneyweb (Pty) Limited v Media 24 Limited and Another (31575/2013) [2016] ZAGPJHC 81; [2016] 3 All SA 193 (GJ); 2016 (4) SA 591 (GJ) (5 May 2016) para 46.*

### 6.3 Shuttleworth Report

The Shuttleworth Report on Open Copyright in South Africa<sup>1115</sup> lists a few concerns that stem from a lack of legislation on fair dealing in e-content. These include:

- Copying for the purposes of distance education or e-learning is not clearly regulated.<sup>1116</sup>
- As a result of the ambiguous wording of some of the educational copyright exceptions and limitations, the permission of the rightsowner is often unnecessarily obtained to be on the safe side. This is a protracted, lengthy and sometimes expensive process, not only because the rightsowners sometimes demand costly royalties, but also because the rightsowners are sometimes difficult or even impossible to find.<sup>1117</sup>
- An out-of-print book which is not widely available but which is not yet in the public domain, cannot be duplicated and the copy kept in a library.<sup>1118</sup>
- The lack of appropriate copyright exceptions and limitations generally reduces the access that learners and teachers have to a great deal of information.<sup>1119</sup>

Groenewald's<sup>1120</sup> discussion of two forms of fair dealing in the digital environment – format-shifting and file sharing – supports some of the findings in the Shuttleworth Report listed above. Although both format-shifting and file sharing are means applicable to the copying of music, in this study they are indeed relevant to e-content.

Format-shifting occurs when, for example, a vinyl record is copied to an audio-cassette with the result that the music can be played on a different analogue or digital device. Digital technology now also allows an audio CD to be copied.<sup>1121</sup>

File sharing can be described as an activity where end users of a file-sharing network upload and download music via the Internet without the express consent of the rightsholder.<sup>1122</sup>

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<sup>1115</sup> Rens et al “Report on the South African Open Copyright Review” Shuttleworth Foundation 2010 at 12.

<sup>1116</sup> *Id* at 15.

<sup>1117</sup> *Ibid*.

<sup>1118</sup> *Id* at 16.

<sup>1119</sup> *Ibid*.

<sup>1120</sup> Groenewald *Legal analysis of fair dealing* 13.

<sup>1121</sup> *Id* at 20.

<sup>1122</sup> *Id* at 13, 14.

Both format-shifting and file sharing are regarded as direct infringements and unlawful. Format-shifting is unlawful because it involves “making, directly or indirectly, a record embodying the sound recording”<sup>1123</sup> and is unlawful because copying of a sound recording for private or personal use is not permitted. Groenewald concludes:

Fair dealing for purposes of research or private study or personal or private use, does not apply to sound recordings. It is further unlikely that file sharing of music works will take place for purposes of criticism or review (s 12(1)(b)) or the reporting of current events (s12(1)(c)). This means that file sharing of music works would not be excused as ‘fair dealing’ under the South African Act.<sup>1124</sup>

Similarities between the copying of musical works and e-books could be drawn from this dissertation in that the copying of e-books arguably would not be excused as fair dealing under the South African Copyright Act.

## 6.4 Proposals for legislative reform

### **Brief note on the (a) the Intellectual Property Laws Amendment Act 28 of 2013, (b) the Draft Copyright Amendment Bill of 2015 and (c) the Copyright Amendment Bill, No 13 of 2017**

The Draft Copyright Bill of 2015<sup>1125</sup> and Copyright Bill of 2017<sup>1126</sup> have not yet been certified and the Intellectual Property Laws Amendment Act<sup>1127</sup> is not yet in force (pending the promulgation of implementing regulations) – these pieces of legislation do, therefore, not fall within the scope of this dissertation. It is, however, foreseen that these laws will in the near future impact on matters such as traditional works,<sup>1128</sup> the WCT, the WPPT, the TRIPS Agreement, and the Marrakesh VIP Treaty, all of which are of relevance to this dissertation - it

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<sup>1123</sup> Section 9(a) of the Copyright Act of 1978 of South Africa.

<sup>1124</sup> See Groenewald *Legal analysis of fair dealing* 124.

<sup>1125</sup> Government Notices 646 in GG 39028 of 27 July 2015.

<sup>1126</sup> B13-2017, Bill tabled in the National Assembly on 16 May 2017 available at <http://www.gov.za/documents/copyright-amendment-bill-b13-2017-16-may-2017-0000> (date of use: 9 August 2017).

<sup>1127</sup> Intellectual Property Laws Amendment Act 28 of 2013.

<sup>1128</sup> Note that according to s 1(j) of the Intellectual Property Laws Amendment Act (IPLAA) “ ‘traditional work’ has the same meaning assigned to it in the Copyright Act, and includes expressions of folklore”. Also note that section 2 of the IPLAA amended section 8 of the Performers’ Protection Act 11 of 1967 to provide for the “application to performance of traditional work”.

is therefore deemed necessary to briefly discuss the Copyright Bill of 2017 as far as it has relevance to fair dealing.

### **Copyright Amendment Bill, No 13 of 2017**

After the Bill was released for public comment in May 2017 various stakeholders responded with fierce criticism, but also with appreciation of the difficult challenges that faces South Africa at present.

The Copyright Alliance,<sup>1129</sup> representing various stakeholders,<sup>1130</sup> welcomed the intention of the South African government to modernise the copyright regime, but also warned about unintended consequences. The Copyright Alliance specifically raised concerns about the fundamental differences between the USA's fair use approach, as opposed to the South African fair dealing doctrine. This is indeed a valid concern, with reference to the earlier comparative analysis in paragraph 4.1.3, where Canadian law on the subject matter was considered. Fundamental differences between the two doctrines simply complicate matters. In this regard the alliance rightly commented, with reference to a recent South African case, that

In the Moneyweb judgment the court cautioned against an arbitrary reliance on foreign law, warning that “each jurisdiction has its own history and, in many cases, is bound or influenced by statutory precepts.”<sup>1131</sup>

Schonwetter et al,<sup>1132</sup> on behalf of their respective institutions, also draw the legislator's attention to the fundamental differences between fair use and fair dealing, mainly to promote educational use. In this regard they advocate for “open exceptions” in cases such as internet indexing for search, text and data mining and transformative work.<sup>1133</sup>

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<sup>1129</sup> Copyright Alliance “Copyright Alliance Response to the Copyright Amendment Bill” 7 July 2017.

<sup>1130</sup> Id at 1. The Copyright Alliance is comprised of the Southern African Music Rights Organisation (SAMRO), the Composers, Authors and Publishers Association (CAPASSO), the Dramatic, Artistic and Literary Rights Organisation (DALRO), the Recording Industry of South Africa (RiSA), the South African Music Performance Rights Association (SAMPRA), the Musicians Association of South Africa (MASA) and the Music Publishers Association of South Africa (MPA SA).

<sup>1131</sup> Id at 5.

<sup>1132</sup> Schonwetter Tobias et al, “Letter regarding the Copyright Amendment Bill of 2017” University of Cape Town et al 2017.

<sup>1133</sup> Id at 4.

DALRO also submitted a response to the legislator on the Copyright Amendment Bill.<sup>1134</sup> Of relevance to this dissertation is that DALRO promotes the ratification of the WCT and the Marrakesh VIP Treaty, which is welcomed,<sup>1135</sup> although DALRO points out various non-compliance issues in terms of the mentioned treaties.<sup>1136</sup> DALRO, like the other stakeholders mentioned earlier in this paragraph, also draw the legislator's attention to the complexities around mixing fair dealing and fair use into one piece of legislation.<sup>1137</sup>

The Bill is currently (August 2017) being debated by the portfolio committee on trade and industry of parliament.<sup>1138</sup> Of importance is the fact that the USA Chamber of Commerce is set to address the committee as well, where after "entities like Google, M-Net and the South African Guild of Editors [are] still due to air their views."<sup>1139</sup> One USA protagonist of fair use, Prof Sean Flynn went as far as to suggest that by introducing fair use doctrine in South African legislation we will be able to retain the services of entrepreneurs and prevent the next generation of "the Mark Shuttleworths and the Elon Musks from taking their ideas to the US."<sup>1140</sup>

Although the revision of South African copyright law is still in flux and may be further reviewed in the near future, the general approach in accessing to the WCT and the Marrakesh VIP Treaties is welcomed.

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<sup>1134</sup> DALRO "Copyright amendment Bill, No 13 of 2017: Submission by DALRO", 7 July 2017.

<sup>1135</sup> Id at 4.

<sup>1136</sup> Id at 13.

<sup>1137</sup> Id at 9.

<sup>1138</sup> Davis Rebecca "Copyright Amendment Bill in Parliament: Whose Right is it anyway?" Daily Maveric 2017 available at <https://www.dailymaverick.co.za/article/2017-08-02-copyright-amendment-bill-in-parliament-whose-right-is-it-anyway/#.WYtJYVV97IV> (date of use: 9 August 2017).

<sup>1139</sup> Ibid.

<sup>1140</sup> Ibid.



## CHAPTER 7

# FAIR DEALING AT SOUTH AFRICAN HIGHER EDUCATION INSTITUTIONS

*Chapter overview:* Chapter 7 focuses on a specific market segment, namely the higher education sector which has always relied heavily on fair dealing due to the nature of teaching and learning. The current restrictive nature of DRM systems has a negative effect on the higher education sector which is gradually moving towards e-learning models, in particular in developing countries such as South Africa. The impact of DRM systems on education as a fundamental human right is therefore briefly analysed as part of this chapter. South Africans' constitutional right to education is also addressed – essentially this chapter approaches fair dealing from a human right perspective.

### 7.1 Introduction

The three primary functions of a Higher Education Institution (HEI) such as a university, are to teach, conduct research, and disseminate knowledge to advance the common good.<sup>1141</sup> When members of staff at a university teach they use course material such as proprietary textbooks, study guides, and readers, all of which are protected by copyright. When those same staff members conduct research, they are the creators of copyright works that will eventually be disseminated as copyright works of that university for the common good. Universities are therefore confronted with an apparent anomaly whereby they, as teaching institutions, in some instances unjustifiably wish to obtain the copyright-protected course material of third parties free of charge. At the same time, as research institutions they are fiercely protective of their vested interest in copyright-protected course material and research publications in order to

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<sup>1141</sup> See the Humboldtian ideal. Also see Withers K (ed) "First class? Challenges and Opportunities for the UK's University Sector" (London, Institute for Public Policy Research: 2009) available at <http://www.historyandpolicy.org/policy-papers/papers/the-idea-of-a-university-today> (date of use: 24 July 2017 ).

obtain maximum benefits, for instance subsidies, peer recognition, and in some cases royalties for staff who are authors of prescribed textbooks.

The inability of traditional fair dealing practices of reproduction rights organisations to be replicated for the management of digital editions of literary works, as well as the restrictive nature of DRM systems utilised by the publishers of e-content, have a negative impact on higher education institutions while they gradually move towards e-learning models. Publishers, on the other hand, do not differentiate between the academic book market and the conventional book market when it comes to e-books and the utilisation of DRM systems to distribute e-books.

In order to understand the legal challenges facing fair dealing at universities the role of universities as consumers of copyright works on the one hand, and as producers of copyright works on the other are analysed. In Chapter 8 solutions to the challenges experienced by this sector are offered– solutions that aim to yield advantages for universities and publishers alike.

## **7.2 Higher Education Institutions as consumers of copyright works**

### **7.2.1 Introduction**

As consumers of copyright works, universities reproduce material subject to copyright for teaching purposes and are, therefore, reliant on the fair dealing provisions of section 12 of the South African Copyright Act<sup>1142</sup> to ensure that the reproduction of copyright works is allowed. Copyright owners, on the other hand, rely on section 13 of the same Act to ensure that reproductions are not unreasonably prejudicial to their legitimate interests, that is, the right to earn an income from textbooks. This right to earn an income is also entrenched in the Constitution.<sup>1143</sup>

### **7.2.2 The typical classroom situation**

It is common at universities for members of staff to prescribe only one chapter in a textbook or to provide copies of selected chapters from textbooks as handouts during lectures. The problem as regards copyright permission in these cases arises because that particular chapter is prescribed course material and copying the chapter will fall outside the scope of fair dealing.

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<sup>1142</sup> See para 7.1 on the Copyright Act of SA.

<sup>1143</sup> Section 22 Constitution of the Republic of South Africa, 1996.

In reality, however, the average student will not buy the prescribed textbook but rather copy the relevant chapter from fellow-students' textbooks while typically splitting the cost. In so doing they deprive the author and publisher of income. Consequently, a variety of alternative methods have been developed over the years in an attempt to copy course material within the limits of the fair dealing doctrine, including but not limited to the following:

- the member of staff puts a photocopied chapter of a textbook, or the book itself, on the so-called 'reserve shelf' (short loans collection) of their institution's library – students can then make copies from the master copy; or
- the member of staff instructs his or her institution's printer/press to reproduce, for example, 1 000 copies and then hands out those copies as study guides to students during lectures in an attempt to prevent a thousand students from going to the library and each making a copy of the textbook obtained from other sources (eg fellow students), which would clearly fall within the scope of fair dealing but which is time-consuming.

### **7.2.3 Infringing copies**

In terms of sections 12(4) and 13 of the Copyright Act, read together with regulations 2 and 7 of its Regulations, a photocopied chapter of a book on the reserve shelf (short loans collection) or a copy of a reproduced (photocopied) chapter, is considered an infringing copy.<sup>1144</sup>

The reason for this alleged infringement is that, although the copy has been made 'for teaching',<sup>1145</sup> the intended use is neither "by way of illustration",<sup>1146</sup> nor for "classroom use or discussion",<sup>1147</sup> but rather as the sole or primary source of instruction and is, therefore, "unreasonably prejudicial to the legitimate interests of the copyright owner".<sup>1148</sup> The making of reproductions from the book on the reserve shelf (short loans collection) by the students themselves would, however, be fair.

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<sup>1144</sup> See para 7.1 above on the Copyright Act 98 of 1978 of South Africa.

<sup>1145</sup> Copyright Act s 12(4).

<sup>1146</sup> Id s 12(4).

<sup>1147</sup> Regulation 7 of the Regulations of the Copyright Act. (GN R1211 in GG 9775 of 7 June 1985 as amended by GN 1375 in GG 9807 of 28 June 1985).

<sup>1148</sup> Section 13 of the Copyright Act.

## 7.2.4 Commercial perspective on copying at HEIs

According to a June 2007 Advisory Committee on Student Financial Assistance (ACSFA) report, ‘Turn the Page’,<sup>1149</sup> the average USA student spends \$700–\$1 000 per year on textbooks. According to IFRRO,<sup>1150</sup> annually some 300 billion photocopies of copyright works are made worldwide. Further, according to a recent study in Belgium, on average undergraduate students make approximately 800<sup>1151</sup> copies per year over the course of their studies. For researchers, fellows, and post-doctoral researchers a quota of 4 200<sup>1152</sup> copies per year is not uncommon. Typically these copies are priced at \$0,04<sup>1153</sup> to \$0,07<sup>1154</sup> and R0,50 to R1,00<sup>1155</sup> per copy at universities in USA and South Africa respectively. Since there is no place for sentiment in business, questions are raised such as:

Why are publishers and authors penalised, but not other commercial suppliers in the printing value chain, for instance Sappi and Mondi, Nashua and Xerox, sales representatives, and the commercial reproduction presses of this world? These firms are clearly profiting from the reproduction of copyright works<sup>1156</sup>

to the exclusion of publishers and authors. The sheer volume of the reproduction of copyright works represents a real threat to the publishing industry if rightsholders are not properly compensated.

In another study undertaken by Tralac, Rens et al<sup>1157</sup> also compared book prices. Apart from the Value Added Tax argument, is not discussed in this dissertation, Rens et al disclose very painful

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<sup>1149</sup> Advisory Committee on Student Financial Assistance (ACSFA) report “Turn the Page” 2007 available at [www.ed.gov/acsfa](http://www.ed.gov/acsfa) (date of use: 6 October 2016).

<sup>1150</sup> Available at <http://www.ifrro.org/content/what-ifrro> (date of use: 3 July 2016).

<sup>1151</sup> Minister for Economic Affairs, Belgium “Large-scale study on photocopying and print-outs in Belgium” 2013 available at [www.reprobel.be/en/component/downloads/downloads/225.html](http://www.reprobel.be/en/component/downloads/downloads/225.html) (date of use: 6 October 2016).

<sup>1152</sup> European University Institute available at <http://www.eui.eu/ServicesAndAdmin/LogisticsService/NetworkPrinters/PrintingPhotocopying.aspx> (date of use: 6 October 2016).

<sup>1153</sup> Duke University available at <https://oit.duke.edu/comp-print/printing/quota.php> (date of use: 6 October 2016).

<sup>1154</sup> Radford University available at <http://www.radford.edu/~walkertc/NewPrintPolicies/FAQs.htm>, (date of use: 6 October 2016).

<sup>1155</sup> Id at 428.

<sup>1156</sup> Verhoef “Copyright Lekgotla: A copyright symposium on permissions” Cape Town Book Fair 1 August 2010.

<sup>1157</sup> Rens Andrew, Prabhala Achal & Kawooya Dick “Intellectual Property, Education and Access to Knowledge in Southern Africa” (2006) available at <http://www.iprsonline.org/unctadictsd/docs/06%2005%2031%20tralac%20amended-pdf.pdf> (date of use: 28 February 2017).

facts – the Oxford English Dictionary is priced at US\$44,61 in SA, US\$20,46 in the USA, and US\$24,00 in the UK,<sup>1158</sup> arguing that the excessive pricing of books in South Africa is the result of a lack of competition in the market, evidenced in several ways across the spectrum of book publishing.<sup>1159</sup>

This dissertation argues that authors and publishers should not be deprived of this benefit while others profit as illustrated above. To illustrate this point, in the USA a recent attempt was made to address the high price of textbooks with the enactment of the Open College Textbook Act of 2010 (OCTA).<sup>1160</sup> Ngyuen<sup>1161</sup> explores this Act, as well as the impact of open licence textbooks on the fair use doctrine in higher education in the USA, and rightly points out that ideological extremes (ie, ‘open and free’ education and textbooks) that the Act aims to resolve, cause more policy issues than solving problems pertaining to the high cost of education, such as lecturers’ prerogative to prescribe the best textbooks, rather than relying on open licence textbooks of arguably inferior quality, and discouraging the continued production of creative works (academic textbooks and scholarly works) by providing economic incentive to authors.<sup>1162</sup>

### **7.3 Higher Education Institutions as producers of copyright works**

#### **7.3.1 Introduction**

South African universities generate substantial income streams from publications that include a wide range of literary works such as textbooks, scholarly works, the publication of scientific articles in accredited journals, the throughput of master’s and doctoral students, and publications for commercial clients (commercial reports). Universities are gradually moving not only towards e-learning models, but also towards the dissemination of new knowledge in electronic format, including open access.<sup>1163</sup> Although open access models are mainly used to disseminate masters and doctoral theses in digital format – this topic is not covered by this dissertation. These formats of knowledge output are briefly discussed in this chapter, starting with subsidies, the most important revenue stream for South African universities. Thereafter, commercial reports, textbooks, and scholarly works are considered.

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<sup>1158</sup> Id tabel 2 11.

<sup>1159</sup> Id at 12.

<sup>1160</sup> Open College Textbook Act, 2010, HR 4575 111th Cong, USA.

<sup>1161</sup> Nguyen (2010) *XXL DEPAUL J Art, Tech & IP Law* 106.

<sup>1162</sup> Id at 128.

<sup>1163</sup> Id at 120.

### 7.3.2 Subsidies

The South African Department of Higher Education and Training (DHET) awards subsidies to higher education institutions (HEIs) based on peer reviewed scholarly books, conference proceedings, and articles published in accredited journals, as well as on the number of masters and doctoral degrees awarded.<sup>1164</sup> Research productivity is determined by calculating the ratio between weighted research output and the total headcount of permanent output members of staff (FTEs). In 2015 a weighted publication unit generated R113 184.<sup>1165</sup> This is clearly an attractive source of income for HEIs.

### 7.3.3 Commercial reports

Commercial reports for the exclusive use of industry partners require further discussion. Typical requirements from industry are, for instance, that: (i) the report must remain confidential; (ii) universities may not publish clinical trial results that may be detrimental to pharmaceutical companies; or (iii) intellectual property ownership of the research outcomes should belong to the industry partner if it is funded on a full-cost basis.<sup>1166</sup> It is important to note that the recently promulgated Intellectual Property Rights from Publicly Financed Research and Development Act (IPR Act)<sup>1167</sup> sets certain specific requirements in respect of intellectual property ownership. Universities, on the other hand, wish to retain the right to use the content and methodologies to convert such reports to a format that is, for example, publishable in subsidy-bearing journals. Copyright ownership of commercial research reports is further complicated by the IPR Act. However, the impact of the IPR Act falls outside the immediate scope of this study as intellectual property, as defined in the IPR Act,

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<sup>1164</sup> Ministry of Higher Education and Training SA “Ministerial statement on higher education funding” 2009/10 to 2011/12 2012 available at [www.dhet.gov.za/](http://www.dhet.gov.za/) (date of use: 6 October 2016).

<sup>1165</sup> E-mail enquiry: Joubert C Total actual research output grant (UFS): R138 031 000 / Actual weighted research output total (UFS): 1 219.530 = R113 184, University of the Free State, 2015; See also Ministerial statement on higher education funding: 2009/10 to 2011/12, Ministry of Higher Education and Training, 2012 available at <http://www.gov.za/ministerial-statement-higher-education-funding-200910-201112> (date of use: 02 April 2017).

<sup>1166</sup> Note that data that substantiates these statements are on file with the author. Most of these contracts have a confidentiality clause, hence the silence on the sources.

<sup>1167</sup> Intellectual Property Rights from Publicly Financed Research and Development Act 51 of 2008 of South Africa (IPR Act).

excludes copyright works such as a thesis, dissertation, article, handbook or any other publication which, in the ordinary course of business, is associated with conventional academic work.<sup>1168</sup>

#### **7.3.4 Textbooks derived from class notes/course material**

It is important to appreciate that this paragraph deals with textbooks originating from proprietary class notes and course material. It often happens that lecture notes and handouts evolve over the years to the level where, when repackaged by a publisher, their content forms the bulk of a new textbook. It is important to note that the university retains copyright in the original work, ie, the class notes and handouts. Although the publisher becomes the copyright owner of the new work (the textbook) including its typographical setting, the university is entitled to receive due recognition for the use and repackaging of its proprietary content. Unfortunately, publishers tend to communicate directly with members of staff and offer them royalties. Consequently, universities are deprived of royalties, which in this case accrue to the university and not to the member of staff because the development of class notes falls within the scope and course of the staff member's employment. Furthermore, also in terms of their intellectual property policies, the member of staff may not prescribe such a textbook as it opens the door to alleged conflicts of interest.<sup>1169</sup>

#### **7.3.5 Prescribed textbooks**

The publishers of textbooks are arguably not operating in accordance with the same economic principles as traditional publishers – students are obliged to buy a product which academics prescribe. Therefore price-and-demand is removed from the purchasing power balance, allegedly giving commercial publishers disproportionate power to set market prices high. Be that as it may, companies like Amazon seem to have addressed this problem with their offering by ensuring that it is 'cheaper and more convenient' to be compliant with copyright.<sup>1170</sup>

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<sup>1168</sup> Preamble to the IPR Act.

<sup>1169</sup> Note that most universities in South Africa have Intellectual Property Policies in place that deal with these matters. Merely by way of example, and without excluding other universities, the IP Policy of the University of the Free State reads as follows in this regard: "3.2. Copyright. According to the Copyright Act, 98 of 1978 (Section 21(1)(d)) the ownership of all copyrights of staff of the UFS in respect of works created by them in the normal course and scope of their duties (including tuition, research and community service) or on the specific instruction of the UFS, vests in the UFS. The following exception applies: Copyright of any secondary publication of which the UFS ceded the copyright in writing to an employee (e.g. a text book that consist of previously published academic articles and where the UFS has had the opportunity to obtain subsidy credits)". The UFS IP Policy 2012 is available at [www.ufs.ac.za](http://www.ufs.ac.za) (date of use: 28 February 2017).

<sup>1170</sup> Musiani & Pererico 2014 *First Monday* 11. In this article the authors mention that: "Unsurprisingly,

### 7.3.6 Royalties

Royalties usually accrue to the author, and, depending on the relevant university's intellectual property policy, most universities do not claim copyright or royalty income from textbook sales and waive their right to royalties, or assign it to the members of staff. An example of this is paragraph 3.2 of the intellectual property policy of the University of the Free State<sup>1171</sup> which reads as follows:

The following exception applies: copyright of any secondary publication of which the UFS ceded the copyright in writing to an employee (e.g. a textbook that consists of previously published academic articles and where the UFS has had the opportunity to obtain subsidy credits).<sup>1172</sup>

## 7.4 Reproduction Rights Organisations (Collecting Societies)

International Reproduction Rights Organisations (RROs)<sup>1173</sup> (or alternatively, 'collecting societies') were established to balance the respective rights of stakeholders on the basis of the fundamental international copyright principles embodied in the Berne Convention<sup>1174</sup> and the Universal Copyright Convention, some as early as 1978.<sup>1175</sup> Collective or centralised rights management is preferable where the individual exercise of rights is impractical. In this regard Reproduction Rights Organisations – such as the Copyright Clearance Center Inc (CCC)<sup>1176</sup> in the USA, the Copyright Licensing Agency<sup>1177</sup> in the UK, and DALRO<sup>1178</sup> in South Africa – are mandated by authors and publishers. In the case of DALRO, publishers mandated DALRO to

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if we turn to the digital market for books, we see a very similar scenario. The two most widely sold e-book readers, the Kindle and the Nook, are sold respectively by Amazon and Barnes & Noble, the largest vendors of e-books. On both devices, it appears far easier to 'consume' e-books obtained from the 'official' channels of the respective e-book vendor than from other sources. And, indeed, both e-book readers are sold at prices that appear remarkably low when compared to other devices of similar technological content, suggesting that Amazon and Barnes & Noble profit mostly indirectly from their sales. As in the case of digital music, this creates an environment where it would be extremely difficult for a second-hand digital market to thrive regardless of the position of the law."

<sup>1171</sup> University of the Free State "Policy on the Protection, Exploitation and Commercialisation of Intellectual Property" 2012.

<sup>1172</sup> Id at 16 para 3.1.

<sup>1173</sup> International Federation of Reproduction Rights Organisations (IFRRO).

<sup>1174</sup> Berne Convention for the Protection of Literary and Artistic Works.

<sup>1175</sup> Copyright Clearance Center Inc (CCC) available at <http://www.ifrro.org/members/copyright-clearance-center-inc> (date of use: 21 July 2016).

<sup>1176</sup> Ibid.

<sup>1177</sup> Copyright Licensing Agency Ltd (CLA) UK, available at <http://www.cla.co.uk/> date of use: 24 June 2017).

<sup>1178</sup> Dramatic, Artistic and Literary Rights Organisation (Proprietary) Limited (DALRO) available at [www.samro.co.za](http://www.samro.co.za) (date of use: 07 March 2018).



issue reproduction rights to academic institutions, among others. Rights are in many cases issued by granting transactional licences or blanket licences that comply with the provisions of fair dealing as contemplated in the Copyright Act.<sup>1179</sup>

The aim of collective management is to balance the legitimate interests of rightsholders with the reprographic reproduction rights required by academic institutions. On average, the current blanket licence fee in South Africa is approximately ZAR110,00 per FTE student, which amounts to more than ZAR62,8 million per year if this data and the data of the 2015 CHE Report<sup>1180</sup> (678 842 FTE students) are analysed collectively. As a matter of interest, according to the SAMRO Annual Integrated Report of 2017,<sup>1181</sup> DALRO only collected ZAR38 million of a potential ZAR74.7 million in blanket licence fees in 2017, implying that only 51 per cent of South African universities are complying with fair dealing legislation in South Africa. One can only speculate as to the reason for almost half of the HEI sector's non-compliance. One of the secondary aims of this dissertation is to propose a solution which will substantially reduce the non-compliance percentage among HEIs by introducing rights-management systems for e-books.

It is not only South African reproduction rights organisations that are grappling with the issue of fair dealing. In an interesting Position Statement by the Max Planck Institute for Innovation and Competition,<sup>1182</sup> the authors argue that there is no evidence of a possible market failure threatening academic and scientific e-journal and e-book publishers' business in the digital world – on the contrary, a new neighbouring right for them could eventually

lead to a failure of the market to the detriment of the human rights to access and use knowledge.<sup>1183</sup>

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<sup>1179</sup> Copyright Act 98 of 1978 of South Africa.

<sup>1180</sup> See "VitalStats Public Higher Education 2015" CHE at 29 available at <http://www.usaf.ac.za/category/he-sector-reports/> (date of use: 2 December 2017). Also see the Department of Higher Education and Training SA "Statistics on Post-School Education and Training in South Africa: 2011" SAQA, Department of Higher Education and Training 2013.

<sup>1181</sup> See SAMRO "Integrated Report 2017" at 68. Also see footnotes 1046-1049 at paragraph 6.1.2 above, where the calculation is explained.

<sup>1182</sup> Hilty et al "Position Statement: Public consultation on the role of publishers in the copyright value chain" Max Planck Institute for Innovation and Competition, Munich 2016.

<sup>1183</sup> Id at 3 para 7.

The authors then continue to point out with reference to the *Reprobel* case,<sup>1184</sup> that the CJEU largely acknowledged the ‘author principle’. Briefly, in the *Reprobel* case, Belgium’s collective rights management organisation, Reprobel, requested that Hewlett-Packard pay a €49,20 levy for every ‘multifunction printer’ it sells.<sup>1185</sup> Hewlett-Packard then approached the Belgium court to seek a declaratory order that no compensation was due, or alternatively, that under Belgium laws the compensation paid was fair.<sup>1186</sup> After the initial ruling was appealed by both the defendant and applicant, the Belgium Court of Appeal referred the matter to the CJEU for a ruling. The CJEU subsequently held that publishers are not among the reproduction rightsholders listed in article 2 of the InfoSoc and therefore are not subject to any harm for the purposes of the exceptions regulated by article 5(2)(a) and (b) of the InfoSoc.<sup>1187</sup> Accordingly, they are unlikely to be beneficiaries of any fair compensation.<sup>1188</sup> This judgment supports one aspect of the hypothesis of this dissertation, namely that the ‘author principle’ cannot be ignored or compromised. Apart from Rosati’s comments on reproduction right organisations (collecting societies) in paragraph 5.2 (CJEU case law) above, she also discuss the court’s view that “a distinction must be made depending on the user of a multifunction device, because the amount of fair compensation depends on the actual harm suffered,”<sup>1189</sup> which the CJEU answered in the affirmative.

The implications of this are of concern to me – although it may be true that reproductions made by natural persons for private, non-commercial use do not cause ‘harm’ to authors or ‘actual harm’ to the publishers, the making of reproductions by natural persons for any use substantially benefits commercial companies that offer reproduction technologies, such as Hewlett-Packard. This brings me back to my hypothesis that if fairness is achieved, both Hewlett-Packard and the publishers can benefit, whilst authors are not deprived of any rights to compensations for their creative works.

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<sup>1184</sup> See CJEU 12 November 2015 case: C-572/13 *Hewlett-Packard Belgium SPRL/13 v Reprobel SCRL Epson Europe BV intervening* [2015] ECLI:EU:2015:750 at para 17.

<sup>1185</sup> Id at para 15.

<sup>1186</sup> Id at para 16.

<sup>1187</sup> Id at para 21.

<sup>1188</sup> Id at para 89.

<sup>1189</sup> Rosati (2016) 11/3 *Journal of Intellectual Property Law & Practice* 168.

## 7.5 e-Learning requirements at Higher Education Institutions

### 7.5.1 e-Learning around the world

e-Learning is a reality in all forms of education around the world. For instance, Africa's compound annual growth rate for self-paced e-learning is 15,4 per cent and revenues are expected to reach \$512,8 million by 2016.<sup>1190</sup> Recital 42 of the EU's InfoSoc Directive specifically includes distance learning in the scope of an exception to reproduction rights.

Recital 42 of Council Directive 2001/29/EC reads:

When applying the exception or limitation for non-commercial educational and scientific research purposes, including distance learning, the non-commercial nature of the activity in question should be determined by that activity as such. The organisational structure and the means of funding of the establishment concerned are not the decisive factors in this respect.<sup>1191</sup>

Individual countries apply this directive in different ways. For instance, in Hungary, Spain, Greece, and Slovenia face-to-face teaching seems to be the only situation to which the exception applies, while in Belgium the exception for distance learning through the Internet has been legalised.<sup>1192</sup> In the USA several universities are currently testing e-readers, and commercial companies are turning static print textbooks into dynamic interactive digital learning experiences. The USA has since 2011 also been experimenting with massive open online courses (MOOCs).<sup>1193</sup> The acronym calls for some explanation: the word 'massive' refers to the number of students, which can rise to more than 100 000 students; 'open' refers to open access principles and where no tuition fees are required, including the fact that a Creative Commons licence might apply; and 'online' refers to the course that is taken entirely online as there is usually no prior connection between the students and the university delivering the course.<sup>1194</sup> Finally, the cross-border dimension of e-learning also needs to be understood (this

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<sup>1190</sup> Pappas C "Top 10 e-Learning statistics for 2014 you need to know, e-Learning Industry, 2013" available at <http://elearningindustry.com/top-10-e-learning-statistics-for-2014-you-need-to-know> (date of use: 12 June 2016).

<sup>1191</sup> See Recital 42 of the InfoSoc.

<sup>1192</sup> See De Wolf & Partners "Study on the application of Directive 2001/29/EU on Copyright and Related Rights in the Information Society (InfoSoc)" EU 2013 at 374 available at [http://ec.europa.eu/internal\\_market/copyright/docs/studies/131216\\_study\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/studies/131216_study_en.pdf) (date of use: 12 June 2016).

<sup>1193</sup> Id at 354.

<sup>1194</sup> Ibid.

falls outside the scope of this dissertation). Needless to say, legislators around the world have a virtually impossible task in attempting to keep abreast of all these global developments.

### **7.5.2 e-Readers in comparison with other electronic devices**

e-Readers, for example, Kindles or iPads, are designed primarily for the purpose of reading e-books. Other electronic devices, such as smart phones, can, however, also read e-books. Several universities have been testing the viability of using e-readers and how the restrictions of content on these readers affect their use in academic libraries. Aaltonen et al<sup>1195</sup> undertook an interesting comparative study in 2011 aimed at analysing the general user experience at various universities around the world. Unfortunately most of the students surveyed by Aaltonen were enrolled in the humanities and social sciences and the results might therefore have been different had students from the natural sciences, medicine, or mathematics been included in the studies.

Some interesting findings from both these studies are the following:

- Penn State University: Problems working around the licensing and DRM structure of a device that is actually intended for private use and lacks many functionalities required for academic use, such as better interaction with the text.<sup>1196</sup>
- Cranfield University: On the whole students still preferred laptops.<sup>1197</sup>
- Princeton University: The printing volume was cut in half compared with the control groups. There were limitations on the sharing and transfer of e-books.<sup>1198</sup>
- University of Agder: Students were in general positive towards the use of e-readers but still showed a preference for print on paper as the best medium for serious academic study. When reading books, 54 per cent preferred print, 28 per cent a combination of print and e-reader, and only eleven per cent were satisfied using only an e-reader. Only twenty per cent of the English language books on the required reading lists at the University of Agder were available for purchase as e-books.<sup>1199</sup>
- General respondents: Current e-readers are designed for reading novels and are not well suited to academic material including charts, tables, equations, and colour graphics. The displays are also too small for comfortably viewing PDFs, which is the most common

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<sup>1195</sup> Aaltonen et al (2011) 37/1 *International Federation of Library Associations and Institutions* 16-27.

<sup>1196</sup> Id at 26.

<sup>1197</sup> Id at 26.

<sup>1198</sup> Id at 27.

<sup>1199</sup> Id at 27.

format of academic papers. Different service providers use different DRM solutions and currently e-book readers have problems with most of them.<sup>1200</sup>

- The Aaltonen study was followed up by a second study in 2013 led by Olsen<sup>1201</sup> with similar results.

### 7.5.3 Requirement to print e-learning content

Global trends in turning static print textbooks into dynamic interactive digital learning experiences are not disputed. The requirement for the printing of certain e-content remains a reality, however.<sup>1202</sup> Exceptions for printing such e-content are yet to be understood. These trends are analysed in Chapter 8 in an attempt further to understand publishers' perspectives on e-books and the accompanying exceptions required by HEIs.

### 7.5.4 Parallel importation

One way of dealing with the problem of access to affordable study material under section 29 of the South African Constitution is through parallel importation.<sup>1203</sup> This is already a powerful tool in providing access to medication in the struggle against infectious diseases. Likewise, parallel importation may prove to be equally important for access to knowledge, especially learning materials. Section 23(3)(a) of the Copyright Act has, however, been interpreted as prohibiting parallel importation – the parallel importation of copyright-protected material is, therefore, permitted only for personal use.

It is noteworthy that despite the position held that the parallel importation of copyright-protected material is an infringement of the rights of rightsholders, the Shuttleworth Report made a specific recommendation on parallel importation:

§6. Allow legitimate copyright works acquired in other countries to be imported into South Africa without requiring additional permission from the rightsholder in South Africa.<sup>1204</sup>

Low printing costs are likely the reasoning behind this recommendation; for example, in India books are printed and distributed far more cheaply than in South Africa.

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<sup>1200</sup> Id at 28.

<sup>1201</sup> Olsen, Kleivset & Langseth (2013) April/June *SAGE Open* 1-8.

<sup>1202</sup> See para 1.5 above.

<sup>1203</sup> See para 6.1.3 above on parallel importation. Also see *Frank & Hirsch (Pty) Ltd v A Roopanand Brothers (Pty) Ltd* (580/91) [1993] ZASCA 90; 1993 (4) SA 279 (AD) (2 June 1993).

<sup>1204</sup> See Rens A (ed) "Report on the South African Open Copyright Review" at 64 Shuttleworth Foundation 2010.

## CHAPTER 8

# CONCLUSION: FAIR DEALING IN RESPECT OF DIGITAL BOOKS

### 8.1 Summary of the topics reviewed in this dissertation

#### *Digital copyright*

Copyright is essentially the right of the rightsholder of an original work to prohibit others from making or distributing unauthorised copies of his or her work. More specific to this dissertation, when an end user deals with digital content, one of the aims of copyright becomes the balancing of the conflicting interests in ‘exclusivity’ on the one hand, and in ‘access to information’ on the other. Exclusivity, on the one hand, is achieved by the rightsholders (eg publishers, authors and e-content aggregators) that provide paid access to digital content while using technological protection measures to protect their commercial interests. Access to information, on the other, is the end-user requirement of information being available without technological protection measures and where the digital content is not directly marketed for commercial gain. Peukert<sup>1205</sup> regards exclusivity and access to information as two conflicting cultures surrounding copyright in the digital era and argues that unless we find a socio-economic-legal solution for the dynamic coexistence of these cultures, the exclusivity culture will eventually dominate.

It is submitted that one cannot come to a reasonable conclusion on fair dealing in respect of digital content and e-books in particular without referring to the wonderful article of Favale,<sup>1206</sup> which essentially confirms many of my findings in this dissertations. She, like the author’s approach, attempts to find a philosophical, economic, and social justification for fair dealing, whilst taking cognisance of the disruptive impact of technological protection measures, such as

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<sup>1205</sup> Peukert Alexander “Copyright and the Two Cultures of Online Communication” research paper 2015 at 11 Goethe University Frankfurt am Main available at <http://ssrn.com/abstract=2628565> (date of use: 1 December 2016).

<sup>1206</sup> Favale (2013) 23/2 *Information & Communications Technology Law* 117-35.

DRM systems, on the traditional legal approach to copyright. Where there is reverted to Hart,<sup>1207</sup> as a classic writer on fairness, she reverts to Hegel,<sup>1208</sup> the great German philosopher when she unpacks the socio-centric approach in common-law countries and the *droit d'auteur/urheberrecht* individual-centric approach in countries such as France and Germany. Throughout the dissertation there is a strong association with the *urheberrecht* individual-centric approach in Germany, hence my appreciation of Favale's reverence for Hegel. Favale, like many other authors on this topic, argues that the ease and quality of reproduction and distribution of digital works has resulted in rightsholders raising the barrier by means of DRM systems, as opposed to copyright exceptions, as a legal solution. DRM, on the one hand, has the potential to erase positive externalities which are beneficial for the dissemination of knowledge and the circulation of culture. Copyright exceptions, on the other hand, and "according to a common interpretation of neoclassical economic theory",<sup>1209</sup> are justified by high transaction costs (eg negotiating a licence between the owner and the user) and because of the public interest (eg students and libraries). Therefore, according to Favale, "technology must not erase copyright exceptions. It has to comply with them."<sup>1210</sup>

### ***Fair dealing and fair use***

The fair dealing (or fair use in the USA)<sup>1211</sup> of printed editions of books essentially means a limited exception to the exclusivity of copyright-protected works allowing for the reproduction of the protected works, subject to appropriate acknowledgement, for teaching and private study alongside other exceptions such as fair critique. In general, if the cumulative effect of the reproductions does not conflict with the normal exploitation of the work to the unreasonable prejudice of the legal interest and residuary rights of the author or publisher, the reproduction would be regarded as fair dealing.

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<sup>1207</sup> See Hart (1955) 64/2 *Philosophical Review* 175.

<sup>1208</sup> See the reference to Hegel in Favale (2013) 23/2 *Information & Communications Technology Law* at 121.

<sup>1209</sup> *Id* at 135.

<sup>1210</sup> *Ibid*.

<sup>1211</sup> Fair use is essentially a highly flexible instrument in that American courts can find a use to be fair, based on four factors that are entrenched in legislation.

### ***Digital is no different!***

The digital environment has not changed the philosophy behind copyright protection and fair dealing, though.<sup>1212</sup> Despite the fact that in law the same principles apply to fair dealing in digital books, in practice publishers prefer to apply technological protection measures, such as DRM systems, to their proprietary digital content. This prevents the end users from engaging in selected copying, reproduction, or printing of the digital content. It has been argued throughout this dissertation that the utilisation of such DRM systems is not necessarily aligned with the permissible reproduction of e-books within the limits of fair dealing.

In order better to understand the permissible reproduction of e-books within the limits of fair dealing fair dealing was systematically analysed, starting with the Berne Convention as point of departure, followed by a brief comparative study of fair dealing in the USA (with a brief *excursus* into Canadian case law), selected European countries (UK and Germany, with some footnotes on Ireland), and finally South Africa. Disruptive technologies that were developed and continue to be developed in our current digital era, have forced countries around the world to put in place appropriate measures to deal with fair dealing. For instance, the WIPO Copyright Treaty was approved in 1996. Soon afterwards the Digital Millennium Copyright Act was enacted in the USA. In the EU two Directives on digital rights have been issued. Many European countries have followed suit, but have adopted very diverse approaches (eg, an exhaustive enumeration of exceptions and limitations that member states can choose to implement).<sup>1213</sup> It is noteworthy that the legislators on both continents have developed digital legislation without deviating from the original principles governing fair dealing as entrenched in Article 9(2) of the Berne Convention. Although South Africa is also a signatory to the WCT, there are schools of thought that argue that ratifying the WCT is not appropriate for South Africa and its developmental needs.<sup>1214</sup> South Africa's position on fair dealing in regard to digital content was therefore analysed within the context of our relatively new Constitution in which the right to education is entrenched. It is submitted, however, that the WCT, WPPT, and the Marrakesh Treaty should be incorporated into South African law, sooner rather than later.

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<sup>1212</sup> See Favale (2013) 23/2 *Information & Communications Technology Law* 135.

<sup>1213</sup> Rendas T "Destereotyping the copyright wars: The 'fair use vs. closed list' debate in the EU" *Católica Global School of Law* (Lisbon, Portugal), 2010.

<sup>1214</sup> See Schonwetter (2006) 7 *Southern African Journal of Information and Communication* 36.



### ***e-Learning***

Global e-learning trends cannot be ignored when the fair dealing doctrine in respect of digital content is analysed. Globally, the cross-border dimension of e-learning is particularly intricate, given its potential for global reach. In the USA the move towards MOOCs will pose very challenging questions on fair dealing in future. For instance, open access runs counter to the requirement of the dissemination of the educational material to a limited number of enrolled students. In Europe, language barriers will inevitably place constraints on e-learning activities. For instance, German-language versions of a work could be produced under the Belgian exception, which does not grant a right to equitable remuneration, and brought to Germany where a remuneration right does exist.<sup>1215</sup>

Africa shows exceptional e-learning growth potential.<sup>1216</sup> In South Africa the higher education sector is currently transforming,<sup>1217</sup> and e-learning solutions might prove to be the solution to our developing needs. In fact, in my view South Africa is uniquely positioned to leap-frog from printed books to digital books as an e-learning tool within the context of our constitutional right to education, while having the opportunity to redefine the fair dealing doctrine in respect of e-content.

### ***Publishers***

Publishers, as rightsholders (or authors where applicable) cannot ignore the global e-learning trends with their unique nuances on each continent. Most publishers have to date responded by putting in place digital platforms and learner management systems (LMS) to disseminate digital content in order to address global market needs. Because of the digital (and transient) nature of e-content, publishers have little or no control over the digital content once the end user has acquired a legal digital copy of the work. In response to this challenge posed by e-content all publishers are currently disseminating e-content while using technological protection measures

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<sup>1215</sup> See De Wolf & Partners “Study on the application of Directive 2001/29/EU (InfoSoc) on Copyright and Related Rights in the Information Society” at 430 EU 2013 available at [http://ec.europa.eu/internal\\_market/copyright/docs/studies/131216\\_study\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/studies/131216_study_en.pdf) (date of use: 12 June 2016).

<sup>1216</sup> See para 8.1 on HEIs in South Africa.

<sup>1217</sup> Note that this dissertation does not intend to discuss political transformation in South Africa. Transformation in this contexts rather refers to academic transformation in order to be more relevant to the needs of students in the technological age in which we are living.

such as DRM systems in order to protect their legitimate rights in and to the digital content, to the exclusion of legal solutions. Epstein accurately defines this problem when he says:

Gutenberg's press<sup>1218</sup> mechanized copying and made copyright necessary. Digitization makes copying instantaneous and viral, and renders existing laws obsolete. I leave it to experts to find a solution and hope they succeed, for – to put it bluntly – they must.<sup>1219</sup>

This dissertation aims to find a solution to this legal problem.

### ***Digital Rights Management***

With fair dealing now fairly clearly understood from various perspectives, ranging from publishers and authors to end users and e-content aggregators, the domain of DRM systems is addressed in an attempt better to understand why publishers in particular migrated from legal solutions to DRM systems in order to protect their legitimate rights in and to the digital content. DRM cannot be fully understood without also appreciating the developments in the patent domain. Patents, like copyright and trade marks, fall within the domain of intellectual property law and it is, therefore, very useful also to analyse patented business processes and related computer programs (protected by copyright) in this field. The development of DRM technology was, according to Widdersheim,<sup>1220</sup> the final technological advancement that book publishers needed to sell and distribute e-books online at low risk and high return. This reality cannot be ignored while seeking legal solutions.

## **8.2 Recommendation: The reproduction of e-content**

Based on the topics analysed above it is submitted that a solution which will discourage end users from copying and distributing unauthorised copies can indeed be found if that solution is embedded in state-of-the-art DRM systems that entail the verification of end users. The business model used by publishers – and academic publishers in particular – should be changed fundamentally to a business-to-business (B2B) model in a way that yields advantages for all. More specifically, in my view, such a solution to digital content rests on two pillars: first it must

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<sup>1218</sup> Note that in 1450 Johannes Gutenberg invented the printing press.

<sup>1219</sup> See Epstein (2011) *WIPO Magazine* 1.

<sup>1220</sup> See Widdersheim (2015) 20/6-1 (June) *First Monday* 13.

manage the reproduction; and secondly, it must manage the printing of digital content. These two aspects of the solution are summarised in the paragraphs below.

However, before the proposed solution is considered, final comment on fairness are made. Throughout this dissertation it has emerged clearly that the underlying principle of fairness prevails and that, according to Hart,<sup>1221</sup> “fairness is achieved when people restrain their liberty in ways necessary to yield advantages for all”.<sup>1222</sup> This notion led to the socio-economic-legal approach proposed at the end of Chapter 5. The views of both Einhorn<sup>1223</sup> and McDonald<sup>1224</sup> on econo-legal and socio-legal approaches to fair dealing respectively, are also discussed in that chapter.

This said, two recommendations in the paragraphs below are made in conclusion. Both recommendations relate to the educational sector in particular.

Copyright is essentially the right of the rightsholder of an original work to prohibit others from making or distributing unauthorised copies of his or her work. This right ‘to prohibit’ end users from distributing unauthorised copies is of little value when it comes to digital content unless it can be managed by a legal solution which discourages end users from distributing unauthorised copies of such work. It is recommended that this can be achieved through adopting a socio-economic-legal approach as proposed in paragraph 2.6.10 where a B2B approach, together with an appropriate DRM, is discussed.

In conclusion, this recommendation is in line with sociological fairness because the desire among end users such as students to make illegal reproductions of e-books is eliminated – eg all students enrolled for a particular course receive the e-books as part of their tuition fees. There is, consequently, no need to make illegal copies. Legal fairness is achieved because local and international laws are not infringed as fair dealing is managed in a manner that does not compromise Hart’s ‘advantages for all’. And lastly, economic fairness is achieved because authors, publishers, distributors, and retailers are not deprived of income – in fact, they will

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<sup>1221</sup> See para 2.6.10 above on patents.

<sup>1222</sup> Note: In Afrikaans, my mother tongue, this can be translated as a parody - “n Regverdige ooreenkoms is een waar beide partye ewe ongelukkig is”.

<sup>1223</sup> See Einhorn *Media, Technology and Copyright* 15.

<sup>1224</sup> See McDonald et al *Digital Rights Management* 1.

arguably see an increase in their revenue, while academic institutions and, most importantly, end users such as students, can use and disseminate knowledge freely. Ultimately, economic fairness could be achieved simply because it should be cheaper to comply than to make unauthorised copies.

### **8.3 Recommendation: The printing of e-content**

There is no proof that the current popular shift towards the use of e-content for teaching and e-learning purposes will lead to a paperless society. On the contrary, empirical evidence<sup>1225</sup> exists that the printing of e-content will continue to be relevant for the foreseeable future. Therefore, the management of fair dealing to allow for the printing of e-content will become increasingly important, which is why the print management system and computer program in paragraph 2.6.10 are proposed. This system, computer program, and method, aim to address fair and equitable access to printed copies of e-content for end users within the limits of fair dealing, in particular for teaching and research purposes. This goal is achieved by offering publishers of academic textbooks a solution in terms of which it is possible to allow for the printing of user-selected e-content at the convenience of the end user, but with the aid of a verified print site. It should be mentioned, however, that this print solution cannot work in the absence of a user verification DRM system that functions substantially similarly to a verification system where all the students enrolled for a particular course receive the e-books as part of their tuition fees so obviating the need to make illegal copies of the e-books in the first instance.

### **8.4 Conclusion**

The Berne Convention, as amended, was signed in 1886. Since then Article 9(2) of the Berne Convention has over the years continued to deal appropriately with fair dealing in respect of printed editions. The first e-book was released in 1978, almost one century later. Since then the WIPO Copyright Treaty was signed in 1996, and technological protection measures evolved as an alternative to conventional fair dealing practices. This happened because lawmakers and

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<sup>1225</sup> Minister for Economic Affairs, Belgium “Large-scale study on photocopying and print-outs in Belgium” (2013) available at [www.reprobel.be/en/component/downloads/downloads/225.html](http://www.reprobel.be/en/component/downloads/downloads/225.html) (date of use: 6 October 2016). Note that this source is one of many examples cited in this dissertation, in particular in Chapter 1.

rightsholders, such as publishers, alike failed to appreciate the fundamental principles of fairness. Fairness, as a natural right, however, requires contextualisation within the current global context where the law demands a socio-economic-legal approach in order to maintain its relevance. Failing this, technological protection measures will simply render copyright law redundant. As with Andersdotter's conclusion, the possibility of rather opting for 'extended collective licencing'<sup>1226</sup> of digital content via collecting societies is supported, because such an approach will address many of the uncertainties inherent in the loans versus access, and libraries versus end users debate. Finally, for African countries, Schonwetter et al's<sup>1227</sup> plea for users is supported, particularly learners, to be able to access knowledge material to further education and achieve economic, social and political development goals.

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<sup>1226</sup> Andersdotter *Cross-border Copyright* 24.

<sup>1227</sup> Schonwetter & Ncube (2011) 13/3 *info* 64-74.

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The reader's attention is drawn to the different styles that are used for different sources in the footnotes. In this respect the following is important:

<b>CONTENT</b>	<b>STYLE</b>
Books, dissertations and theses	Short version
Journal articles	Short version
General articles, conference proceedings, document interviews, newspaper reports, internet articles	Full reference
Reports, surveys and position papers by organisations	Full reference
Patents	IEEE format
Legislation	Country specific citation
Case law	Country specific citation

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# ADDENDUM

## THE BERNE CONVENTION

Selected articles

### ARTICLE 2

*Protected Works:*

*1. Literary and artistic works; 2. Possible requirement of fixation; 3. Derivative works; 4. Official texts; 5. Collections; 6. Obligation to protect; beneficiaries of protection; 7. Works of applied art and industrial designs; 8. News*

(1) The expression “literary and artistic works” shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science.

(2) It shall, however, be a matter for legislation in the countries of the Union to prescribe that works in general or any specified categories of works shall not be protected unless they have been fixed in some material form.

(3) Translations, adaptations, arrangements of music and other alterations of a literary or artistic work shall be protected as original works without prejudice to the copyright in the original work.

(4) It shall be a matter for legislation in the countries of the Union to determine the protection to be granted to official texts of a legislative, administrative and legal nature, and to official translations of such texts.

(5) Collections of literary or artistic works such as encyclopaedias and anthologies which, by reason of the selection and arrangement of their contents, constitute intellectual creations shall be protected as such, without prejudice to the copyright in each of the works forming part of such collections.

(6) The works mentioned in this Article shall enjoy protection in all countries of the Union. This protection shall operate for the benefit of the author and his successors in title.

(7) Subject to the provisions of Article 7(4) of this Convention, it shall be a matter for legislation in the countries of the Union to determine the extent of the application of their laws to works of applied art and industrial designs and models, as well as the conditions under which such works, designs and models shall be protected. Works protected in the country of origin solely as designs and models shall be entitled in another country of the Union only to such special protection as is granted in that country to designs and models; however, if no such special protection is granted in that country, such works shall be protected as artistic works.

(8) The protection of this Convention shall not apply to news of the day or to miscellaneous facts having the character of mere items of press information.

#### **ARTICLE 2bis**

*Possible limitation of protection of certain works: 1. Certain speeches; 2. Certain uses of lectures and addresses; 3. Right to make collections of such works*

(1) It shall be a matter for legislation in the countries of the Union to exclude, wholly or in part, from the protection provided by the preceding Article political speeches and speeches delivered in the course of legal proceedings.

(2) It shall also be a matter for legislation in the countries of the Union to determine the conditions under which lectures, addresses and other works of the same nature which are delivered in public may be reproduced by the press, broadcast, communicated to the public by wire and made the subject of public communication as envisaged in Article 11bis(1) of this Convention, when such use is justified by the informatory purpose.

(3) Nevertheless, the author shall enjoy the exclusive right of making a collection of his works mentioned in the preceding paragraphs.

#### **ARTICLE 9**

*Right of Reproduction:*

*1. Generally; 2. Possible exceptions; 3. Sound and visual recordings*

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



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

(3) Any sound or visual recording shall be considered as a reproduction for the purposes of this Convention.

#### **ARTICLE 10**

*Certain free uses of works: 1. Quotations; 2. Illustrations for teaching; 3. Indication of source and author*

(1) It shall be permissible to make quotations from a work which has already been lawfully made available to the public, provided that their making is compatible with fair practice, and their extent does not exceed that justified by the purpose, including quotations from newspaper articles and periodicals in the form of press summaries.

(2) It shall be a matter for legislation in the countries of the Union, and for special agreements existing or to be concluded between them, to permit the utilization, to the extent justified by the purpose, of literary or artistic works by way of illustration in publications, broadcasts or sound or visual recordings for teaching, provided such utilization is compatible with fair practice.

(3) Where use is made of works in accordance with the preceding paragraphs of this Article, mention shall be made of the source, and of the name of the author if it appears thereon.

#### **ARTICLE 10bis**

*Further possible free uses of works: 1. Of certain articles and broadcast works; 2. Of works seen or heard in connection with current events*

(1) It shall be a matter for legislation in the countries of the Union to permit the reproduction by the press, the broadcasting or the communication to the public by wire of articles published in newspapers or periodicals on current economic, political or religious topics, and of broadcast works of the same character, in cases in which the reproduction, broadcasting or such communication thereof is not expressly reserved. Nevertheless, the source must always be clearly indicated; the legal consequences of a breach of this obligation shall be determined by the legislation of the country where protection is claimed.

(2) It shall also be a matter for legislation in the countries of the Union to determine the conditions under which, for the purpose of reporting current events by means of photography, cinematography, broadcasting or communication to the public by wire, literary or artistic works seen or heard in the course of the event may, to the extent justified by the informatory purpose, be reproduced and made available to the public.

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