

**FACULTY OF LAW**

**THE STATUS OF DIGITAL RIGHTS MANAGEMENT IN SOUTH AFRICAN LAW**

Mini-thesis submitted in partial fulfilment of the requirements for the LLM degree in the

Department of Mercantile Law and Labour Law



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## **DISCLAIMER:**

It should be noted that legislation pertaining to this thesis was substantially redrafted roughly two weeks prior to final submission. As a result of this, significant amendments had to be made in order to bring the thesis up to date with the current legal position. While care has been taken to ensure consistency in the substantive law, presentation and narrative of this contribution, an unfortunate consequence has been that the thesis is now over the word count generally allowed for. The decision has been made to rather ensure that the law is properly analysed, and risk any penalty that may occur as a result of the length of this thesis rather than submit an out of date work. The author would like to hereby apologise for any inconvenience caused, and ask that examiners bear this context in mind when assessing the contribution.



## DECLARATION

I declare that 'The Status of Digital Rights Management in South African Law' is my own work, that it has not been submitted before for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

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## **DEDICATION**

This thesis is dedicated to all those who have contributed to my journey. Where I am right now and where I will be one day is due to the lessons I have learnt through all of you. May the force be with us all.



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## **KEYWORDS**

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Copyright

Copyright Infringement

Doctrine of First Sale

Digital Rights Management

Fair Use

Fair Dealing

Technical Protection Measures



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# **CHAPTER ONE**

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## **1.1 INTRODUCTION**

It is justifiable for the holder of copyright to be entitled to its protection and to be granted the exclusive right to profit from their innovation, and this is the basis for the development of laws promoting intellectual property rights. Accordingly, the principle of allowing for copyright protection is more than justifiable.

Modern copyright is traditionally defined as the right that a creator has in their literary or artistic works.<sup>1</sup> These types of works include computer programmes, films, books and music. Modern copyright protection finds its origins in the Berne Convention of 1886 which provided authors with a standardised means to control how their works are used, by whom they are used and on what terms they can be used.<sup>2</sup> All countries who are signatories to the Berne Convention, like South Africa, are required to provide its Copyright holders with a minimum degree of protection.

Protection of Copyright law under the Berne Convention is founded upon three basic principles.<sup>3</sup> The first principle is that of national treatment, which states that any works originating in one of the contracting countries must be afforded the same protection in each of the other contracting countries as the latter provides to its own citizens works.<sup>4</sup> The second principle is automatic protection, which describes that once the formalities of copyright have been complied with, protection should be given automatically.<sup>5</sup> Finally, the principle of independence of protection states that the enjoyment and exercise of the rights granted in terms of copyright is independent of the existence of protection in the country of origin of the work.<sup>6</sup>

It is common cause that, in the modern information era, instances of copyright infringement have increased exponentially. Whereas it was possible to copy material such as films, audio

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<sup>1</sup> World Intellectual Property Organisation 'What is Copyright?' available at <http://www.wipo.int/copyright/en/> (accessed 27 June 2016).

<sup>2</sup> World Intellectual Property Organisation 'The Berne Convention for the Protection of Literary and Artistic works' available at <http://www.wipo.int/treaties/en/ip/berne/> (accessed 27 June 2016).

<sup>3</sup> World Intellectual Property Organisation 'The Berne Convention for the Protection of Literary and Artistic works' available at <http://www.wipo.int/treaties/en/ip/berne/> (accessed 27 June 2016).

<sup>4</sup> Dean O & Dyer A (2014) 'Introduction to Intellectual Property Law' 6.

<sup>5</sup> World Intellectual Property Organisation 'WIPO Intellectual Property Handbook: Policy, Law and Use' 2004 available at <http://www.wipo.int/about-ip/en/iprm/> 262.

<sup>6</sup> World Intellectual Property Organisation (2004) 262.

and books through analogue means, the advent of the internet has created a plethora of new means of accessing and distributing copyrighted content. It is also uncontroversial to submit that the law is often slow to catch up and provide proper remedies. In a response to this, copyright holders have sought, over the years, to develop private means of copyright protection and enforcement, commonly referred to as technical protection measures (commonly abbreviated as TPMs). In turn, the World Intellectual Property Organisation drafted the 1996 WIPO Copyright Treaty (WCT hereafter),<sup>7</sup> which gives recognition to these measures.

Digital Rights Management technology (commonly abbreviated as DRM) is a modern iteration of a technical protection measure. It is a form of digital copyright protection which is normally unilaterally imposed on media such as films and software by publishers in order to control the use of content after its sale. The primary justification for this is to serve as an additional means of protecting against the threat that piracy poses to businesses. However, DRM in itself is controversial, and has garnered much criticism from society and jurists. From a consumer point of view, it has been shown to not be as effective as intended, while also creating an additional inconvenience for legitimate users of electronic media. From a legal point of view, it potentially negates traditional exceptions to copyright such as the doctrines of first sale and fair use, and also potentially creates tangential issues relating to anti-competitive practices.<sup>8</sup>

It is submitted that the status of DRM in South Africa is not a settled point of law. Whereas we are a signatory to the WCT, it has not been ratified.<sup>9</sup> Initially, a draft Copyright Amendment Bill<sup>10</sup> was introduced in July 2015 and sought to give effect to this treaty, among other things. The bill was heavily criticised, and on 17 May 2017 a new Copyright Amendment Bill<sup>11</sup> was tabled in parliament. Both these draft bills made significant changes to the old position

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<sup>7</sup> The text of the treaty is available at <http://www.wipo.int/treaties/en/ip/wct/> (Last accessed 17 May 2017).

<sup>8</sup> In general, see Scharf, N 'Digital Rights Management and Fair Use' (2010) 1 *European Journal of Law and Technology* 1; Visser 'Technological Protection Measures: South Africa Goes Overboard. Overboard.' 2006 *The Southern African Journal Of Information And Communication* 54; Loock C & Grobler B 'The dilemma of intellectual property rights in educational cyberspace' (2006) 10 *Education as Change* 171; Gloglo LL 'Finding The Law: The Case of Copyright and Related Rights Enforcement In The Digital Era' 2013 *W.I.P.O.J.* 220; Griffin J 'An historical solution to the legal challenges posed by peer-to-peer file sharing and digital rights management technology' (2010) 15 *Communications Law* 78; Zingales N 'Digital Copyright, "Fair Access" And The Problem of DRM Misuse' 2012 *BCIPTF* 1; Matin A 'Digital Rights Management (DRM) In Online Music Stores: DRM-Encumbered Music Downloads' Inevitable Demise as a Result of the Negative Effects of Heavy-Handed Copyright Law' (2008) 28 *LYLAELR* 265. These articles generally speak to the history, basis for proliferation and criticism of DRM technology, which will be discussed throughout this thesis.

<sup>9</sup> See the list of signatories at [http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty\\_id=16](http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=16) (Last accessed 17 May 2017).

<sup>10</sup> Government Gazette No 39028 of 27 July 2015.

<sup>11</sup> B13-2017. The text of the Bill is available at <https://www.parliament.gov.za/storage/app/media/Docs/bill/ffd3aa9e-77f2-4903-b496-13fa282056ef.pdf> (last accessed 24 May 2017)

regarding TPMs, with the second draft addressing much of the criticism found in the first iteration. This mini-thesis seeks to assess the status of TPMs in South Africa, with a specific focus on that of DRM technology, and to critically analyse whether the new proposed amendments will adequately address the current lacuna in our law. It should be noted that analysis of both drafts of the amendment bill will be done in order to show how criticism from civil society and academia has seemingly changed some of the legislature's views on issues relating to TPMs.

The purpose of this chapter is to serve as point of departure and to provide a roadmap for the analysis provided in this mini-thesis. In doing so, a brief overview of South African Copyright Law will be given, along with an overview of the development of TPMs and DRM in particular. The proposed changes to South African Copyright Law, along with a general introduction to the most pertinent issues, will be briefly discussed, which will then be expanded upon in subsequent chapters.



## **1.2 COPYRIGHT: THE CURRENT SOUTH AFRICAN POSITION**

Under South African Law an author is entitled to copyright protection if he or she complies with the following requirements:

- The work falls into one of the categories eligible for protection under s2(1) of the Copyright Act 98 of 1978;<sup>12</sup>
- The work has been expressed into a material form under s2(2);<sup>13</sup> and
- The work is considered to be original.<sup>14</sup>
- The author of the copyright must be either a citizen or domiciled or resident in the Republic or if a juristic person that has been incorporated under the laws of the Republic<sup>15</sup>

Once all these requirements have been met, an author will be eligible for copyright protection.

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<sup>12</sup> Copyright Act 98 of 1978, s2(1).

<sup>13</sup> Copyright Act 98 of 1978, s2(2).

<sup>14</sup> *Haupt t/a Softcopy v Brewers Marketing Intelligence (Pty) Ltd. and Others* [2006] ZASCA 40 35. See also s2(1) of Copyright Act 98 of 1978 in which it is stated that if the work falls into one of the categories in this section and is original, the work will be worthy of copyright protection.

<sup>15</sup> Copyright Act 98 of 1978, s(3)(1).

### 1.2.1 Requirements For Copyright Protection

For a work to be protected by copyright it must fall within one of nine categories listed in s2(1) of the Copyright Act, including literary works<sup>16</sup>, musical works<sup>17</sup>, cinematographic films<sup>18</sup> and computer programmes.<sup>19</sup> These categories are particularly relevant as they tend to be the ones that are commonly infringed on the internet. Section 1 of the Copyright Act provides for the definitions of the works in question. In accordance with these definitions, there are certain qualities that the works must have in order to fall into this category of works. For example, s1 states that a computer programme is defined to mean:

‘a set of instructions fixed or stored in any manner and which, when used directly or indirectly in a computer, directs its operation to bring about a result;’<sup>20</sup>

If it is found that the particular work fits the required definition, it will therefore fall into the appropriate category. It is important to note here that computer programmes are protected under their own category in South Africa, as opposed to other jurisdictions such as the USA and the United Kingdom where a computer programme is protected as a literary work.<sup>21</sup> This highlights the problem that the law has in classifying multimedia into categories worthy of copyright protection.

Under s2(2) of the Copyright Act, the work must be expressed in some material manner or form for it to benefit from copyright protection.<sup>22</sup> It is evident not only from s2(2) but also from the very nature of a copyright that a work can only be logically protected if the said work has been reduced to a material form capable of being copied. Related to this is the notion that copyright protects the expression of an idea rather than the idea behind a work itself, a principle discussed at length and confirmed in the case of *Galago Publishers (Pty) Ltd v Erasmus*.<sup>23</sup>

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<sup>16</sup> Copyright Act 98 of 1978, s2(1)(a).

<sup>17</sup> Copyright Act 98 of 1978, s2(1)(b).

<sup>18</sup> Copyright Act 98 of 1978, s2(1)(d).

<sup>19</sup> Copyright Act 98 of 1978, s2(1)(i).

<sup>20</sup> Copyright Act 98 of 1978, s(1) Computer Programme.

<sup>21</sup> Pistorius, T ‘Copyright Law and IT’ in Van der Merwe D (2016) *Information and Communications Technology Law* 271.

<sup>22</sup> Section 2(2) of the Copyright Act states that: ‘A work, except a broadcast or programme-carrying signal, shall not be eligible for copyright unless the work has been written down, recorded, represented in digital data or signals or otherwise reduced to a material form.’

<sup>23</sup> 1989 (1) SA 276 (A).



Arguably the most important requirement for copyright to vest in a work is that it must be original. Originality is not defined in the Copyright Act,<sup>24</sup> but in South Africa it is generally accepted that for a work to be considered original it must have come about as a result of the ‘sweat of the brow’ of the author.<sup>25</sup> Essentially, this means that the work must not have been copied from prior works but rather the work has come about as a result of the author’s own skill and effort.<sup>26</sup> This standard has been criticised as being quite low and out of step with the standard used in other countries.<sup>27</sup> In addition to the so-called ‘sweat of the brow’ test, the case of *Haupt t/a Softcopy v Brewers Marketing Intelligence (Pty) Ltd. and Others*,<sup>28</sup> stated that a work will be original if the work has not been copied from an existing source and if the work’s production required a substantial degree of skill, judgment and labour.<sup>29</sup>

### **1.2.2 Copyright Infringement**

The Copyright Act introduces two forms of copyright infringement, primary and secondary infringement (also known as direct and indirect copyright infringement).<sup>30</sup> Primary infringement is dealt with in terms of s23(1) of the Copyright Act.<sup>31</sup> The case of *King v South African Weather Services*<sup>32</sup> describes that primary infringement exists where there is a performance of an act in which only the author has the exclusive right to do so.<sup>33</sup> An example of this would be the reproduction of a computer program.<sup>34</sup>

Secondary infringement is covered by s23(2). This type of infringement typically arises when any person who is not the copyright owner sells, lets or by way of trade offers or exposes for sale or hire any article or distributes any article for the purposes of trade or any other purpose.<sup>35</sup> These goods are commonly known as infringing copies and are usually either derivative works

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<sup>24</sup> *Klep Valves (Pty) Ltd v Saunders Valve Co Ltd* [1987] 4 All SA 147 (AD) at 27.

<sup>25</sup> Dean & Dyer (2014) 16.

<sup>26</sup> Dean & Dyer (2014) 16.

<sup>27</sup> Klopper H *The Law of Intellectual Property in South Africa* (2011) 164.

<sup>28</sup> [2006] ZASCA 40.

<sup>29</sup> *Haupt t/a Softcopy v Brewers Marketing Intelligence (Pty) Ltd. and Others* [2006] ZASCA 40 at para 35.

<sup>30</sup> Klopper (2011) 199.

<sup>31</sup> Copyright Act 98 of 1978, s23(1).

<sup>32</sup> 2009 (3) SA 13 (SCA).

<sup>33</sup> *King v South African Weather Services* 2009 (3) SA 13 (SCA) at para 10.

<sup>34</sup> *King v South African Weather Services* 2009 (3) SA 13 (SCA) at para 10.

<sup>35</sup> Groenewald L ‘Legal Analysis Of Fair Dealing Relating To Music Works In The Digital Environment’ (Unpublished LLM Thesis University of South Africa, 2011) 16. See also Dean O ‘Copyright v Grey Goods in South Africa, Australia and Singapore’ (1994) 111 *SALJ* 746 747.

or reproductions of works.<sup>36</sup> An important difference between primary and secondary infringement is that guilty knowledge is a requirement for secondary infringement and not for primary infringement.<sup>37</sup> It should be noted that certain acts of copyright infringement may attract criminal liability for the infringer.<sup>38</sup> For example, if the infringer is in possession of a particular item that is knowingly going to be used for the manufacturing of infringing copies; this will constitute a criminal offence under s27 of the Copyright Act.<sup>39</sup>

Notwithstanding the above, it is common cause that there are instances where the making of a copy, even when the work is copyrighted, is justifiable or necessary. Accordingly, exceptions to copyright infringement can be found in ss12 to 19B of the Copyright Act. These are known as fair dealing exceptions and they essentially allow for limited copying, performance, display and distribution of copyrighted works for certain educational and personal research uses.<sup>40</sup> For example, according to s19B, the copyright of an author of a work that falls into the category of computer programmes will not be infringed by a person who is in the lawful possession of that computer programme or an authorized copy thereof if that person makes copies to the extent necessary for back up.<sup>41</sup>

Most jurisdictions, including the European Union (EU) and the United States of America (USA), have incorporated the Berne Convention. As such, the principles related to the vesting of copyright and the protection thereof largely remain the same. However, it should be noted that these principles are at times implemented in different manners. For instance, in relation to computer programmes, the EU follows a similar fair dealing approach to South Africa<sup>42</sup> but in the case of the USA, the doctrine of fair use is followed. While fair dealing and fair use appears to be similar in the sense that they provide exceptions to copyright infringement, their practical implementations are vastly different.<sup>43</sup>

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<sup>36</sup> Dean (1994) 747.

<sup>37</sup> Klopper (2011) 205.

<sup>38</sup> Klopper (2011) 209.

<sup>39</sup> Klopper (2011) 209-210. See also s27 of the Copyright Act for other instances in which copyright infringement may attract criminal liability and the remedies available for these offences.

<sup>40</sup> Armstrong C and Ford H 'Africa and the Digital Information Commons: An Overview' 2006 *The Southern African Journal of Information and Communication* 4 11.

<sup>41</sup> Copyright Act 98 of 1978, s19B(2)(a). For more information relating to copyright exceptions of computer programmes see the rest of s19B.

<sup>42</sup> See Directive 2009/24/EC on the legal protection of computer programs (hereafter 'the Software directive').

<sup>43</sup> See Schonwetter T 'The 'Fair Use' Doctrine and the Implications of Digitising for the Doctrine from a South African Perspective' *The Southern African Journal of Information and Communication* 2006 32 34. The distinction will be discussed at a later stage.

The landscape regarding copyright protection has changed dramatically in light of the veritable explosion of piracy in the internet era. Digital means make it easier to copy a book that was bought by one person and then share it instantaneously with the rest of the world. This has diluted an author's ability to control their own copyright. A classic example of how the digital era has affected copyright is the case of *Sony Corp. v Universal City Studios*,<sup>44</sup> commonly known as the Sony Betamax Case.

### **1.3 THE SONY BETAMAX CASE**

The case came about as a result of Sony's Betamax Machine, a home video recorder capable of recording broadcasted TV shows and replaying them at a later stage.<sup>45</sup> The respondents in the case alleged that this machine allowed individuals to infringe their copyrights in the programs that were recorded and furthermore sought to hold Sony Corporation liable for contributory copyright infringement.<sup>46</sup>

In the District Court, the court had found that the non-commercial home use of recording material would not amount to the infringement of copyright as it was deemed to fall into the realms of fair use.<sup>47</sup> It should be noted that issues relating to the transfer of Betamax tapes from person to person, the use of home-recorded tapes for public performance, or the copying of TV programs transmitted on pay or cable television systems were not raised.<sup>48</sup> Moreover, the court found that even where there was a recording of an entire copyrighted work, this would still amount to fair use as there was no reduction in the market of the respondents.<sup>49</sup> Furthermore, the court was of the view that since the material was broadcasted free to the public at large, there could not be a finding of contributory infringement.<sup>50</sup> The Court of Appeal reversed the District Court's decision on the basis that the recording of copyrighted programs did not amount to fair use as it was not a productive use of the works in question.<sup>51</sup> Similarly, the Court

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<sup>44</sup> 464 U.S. 417 (1984).

<sup>45</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 422.

<sup>46</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 420.

<sup>47</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 425.

<sup>48</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 425.

<sup>49</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 425-426.

<sup>50</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 425-427.

<sup>51</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 427.



of Appeals stated that the Betamax machine was used solely for the recording of copyrighted works and was therefore incapable of any non-infringing, non-commercial use.<sup>52</sup>

In the Supreme Court the majority found that Sony was not liable for contributory infringement. The main question that the court had to grapple with was whether the Betamax was capable of non-infringing use.<sup>53</sup> The Supreme Court identified that Betamax could be used for authorized time-shifting and unauthorized time shifting. Time-shifting is essentially recording material on a medium to view at a later instance.

Authorised Time-shifting would relate to the situation whereby copyrighted material is recorded for non-infringing use, for example, recording a children's TV show for later viewing.<sup>54</sup> Unauthorised Time-shifting would be the instance whereby copyrighted material is recorded onto a medium for the purposes of deriving some form of commercial benefit.<sup>55</sup> It was held that the former instance would amount to fair use whereas the latter would amount to infringement of copyright.<sup>56</sup> The Supreme Court therefore agreed with the findings of the District Court on the fact that the Betamax was capable of non-infringing use in so far as it relates to the recording of programs at home.<sup>57</sup>

The minority judgment in this case followed the same line of reasoning applied in the Court of Appeal case as it found that even though the Betamax was capable of non-infringing use, it was still used to infringe the copyright of the studios.<sup>58</sup> Here, the minority court identified two potential uses of the Betamax, namely time-shifting and library keeping.<sup>59</sup> Library keeping refers to the situation whereby the users of the Betamax record their favourite shows for the purpose of building a library of viewable materials.<sup>60</sup> The minority concluded that time-shifting did not amount to fair use as it could be shown that time-shifting could have a substantial effect on the potential market for the copyrighted works of the studios.<sup>61</sup> Accordingly, the minority held that Sony provided a means to perpetuate copyright infringement, had full knowledge of this infringement, and as such they were deemed to be liable for contributory infringement.<sup>62</sup>

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<sup>52</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 427-428

<sup>53</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 442.

<sup>54</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 443-447.

<sup>55</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 447.

<sup>56</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 449.

<sup>57</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 456.

<sup>58</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 499.

<sup>59</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 458.

<sup>60</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 458-459.

<sup>61</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 485-486.

<sup>62</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 499.

Notably, Judge Blackmun, writing for the minority, made an important consideration when dealing with the question of contributory infringement, stating that:

‘Remedies may well be available that would not interfere with authorized time-shifting at all. The Court of Appeals mentioned the possibility of a royalty payment that would allow VTR sales and time-shifting to continue unabated, and the parties may be able to devise other narrowly tailored remedies. Sony may be able, for example, to build a VTR that enables broadcasters to scramble the signal of individual programs and "jam" the unauthorized recording of them. Even were an appropriate remedy not available at this time, the Court should not misconstrue copyright holders' rights in a manner that prevents enforcement of them when, through development of better techniques, an appropriate remedy becomes available.’<sup>63</sup>

In essence, the Sony Betamax case highlighted the potential problems that Copyright Law has in adapting to technological developments. The system proposed by Blackmun was essentially an early example of what is now referred to as a technical protection measure, although it should be noted that system he proposed was never implemented.<sup>64</sup>



#### **1.4 WHAT ARE TECHNICAL PROTECTION MEASURES (TPMS)?**

A TPM is best described as method used by copyright owners to protect their copyrighted material.<sup>65</sup> Essentially, TPMs are an attempt to engage in private copyright protection. Traditionally, two subsets can be identified, namely those related to access control, and those related to copy control.<sup>66</sup> Access control TPMs are measures that authors employ in order to control access to their works.<sup>67</sup> Examples of this include password control systems, payment

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<sup>63</sup> *Sony Corp. v Universal City Studios* 464 U.S. 417 (1984) at 494

<sup>64</sup> Scharf (2010) 2.

<sup>65</sup> Von Lohmann F ‘Measuring The Digital Millennium Copyright Act Against The Darknet: Implications For The Regulation Of Technological Protection Measures’ (2004) 24 *Loy. L.A. Ent. L. Rev.* 635 638.

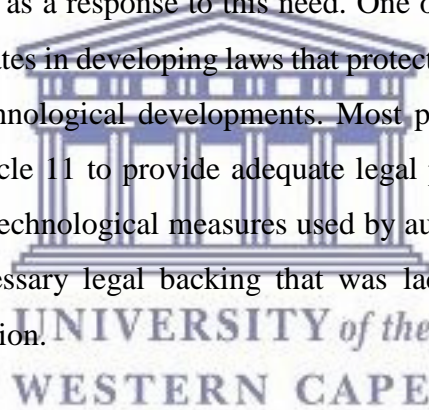
<sup>66</sup> Australian House of Representative Committees (2006) “Overview: Technological Protection Measures, Copyright in Australia, the Australia-United States Free Trade Agreement, Regulation in the United States, and Region Coding” available at [http://www.aph.gov.au/parliamentary\\_business/committees/house\\_of\\_representatives\\_committees?url=/laca/protection/chapter2.htm](http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=/laca/protection/chapter2.htm) (accessed on 13 February 2017) 8.

<sup>67</sup> Kerr I, Maurushat A, and Tacit C ‘Technical Protection Measures: Tilting At Copyright’s Windmill’ (2003) 34 *Ottawa Law Review* 7 16.

systems and encryption measures applied to DVDs whereby only certain DVD players would be able to access the content.<sup>68</sup>

Copy Control TPMs are mechanisms used which prevent the copying of copyrighted material.<sup>69</sup> These types of mechanisms are mostly found in the form of software and include software locks that prevent you from copying from a device like the ones usually found on a pdf document and software that prevents the unauthorised copying of a film or game.<sup>70</sup> The critical difference between the two types of TPMs lies in the fact that an access control TPM will block access to the work entirely, whereas a copy control TPM will only operate when the user attempts to make copies of the work.<sup>71</sup> These methods may be used by authors to protect their works. However, as these measures were forms of private enforcement, it was initially possible to circumvent these mechanisms, and such practices did not necessarily carry a penalty.

Given the above, a need arose to provide some degree of protection for the circumvention of TPMs. The WCT was drafted as a response to this need. One of the primary purposes of the WCT was to assist member states in developing laws that protect authors of copyrighted works as a result of these rapid technological developments. Most pertinently, the WCT required contracting parties under Article 11 to provide adequate legal protection and legal remedies against the circumvention of technological measures used by authors to protect their works.<sup>72</sup> The treaty provided the necessary legal backing that was lacking from private copyright enforcement prior to its inception.



## **1.5 DRM TECHNOLOGY**

Before the digitisation of works, a user could only obtain access of a copyright through the physical possession of the work.<sup>73</sup> Access to works has since become easier. A person can purchase an e-book online or even unlawfully download a ‘free’ copy of the book from any website that offered it for download. This naturally causes massive problems for the rights of

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<sup>68</sup> National Copyright Unit ‘Technological Protection Measures and the Copyright Amendment Act 2006’ 2006 available at <http://www.smartcopying.edu.au/copyright-guidelines/hot-topics/technological-protection-measures> (accessed on 13 February 2017).

<sup>69</sup> Kerr, Maurushat & Tacit (2003) 19.

<sup>70</sup> National Copyright Unit Smart Copying Website (2006).

<sup>71</sup> Australian House of Representatives Committees (2006) 8.

<sup>72</sup> WIPO Copyright Treaty, Article 11.

<sup>73</sup> Conroy M ‘Access to Works Protected by Copyright: Right or Privilege?’ (2006) 18 *SA Merc LJ* 345 345.

authors who want to control access to their works.<sup>74</sup> In relation to protecting software and other forms of copyright that are vulnerable to being copied through digital means, various digital methods are used. This subset of TPMs is commonly referred to as Digital Rights Management (DRM) technology. DRM technology was created to solve the problem of controlling who can access works, including, at times, controlling how they may do so.<sup>75</sup>

While DRMs are seen by some as a victory for private copyright protection, there are others who feel that it creates an unnecessary boundary to knowledge and the free flow of information.<sup>76</sup> A further criticism levelled against DRMs is that they tend to be excessive due to fact that they may prevent a user from accessing a particular work that they may have legitimate rights to.<sup>77</sup> For example, look no further than when Amazon unilaterally removed copies of George Orwell's '1984' from various Kindle e-readers. Amazon could do this because it had installed DRMs on the Kindle e-readers which allowed them to privately enforce their user agreements and licences.<sup>78</sup>

Giving authors the exclusive right to control the access to their particular work is not something new, and it is justifiable that they control the distribution of their works in the sense that they may licence or sell their work to anyone. The problem comes in when the type of protection employed is excessive, frustrating a legitimate user's rights of use and access, as well as their property rights when they attempt to resell a product.<sup>79</sup> These types of measures have the effect of blocking both the application of fair use and fair dealing exceptions that are provided for.<sup>80</sup>

Samuelson and Schultz argue that DRMs can have a chilling effect by enforcing and enhancing anti-competitive conduct within a particular market place.<sup>81</sup> As such, an undue use of DRM technology could not only raise issues in relation to intellectual property law, but also that of Competition Law. This type of conduct was criticised in the cases of *Chamberlain Group Inc v Skylink Technology*<sup>82</sup> and *Lexmark International Inc v Static Control Components Inc*<sup>83</sup>

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<sup>74</sup> Conroy (2006) 346.

<sup>75</sup> Visser (2006) 55.

<sup>76</sup> Armstrong & Ford (2006) 7.

<sup>77</sup> Schonwetter (2006) 46.

<sup>78</sup> Koornhof P 'The Pitfalls Of Enforcing Copyright In The Digital Age' 2015 available at <http://theconversation.com/the-pitfalls-of-enforcing-copyright-protection-in-the-digital-age-48848> (accessed 4 July 2016).

<sup>79</sup> Scharf (2010) 2.

<sup>80</sup> Scharf (2010) 3.

<sup>81</sup> Samuelson P and Schultz J 'Should Copyright Owners Have to Give Notice of Their Use of Technical Protection Measures' (2007) 6 *J. on Telecomm. & High Tech. L.* 43 53

<sup>82</sup> 381 F.3d 1178 (Fed. Cir. 2004).

<sup>83</sup> 387 F.3d 522 (6th Cir. 2004).

whereby in both instances the court found that DRMs were being perpetuated for anti-competitive reasons. These cases will be further discussed in later chapters.

In relation to the above, it should be noted that problems have at times arisen due to the apparent conflict between Intellectual Property Law and Competition Law.<sup>84</sup> On the one of the reasons for this apparent conflict lies in fact that Intellectual Property Law offers the holder the exclusive right to exploit such right in any manner or form, thus creating a type of monopoly over the right.<sup>85</sup> The effect of this monopoly generally has the effect of market exclusion.<sup>86</sup> This type of exclusion could lead to unfair competition within the market and Competition Law generally tries to maintain fair competition within the market.<sup>87</sup> This has led to limits being placed on the exercise of exclusive rights by competition authorities.<sup>88</sup>

As noted, while they are a signatory of the WCT, South Africa does not currently have any laws directly recognising or regulating TPMs or DRMs. The initial draft of the proposed Copyright Amendment Bill, which was released for commentary last year in July, sought to recognise and regulate the use of both. It had further proposed to introduce the fair use doctrine in South African Copyright Law.<sup>89</sup> The newest version of the bill seeks to do the same, although subtle changes were made to the manner in which fair use was to be recognised in the law. The doctrine of fair use would then allow for the copying of copyrighted works without the permission of the author in certain circumstances.<sup>90</sup> Even though these provisions will allow South Africa to comply with its obligations under the WCT, it is submitted that the provisions of the initial Bill would have caused serious problems. However, the fact that a new draft bill was introduced recently does not make these observations irrelevant. These aspects will be properly analysed in later sections of this contribution as well as how these aspects were changed in the new draft of the bill.

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<sup>84</sup> Anderman S(ed) *'The Interface Between Intellectual Property Rights and Competition Policy'* 3<sup>rd</sup> Ed (2009) 1.

<sup>85</sup> Anderman (2009) 1.

<sup>86</sup> Hovenkamp H 'Response: markets in IP and antitrust' 2011 *Geo LJ* 2133 2139.

<sup>87</sup> Anderman (2009) 1.

<sup>88</sup> Anderman (2009) 1.

<sup>89</sup> Copyright Amendment Bill 2017, s12(1)(a).

<sup>90</sup> Schonwetter (2006) 33.



## **1.6 SIGNIFICANCE OF THE PROPOSED RESEARCH**

As noted, fair use is sought to be incorporated in South African Law through the proposed Copyright Amendment Bill. In the first draft, fair use was sought to be incorporated in terms of s12A, but under the recent revised draft of the bill fair use is now dealt with in s12(1)(a). These provisions will introduce new circumstances in which works may be used which will not cause the copyright therein to be infringed.

While the fair dealing exceptions have been retained under the Copyright Act, the introduction of fair use extends the situations in which others can use copyrighted works and not be subject to unnecessary fears that they may be punished for copyright infringement. It is submitted that this is one of the positive aspects of both the initial and the new draft of the Copyright Amendment Bill. In the initial draft, the treatment of TPMs was quite problematic. Section 28P of the initial draft contained specific exceptions to the circumvention of TPMs as well as the manufacturing of devices which are primarily designed to circumvent them, but only exempted conduct amounting to fair dealing. This has subsequently been amended and fair use is now included under the list of permitted acts found in s28P. These aspects, along with others, will be expanded on in Chapter Four.

The initial draft of the bill made references to DRMs and TPMs under different headings. The way in which it sought to introduce TPMs and DRMs was met with quite a substantial amount of criticism. Under the initial draft bill, s28O made it illegal for any person to circumvent a TPM.<sup>91</sup> Further, s23(6) created new offences which made the penalty for circumventing a TPM or DRM more excessive than traditional secondary copyright infringement. While much of this has changed under the new draft, TPMs are still dealt with in a problematic manner at times. For example, s27(7) makes it an offence for any person to circumvent a TPM.<sup>92</sup> This section is similar to s86 of the Electronic Communications and Transactions Act 25 of 2002 (ECTA). Under s86(3) for example, any person that creates a device in which its purpose is to overcome security measures will be guilty of an offence.<sup>93</sup> Additionally under s86(4) any person who uses the device mentioned to overcome security measures in s86(3) will also be guilty of an offence.<sup>94</sup> Commentators believe that incurring criminal liability at first resort is not the right

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<sup>91</sup> Copyright Amendment Bill 2015, s28O(4).

<sup>92</sup> Copyright Amendment Bill 2017, s27(7)(c).

<sup>93</sup> Electronic Communications and Transactions Act 25 of 2002, s86(3).

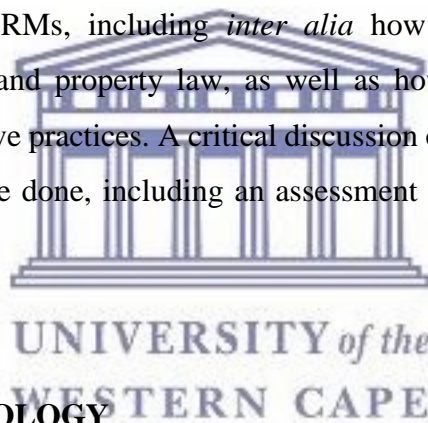
<sup>94</sup> Electronic Communications and Transactions Act 25 of 2002, s86(4).

solution.<sup>95</sup> The reason for this is that anti-circumvention measures can at times create undue burdens on the doctrine of fair use.<sup>96</sup>

Given that the implementation of DRMs may have certain anti-competitive effects, it is submitted that these issues may also arise in the South African context. Therefore, how these issues have been resolved in other jurisdictions will become important to highlight and explore.

### **1.7 AIM OF THE STUDY**

The purpose of this research is to assess the current status of DRMs in South African Law. In doing so, the positions in the EU and the USA will be analysed as they have enacted the WCT long before South Africa through the EU Information Society Directive of 2001 and the Digital Millennium Copyright Act of 1998 (DMCA) respectively. This research will highlight the criticisms levelled against DRMs, including *inter alia* how they clash with established principles in both copyright and property law, as well as how DRMs can be used in the enforcement of anti-competitive practices. A critical discussion of the laws currently related to DRMs in South Africa will be done, including an assessment of how both drafts of the bill affected these.



### **1.8 RESEARCH METHODOLOGY**

This thesis will adopt a desktop research methodology which will comprise of analysing primary sources such as case law and legislation. Additionally, this research will also adopt a comparative analysis of foreign law as well as relevant international law. Secondary sources comprising of journal articles, books and the internet sources will also be used.

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<sup>95</sup> The Anton Mostert Chair of Intellectual Property ‘Commentary on the Copyright Amendment Bill’ 2015 available at <http://blogs.sun.ac.za/iplaw/files/2015/08/CIP-Formal-Comments-Copyright-Amendment-Bill-2015-Online1.pdf> (accessed 27 June 2016) at 51.

<sup>96</sup> Commentary on the Copyright Amendment Bill at 51.

## **1.9 CONCLUSION**

The impact that the internet has had on Copyright is undeniable. The problems that have arisen can only be attributed to the fact that the law has not been able to adapt well to the fast paced development of technology and now Copyright finds itself in danger of becoming an inappropriate way of protecting works in multimedia form. The issue is not one that is special to South Africa in that jurisdictions like the USA and the EU faces similar if not tougher problems that South Africa in that while their legislation is far more developed, issues relating to Competition Law and the doctrines of fair use and fair dealing continually arise.

In order to fully understand these challenges that arise, the international instruments relating to DRMs need to be analysed and contextualised in light of the legislations that have given rise to these issues.

Chapter Two of this thesis will deal with the proliferation of DRMs, including arguments for its use, and criticisms against it. Additionally, this chapter will take a look at international instruments that relate to DRMs in general, and more specifically the WCT. Chapter Three will be a comparative analysis looking at the positions in the USA in relation to the DMCA and in the EU in relation to the Information Society Directive, including brief examples of how the Directive has been implemented in certain member states. Chapter Four looks at the position of DRMs in South African Law currently as well as how the position, including approaches to the position, has changed in the two drafts of the Copyright Amendment Bill. In concluding, Chapter Five will summarise and include recommendations regarding the future regulation and application of DRMs in South African Law.



## CHAPTER TWO

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### 2.1 INTRODUCTION

As stated in the previous chapter, TPMs are methods that authors employ in order to protect their works against piracy and exploitation. However, these methods were generally seen as less effective without proper legal backing.<sup>97</sup> As such, the WCT was drafted, which has been implemented in several jurisdictions, and which South Africa is a signatory of.

A modern iteration of TPMs is DRM technology, the concept of which was also introduced in the first chapter. Scharf defines DRMs as:

‘technical code, backed up by legal code, for the purposes of identifying, distributing and protecting digital content and that works by acting as a constraint against unauthorised uses of such content.’<sup>98</sup>

Accordingly, the definition can be broken down into four key elements, namely:

- Technical Code;
- Legal Code;
- The ability to identify, distribute and protect digital content; and
- The ability to constrain unauthorised uses.<sup>99</sup>

While each of these aspects are worthy of analysis, the most pertinent ones for purposes of this contribution are the aspects relating to legal code and the ability to constrain unauthorised use. Legal code relates primarily to the laws that protect DRMs from being circumvented, the origins of which are found in the WCT through Article 11 and 12.<sup>100</sup> Unauthorised use is generally self-explanatory. What is however important to note is that what authors who use DRMs may consider to be unauthorised may in fact be authorised in terms of Copyright Law (in relation, for instance, to either fair use or fair dealing).<sup>101</sup>

This chapter seeks to establish and analyse the legal basis of DRMs, including the proliferation thereof. In doing so, the provisions of the WCT will be highlighted and analysed. Additionally,

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<sup>97</sup> Tian Y ‘Problems of Anti-Circumvention Rules in the DMCA & More Heterogeneous Solutions’ (2005) 15 *Fordham Intell. Prop. Media & Ent. L.J.* 749 751.

<sup>98</sup> Scharf (2010) 4.

<sup>99</sup> Scharf (2010) 4.

<sup>100</sup> Scharf (2010) 4.

<sup>101</sup> Schonwetter (2006) 46.

this chapter will look at how DRMs have affected the law with a particular emphasis on aspects such as fair use and fair dealing. Criticisms and justification for DRMs will also be discussed.

## **2.2 THE WIPO COPYRIGHT TREATY OF 1996**

As evidenced by its preamble, the conflict between Copyright Law and technology was the clear motivation behind the drafting of the WCT.<sup>102</sup> It is stated that contracting parties recognise the need to implement laws which can deal with the issues that arise due to the dynamic growth in technological innovations.<sup>103</sup> Furthermore, a balance needs to be struck between protecting the rights of authors in their copyrighted works with the larger public interest in works that foster innovation through access to such works.<sup>104</sup>

It is important to point out that the WCT reaffirms certain principles contained in other international instruments. For example, Articles 1 to 3 reaffirms the principle that copyright protects the expression of ideas and not ideas themselves.<sup>105</sup> Additionally, in terms of Article 4 and 5, both computer programs and Compilations of Data (Databases) are recognised as literary works within the meaning of Article 2 of the Berne Convention.<sup>106</sup> This in turn further reaffirms the principles contained in Article 10 of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).<sup>107</sup> As stated in chapter 1, the most pertinent articles of the WCT in relation to this mini-thesis are Articles 11 and 12, which will be set out and discussed below.

Article 11 states that:

‘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. contracting parties shall provide adequate and effective legal protection

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<sup>102</sup> WIPO Copyright Treaty, Preamble.

<sup>103</sup> WIPO Copyright Treaty, Preamble.

<sup>104</sup> WIPO Copyright Treaty, Preamble. It is stated that rights of the larger public relate to access to information, education and research.

<sup>105</sup> WIPO Copyright Treaty, Article 2. See also Article 1 and 3.

<sup>106</sup> WIPO Copyright Treaty, Article 4 and 5.

<sup>107</sup> TRIPS, Article 10.

against the circumvention of technical protection measures that authors use in the protection of their works.’<sup>108</sup>

In essence, Article 11 provides for a minimum framework for the protection of TPMs and DRMs. Article 18 of the WIPO Performances and Phonograms Treaty also contains identical language to that of Article 11.<sup>109</sup> Commentators of Article 11 have stated that Article 11 does not provide for a new fundamental right for holders of copyright.<sup>110</sup> Instead it is stated that Article 11 was enacted in order to provide authors with a framework enabling them to manage and enforce their rights in terms of their works.<sup>111</sup> This means that authors cannot claim that they have a right to attach TPMs to their works in order to protect them, nor could they could have a right to control all forms of access to their works<sup>112</sup> as this was not the intention behind Article 11.

Article 12 states:

‘(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.’<sup>113</sup>

Article 12 authorises member states to provide adequate remedies for copyright holders to use against persons for the removal or modification of DRMs.<sup>114</sup> The phrase ‘rights management information’ is also used, which refers to:

‘...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

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<sup>108</sup> WIPO Copyright Treaty, Article 11.

<sup>109</sup> Tian (2005) 754.

<sup>110</sup> Reinbothe J & von Lewinski S *The WIPO Treaties on Copyright: A Commentary on the WCT, the WPPT, and the BTAP* 2ed (2015) 171.

<sup>111</sup> Reinbothe & Von Lewinski (2015) 171.

<sup>112</sup> Nicholson D ‘Digital Rights Management and Access to Information: a developing country’s perspective’ (2009) 19 *Library and Information Science Research Electronic Journal* 1 2.

<sup>113</sup> WIPO Copyright Treaty, Article 12(1).

<sup>114</sup> Shienblatt J ‘The WIPO Copyright Treaty’ (1998) *Berkeley Technology Law Journal* 13 535 548

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>115</sup>

Rights management information is an important part of DRMs as it refers to the aspect which allows the author to set the limits of use of their particular work. It further has the effect of strengthening authors’ moral rights in terms of their work.<sup>116</sup> Commentators have stated that, like with Article 11, Article 12 does not create necessarily new rights for authors to enforce against third parties.<sup>117</sup>

In Article 11 and 12, the words ‘adequate’ and ‘effective’ are used as descriptive words. These words are not defined in the context of the treaty. Devici opines that this provides legislators sufficient flexibility in order to determine what would be considered as ‘adequate’ and ‘effective’ in implementing their own forms of protection.<sup>118</sup> This is further confirmed by commentators of the WCT, whom have stated that Contracting parties were bound to give the interpretation of these words that the contracting parties deem appropriate in terms of their national laws.<sup>119</sup> Visser in turn argues that a TPM can be effective even where it can be circumvented.<sup>120</sup> Further, Visser submits that the word ‘effective’ introduces a knowledge requirement to acts of circumvention, arguing that liability will not arise involuntarily or without the necessary guilty knowledge.<sup>121</sup> While the interpretation of such words are left to signatories, the author believes that the treaty should have given more guidance as to what effective and adequate means in the context. This would eliminate the situation whereby the protection given for TPMs and DRMs would not be too excessive.

A further observation regarding Article 11 and 12 is that there is no reference made to devices that can circumvent TPMs. Article 11 and 12 speak to the act of circumvention rather than the devices that are used to do so. Visser submits that the argument against the blanket prohibition on both the technology and the act of circumvention is the fact that the technology is capable of both infringing and non-infringing uses, as was evident in the Sony Betamax case.<sup>122</sup> Others

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<sup>115</sup> WIPO Copyright Treaty, Article 12(2).

<sup>116</sup> Pedley P *Digital Copyright* 2ed (2007) 51. Rights Management Information was also referenced in the above definition of DRMs where one of the purposes of DRMs is identifying digital content and the owner thereof. See Also Reinbothe & Von Lewinski (2015) 180.

<sup>117</sup> Reinbothe & Von Lewinski (2015) 180.

<sup>118</sup> Devici H ‘Can Hyperlinks and Digital Rights Management Secure Affordable Access to Information?’ (2012) 28 *Computer Law and Security Review* 651 652.

<sup>119</sup> Reinbothe & Von Lewinski (2015) 171.

<sup>120</sup> Visser (2006) 56.

<sup>121</sup> Visser (2006) 56. See also Reinbothe & Von Lewinski (2015) 173.

<sup>122</sup> Visser (2006) 56-57.

are of the opinion that there should be a blanket prohibition on both the technology and the act. For example, Marks and Turnbull argue that if the act of circumvention is prohibited, devices that allow for it should be prohibited too.<sup>123</sup> Merely prohibiting the act of circumvention is not enough as those able to readily obtain devices will then be able to circumvent in the privacy of their own homes.<sup>124</sup> This in turn lowers the risk of being caught by a substantial margin.<sup>125</sup> Such prohibitions, according to Marks and Turnbull, are effectively toothless, amounting to no more than cold comfort for copyright owners. It is submitted that Visser's view is more appropriate when one considers aspects such as fair use and fair dealing, and a blanket prohibition could potentially present an obstacle for the operation of these established norms in Copyright Law.<sup>126</sup>

The WCT provides a framework for possible exceptions through the three-step test provided for in Article 10.<sup>127</sup> Article 10 describes that:

'(1) Contracting Parties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty in certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.'

(2) Contracting Parties shall, when applying the Berne Convention, confine any limitations of or exceptions to rights provided for therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.'<sup>128</sup>

It is important to note that provisions similar to Article 10 can be found in Article 9 of the Berne Convention and Article 13 of the TRIPS agreement. Furthermore, in a footnote to Article 10, Contracting Parties are permitted to carry forward and appropriately extend into the digital environment the limitations and exceptions that are provided for under their national laws.<sup>129</sup>

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<sup>123</sup> Marks D & Turnbull B (1999) 'Workshop on Implementation Issues of the WIPO Copyright Treaty(WCT) and the WIPO Performances and Phonograms Treaty(WPPT)' available at [http://www.wipo.int/edocs/mdocs/copyright/en/wct\\_wppt\\_imp/wct\\_wppt\\_imp\\_3.pdf](http://www.wipo.int/edocs/mdocs/copyright/en/wct_wppt_imp/wct_wppt_imp_3.pdf) (accessed on 27 March 2017) 6.

<sup>124</sup> Visser (2006) 57.

<sup>125</sup> Marks & Turnbull (1999) 6.

<sup>126</sup> This argument will be expanded on at a later stage.

<sup>127</sup> Geiger C *et al.* 'The Three-Step Test Revisited: How to Use the Test's Flexibility in National Copyright Law.' 2013 *PIJIP* 1 7.

<sup>128</sup> WIPO Copyright Treaty, Article 10.

<sup>129</sup> WIPO Copyright Treaty, Footnote to Article 10.



In addition, Contracting Parties may introduce new limitations and exceptions that are appropriate in the digital environment.<sup>130</sup>

Commentators have stated that the purpose of Article 10 is to assist in the balancing of interests between copyright holders and end-users of particular works.<sup>131</sup> This also echoes the sentiments found in the preamble of the WCT. This is done so that copyright holders are properly compensated for their works and end-users can take full advantage of digitised copyrighted works.

The provisions discussed above form the point of departure in law for the proliferation of TPMs, and DRM in particular. It is submitted that in order to properly assess its impact on Copyright Law and understand both the criticisms and justification for it, an understanding of the functioning and implementation of DRM is warranted. This will be set out in the following section.



## **2.3 DIGITAL RIGHTS MANAGEMENT**

### **2.3.1 Technology Behind DRMs**

Generally, DRM seeks to facilitate all potential acts that an author may take in order to enable them to trade with their content in a digital environment.<sup>132</sup> DRMs usually take the form of enabling software<sup>133</sup> which is specifically tailored to protect copyrighted works reduced to a digital format.<sup>134</sup>

A good DRM system can be characterised by three key components, namely those relating to the creation of content, the managing of content<sup>135</sup> and the use of content.<sup>136</sup> First, content

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<sup>130</sup> WIPO Copyright Treaty, Footnote to Article 10.

<sup>131</sup> Reinbothe & Von Lewinski (2015) 151.

<sup>132</sup> Becker E *Digital Rights Management: Technological, Economic, Legal and Political* (2003) 4.

<sup>133</sup> May C *Digital Rights Management: The Problem Of Expanding Ownership Rights* (2007) 129. For more information on how DRM systems work see Arnab A and Hutchison A 'Digital Rights Management - An Overview of Current Challenges and Solutions' Proceedings of Information Security South Africa(ISSA) Conference 2004. Here the authors give an overview three DRM systems but they also analyse the potential players in a DRM system. Similarly, they highlight quite importantly that the most desirable DRM system is one that can handle most instances where fair use can be invoked.

<sup>134</sup> Zeng W, Yu H & Lin C *Multimedia Security Technologies for Digital Rights Management* (2011) 23.

<sup>135</sup> Cope B & Freeman R *Digital Rights Management and Content Development* (2001) 32.

<sup>136</sup> Zhang X 'A Survey of Digital Rights Management Technologies' 11 November 2005 available at <http://www.cse.wustl.edu/~jain/cse571-11/ftp/drm/index.html> (accessed 30 March 2017).

creation refers to the situation when a DRM is created, it is then required to ensure that any rights that an author or owner will have in a work are recognised as such so as to make use of such rights.<sup>137</sup> Secondly, managing of content refers to the instance where a DRM needs to be able to provide sufficient access to content.<sup>138</sup> Additionally, the DRM would need to be able to manage any licences or permissions granted by the owner or author.<sup>139</sup> Lastly, the use of content needs to be ensured not only for the author or owner but for other persons who have subsequently obtained the right to use works through trade by having an effective permission system in place.<sup>140</sup>

Lucchi considers that DRM protection generally takes one of two approaches, being the containment approach and the marking approach.<sup>141</sup> The containment approach is used to manage and control access and sharing, usually through cryptographic methods.<sup>142</sup> Cryptography is a method of encryption that ensures the protection of information by employing several mechanisms to conceal information.<sup>143</sup> In turn, the marking approach generally involves the use of watermarking in order to depict that the work in question is protected.<sup>144</sup> Digital Watermarking is the practice of embedding certain information into works which serves the purpose of identification of the author or owner<sup>145</sup>

DRM technology seeks to not only protect digital content but ideally should also provide a means for the use of content by those who have rights to use the content as well as to provide a platform for the facilitation of such use. Under the next two headings, the benefits and criticisms of DRM technology will be highlighted.

### **2.3.2 Benefits Of DRMs**

While the excessive or unnecessary usage of DRM technology is something that this submission is critical of, it is nevertheless submitted that DRMs can be beneficial to both the

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<sup>137</sup> Zhang (2005) 2.

<sup>138</sup> Zhang (2005) 2.

<sup>139</sup> Zhang (2005) 2.

<sup>140</sup> Umah JC *The World Beyond Digital Rights Management* (2007) 170.

<sup>141</sup> Lucchi N 'Countering the Unfair Play of DRM Technologies' (2007) *New York University Public Law and Legal Theory Working Papers*. Paper 50 7.

<sup>142</sup> Bhat IH 'Technological Protection Measures Under Copyright Law' (2013) 3 *IJETTCs* 319 320.

<sup>143</sup> Umah (2007) 147.

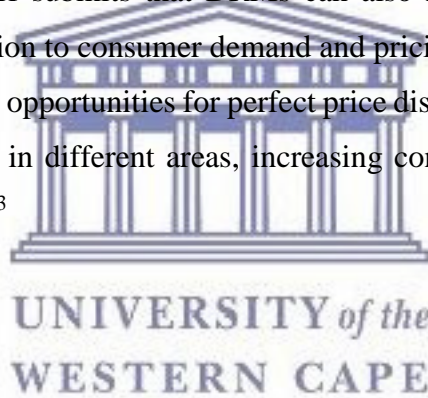
<sup>144</sup> Kerr, Maurushat and Tacit (2003) 22.

<sup>145</sup> Umah (2007) 155.

author and the user of the works. For instance, DRMs can provide a secure platform for the distribution of digital works.<sup>146</sup> Due to the growing trend in cybercrime, there is a need to provide a secure platform for digital content as it is easy for cyber-terrorists to attach malware and viruses onto unprotected works. DRMs can also assist in identifying authors of and managing digital works.<sup>147</sup> Additionally, this secure platform for content could also be a stepping stone to provide ease of access to certain works for the purposes of fair use.<sup>148</sup>

Potentially, DRMs could have the effect of fostering creativity and innovation on the parts of authors of copyrighted works.<sup>149</sup> Traditionally, providing intellectual property protection comes from the Lockean notion that one should be able to benefit from the fruits of their creation. As such, providing adequate protection provides an incentive to innovate, which is seen as a social benefit.<sup>150</sup> Effective usage of DRM reinforces this principle in a digital environment, providing authors with the ability to protect works from unauthorised uses.<sup>151</sup>

Economically speaking, Scharf submits that DRMs can also have the effect of remedying certain market failures in relation to consumer demand and pricing.<sup>152</sup> Zingales also notes that DRMs could potentially create opportunities for perfect price discrimination, offering different tiers of services and products in different areas, increasing consumer choice and leading to greater profit for businesses.<sup>153</sup>



### **2.3.3 Criticism Of DRMs**

As has been noted, while DRMs have potential benefits, the technology has been the subject of some criticism. From a legal point of view, four primary issues of criticism can be identified, namely:

- the effect that DRMs have on fair use and fair dealing;
- Competition Law-related issues that are created through DRM abuse;

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<sup>146</sup> Owens R 'Digital Rights Management(DRM): A look Ahead' (2002) 7 *Int'l Intell. Prop. L. & Pol'y* 1 2.

<sup>147</sup> Scharf (2010) 4.

<sup>148</sup> Owens (2002) 2.

<sup>149</sup> Zingales (2012) 3-4.

<sup>150</sup> See Koornhof (2015)

<sup>151</sup> Zingales (2012) 3-4.

<sup>152</sup> Scharf (2010) 7. See also Chang Y 'Does Lessig's Criticism of Digital Rights Management Target One Technology That the Information Industries Desire More Than They Can Actually Provide?' *International Review Of Law Computers & Technology* (2005) 19 235 243.

<sup>153</sup> Zingales (2012) 29.



- interoperability concerns; and
- the effect of DRMs on the doctrine of first sale.

These four aspects will be discussed below.

### **2.3.3.1 Issues Pertaining To Fair Dealing And Fair Use**

Before the effect that DRMs have had on aspects such as fair use and fair dealing can be considered, these concepts should be properly set out and differentiated. It is important to note that while fair dealing and fair use share similar qualities, they are different in several aspects.<sup>154</sup> First, fair use is generally seen as a defence whereas fair dealing is seen as a right that can be relied on pre-emptively.<sup>155</sup> Secondly, whereas fair dealing is confined to set circumstances, fair use is not, and as such its potential ambit is wider.<sup>156</sup> For example, s12 of the South African Copyright Act states that for literary and musical works copyright will not be infringed where the copying of the work relates to the purposes of research or private study.<sup>157</sup> Fair use, in turn, is dealt with on a case by case basis and is not confined to such a limitation. Further, fair use relates directly to the three-step test found in the Berne Convention, TRIPS and the WCT.<sup>158</sup> The test can be broken down into particular elements, namely that the use must:

- be for a specific purpose;
- not be in conflict with the normal exploitation of the work; and
- not unreasonably prejudice the legitimate interests of the author.<sup>159</sup>

The test for fair use is formulated slightly differently in the USA. Section 107 of the US Copyright Act states:

‘Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phono-records or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching

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<sup>154</sup> Schonwetter (2006) 33-34.

<sup>155</sup> Pistorius (2016) 335-336. See also Gloglo LL ‘Finding The Law: The Case of Copyright and Related Rights Enforcement In The Digital Era’ 2013 *W.I.P.O.J.* 220 223.

<sup>156</sup> Schonwetter (2006) 33-34.

<sup>157</sup> Copyright Act 98 of 1978, s12(1)(a).

<sup>158</sup> Schonwetter (2006) 34.

<sup>159</sup> Armstrong & Ford (2006) 9.

(including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.<sup>160</sup>

The application of the fair use provisions will vary from case to case. A good example of how fair use operates in terms of software would be the cases relating to modification and creation of derivative works, such as the case of *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*<sup>161</sup> In *Lewis Galoob* the court looked at whether or not fair use can be used when dealing with a video game accessory that modified certain aspects of a game, ultimately finding that incidental modification subsequent to purchase in the privacy of one's home is justifiable.<sup>162</sup> However, in the case of *Micro Star v FormGen Inc*<sup>163</sup> it was found that modifications that are subsequently distributed for commercial purposes could constitute infringement.<sup>164</sup>

The case of *Universal Studios v Reimerdes*<sup>165</sup> was one of the first cases to recognise the possible causes that DRMs can have on the operation of fair use and fair dealing.<sup>166</sup> The court noted that the use of technological means to control access to works may hamper the ability of fair use to operate.<sup>167</sup> Furthermore, it was stated that technological access control mechanisms can have the effect of blocking off both lawful and unlawful uses.<sup>168</sup> The facts of the case present an interesting conundrum: sometimes, if use of a work is justifiable in terms of fair use or fair dealing, one may need to circumvent DRM in order to use the work. As such, lawful usage is either frustrated, or a lawful user, in attempting to exercise their rights, may have to engage in

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<sup>160</sup> 17 USC § 107.

<sup>161</sup> 780 F. Supp. 1283 (1991).

<sup>162</sup> *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc* 780 F. Supp. 1283 (1991) at 1298.

<sup>163</sup> 154 F.3d 1107 (9th Cir. 1998).

<sup>164</sup> *Micro Star v FormGen Inc* 154 F.3d 1107 (9th Cir. 1998) at 1112.

<sup>165</sup> 111 F.Supp.2d 294

<sup>166</sup> Zingales (2012) 10.

<sup>167</sup> *Universal City Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 322.

<sup>168</sup> *Universal City Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 322.

an unlawful activity.<sup>169</sup> This case, along with others decided in terms of the DMCA, will be discussed in greater detail in the next chapter.

Importantly, the action of circumventing DRM is distinct from an action for copyright infringement.<sup>170</sup> It can be stated that where one cannot demand use of the work, one cannot demand access to it either.<sup>171</sup> In the case of *United States v Elcom Ltd*<sup>172</sup> the court made an important observation regarding protected works and fair use in that when dealing with protected works, there is no recognised right to simply allow a party to make copies of protected works in any manner or form.<sup>173</sup> The court emphasized this by stating that while making a back-up copy of an e-book could fall within the realm of fair use, this is not the same situation when dealing with something like computer programs where a right to make a backup copy of it is a statutory right.<sup>174</sup>

The impact that DRMs have on fair use and fair dealings in principle rests on the fact that while fair use and fair dealing grants a user with the ability to use the work, the operation of this can be stifled where access-control DRMs prevent the user from accessing the work. This is especially problematic in the instance where access to a work is completely sealed off due to excessive DRMs which makes it impossible to use the work without circumvention. The Electronic Frontier Foundation submits that DRMs could cause a work to become obsolete in instances where the technology is no longer supported, and the costs of removing it are too high.<sup>175</sup> This highlights the problems that overprotecting copyrighted works in the online environment can lead to.

How courts solve the above problems will be particularly interesting. Schonwetter, in analysing a variety of sources, notes that some commentators believe the concept of fair use may not survive the current growth in technology, whereas others believe that changes brought about by technology have not changed the doctrine but have instead created new issues for it to deal with.<sup>176</sup> In turn, other scholars believe that fair use is doomed due to these changes in

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<sup>169</sup> *Universal City Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 322.

<sup>170</sup> Conroy (2006) 352.

<sup>171</sup> Conroy (2006) 351.

<sup>172</sup> 203 F Supp 2d 1111 (ND Cal 2002).

<sup>173</sup> *United States v Elcom Ltd* 203 F Supp 2d 1111 (ND Cal 2002) at 1135. See Also Conroy (2006) 351.

<sup>174</sup> *United States v Elcom Ltd* 203 F Supp 2d 1111 (ND Cal 2002) at 1135.

<sup>175</sup> EFF 'Digital Rights Management: A Failure In The Developed World, A Danger To The Developing World' available at <https://www.eff.org/wp/digital-rights-management-failure-developed-world-danger-developing-world> (accessed on 30 July 2016).

<sup>176</sup> Schonwetter (2006) 45.

technology.<sup>177</sup> Leaffer proposes that the use of DRMs has unsettled the delicate balance that copyrighted has attempted to create between users and works.<sup>178</sup>

It is submitted that there are possible ways in which fair use can be preserved in a digital environment. One way of preserving the doctrine of fair use is by looking at Article 10 in the WCT. As noted above, Contracting Parties are permitted to carry forward and appropriately extend into the digital environment the limitations and exceptions that are provided for under their national laws.<sup>179</sup> Article 10 can be interpreted to mean that authors are allowed to have their works protected through DRMs and other TPMs as they were entitled to prior to the digital era, but this does not mean that the same exceptions that applied before the digital era are not applicable. Additionally, new exceptions and limitations can be created to cope with technological changes.

Schonwetter notes that, when dealing with the above problems, judges in the USA have been found to apply the fair use doctrine in a technologically neutral way.<sup>180</sup> This approach is to be lauded. It is submitted that the foundational principles central to the development of Information and Communications Technology Law may be of benefit when dealing with problems that new technology may create for the law. These founding principles are that of functional equivalence, non-discrimination and technological neutrality, which were first put forward in the UNICITRAL Model Law on E-Commerce.<sup>181</sup> Functional equivalence relates to treating the material form of something and the electronic form of something in the exact same manner.<sup>182</sup> The guidebook to the enactment of the model law gives the example of a paper based document and the purposes that it serves and then it looks at the fact that an electronic based document can have the exact same purpose.<sup>183</sup> The principle of non-discrimination provides that the electronic format of something is not afforded special or differential treatment by virtue of the fact that it is in digital in nature.<sup>184</sup> Lastly, the principle of Technological Neutrality provides that the same regulatory principles should apply regardless of the

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<sup>177</sup> Leaffer M 'The Uncertain Future of Fair Use in a Global Information Marketplace' (2001) 62 *Ohio State Law Journal* 849 849. See also Schonwetter (2006) 45.

<sup>178</sup> Leaffer (2001) 849-850.

<sup>179</sup> WIPO Copyright Treaty, Footnote to Article 10.

<sup>180</sup> Schonwetter (2006) 45.

<sup>181</sup> United Nations 'UNICITRAL Model Law on Electronic Commerce with Guide to Enactment' 1999 available at [http://www.uncitral.org/uncitral/en/uncitral\\_texts/electronic\\_commerce/1996Model.html](http://www.uncitral.org/uncitral/en/uncitral_texts/electronic_commerce/1996Model.html) (accessed on 18 July 2016).

<sup>182</sup> United Nations (1999) 29.

<sup>183</sup> United Nations (1999) 29.

<sup>184</sup> United Nations (1999) 43.

technology used, provided that the differing technologies ultimately achieve the same purpose.<sup>185</sup> In short, the foundational principles generally speak to the notion that one should not seek to develop new legal norms or remedies simply because of the fact that we are now dealing with a more high-tech iteration of an age-old problem. Such an approach ensures that past solutions, instead of being rejected, be adapted, allowing for both fluidity and legal certainty.

### **2.3.3.2 Competition Law Related Issues**

From a Competition Law point of view, DRMs are increasingly becoming a means for players in a market to enforce tying restrictions, to assert dominance over a particular market segment, or in some cases to attempt to protect their profit margins. The cases of *Lexmark International Inc v Static Control Components Inc* and *Chamberlain Group Inc v Skylink Technology* are two examples of cases where DRMs were used in an anti-competitive manner in order to maintain their respective holds on the markets.

In *Lexmark International Inc v Static Control Components Inc*, Lexmark sought to prevent Static Control Components (SCC) from creating ink cartridges that were compatible with their printers which was sold at a lower price than Lexmark's own branded ink cartridges. They relied on the DMCA, stating that SCC was engaging in unlawful circumvention by finding a means of creating replacement ink cartridges capable of being recognised by their printers. The court refused to uphold Lexmark's claim in the matter as it was clear that this was an attempt at curtailing competition by excluding a potential competitor from the market.<sup>186</sup>

In the case of *Chamberlain Group Inc v Skylink Technology*, the Court was faced with another instance where DRMs were being used as a means to perpetuate anti-competitive conduct.<sup>187</sup> In this case, Chamberlain Group were in the business of manufacturing of garage door openers and transmitters. They instituted action against Skylink Technology for the creation of a universal transmitter that worked with Chamberlain's garage door transmitter.<sup>188</sup> Chamberlain had created technology that constantly changed the garage transmitter signal however,

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<sup>185</sup> Thompson M 'The Neutralisation of Harmony: The Problem of Technological Neutrality, East and West' (2012) 18 *Boston University Journal of Science and Technology Law* 1 1.

<sup>186</sup> *Lexmark International Inc v Static Control Components Inc* 387 F.3d 522 (6th Cir. 2004) at 529.

<sup>187</sup> *Matin* (2008) 278.

<sup>188</sup> *Chamberlain Group Inc v Skylink Technology* 381 F.3d 1178 (Fed. Cir. 2004) at 1183.



Skylink's product could essentially bypass this technology and make itself compatible with Chamberlain's garage doors.<sup>189</sup> Like in Lexmark, the court refused to uphold Skylink's claim as it was evident that Skylink was trying to maintain its dominance in the market.

What makes these cases special is the fact that they were not concerned with traditional copyright infringement situations. Instead, these cases deal with situations where business have attempted to use DRMs in order to enforce or maintain a hold they have on the market. The judgments also show that courts in the USA will not enforce DRMs if they are sought to be used in order to achieve a somewhat more nefarious goal.<sup>190</sup>

Interoperability, or the lack thereof created through wilful means, can also have several Competition Law concerns. Interoperability is defined as the ability of differing technology to work with one another.<sup>191</sup> Consumers look for interoperability as an attractive feature in today's market for technology.<sup>192</sup> DRM-Protected content that prevents interoperability could have an effect on the market, not only in terms of product value but also in terms of the exclusionary effect it might have on other products and services.

The case of *Microsoft v the Commission*<sup>193</sup> is a classic example of where interoperability can be used against other competitors in an attempt to foreclose the market.<sup>194</sup> The case came about after Microsoft refused to provide its competitors with interoperability information relating to its Windows operating system. The commission and the court both deemed that Microsoft's conduct amounted to them abusing their dominance in the market.<sup>195</sup>

Another example of the impact of DRMs on interoperability which then has an exclusionary market effect would be that of Apple's iTunes music store. It is well known that only devices compatible with the iTunes software can be connected for the transfer of music.<sup>196</sup> Due to these interoperability issues, Apple has been accused of anti-competitive conduct.<sup>197</sup> Real Networks' Harmony Technology was able to circumvent Apple's DRM to achieve interoperability with

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<sup>189</sup> *Chamberlain Group Inc v Skylink Technology* 381 F.3d 1178 (Fed. Cir. 2004) at 1183.

<sup>190</sup> Zingales (2012) 14.

<sup>191</sup> US Legal.com 'Definition of Interoperability' found at <https://definitions.uslegal.com/i/interoperability-of-devices> (accessed 27 February 2017).

<sup>192</sup> Samuelson and Schultz (2007) 47.

<sup>193</sup> Case T-201/04; OJ C 269 of 10.11.2007.

<sup>194</sup> Devici (2012) 657.

<sup>195</sup> Devici (2012) 657.

<sup>196</sup> Matin (2008) 283.

<sup>197</sup> Matin (2008) 282.

its own music store but eventually gave up on this venture after Apple updated their DRM systems and threatened Real Networks with litigation.<sup>198</sup>

All of the above examples constitute instances where copyright holders use DRMs not to protect their intellectual property, but rather their market share. In such cases, abusive practices by rights holders cannot be justified by instruments allowing for the recognition of TPMs, nor should such actions be protected by them. As such, the approach adopted by the US courts should be lauded.

### **2.3.3.3 The Doctrine Of First Sale**

The doctrine of first sale is an important doctrine in Copyright Law. It serves to determine the extent to which a copyright owner can control the sales of its copyrighted works beyond the time of initial distribution.<sup>199</sup> For example, the owner of the copyright for a particular brand of software sells that software to someone else. The doctrine of first sale will exhaust the copyright owner's ability to control what happens to that software beyond the person that they sold it to.<sup>200</sup> However, DRM allows the copyright owner to still control such software, which means that how the doctrine of first sale works in an online environment is quite an interesting question. Case law relating to this aspect have had differing outcomes in various jurisdictions. Of these cases, the most notable are that of *Capitol Records LLC v ReDigi Inc*<sup>201</sup> in the USA, and the case of *UsedSoft GmbH v Oracle International Corp*<sup>202</sup> in the EU. .

The case of *Capitol Records LLC v ReDigi Inc* dealt with the resale of second-hand iTunes digital music tracks.<sup>203</sup> ReDigi were in the business of buying and selling second hand digital music tracks and Capitol Records felt that this was an infringement of their copyright.<sup>204</sup> What made this case special was not only was it the first case to deal with the doctrine of first sale in the USA regarding the sale of digital music. It should be noted that ReDigi's technology assured that, subsequent to the sale, only one copy of the song was available for playback.<sup>205</sup>

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<sup>198</sup> Matin (2008) 282-284.

<sup>199</sup> Karjiker S 'The First Sale Doctrine: Parallel-Importation and Beyond' 2015 *Stellenbosch Law Review* 639. See also Calboli I & Lee E *Research Handbook on Intellectual Property Exhaustion and Parallel Imports* (2016) 44.

<sup>200</sup> Karjiker (2015) 640.

<sup>201</sup> Unreported March 30, 2013 (D (US)).

<sup>202</sup> (C-128/11) [2012] All E.R. (EC) 1220.

<sup>203</sup> *Capitol Records LLC v ReDigi Inc* Unreported March 30, 2013 (D (US)) at 1.

<sup>204</sup> *Capitol Records LLC v ReDigi Inc* Unreported March 30, 2013 (D (US)) at 3.

<sup>205</sup> *Capitol Records LLC v ReDigi Inc* Unreported March 30, 2013 (D (US)) at 5.

This is unlike instances such as with peer-to-peer file sharing where there would always be an unauthorised copy of the file available somewhere else.<sup>206</sup>

The court found that ReDigi was liable for copyright infringement and rejected their defence, holding that the sale of second-hand music was not covered under the doctrine of first sale.<sup>207</sup>

The court noted that if the original purchaser of iTunes music sold an iPod with the music stored on the iPod, this transaction would be covered by the doctrine of first sale.<sup>208</sup> However, because the files available from ReDigi were infringing copies, the doctrine of first sale did not cover them.<sup>209</sup> Additionally, the court went further and ruled that the doctrine of first sale would not apply to items that are not reduced to a material form.<sup>210</sup>

The *ReDigi* judgment is quite worrying, as it effectively ignores the functional equivalence approach. The reason for the concern primarily rests on the fact that if such a matter arises again for a different product, for example the resale of a digitised copy of a video game, this case would be the current ruling precedent on the matter. It is submitted that the conclusion in *ReDigi* renders potentially absurd results, creating a position where any sale of an intangible asset could afford the copyright holder an additional right to royalties.

The case of *UsedSoft GmbH v Oracle International Corp* came to a different conclusion. UsedSoft was a company trading in the market for used software licences, including licences for products developed by Oracle.<sup>211</sup> Oracle alleged that UsedSoft's actions amount to an infringement of their copyright in their computer programmes.<sup>212</sup> The question that the court had to decide was whether UsedSoft could rely on the doctrine of first sale in order to justify their actions which was the resale of software licences that they had acquired from previous owners.<sup>213</sup> The European Court of Justice (ECJ) found that the doctrine of first sale does apply to the resale of software that has been digitally downloaded.<sup>214</sup> The rationale behind the decision was that if the doctrine of first sale would only apply to tangible items then it would:

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<sup>206</sup> *Capitol Records LLC v ReDigi Inc* Unreported March 30, 2013 (D (US)) at 5.

<sup>207</sup> Naylor D 'After Redigi: Contrasting The EU And US Approaches To The Re-Sale Of Second-Hand Digital Assets' 2013 *E.I.P.R.* 487 487-488.

<sup>208</sup> Naylor (2013) 488.

<sup>209</sup> Naylor (2013) 488.

<sup>210</sup> *Capitol Records LLC v ReDigi Inc* Unreported March 30, 2013 (D (US)) at 12.

<sup>211</sup> *UsedSoft GmbH v Oracle International Corp* (C-128/11) [2012] All E.R. (EC) 1220 at para 24.

<sup>212</sup> *UsedSoft GmbH v Oracle International Corp* (C-128/11) [2012] All E.R. (EC) 1220 at para 28.

<sup>213</sup> *UsedSoft GmbH v Oracle International Corp* (C-128/11) [2012] All E.R. (EC) 1220 at para 30.

<sup>214</sup> Naylor (2013) 489.



'[A]llow the copyright holder to control the resale of copies downloaded from the internet and to demand further remuneration on the occasion of each new sale, even though the first sale of the copy had already enabled the right holder to obtain an appropriate remuneration. Such a restriction of the resale of copies of computer programs downloaded from the internet would go beyond what is necessary to safeguard the specific subject-matter of the intellectual property concerned.'<sup>215</sup>

It is submitted that the ECJ applied the principles of technological neutrality and functional equivalence in arriving at its conclusions, and the judgment is to be lauded for this approach.

The *UsedSoft* judgment has championed the application of the doctrine of first sale for digital goods, and it is possible for DRMs to either stifle this, or assist in its proper implementation. For example, if someone decides to purchase a game or software online from someone else but a DRM is applied to that software which only allows the software to be used on the machine that it was initially installed on, this would create massive problems as that person would not be able to use that piece of software even though they are legally entitled to do so. DRMs can be a barrier to the distribution of digital content over the internet through the doctrine of first sale as it provides a means for copyright holders to enforce their distribution rights which should have been exhausted when the content was initially sold. In contrast, DRM technology could also be used to identify which new party should be entitled to access and usage, and ensure that only the particular person is capable of doing so. Again, the question of how the technology is used in such instances plays a key role in determining whether the protection it grants to a copyright holder is warranted or not.

## **2.4 CONCLUSION**

Seemingly, traditional Intellectual Property Law principles such as fair use and fair dealing are often at odds with DRMs, especially when such technology is used in an abusive manner. Not only have the application of these principles been watered down by DRMs (especially in the instance of fair use analysis), instances where a legitimate user may seek to rely on them are also frustrated.<sup>216</sup> Abusive conduct relating to DRMs also create Competition Law concerns, as illustrated by cases such as *Lexmark* and *Chamberlain*. It is submitted that anti-

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<sup>215</sup> *UsedSoft GmbH v Oracle International Corp* (C-128/11) [2012] All E.R. (EC) 1220 at para 63.

<sup>216</sup> Zingales (2012) 10.

circumvention legislation cannot be used to perpetuate anti-competitive conduct.<sup>217</sup> How this will be dealt with in South Africa will be interesting to see.

The doctrine of first sale is also a potential victim as a result of the wrongful usage of DRMs. The cases of *UsedSoft* and *ReDigi* have showed us the troubles encountered when dealing with the doctrine on a digital level.

The WCT has only provided the bare minimum of guidance in relation to anti-circumvention measures through Articles 11 and 12. Importantly, Article 11 and 12 require that the measures adopted by member states be adequate and effective. As such, a vast amount of flexibility has been given to individual countries in implementing the provisions of the WCT. Of equal import and interest is the reiteration of the three-step test in Article 10 of the WCT. It is submitted that this was done to reaffirm the fact that while there should be added layers of protection applied to copyrighted works in the context of digital means of reproductions, the exceptions and rights due to the public should remain the same. It is submitted that a proper implementation of the principles of this article is one of the ways in ensuring that abusive practices relating to DRM technology is kerbed.

The USA's DMCA and the EU's Information Society Directive have attempted to provide some clarity on how the provisions of the WCT may be implemented, including how these jurisdictions have dealt with the meanings of the words 'adequate' and 'effective' in the treaty. These instruments will accordingly be discussed in the next chapter.

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<sup>217</sup> Matin (2008) 279.

## **CHAPTER THREE**

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### **3.1 INTRODUCTION**

In Chapter Two, The WCT and the problems associated with DRMs were highlighted and discussed in general. In the USA, the treaty was implemented in the form of the Digital Millennium Copyright Act, 1998, while the EU introduced its Information Society Directive in 2001. These, as previously mentioned, are perhaps the two most notable examples of legislative attempts by signatories of the WCT to fulfil their obligations under the treaty.

The DMCA provides for anti-circumvention measures in terms of s1201. The purpose of the DMCA was, *inter alia*, to discharge US obligations in terms of the WCT, but also to update the law in preparation for the digital era.<sup>218</sup> In terms of the Act, TPMs are divided into two categories, namely those that prevent unauthorized access to copyrighted work and those that prevent unauthorized copying of copyrighted work.<sup>219</sup> Turning to the EU, the Information Society Directive was both an attempt to comply with the WCT as well as to harmonise Copyright Laws within the EU.<sup>220</sup> In this regard, Article 6 of the directive provides for anti-circumvention measures.

This chapter will highlight the position in relation to DRM technology in the above stated jurisdictions. Provisions relevant for the purposes of DRMs will be analysed, as well as examples of case law where such provisions have been interpreted. In relation to the EU, examples of how the directive has been implemented in member states will also be analysed.

### **3.2 THE USA AND THE DMCA**

Section 1201 of the DMCA provides for two instances where liability will arise in respect of DRMs. These instances are respectively governed by the provisions of s1201(a) and s1201(b).

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<sup>218</sup> Report to Congress: Joint Study of Section 1201(g) of the Digital Millennium Copyright Act', accessible at [http://www.loc.gov/copyright/reports/studies/dmca\\_report.html](http://www.loc.gov/copyright/reports/studies/dmca_report.html) (accessed on 12 March 2017).

<sup>219</sup> 17 USC § 1201.

<sup>220</sup> EU Information Society Directive 2001/29/EC Recital 4.

### **3.2.1 Section 1201(a)- Circumvention of Access Control TPMs.**

Section 1201(a)(1)(A) states that no person shall circumvent a TPM that effectively controls access to a work protected by copyright.<sup>221</sup> Additionally, s1201(a)(2) states that:

‘No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that—

(A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

(B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or

(C) is marketed by that person or another acting in concert with that person with that person’s knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.’<sup>222</sup>

In essence, liability will accrue to anyone who circumvents TPMs or who creates a device (being hardware or software) that can circumvent TPMs that would control access to copyrighted works.<sup>223</sup> Interestingly, the DMCA also provides definitions of what is considered to be the circumvention of a TPM as well as what an ‘effective’ TPM is considered to be. The circumvention of a TPM means to break or impair a TPM without the permission of the copyright owner.<sup>224</sup> In the context of the DMCA, ‘effective’ means that the measure, in the ordinary course of its operation needs particular information or methods on the part of the copyright owner in order to access copyrighted work.<sup>225</sup>

### **3.2.2 Section 1201(b) – Circumvention Of Copy Control TPMs**

Section 1201(b) is similarly worded to s1201(a), although the focus of the sections differs. Whereas s1201(a) dealt with access control, s1201(b) focuses on copy control mechanisms.

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<sup>221</sup> 17 USC § 1201(a)(1)(A).

<sup>222</sup> 17 USC § 1201(a)(2).

<sup>223</sup> Conroy M ‘A Comparative Study on Technical Protection Measures in Copyright Law’ (unpublished LLD thesis, University of South Africa, 2006) 100. See also Schwabach A *Internet and Law: Technology, Society and Compromises* (2014) 7.

<sup>224</sup> 17 USC § 1201(a)(3)(A).

<sup>225</sup> 17 USC § 1201(a)(3)(B).

Furthermore, s1201(b) does not consider the act of circumvention to be an offence, whereas s1201(a) does.<sup>226</sup> In the case of *United States v Elcom*, the court noted that:

‘Unlike Section 1201(a), however, Congress did *not* ban the act of circumventing the use restrictions. Instead, Congress banned only the trafficking in and marketing of devices primarily designed to circumvent the use restriction protective technologies. Congress did not prohibit the act of circumvention because it sought to preserve the fair use rights of persons who had lawfully acquired a work.’<sup>227</sup>

This statement is important as it indicates that fair use can be used as a defence to the circumvention of a copy control TPM but not for an access control TPM. As with s1201(a), the DMCA provides meanings for the words circumvent and effective in terms of this s1201(b) In the context of this section, circumvent means to avoid, bypass, deactivate or otherwise impair a TPM<sup>228</sup> and effective means a TPM that would in the ordinary course of its operation prevent, restrict or limit the exercise of a right of a copyright owner under the US Copyright Act.<sup>229</sup>

### **3.2.3 Section 1201(c) – The Exceptions**

Section 1201(c) provides that certain rights are not affected by the operation of the anti-circumvention provisions of s1201.<sup>230</sup> Under s1201(c)(1) it is provided that:

‘(1) Nothing in this section shall affect rights, remedies, limitations, or defences to copyright infringement, including fair use, under this title.

(2) Nothing in this section shall enlarge or diminish vicarious or contributory liability for copyright infringement in connection with any technology, product, service, device, component, or part thereof.

(3) Nothing in this section shall require that the design of, or design and selection of parts and components for, a consumer electronics, telecommunications, or computing product provide for a response to any particular technological measure, so long as such part or

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<sup>226</sup> US Copyright Office Summary (1998) ‘The Digital Millennium Copyright Act’ p3-4 available at <http://www.copyright.gov/legislation/dmca.pdf> (accessed on 6 July 2016).

<sup>227</sup> *United States v Elcom Ltd* 203 F Supp 2d 1111 (ND Cal 2002) at 1120.

<sup>228</sup> 17 USC § 1201(b)(2)(A).

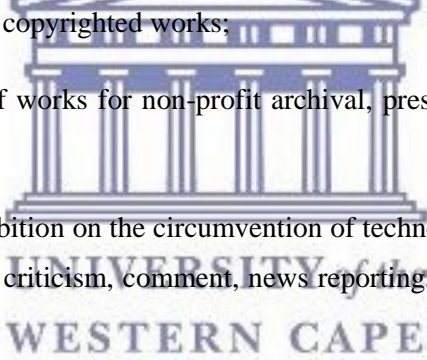
<sup>229</sup> 17 USC § 1201(b)(2)(B).

<sup>230</sup> US Copyright Office Summary (1998) ‘The Digital Millennium Copyright Act’ p5.

component, or the product in which such part or component is integrated, does not otherwise fall within the prohibitions of subsection (a)(2) or (b)(1).<sup>231</sup>

The DMCA provides for further exceptions from the anti-circumvention provisions in sections 1201(d) to 1201(k). Examples of this would be for non-profit libraries, archives and educational institutions,<sup>232</sup> or when TPMs are circumvented for the purpose of reverse engineering in order to achieve interoperability.<sup>233</sup> These further exceptions essentially come across as a form of fair dealing type approach to the anti-circumvention provisions, in addition to that of fair use.

Notably, the DMCA contains what is referred to as a triennial rule making procedure found in s1201(1).<sup>234</sup> The purpose of this procedure is to review the anti-circumvention provisions of the DMCA and determine whether or not the public are able to take advantage of copyrighted works through fair use and other non-infringing uses.<sup>235</sup> This is done every three years and is continually updated.<sup>236</sup> The Library of Congress has to keep five factors in mind during the rule making progress. These are:

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- ‘(i) the availability for use of copyrighted works;
  - (ii) the availability for use of works for non-profit archival, preservation, and educational purposes;
  - (iii) the impact that the prohibition on the circumvention of technological measures applied to copyrighted works has on criticism, comment, news reporting, teaching, scholarship, or research;
  - (iv) the effect of circumvention of technological measures on the market for or value of copyrighted works; and
  - (v) such other factors as the Librarian considers appropriate.<sup>237</sup>

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<sup>231</sup> 17 USC § 1201(c)(1)-(3).

<sup>232</sup> 17 USC § 1201(d).

<sup>233</sup> 17 USC § 1201(f). The reason for highlighting these two exceptions is based on the fact that circumvention for educational use relates directly to fair use and the same applies for reverse engineering.

<sup>234</sup> United States Copyright Office ‘Section 1201 Rulemaking: Sixth Triennial Proceeding to Determine Exemptions to the Prohibition on Circumvention’ 2015 available at <http://copyright.gov/1201/2015/introduction-analysis.pdf> (accessed on 3 August 2016) 2.

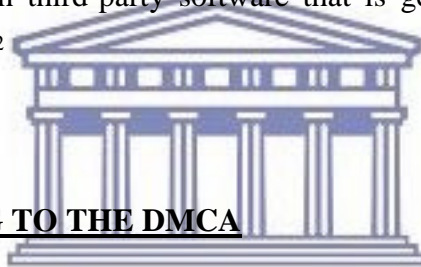
<sup>235</sup> Burri M & Cottier T *Trade and Governance in the Digital Age: World Trade Forum* (2012) 373. See also United States Copyright Office (2015) 2.

<sup>236</sup> Burri & Cottier (2012) 373.

<sup>237</sup> 17 USC § 1201(a)(1)(C).



Additionally there are set exceptions that are laid out at the end of the process which essentially represents what is considered to be fair use or non-infringing use.<sup>238</sup> The Library of Congress uses public participation to assist it when determining which specific classes of works and their uses thereof are considered during the process.<sup>239</sup> The triennial rule making process has yielded quite interesting results. For example, in the second triennial rule making process one of the exemptions created was in relation to computer programs and video games which were distributed in obsolete formats and where the original media is required for access.<sup>240</sup> Additionally, in the third triennial rule making process the Library of Congress permitted computer programs in the form of firmware that circumvents access control mechanisms in order to enable wireless phones to connect to a wireless communications network.<sup>241</sup> The most recent triennial rule making process occurred during 2015 and one of the exceptions to the anti-circumvention provisions is relates to what is commonly referred to as ‘Jailbreaking.’ Jailbreaking is defined as the breaking down of security measures on a device with the goal of achieving interoperability with third-party software that is generally not permitted by the manufacturers of the device.<sup>242</sup>



### **3.3 CASE LAW RELATING TO THE DMCA**

When the DMCA was first signed into law, it was praised for achieving the balance between fostering creativity and allowing the operation of fair use in the digital environment.<sup>243</sup> As noted in Chapter 2, the protection afforded to TPMs is not founded in traditional Copyright Law.<sup>244</sup> This would then mean that defences used in copyright may not necessarily be used as

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<sup>238</sup> United States Copyright Office (2015) 2.

<sup>239</sup> United States Copyright Office ‘Understanding the Section 1201 Rulemaking’ 2015 available at [https://www.copyright.gov/1201/2015/2015\\_1201\\_FAQ\\_final.pdf](https://www.copyright.gov/1201/2015/2015_1201_FAQ_final.pdf) (accessed on 22 March 2017) 1.

<sup>240</sup> United States Copyright Office Second Triennial Rule Making Procedure ‘Statement of the Librarian of Congress Relating to Section 1201 Rulemaking’ available at [https://www.copyright.gov/1201/docs/librarian\\_statement\\_01.html](https://www.copyright.gov/1201/docs/librarian_statement_01.html) (accessed 2 April 2017).

<sup>241</sup> United States Copyright Office Third Triennial Rule Making Procedure ‘Statement of the Librarian of Congress on the Anti-circumvention Rulemaking’ available at <https://www.copyright.gov/1201/2006/> (accessed 2 April 2017).

<sup>242</sup> United States Copyright Office (2015) p7. Interestingly Jailbreaking of video game consoles was also up for consideration during the most recent rulemaking process but was dropped due to both legal and factual backing.

<sup>243</sup> Anderpont C ‘Digital Millennium Copyright Act: Copyright Protections for the Digital Age’ 1999 9 *DePaul J. Art, Tech. & Intell. Prop. L.* 397 420.

<sup>244</sup> Conroy (2006) 135.

defences in terms of the liability that arises from s1201.<sup>245</sup> Under the next few headings cases that have looked at the DMCA will be highlighted and discussed.

### **3.3.1 Universal Studios Inc v Reimerdes**

*Universal Studios Inc v Reimerdes* was the first case to deal with the anti-circumvention provisions in the DMCA.<sup>246</sup> This case dealt with anti-circumvention software that decrypted the DRMs on DVDs in order for movies on the DVDs to be susceptible for copying onto the computer system of the person who decrypted the DVD.<sup>247</sup> This therefore also allowed the user to play the decrypted and copied movies on any system that it was compatible with.<sup>248</sup> The plaintiffs in the case were 8 major United States motion picture studios that distributed many of their motion pictures on these DVDs.<sup>249</sup> The plaintiffs brought a claim under the DMCA regarding the trafficking of technology that circumvented their encryption system on the DVDs as well as providing links to other types of technology once they were preliminarily prevented from trafficking their own software on their website.<sup>250</sup>

The defendants argued here that their conduct did not violate the DMCA as their actions fell within the realms of fair use.<sup>251</sup> They argued that if the DMCA were to apply, then it would prevent those who wish to gain access to copyrighted works in order to make fair use of the works so as to make non-infringing copies of the work and not to pirate the works.<sup>252</sup> The court looked at the doctrine of fair use in light of the DCMA and recognised that the use of technological means can stifle one's ability to rely on fair use.<sup>253</sup> The court did not however go further with this observation as it believed that the DMCA provides enough clarity on the matter and stated that the fact that Congress did not provide for instances where a person who

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<sup>245</sup> Conroy (2006) 135.

<sup>246</sup> Zingales (2012) 10. See also the case of *321 Studios v Metro-Goldwyn-Meyer Studios (MGM)* 307 F Supp 2d 1085 (ND Cal 2004) where the court had to deal with the question of whether 321 Studios DVD ripping software was legal under the DMCA and further dealt with a question on the constitutionality of the DMCA. The result of the case was that the software fell foul of the DMCA and further that the DMCA was not unconstitutional.

<sup>247</sup> *Universal Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 303.

<sup>248</sup> *Universal Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 303.

<sup>249</sup> *Universal Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 303.

<sup>250</sup> *Universal Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 303.

<sup>251</sup> *Universal Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 304.

<sup>252</sup> *Universal Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 304.

<sup>253</sup> *Universal Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 322.

wishes to access encrypted copyrighted works without the means to do so is not a matter for the court to decide.<sup>254</sup>

This judgment is a clear indication that fair use does not necessarily mean that access will be granted. The case essentially tells us that fair use cannot be used to justify the circumvention of DRMs automatically or unreservedly, even where fair use would actually apply.<sup>255</sup> It should be noted that without fair use, the balance between the rights of copyright holders and those who wish to make use of the copyrighted works is greatly imbalanced. In addition to this, the fact that the DMCA has been often narrowly interpreted by Courts does not assist this growing imbalance either. For example, in both the cases of *Universal Studios v Corley*<sup>256</sup> and *Sony Computer Entertainment America Inc v Gamemasters*<sup>257</sup> illustrate the way in which this imbalance is perpetuated.<sup>258</sup>

### **3.3.2 Universal Studios v Corley**

The case arose initially after Corley, the operator of a website and magazine directed at hackers, distributed code for a programme that could circumvent DRMs that are used to protect DVDs, such as the one in the case of *Universal Studios v Reimerdes*. Corley raised certain constitutional arguments in the district court but these were rejected.<sup>259</sup> An important argument that was raised in this case was that fair use was constitutionally required in order to reconcile the conflict between Copyright and the first amendment.<sup>260</sup> The court however rejected this argument and stated that the claim that the DMCA was unconstitutional without a fair use defence was considered to be an extravagant claim.<sup>261</sup> The court further stated that fair use is considered to be a defence against the circumvention of TPMs.<sup>262</sup> This type of decision appears to be quite narrow in the sense that the court refused to recognise the fact that the provisions of the DMCA could potentially lessen the operation of fair use if not properly applied.

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<sup>254</sup> *Universal Studios Inc v Reimerdes* 111 F.Supp.2d 294 at 324.

<sup>255</sup> Zingales (2012) 11.

<sup>256</sup> 273 F.3d 429 (2d Cir. 2001).

<sup>257</sup> 87 F.Supp.2d 976 (N.D.CA 1998).

<sup>258</sup> Conroy (2006) 160.

<sup>259</sup> *Universal Studios v Corley* 273 F.3d 429 (2d Cir. 2001) at 441.

<sup>260</sup> Mihet H 'Universal City Studios, Inc. V. Corley: The Constitutional Underpinnings of Fair Use Remain an Open Question' (2002) 1 *Duke Law & Technology Review* 1 6.

<sup>261</sup> *Universal Studios v Corley* 273 F.3d 429 (2d Cir. 2001) at 458. See also Mihet (2002) 7.

<sup>262</sup> *Universal Studios v Corley* 273 F.3d 429 (2d Cir. 2001) at 459 See also Mihet (2002) 7.

### **3.3.3 Sony Computer Entertainment America Inc v Gamemasters**

The case arose as a result of the sale of certain items by Gamemasters, one of which was a device known as Game enhancer, which could allow individuals to play games purchased from outside a designated region of play and trade.<sup>263</sup> The case also dealt with aspects of trademark infringement, but the court held that the distribution and use of Game enhancer device fell within the ambit of s1201(a)(2)(A).<sup>264</sup> The problem with this decision is that while the device was considered to be a circumvention device, it did not perpetuate copyright infringement *per se*. Whereas the practice of regional locking for films and video games is relatively well-known and used as a method to curb parallel importation and enforce regional licencing, it is submitted that there is nothing in principle wrong with a user who lawfully purchased media in another jurisdiction to seek a means of accessing and using it elsewhere, which is what the particular device sought to do.

The DMCA has been criticised for providing copyright owners with a new right, that being the right of access control.<sup>265</sup> Since liability in terms of s1201 arises outside of Copyright Law, it would mean that copyright infringement may not even necessarily have occurred but liability would still arise.<sup>266</sup> This has led to the term para-copyright being coined.<sup>267</sup> Para-Copyright refers to the extra layer of protection afforded to copyrighted works.<sup>268</sup> This has therefore led to the DMCA having the effect of perpetuating anti-competitive conduct within particular markets. The cases of *Skylink* and *Lexmark* which were briefly highlighted in the previous chapter provides us with examples of ways in which the DMCA has been used to perpetuate anti-competitive practices.

### **3.3.4 Lexmark International Inc v Static Control Components Inc**

Lexmark alleged that the technology that SCC used in order to make their ink cartridges compatible with their printers constituted a violation of s1201 of the DMCA in that it qualified

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<sup>263</sup> *Sony Computer Entertainment America Inc. v. GameMasters* 87 F.Supp.2d 976 (N.D.CA 1999) para 1 & 3.

<sup>264</sup> *Sony Computer Entertainment America Inc. v. GameMasters* 87 F.Supp.2d 976 (N.D.CA 1999) para 39.

<sup>265</sup> Tian (2005) 774.

<sup>266</sup> Tian (2005) 774. See also Conroy (2006) 135.

<sup>267</sup> Gillespie T 'Copyright and Commerce: The DMCA, Trusted Systems, and the Stabilisation of Distribution' (2004) 20 *The Information Society* 239 241. See also Tian (2005) 774 and Matin (2008) 280.

<sup>268</sup> De Beer J 'Constitutional Jurisdiction Over Para-copyright Laws' 2005 *Irwin Law Journal* 89 89-90.

as an anti-circumvention device.<sup>269</sup> The reason for this is that built into Lexmark's toner cartridges is a technology that only allows cartridges that were bought from Lexmark to be used with the Lexmark printers.<sup>270</sup>

The court rejected Lexmark's claim under the DMCA and stated that the DMCA was not created to be used as a means to impose liability for the circumvention of technological measures which are designed to prevent consumers from using goods while leaving the copyrightable work unprotected.<sup>271</sup> Essentially this means that the DMCA will not be used as a tool to enable companies to enforce tying restrictions that are put in place to ensure their profit margin stays intact.

### **3.3.5 Chamberlain Group Inc v Skylink Technology**

In *Chamberlain*, the facts of which were briefly discussed in Chapter 2, the court noted that:

‘The essence of the DMCA’s anti-circumvention provisions is that §§ 1201(a),(b) establish causes of action for liability. They do not establish a new property right. The DMCA’s text indicates that circumvention is not infringement, 17 U.S.C. § 1201(c)(1) (“Nothing in this section shall affect rights, remedies, limitations, or defences to copyright infringement, including fair use, under this title.”), and the statute’s structure makes the point even clearer.’<sup>272</sup>

The above extract from the case illustrates that the DMCA does not create new rights for the copyright holders. Further, the court made an interesting observation regarding one of Chamberlain's claims that the DMCA *per se* prohibits all uses of devices containing copyrighted software unless an express authorisation is given.<sup>273</sup> Flowing from its earlier statement that the DMCA does not create a new property right, the court opined that Chamberlain's observation would mean that they would have the protection of both Competition Law and Copyright Law.<sup>274</sup> This would only be the case where a new property right had been created, which it did not.<sup>275</sup> Therefore, the DMCA, by virtue of Chamberlain,

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<sup>269</sup> *Lexmark International Inc v Static Control Components Inc* 387 F.3d 522 (6th Cir. 2004) at 531.

<sup>270</sup> *Lexmark International Inc v Static Control Components Inc* 387 F.3d 522 (6th Cir. 2004) at 530.

<sup>271</sup> *Lexmark International Inc v Static Control Components Inc* 387 F.3d 522 (6th Cir. 2004) at 549.

<sup>272</sup> *Chamberlain Group Inc v Skylink Technology* 381 F.3d 1178 (Fed. Cir. 2004) at 1204

<sup>273</sup> *Chamberlain Group Inc v Skylink Technology* 381 F.3d 1178 (Fed. Cir. 2004) at 1206.

<sup>274</sup> *Chamberlain Group Inc v Skylink Technology* 381 F.3d 1178 (Fed. Cir. 2004) at 1206.

<sup>275</sup> *Chamberlain Group Inc v Skylink Technology* 381 F.3d 1178 (Fed. Cir. 2004) at 1206.



cannot be used to protect and maintain a monopoly within a market. Similarly, the court stated that the DMCA did not change the landscape regarding the reasonable expectations of consumers and competitors.<sup>276</sup> It further stated that the DMCA did not take away rights and uses that are vested in the public sphere.<sup>277</sup>

In both *Lexmark and Skylink* the court stated that the DMCA does not allow companies to use it as a means to facilitate anti-competitive conduct.<sup>278</sup> It is apparent that while the courts in the United States have stated that the DMCA should not be used as a tool to restrain competition, commentators point out that the courts have not yet taken the opportunity to analyse and discuss the consequences of such conduct.<sup>279</sup> It is submitted that this will likely remain the case up until such a point in time where an antitrust complaint is expressly brought to court, and it does not detract from the fact that courts have already set a precedent that the DMCA should not be used as a tool for anti-competitive conduct.

### **3.4 THE INFORMATION SOCIETY DIRECTIVE**

As stated, the European Union introduced its Information Society Directive in 2001. It is trite that a directive does not constitute hard law, but rather provides a mandate for EU member states to implement laws on a particular issue, along with guidelines on what the minimum content of the law should be. This is to ensure harmonisation of certain key aspects of the law across the European Union.

In relation to the above, member states are, in effect, free to fill in the blanks in order to ensure that the content of directives also harmonise with their own laws to the extent that it is possible. As such, it assists in analysing a directive by also looking at how it has been specifically implemented. In this section, the directive will be discussed, along with examples of how member states have implanted its principles. A particular focus will be placed on the United Kingdom given the similarity of its Copyright Laws to that of South Africa.

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<sup>276</sup> *Chamberlain Group Inc v Skylink Technology* 381 F.3d 1178 (Fed. Cir. 2004) at 1204.

<sup>277</sup> *Chamberlain Group Inc v Skylink Technology* 381 F.3d 1178 (Fed. Cir. 2004) at 1225-1226.

<sup>278</sup> *Matin* (2008) 279. See also *Zingales* (2012) 16.

<sup>279</sup> *Matin* (2008) 279.



### **3.4.1 Article 6(1) And Its Implementation**

One of the crucial motivations for the enactment of the Information Society Directive was to strengthen the protection for intellectual property rights within the EU as the internet became a platform for the distribution of content.<sup>280</sup> The Information Society Directive requires Member states to provide a framework for the protection against the circumvention of TPMs as well as devices created to circumvent TPMs.<sup>281</sup>

It is important to note that, unlike the DMCA, Article 6(1) introduced a subjective knowledge requirement to acts of circumvention as evidenced by the phrase ‘has the knowledge or with reasonable grounds to know.’ Conroy states that this means that the person who commits the act of circumvention needs to have the goal of circumventing TPMs and not the goal of copyright infringement.<sup>282</sup> This provision covers the act of circumvention. An example of how this has been implemented can be seen in the United Kingdom’s Copyright, Designs and Patents Act, 1998 (CDPA), which will be discussed below. It is important to note that while the UK has voted to exit the EU, the process has not yet commenced regarding their exit and therefore, the laws remain the same regarding anti-circumvention mechanisms until such time that they have completed their exit from the EU.<sup>283</sup>

Article 6(1) of the Directive was implemented through the introduction of ss296 to 296ZF of the amended CDPA.<sup>284</sup> The overarching provision relating to the act of circumventing TPMs is s296ZA which states that:

‘(1) This section applies where—

- a) effective technological measures have been applied to a copyright work other than a computer program; and

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<sup>280</sup> Renda A *et al* ‘The Implementation, Application and Effects of the EU Directive on Copyright in the Information Society’ 2015 CEPS Special Report No. 120 available at <https://www.ceps.eu/publications/implementation-application-and-effects-eu-directive-copyright-information-society> (accessed 18 March 2017) 125.

<sup>281</sup> EU Information Society Directive 2001/29/EC, Article 6(1).

<sup>282</sup> Conroy (2006) 191.

<sup>283</sup> For more information regarding this consult French D ‘“Brexit”: A Constitutional, Diplomatic and Democratic Crisis. A view from the Trenches’ (2016) 19 PER / PELJ 2 and Gordon R & Moffat R ‘Brexit: The Immediate Legal Consequences’ 2016 available at <https://www.consoc.org.uk/wp-content/uploads/2016/05/Brexit-PDF.pdf> (accessed on 23 March 2017).

<sup>284</sup> Butoon D & MacCulloch A ‘Liability For The Circumvention Of Technological Protection Measures Applied To Videogames: Lessons From The United Kingdom's Experience’ 2012 *J.B.L* 165 169.

- b) a person (B) does anything which circumvents those measures knowing, or with reasonable grounds to know, that he is pursuing that objective.’<sup>285</sup>

As can be seen, s296ZA is very similar in wording to Article 6(1), although with some subtle, yet notable, differences.

### **3.4.1.1 – Circumvention For Computer Programs**

Interestingly, the CDPA has a separate provision relating to circumvention devices of computer programs in terms of s296.<sup>286</sup> The section would apply in the situation where a ‘technical device’ was applied to a computer program to protect it from being copied and an individual attempts to remove the said technical device in order to make infringing copies through any means.<sup>287</sup> Liability in this regard will be founded in terms of a civil remedy as opposed to a criminal sanction.<sup>288</sup> This provision is particularly interesting in the sense that it is much more limited than the others.<sup>289</sup> For example, the provision does not attribute liability to a person who engages in the act of circumventing devices that protect software.<sup>290</sup> In essence, the provision prohibits the facilitation of an act of circumvention rather than actual circumvention.<sup>291</sup> More importantly, infringement in this case works on the basis that the person in question must have the knowledge that they are facilitating the circumvention.<sup>292</sup> This type of provision is unique in the sense that neither the Information Society Directive nor the DMCA regulates computer programs like this.

An important case in this regard is the case of *Sony v Ball*<sup>293</sup> which dealt with the interpretation of s296 after the Information Society Directive was implemented into law.<sup>294</sup> The case in question concerned the circumvention of Sony’s TPMs on its *PlayStation 2* Console (PS2 hereafter). The copy protection device on the PS2 was two-fold in the sense that copy-protection mechanisms are contained in both the console and the disc containing the game.<sup>295</sup>

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<sup>285</sup> CDPA 1998, s296ZA.

<sup>286</sup> Denoncourt J *Q&A Intellectual Property Law* (2015) 66.

<sup>287</sup> CDPA 1998, s296.

<sup>288</sup> Denoncourt (2015) 66.

<sup>289</sup> Bentley L & Sherman B *Intellectual Property Law* (2014) 363-364.

<sup>290</sup> Bentley & Sherman (2014) 364.

<sup>291</sup> Bentley & Sherman (2014) 363.

<sup>292</sup> Bentley & Sherman (2014) 363.

<sup>293</sup> [2004] EWHC 1738 (Ch).

<sup>294</sup> Denoncourt (2015) 66-67.

<sup>295</sup> *Sony v Ball* [2004] EWHC 1738 (Ch) at para 4.

The disc contains software that the PS2 needs to recognise as being compatible within the specific region that the console and game was bought in order to allow the user to play the game.<sup>296</sup>

In essence, Sony alleged that the defendant had infringed s296 of the CDPA by creating an electronic chip (the ‘Messiah chip’) used to bypass the copy-protection mechanisms within the PS2 and which allowed the user to play copied games as well as games from other regions.<sup>297</sup> The defendant raised several defences, the most pertinent one being that the Messiah chip was capable of non-infringing uses. The court however rejected this defence and stated that the sole purpose of the Messiah Chip was to circumvent the TPMs Sony installed on the PS2 in order to likely commit further forms of unlawful conduct.<sup>298</sup>

Another example of a case where s296 was used is that of *Nintendo v Playables*<sup>299</sup> which dealt with the legality of modification chips for Nintendo’s DS handheld gaming console. Here the court interpreted the definition of technical measure in terms of the CDPA and found that it had a wide ambit for what is considered to be a technical measure.<sup>300</sup> The court made a further comment regarding s296 and stated that the intention of copyright infringement does not need to be present for the purposes of s296 and instead all that is necessary is the intention to circumvent a TPM.<sup>301</sup> This statement confirms the fact that when it comes to the circumvention of a TPM, copyright infringement need not even be a factor, further strengthening the notion that TPMs provide copyright holders an extra layer of protection that need not even always be linked to Copyright Law expressly.

In the recent judgment by the Court of Justice of the European Union in the case of *Nintendo Co Ltd. and others v P.C Box Srl and 9Net Srl*<sup>302</sup> the court made a statement regarding the extent of the protection that TPMs could cover.<sup>303</sup> The case concerned the circumvention of

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<sup>296</sup> *Sony v Ball* [2004] EWHC 1738 (Ch) at para 4.

<sup>297</sup> *Sony v Ball* [2004] EWHC 1738 (Ch) at para 7.

<sup>298</sup> *Sony v Ball* [2004] EWHC 1738 (Ch) at para 22 and para 33. A similar situation occurred in the case of *Sony Computer Entertainment v Owen* [2002] EWHC 45 (Ch) which was decided before s296 of the CDPA was amended to comply with the obligations in terms of the Information Society Directive. In this case the court found that the defendants were liable for copyright infringement as the Messiah Chip was designed to allow the copying and the playing of infringing copies of games. See also MacQueen H, Waelde C & Laurie G *Contemporary Intellectual Property Law: Law and Policy* 3ed (2013) 203.

<sup>299</sup> [2010] EWHC 1932 (Ch).

<sup>300</sup> *Nintendo v Playables* [2010] EWHC 1932 (Ch) at para 33.

<sup>301</sup> *Nintendo v Playables* [2010] EWHC 1932 (Ch) at para 34.

<sup>302</sup> (2014) C-355/12 CJEU. See also MacQueen H, Waelde C & Laurie G *Contemporary Intellectual Property Law: Law and Policy* 4ed (2016).

<sup>303</sup> Denoncourt (2015) 68.

Nintendo's DRMs in their DS and Wii Consoles by PC Box.<sup>304</sup> PC Box marketed original Nintendo consoles with third party software that allowed the users to play copies of games without purchasing the original titles.<sup>305</sup>

The question the court had to determine was whether the protection provided for by the TPMs went beyond what was ordinarily required to protect the work.<sup>306</sup> What is particularly important about this case is not the result as such but rather what the court had stated during its judgment. It stated that while developers of video games are well within their rights to implement TPMs to protect their copyrighted works, this protection should not go further than what is necessary to protect said works.<sup>307</sup> Once the protection oversteps what is required of it, the TPMs will lose the protection afforded to it.<sup>308</sup>

### **3.4.2 Article 6(2) - Circumvention Devices**

Article 6(2) covers the devices used to circumvent TPMs. It states that:

'Member States shall provide adequate legal protection against the manufacture, import, distribution, sale, rental, advertisement for sale or rental, or possession for commercial purposes of devices, products or components or the provision of services which:

- (a) are promoted, advertised or marketed for the purpose of circumvention of, or
- (b) have only a limited commercially significant purpose or use other than to circumvent, or
- (c) are primarily designed, produced, adapted or performed for the purpose of enabling or facilitating the circumvention of, any effective technological measures.'<sup>309</sup>

Like its counterpart in s1201(a)(2) and s1201(b) of the DMCA, Article 6(2) prohibits the use of anti-circumvention devices to circumvent TPMs. This does not mean that devices need to be designed in terms of a particular manner that will restrict its use to non-infringing uses.<sup>310</sup>

<sup>304</sup> *Nintendo Co Ltd. and others v P.C Box Srl and 9Net Srl* (2014) C-355/12 CJEU at para 10 and para 12.

<sup>305</sup> *Nintendo Co Ltd. and others v P.C Box Srl and 9Net Srl* (2014) C-355/12 CJEU at para 14.

<sup>306</sup> *Nintendo Co Ltd. and others v P.C Box Srl and 9Net Srl* (2014) C-355/12 CJEU at para 17.

<sup>307</sup> *Nintendo Co Ltd. and others v P.C Box Srl and 9Net Srl* (2014) C-355/12 CJEU at para 31.

<sup>308</sup> *Nintendo Co Ltd. and others v P.C Box Srl and 9Net Srl* (2014) C-355/12 CJEU at para 31. See also Denoncourt (2015) 68 and MacCulloch A (2014) 'Nintendo v Mod Chips: Score Draw in the CJEU' available at <https://eutopialaw.com/2014/01/27/nintendo-vs-modchips-score-draw-in-the-cjeu-2/> (accessed on 21 March 2017).

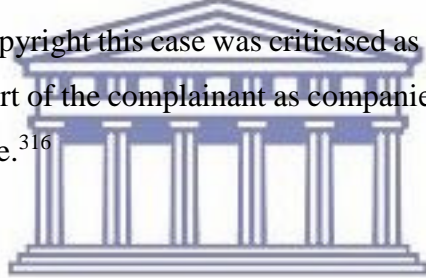
<sup>309</sup> EU Information Society Directive 2001/29/EC, Article 6(2).

<sup>310</sup> Guibalt L, Westkamp G and Rieber-Mohn T 'Study On the Implementation and Effect in Member States' Laws of Directive 2001/29/EC On the Harmonisation of Certain Aspects of Copyright and Related Rights in The Information Society' (2012) available at <https://ssrn.com/abstract=2006358> 80 (accessed 15 March 2017).

The main requirement here is that it must not fall within the ambit of Article 6(2).<sup>311</sup> The effect of this would be that devices which do not have infringing uses or have infringing uses but predominantly have non-infringing uses, will be exempted from the operation of Article 6(2).

### **3.4.2.1 – Circumvention Devices In The UK**

In the UK circumvention devices are regulated in terms of s296ZB and it is important to note that this section introduces criminal sanctions for a person who deals in devices that are designed to circumvent technical measures.<sup>312</sup> On the other hand the act of circumvention merely provides for a civil right against another if the person in question had the knowledge that they were circumventing a technical measure.<sup>313</sup> Section 296ZB was successfully used in the case of *R. v Gilham*<sup>314</sup> in which the accused was convicted for selling mod chips that circumvented the game systems of certain consoles.<sup>315</sup> As criminal prosecution is usually an excessive form of enforcing copyright this case was criticised as being a strange and aggressive enforcement strategy on the part of the complainant as companies usually end up taking a civil route rather than a criminal one.<sup>316</sup>



### **3.4.3 Article 6(3) - Interpretations**

As with the DMCA, the Information Society Directive also contains a definitions clause to qualify the meaning of certain terms in terms of Article 6(3). A technological measure is defined in terms of the directive as any device or component that, in the normal course of its operation, is designed to prevent or restrict acts in respect of works where the right holder has not given permission for use of such works.<sup>317</sup> It can be implied from the above definition that this covers both access control mechanisms (where the word prevent is used) and copy control mechanisms (where the word restrict is used).<sup>318</sup> Further, Article 6(3) describes that an effective

<sup>311</sup> Guibalt, Westkamp & Rieber-Mohn (2012) 80.

<sup>312</sup> CDPA 1998, s296ZB.

<sup>313</sup> CDPA 1998, s296ZA.

<sup>314</sup> [2009] EWCA Crim 2293; [2010] E.C.D.R. 5.

<sup>315</sup> Heath G & Dixon L 'Game Over' 2009 available at [www.nabarro.com/downloads/game\\_over.pdf](http://www.nabarro.com/downloads/game_over.pdf) (accessed on 21 July 2016).

<sup>316</sup> Butoon & MacCulloch (2012) 169.

<sup>317</sup> EU Information Society Directive 2001/29/EC, Article 6(3).

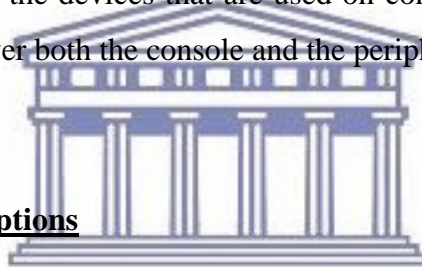
<sup>318</sup> Aplin T *Copyright Law in the Digital Society: The Challenges of Multimedia* (2005) 232.



technical measure is, within the context of Article 6(1) and 6(2) is where the use of a protected work is controlled by the right holder through application of an access control or a copy control mechanism, which achieves the protection objective.<sup>319</sup>

The interpretation clause of the CDPA is found in s296ZF and is similar to what Article 6(3) describes with the only difference being that s296ZF uses the phrases ‘copy control’ and ‘access control’ when defining what the term effective denotes in relation to different mechanisms.<sup>320</sup> The definition of a ‘technical measure’ merely states that it is any device or component that is designed in the normal course of its operation to protect copyrighted work other than a computer program.<sup>321</sup> Specific references to access or copy control measures are omitted in the section.

In the *Nintendo PC Box* case, it was found that Article 6(3) covers technological measures that not only form part of the vessel that contains the copyrighted work with a device that recognises it as such, but also extends to the devices that are used on conjunction with the game.<sup>322</sup> In essence, the provision will cover both the console and the peripherals that accompany it.



#### **3.4.4 Article 6(4) – The Exceptions**

One of the most important provisions of the Information Society Directive is that of Article 6(4). Article 6(4) provides that Member states are required to take appropriate measures to ensure that right holders make available to persons that are entitled to exercise a specific limitation or exception in respect of the right-holder’s work.<sup>323</sup> Further, the Information Society Directive implements the Berne Convention’s three-step test under Article 5(5). The intention

<sup>319</sup> EU Information Society Directive 2001/29/EC, Article 6(3).

<sup>320</sup> CDPA 1998, s296ZF(2).

<sup>321</sup> CDPA 1998, s296ZF(1). In terms of this section, the definition merely states that a technical measure is any device or component that is designed in the normal course of its operation to protect copyrighted work other than a computer program.

<sup>322</sup> *Nintendo Co Ltd. and others v P.C Box Srl and 9Net Srl* (2014) C-355/12 CJEU at para 37. See also Lieser M ‘Nintendo Vs PC Box: Circumventing The Law In Copyright Of Gaming Systems’ 2014 available at <http://www.thedrum.com/opinion/2014/02/09/nintendo-vs-pc-box-circumventing-law-copyright-gaming-systems> (accessed on 16 March 2017).

<sup>323</sup> Article 6(4) states that: ‘Notwithstanding the legal protection provided for in paragraph 1, in the absence of voluntary measures taken by right-holders, including agreements between right-holders and other parties concerned, Member States shall take appropriate measures to ensure that right-holders make available to the beneficiary of an exception or limitation provided for in national law in accordance with Article 5(2)(a), (2)(c), (2)(d), (2)(e), (3)(a), (3)(b) or (3)(e) the means of benefiting from that exception or limitation, to the extent necessary to benefit from that exception or limitation and where that beneficiary has legal access to the protected work or subject-matter concerned.’



behind the Information Society Directive was not to create a new form of exclusive rights or extend existing rights.<sup>324</sup> Therefore, the legal protection afforded to TPMs and DRMs cannot be justified beyond the confines of Copyright Law as provided for above in terms of the *Nintendo PC Box* case.<sup>325</sup> This essentially means that TPMs that protect anything but rights related to Copyright Law are not protected under the Information Society Directive.<sup>326</sup> This is important as it opens up the possibility that TPMs which go beyond protecting copyright will not have the benefit of being protected in terms of the Information Society Directive. It is also correct to say that since protection will not go beyond the scope of Copyright Law, the exceptions to copyright infringement could then also be extended to cover the circumvention of TPMs regardless of whether they are access or copy control mechanisms.

The Information Society Directive provides an interesting discussion regarding the rights of copyright holders and users of works. It has been highlighted that there should be a fair balance between the rights of copyright holders and users especially within the confines of the digital environment and, in that same breath, the directive recognises the growing imbalance between the two groups.<sup>327</sup> Additionally, the directive provides for the so-called private copying exception.<sup>328</sup> The Directive states that Member states should provide for exceptions to certain types of reproduction rights for private use and these exceptions should be accompanied by compensation for such exceptions.<sup>329</sup>

An important case that needs to be mentioned here is *Studio Canal, Universal Pictures Video France and SEV v. S. Perquin and UFC Que Choisir* (hereafter referred to as the Mulholland Drive Case)<sup>330</sup> in which the French Court of Appeal held that the private copyright exception should not be limited by technical measures.<sup>331</sup> It is important to note that this case was decided before the French code was amended to implement Article 6(4).<sup>332</sup> Essentially the case revolved around the fact that a French consumer was unable to convert a copy of the movie

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<sup>324</sup> Butoon & MacCulloch (2012) 165.

<sup>325</sup> Butoon & MacCulloch (2012) 165.

<sup>326</sup> EU Information Society Directive 2001/29/EC, Article 6(1) and Article 6(2).

<sup>327</sup> EU Information Society Directive 2001/29/EC, Recital 31.

<sup>328</sup> EU Information Society Directive 2001/29/EC, Recital 38.

<sup>329</sup> EU Information Society Directive 2001/29/EC Recital 38. The best example to illustrate how the private copying exception is what was implemented in member states is by looking at France where it was implemented in terms of Article L 331-5 where it is stated that technical measures cannot be used to prevent free uses of the copyrighted work set out by both the usage licence of the copyrighted work and the exceptions established under the French Intellectual Property Code.

<sup>330</sup> Court of Cassation (1st chamber, civil section), 28 February 2006.

<sup>331</sup> Mazziotti G *EU Digital Copyright Law and the End-User* (2008) 203.

<sup>332</sup> Samartzi V 'Optimal vs sub-optimal use of DRM-protected works' 2011 *E.I.P.R.* 517 519.

Mulholland Drive from a DVD to a video cassette tape in order to watch the movie at his parents' house.<sup>333</sup> The decision of the Court of Appeal was overturned by the French Supreme Court of Appeal (*Cour de cassation*) and found that the private copying exception is not negatively affected by anti-copying devices.<sup>334</sup> Additionally, the *Cour de cassation* argued that the private copying exception in this case interfered with the normal exploitation of the work.<sup>335</sup> The effect would be that the private copying exception cannot be invoked to achieve interoperability if a DRM restricts such an action. While this judgment is not binding anywhere else other than in France it does provide insight into how the private copying exception can be severely limited by DRMs even though the copying could possibly fall into the realms of fair use.

#### **3.4.4.1 Private Copying In The UK**

In the UK, the private copying exception is found in s28B of the CDPA. Section 28B allows for copies to be made for private non-commercial use.<sup>336</sup> Section 296ZE further provided for remedies where private copying is restricted or prevented.<sup>337</sup> What is interesting about this provision is that it was only inserted into the CDPA in 2014 through a regulation by the UK Government.<sup>338</sup> These provisions were challenged in a case by the *British Academy of Songwriters, Composers and Authors Musicians' Union v Secretary for Business, Innovation and Skills*<sup>339</sup>. This was a judicial review of the UK Government's decision to introduce the private copyright exception.<sup>340</sup> There were two judgments, the initial one had to decide whether the exception was unlawfully introduced by the UK Government<sup>341</sup> and the final one which dealt with the question on whether the exception should be revoked.<sup>342</sup> The initial judgment found that the UK government could not support its contention that no harm would be suffered

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<sup>333</sup> Samartzi (2011) 519.

<sup>334</sup> Mazziotti (2008) 204.

<sup>335</sup> Samartzi (2011) 520.

<sup>336</sup> CDPA, s28B.

<sup>337</sup> CDPA, s296ZE.

<sup>338</sup> Copyright and Rights in Performance (Personal Copies for Private Use) Regulations 2014 (SI 2014/2361).

<sup>339</sup> [2015] EWHC 2041.

<sup>340</sup> *British Academy of Songwriters, Composers and Authors Musicians' Union v Secretary for Business, Innovation and Skills* [2015] EWHC 2041 at para 1.

<sup>341</sup> *British Academy of Songwriters, Composers and Authors Musicians' Union v Secretary for Business, Innovation and Skills* [2015] EWHC 1723.

<sup>342</sup> Sherell P 'UK: Copyright - Private Copying Exception Falls'

<https://www.twobirds.com/en/news/articles/2015/uk/copyright-private-copying-exception-falls> (accessed on 4 April 2017).

by the different industries involved in the case. The final judgment found that the private copying exception should be revoked as the regulation was unlawful.<sup>343</sup> Furthermore the ruling in the case was retrospective.<sup>344</sup> This case created a considerable problem for those who wished to make use of the private copying exception as the court rejected it. Therefore, the current position regarding the private copyright exception in the UK is that in the process of making copies for private non-commercial use, persons could infringe copyright.

### **3.5 Criticisms Of The Information Society Directive**

Much like the DMCA, the Information Society Directive is not without criticism. It was considered to be one of the most lobbied directives in the history of the EU.<sup>345</sup> The Information Society Directive has often been criticised as not providing enough benefit for both copyright owners and those who use it.<sup>346</sup> Furthermore, it is the opinion of some authors that the Information Society Directive has become ineffective in its function relating to the prohibition on the circumvention of TPMs.<sup>347</sup> The Directive, much like the DMCA, has been criticised for giving an extra layer of protection to Copyright holders by not linking the circumvention of TPMs to copyright infringement. Sadly, this was proposed in the first draft of the Information Society Directive but was removed shortly thereafter.<sup>348</sup>

The criticisms that most commentators make against the Information Society Directive relate to Article 5 and Article 6. Article 5 provides for the exceptions and limitations in respect of digitised copyrighted works.<sup>349</sup> The primary criticism levelled against Article 5 relates to the fact that it leaves an ample amount of discretion to member states to introduce the limitations listed in the article.<sup>350</sup> This can also be said about the WCT as seen above, Article 6(1) of the Information Society Directive and Article 11 of the WCT have similar wordings as both use

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<sup>343</sup> *British Academy of Songwriters, Composers and Authors Musicians' Union v Secretary for Business, Innovation and Skills* [2015] EWHC 2041 at para 19.

<sup>344</sup> *British Academy of Songwriters, Composers and Authors Musicians' Union v Secretary for Business, Innovation and Skills* [2015] EWHC at para 21.

<sup>345</sup> Schönning J 'The Legitimacy of the Information Society Directive, Specifically Regarding the Copyright Exceptions' (Unpublished LLM Thesis, University of Lund, 2010) 7.

<sup>346</sup> Guibalt, Westkamp & Rieber-Mohn (2012) 127.

<sup>347</sup> Renda *et al* (2015) 32.

<sup>348</sup> Renda *et al* (2015) 33.

<sup>349</sup> EU information Society Directive 2001/29/EC Article 6.

<sup>350</sup> Guibalt L 'Evaluating directive 2001/29/EC in the light of the digital public domain' International Conference on Public Domain in the Digital Age 2008 available at <http://dare.uva.nl/document/2/109730> (accessed on 30 July 2016) 6.

the words ‘adequate’ and ‘effective’. The result of this has unfortunately led to the situation where each member state has cherry picked which exceptions and limitations they wish to implement in order to preserve their own national laws.<sup>351</sup> This has not only resulted in a structure where copyright exceptions and limitations lack the all-important consistency that the Information Society Directive was supposed to achieve but it also caused wide ranging confusion amongst the EU member states.<sup>352</sup> As such, it goes against one of the primary purposes of the Information Society Directive which is to provide harmonisation of Copyright Laws across member states.<sup>353</sup>

Article 6 is considered to be one of the most controversial and intricate provisions of the Information Society Directive.<sup>354</sup> The article has been criticised for being too vague and obscure, especially in relation to Article 6(4).<sup>355</sup> The interpretation of the provisions have left much wanting with reference to the fact that each individual member state has adopted these provisions differently.<sup>356</sup> To illustrate this, whereas the way the UK had implemented relatively stringent protection for TPMs, countries like Denmark provide for no legal protection for access control technologies.<sup>357</sup> In essence the following situation could arise: a UK citizen that holds a copyright over a particular product decides to market their product in Denmark with an access control mechanism but once that mechanism is circumvented, they would not have the necessary legal recourse for their potential loss. On the other hand, a Denmark citizen in the UK could circumvent an access control TPM and be liable in terms of s296 or s296ZA. This type of situation is undesirable as it is rife with legal uncertainty.

### **3.6 CONCLUSION**

In essence both the DMCA and the Information Society Directive have left much to be wanting in terms of what they provide for. While the DMCA can be hailed for its attempts to make sure

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<sup>351</sup> Guibault, L. ‘Why cherry-picking never leads to harmonisation: the case of the limitations on copyright under Directive 2001/29/EC’ (2012) 1 *Journal Of Intellectual Property, Information Technology And Electronic Commerce Law* 55 56.

<sup>352</sup> Guibalt, Westkamp & Rieber-Mohn (2012) 127.

<sup>353</sup> Guibalt (2008) 6.

<sup>354</sup> Guibalt (2008) 9.

<sup>355</sup> Banti-Markouti V ‘The Interface between Technological Protection Measures and the Exemptions to Copyright under Article 6(4) of the Information Society Directive and s1201 of the Digital Millennium Copyright Act, with particular reference to the implementation of Article 6(4) in the National Laws of Greece, UK and Norway’ (2007) 4 *Journal of Informing Science and Information Technology* 573 579

<sup>356</sup> Guibalt (2008) 11 and 14.

<sup>357</sup> Schönning (2010) 31.

that certain uses of work can still be taken advantage of irrespective of the TPM or DRM attached to it, the DMCA still does not, in the opinion of the author, address the growing concern relating to the imbalance between copyright holder and end-user. The same can be said for the Information Society Directive. This directive is often criticized as being too vague and contradictory in the sense that while its primary purpose is to achieve harmonisation amongst member states of the EU, due to its optional nature in terms of the important provisions, namely Article 5, it has led to some absurd results. This is further intensified by the cherry-picking of certain members of the EU in order to preserve the sanctity of their laws.<sup>358</sup> Additionally, it seems as if the overall opinion of scholars within the EU deem the Information Society Directive to be ineffective and obsolete.<sup>359</sup>

Interestingly, the CJEU in the *Nintendo PC Box* case appears to have come to an important conclusion regarding the circumvention of TPMs as it was stated in the case that where TPMs go beyond the scope of protecting copyright, it loses the benefit of its protection.<sup>360</sup> On the other hand the DMCA has been interpreted quite narrowly especially in cases where fair use and anti-circumvention measures are involved as illustrated by cases such as *Universal Studios v Corley* and *Sony Computer Entertainment v Game Masters*. However, cases such as *Skylink* and *Lexmark* have shown us that the courts do take note of the rights of both users and of the copyright holders.<sup>361</sup>

In the next chapter, the position in South Africa regarding the circumvention of TPMs will be explored as well as how the new Copyright Amendment Bill seeks to change the law once it comes into operation.

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<sup>358</sup> Guibalt (2012) 56.

<sup>359</sup> Renda *et al* (2015) 32.

<sup>360</sup> *Nintendo Co Ltd. and others v P.C Box Srl and 9Net Srl* (2014) C-355/12 CJEU at para 31.

<sup>361</sup> Conroy (2006) 160.



## CHAPTER FOUR

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### 4.1 INTRODUCTION

In Chapter 3 the DMCA and the Information Society Directive were both highlighted and analysed. This chapter will consider the South African position regarding DRMs. As previously stated in Chapter 1, South Africa does not have any laws directly relating to DRMs or TPMs. The only case where TPMs were raised, albeit as an ancillary issue, is that of *Mr Video (Pty) Ltd and others v Nu Metro Filmed Entertainment (Pty) Ltd and others*<sup>362</sup>. The case primarily dealt with an action for copyright infringement arising from the rental of DVDs that were imported from the USA.<sup>363</sup> However, the case also indirectly dealt with the issue of region locking. The court gave an explanation as to how region locking works but did not discuss anything further than that.<sup>364</sup> Even though South Africa has signed the WCT it still has not been implemented into law.<sup>365</sup> It has been submitted by authors such as Pistorius that s86 of ECTA covers the position regarding DRMs as the provision pertains to the unauthorised access to, interception of or interference with data.<sup>366</sup> The landscape regarding DRMs will change once again when, or if, the Copyright Amendment Bill is introduced into law, as both versions of the bill propose introducing express provisions relating to circumvention of TPMs and DRMs.

This chapter seeks to highlight both the current South African position with regard to DRMs, as well as the proposed position. As noted in Chapter 1, attention will be given to both iterations of the draft bill to show how views relating to TPMs have changed. The doctrine of fair use will be introduced into the law through the bill, and as such this chapter will give a brief overview of how fair use will be introduced into the law. It is important to note that the doctrine of first sale is also relevant in this regard. Traditionally, South Africa has not considered the doctrine of first sale nor does it have any form of doctrine of exhaustion relating to the right of

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<sup>362</sup> [2010] 2 All SA 34 (SCA).

<sup>363</sup> *Mr Video (Pty) Ltd and others v Nu Metro Filmed Entertainment (Pty) Ltd and others* [2010] 2 All SA 34 (SCA) at para 3.

<sup>364</sup> *Mr Video (Pty) Ltd and others v Nu Metro Filmed Entertainment (Pty) Ltd and others* [2010] 2 All SA 34 (SCA) at para 6.

<sup>365</sup> World Intellectual Property Organisation 'The Signatories of the Berne Convention' available at [http://www.wipo.int/treaties/en/ShowResults.jsp?treaty\\_id=16](http://www.wipo.int/treaties/en/ShowResults.jsp?treaty_id=16) (accessed 28 June 2016).

<sup>366</sup> Electronic Communications and Transactions Act, s86. See Pistorius T 'Copyright In The Information Age: The catch-22 of Digital Technology' (2006) 1 *Critical Arts* 47 52.

distribution.<sup>367</sup> This was also not addressed by the first Copyright Amendment Bill. However, seemingly the second iteration of the bill introduces such a doctrine into South African Law (albeit possibly unintentionally, as will be expanded upon in this chapter). Consequently, the doctrine, including its desirability in the South African context, will be discussed.

## **4.2 ELECTRONIC COMMUNICATIONS AND TRANSACTIONS ACT (ECTA)**

ECTA was introduced in 2002 as a response to the veritable growth in E-commerce globally.<sup>368</sup> The primary purpose of ECTA was to provide a framework for the development and regulation of electronic transactions.<sup>369</sup> It also covers other aspects such as cybercrime, encryption and e-government services.<sup>370</sup>

Arguably the most important provision in ECTA is s11 which provides that information is not without legal effect simply because it is in the form of a data message.<sup>371</sup> Consequently, the fact that something is electronic in nature will not affect its validity.<sup>372</sup> This provision speaks to the principles of functional equivalence and technological neutrality that ECTA is based on.<sup>373</sup> While the word ‘information’ is not defined in terms of ECTA, it does however define ‘data.’ ‘Data’ is defined as electronic representations of information in any form.<sup>374</sup> Latter and Conroy are of the opinion that this definition is wide enough to include digitised copyrighted works.<sup>375</sup> As noted, authors like Pistorius and Visser argue that s86 regulates the current position regarding TPMs in South Africa. It is submitted that s86 could apply to copyrighted works as its wide ambit relates, *inter alia*, to interference with, interception of and unauthorised access to data.

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<sup>367</sup> Karjiker (2015) 651.

<sup>368</sup> Kabanda SK, Brown I, Nyamkura V &Kehsav J ‘South African Banks and Their Online Privacy Policy Statements: A Content Analysis’ (2010) 12 *SA Journal of Information Management* 1 1.

<sup>369</sup> Sharrock R *The Law of Banking and Payment in South Africa* (2016) 296 Electronic Communications and Transactions Act 25 of 2002, s2 Objects of the Act.

<sup>370</sup> Eiselen S ‘Fiddling with The ECT Act – Electronic Signatures’ (2014) 6 *PER* 2805 2806. See also Coetzee J ‘The Electronic Communications and Transactions Act 25 of 2002: Facilitating Electronic Commerce’ (2004) 3 *Stellenbosch Law Review* 501 501-502.

<sup>371</sup> Electronic Communications and Transactions Act 25 of 2002, s11(1).

<sup>372</sup> Electronic Communications and Transactions Act 25 of 2002, s11(2).

<sup>373</sup> ECTA is in part based on the UNCITRAL Model law on Electronic Commerce, which was discussed at length in Chapter 2.3.3.1

<sup>374</sup> Electronic Communications and Transactions Act 25 of 2002, s1 Definition of Data.

<sup>375</sup> Latter GP ‘Copyright Law in the Digital Environment: DRM Systems, Anti-Circumvention Legislation and User Rights’ (unpublished LLM Thesis, Rhodes University, 2010) 189. Conroy (2006) 226.

### **4.2.1 Section 86 Of ECTA**

There are four provisions of particular importance in s86. Section 86(1) provides that a person who intentionally and without the required authority or permission to do so accesses or intercepts information is guilty of an offence.<sup>376</sup> ‘Access’ in terms of s86 is defined to include the actions of persons who have taken note of data, have become aware of the fact that they do not have the authority to take note of the data and continue to do so.<sup>377</sup> Section 86(1) likely covers the situation where data is secured by access control measures, given that it criminalises unauthorised access and the purpose of access control measures is to prevent unauthorised access. Further, this section introduces a knowledge requirement in that a person must have the requisite intention to fall within the scope of the provision. The knowledge requirement here is similar to that which was introduced by the Information Society Directive.<sup>378</sup>

Section 86(2) prohibits the situation where any person who, without the required permission or authority, intentionally interferes with data in such a way that it is modified, destroyed or otherwise rendered ineffective.<sup>379</sup> It appears from its wording, that the provision potentially covers situations dealing with rights management information. As previously mentioned in Chapter Two, rights management information assists with the identification of the author and the rights that an author has in a work.<sup>380</sup>

Sections 86(3) and (4), unlike the first two discussed above, relate to devices that assist with circumventing rather than the act of circumvention. Section 86(3) states that an individual who unlawfully produces, sells, offers to sell, procures for use, designs, adapts for use, distributes or possesses any device that can be used to circumvent a security measure is guilty of an offence.<sup>381</sup> In short, this section prohibits the production or sale of devices that can overcome security measures. A device in terms of this provision would refer to any hardware or software that is capable of overcoming security measures. This section is arguably quite similar to the provisions found in terms of s1201(a)(2)(A) and s1201(b)(1)(A) of the DMCA which each prohibit the use of devices that are primarily designed to circumvent TPMs.<sup>382</sup>

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<sup>376</sup> Electronic Communications and Transactions Act 25 of 2002, s86(1).

<sup>377</sup> Electronic Communications and Transactions Act 25 of 2002, s85.

<sup>378</sup> See Chapter 3.4 in general.

<sup>379</sup> Electronic Communications and Transactions Act 25 of 2002, s86(2).

<sup>380</sup> WIPO Copyright Treaty, Article 12.

<sup>381</sup> Electronic Communications and Transactions Act 25 of 2002, s86(3).

<sup>382</sup> 17 USC § 1201(a)(2)(A) and 1201(b)(1)(A).

Section 86(4) further states that any person who unlawfully overcomes security measures that are designed to protect or prevent access to data with the use of a device will be guilty of an offence in terms of ECTA.<sup>383</sup> It appears that s86(3) and s86(4) also cover access control mechanisms but, unlike s86(1) and s86(2), could also apply to copy control mechanisms. Both the latter provisions use either the word ‘protect’ or ‘protection’ to describe the function of the security measures. In the context of copyright, as the primary purpose copyright to prevent unlawful copying of work, it does not seem impossible that authors can use s86(3) or (4) to further protect their works. Pistorius argues that herein lies the actual implementation of the WCT in South African Law.<sup>384</sup>

The offences in terms of s86 carry specific penalties provided for in terms of s89 of ECTA. It is important to note that the penalties provided for in ECTA are criminal sanctions. There is no civil liability in terms of these penalties. If a person has committed an offence in terms of s86(1), (2) or (3), he or she will be liable for a fine or imprisonment not exceeding twelve months.<sup>385</sup> Offences committed in terms of s86(4) carries a fine or imprisonment not exceeding five years.<sup>386</sup>



#### **4.2.2 Criticism Of The Section 86 Approach**

As noted above, Pistorius is of the opinion that s86 of ECTA covers the situation relating to the circumvention of DRMs.<sup>387</sup> It is submitted that ECTA is broad enough to allow for this. This contribution however contends that such an approach is problematic. Firstly, if one accepts Pistorius’ position it would mean that ECTA implicitly creates a new right of access control for copyright holders. Traditionally, copyright holders were only able to control access to works if they themselves held physical copies of their works.<sup>388</sup> Therefore, it would be important to consider the impact that this could have on issues relating to fair use and fair dealing. Further, the fact that the penalties imposed on a person who contravenes s86 of ECTA is only founded in criminal law and not in terms of civil liability is also of concern. It should also be assessed whether a sufficient link between s86 and copyright infringement exists in

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<sup>383</sup> Electronic Communications and Transactions Act 25 of 2002, s86(4).

<sup>384</sup> Pistorius T ‘Developing Countries and Copyright In The Information Age: The Functional Equivalent Implementation Of The WCT’ (2006) 2 *PER* 149 155.

<sup>385</sup> Electronic Communications and Transactions Act 25 of 2002, s89(1).

<sup>386</sup> Electronic Communications and Transactions Act 25 of 2002, s89(2).

<sup>387</sup> Pistorius (2006) 7.

<sup>388</sup> Conroy (2006) 346 & 350.

order to ascertain to what extent the position is valid or useful. These three aspects are critically analysed below.

#### **4.2.2.1 The Effect Of Section 86 On End-User Rights**

There are no references to end-user rights provided for in terms of copyright in s86 of ECTA. Additionally, it is submitted that most of the measures employed in terms of s86 are access control measures. In *United States v Elcom*, as discussed in Chapter Three, it was held that end-user rights can be used as defences to the circumvention of copy control mechanisms but not for the circumvention of access control mechanisms.<sup>389</sup> The reason for this is that these measures protect against the access of works and not the copying of works. Copyright protects against the unlawful copying of works and not unauthorised access to works.<sup>390</sup> Therefore the same exceptions should not apply. To this end, it has been stated that the provisions in s86 of ECTA go beyond the scope of protection provided for by the WCT.<sup>391</sup> Visser is of the opinion that the protection provided for in terms of s86 is absolute and has no defined exceptions.<sup>392</sup> Therefore, end-user rights would appear to be limited by the application of s86 of ECTA.

The above position is quite problematic. The protection provided for in s86 is well beyond the scope of protection that is normally provided to authors of copyrighted works. If a DRM is employed by authors to protect the copyright that is vested in their works, they also exclude the operation of fundamental devices necessary to maintain the balance between copyright and the rights of end-users in society in general.<sup>393</sup>

A potential counter-balance to the above position could be found in s86(2) of ECTA. As noted, s86(2) provides that if a person causes data to be rendered ineffective, that person is guilty of an offence.<sup>394</sup> Given the generality of the provision, it is submitted that copyright holders could themselves be guilty of an offence in terms of s86(2) if they employ DRMs that render the use of their works ineffective *vis-a-vis* legitimate users. It is also provided that the person must not

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<sup>389</sup> *United States v Elcom Ltd* 203 F Supp 2d 1111 (ND Cal 2002) at 1120. See Chapter 3.2.2

<sup>390</sup> Conroy (2006) 345-346.

<sup>391</sup> Ncube C, Schonwetter T & Chetty P 'African Copyright and Access to Knowledge (ACA2K) Project' ACA2K Country Report – South Africa (2009) available at [http://www.aca2k.org/attachments/154\\_ACA2K%20South%20Africa%20CR.pdf](http://www.aca2k.org/attachments/154_ACA2K%20South%20Africa%20CR.pdf) (accessed 9 April 2017) 22.

<sup>392</sup> Visser (2006) 37. See also Schonwetter T & Ncube C 'New Hope For Africa? Copyright And Access To Knowledge In The Digital Age' (2011) 13 *Digital Policy, Regulation and Governance* 69.

<sup>393</sup> See the discussion in Chapter 2 on this aspect.

<sup>394</sup> Electronic Communications and Transactions Act 25 of 2002, s86(2).



have permission or authority to render data ineffective.<sup>395</sup> It could be argued that copyright authors have the right to employ DRMs to protect their works as holders of copyright. However, in the case of *R v Alfred Whitaker*<sup>396</sup> a decision made in terms of s3 of the UK Computer Misuse Act, 1990,<sup>397</sup> the court held that a copyright holder could be guilty of rendering data ineffective if no authority to do so was otherwise granted.<sup>398</sup> Given that there is no specifically recognised right to protect works through TPMs or DRMs in South African Law, it is submitted that a similar finding could be made in terms of s86(2). As such, the rights supposedly granted to copyright holders by virtue of s86 is also potentially waylaid by the very same section.

#### **4.2.2.2 Potentially Criminalising End-Usage**

ECTA only provides criminal sanctions for the offences created in terms of s86. It is not unusual *per se* for criminal sanctions to be placed on certain types of copyright infringement.<sup>399</sup> For instance, the sanctions for copyright infringement in s27 of the Copyright Act are generally a fine not exceeding five thousand rand or imprisonment not exceeding three years.<sup>400</sup> It is submitted that the problem however comes in when one attributes criminal liability as a first principle. These types of measures are generally not resorted to where a civil route is readily available as a viable alternative. The judgment in *R v Gilham* was criticised as a particularly excessive means of enforcing anti-circumvention provisions in the UK.<sup>401</sup> In the case, the accused was charged under the provisions of s296ZB of the CDPA.<sup>402</sup> While this may be a case from the UK, it is a good example of the fact that generally a criminal penalty for copyright infringement is considered to be quite excessive.<sup>403</sup> It is problematic then that in terms of ECTA the circumvention of TPMs warrant plain criminal liability with no alternative civil remedy.

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<sup>395</sup> Electronic Communications and Transactions Act 25 of 2002, s86(2).

<sup>396</sup> *R v Alfred Whitaker* (Scunthorpe Magistrate's Court, 1993). A summary of the case is available at Turner 'Computer Misuse Act 1990 Cases' available at <http://www.computerevidence.co.uk/Cases/CMA.htm> (accessed on 2 May 2017).

<sup>397</sup> It should be noted the provision resembles that of s86(2) of ECTA.

<sup>398</sup> Also see Walden I 'Computer Crime', Reed C & Angel J(eds) (2003) *Computer Law* 295-329.

<sup>399</sup> Klopper (2011) 209.

<sup>400</sup> Copyright Act 98 of 1978, s27(6)(a). This penalty is for a first time conviction. In terms of s27(6)(b), in any other case, the penalty will be a fine not exceeding ten thousand rand or imprisonment not exceeding five years.

<sup>401</sup> MacCulloch (2012) 169.

<sup>402</sup> *R v Gilham* [2009] EWCA Crim 2293 at para 1.

<sup>403</sup> MacCulloch (2012) 169.

The problem is further exacerbated by the fact that a legitimate user may be subject to these criminal sanctions for exercising rights provided to them in terms of the Copyright Act.

#### **4.2.2.3 Is There A Sufficient Link?**

In light of the above discussion, the overarching question that needs to be answered is whether there is a sufficient link between copyright infringement and the protection against the circumvention of TPMs generally provided for in terms of s86. It is contended by this contribution that there is no overt connection between s86 and Copyright infringement. The reason for this is threefold, which will be set out below.

Firstly, the position becomes illogical when one views the section as a whole through the lens of Copyright Law. The internal tension created between sections 86(1), (3) and (4) *vis-a-vis* s86(2) in light of end-user rights potentially being infringed by TPMs is problematic. It is submitted that it could never have been the intention of the legislature to provide authors with the ability to protect their works with TPMs and then to potentially criminalise the same conduct under certain circumstances.

Secondly, the fact that there are no recognised exceptions to the circumvention of TPMs under ECTA further evidences the fact that this was not the intended position regarding TPMs in South African Law. Even the USA, which has one of the strictest positions regarding TPMs, recognises the need to provide exceptions for the use of works where the circumvention of TPMs is a prerequisite for use.<sup>404</sup>

Thirdly, it should be noted that ECTA makes no reference to copyright or to TPMs as it is a law that generally applies. While the green paper on electronic commerce makes a cursory reference to the WCT, no reference is made in relation to creating a framework on the circumvention of TPMs or any plan to implement the treaty into law.<sup>405</sup> Additionally, there was no reference to the WCT in the Discussion Paper<sup>406</sup> that preceded the Green Paper on Electronic Commerce. The fact that there is no reference to the WCT in not only the discussion paper or

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<sup>404</sup> See *United States v Elcom Ltd* 203 F Supp 2d 1111 (ND Cal 2002) at 1120.

<sup>405</sup> A Green Paper on Electronic Commerce For South Africa November 2000 available at [http://www.gov.za/sites/www.gov.za/files/electronic\\_commerce\\_1.pdf](http://www.gov.za/sites/www.gov.za/files/electronic_commerce_1.pdf) (accessed on 10 April 2017) 59.

<sup>406</sup> Discussion Paper on Electronic Commerce Policy available at <http://www.dpsa.gov.za/dpsa2g/documents/acts&regulations/frameworks/e-commerce/ecommerce/ecommerce-paper.pdf> (accessed on 10 April 2017).

the explanatory memorandum to the Electronic Communications and Transactions Bill<sup>407</sup> indicates that it was likely not the intention of the legislature for s86 to specifically cover the situation regarding the protection of copyright through TPMs.

As submitted, the position as it currently stands both problematic and uncertain. It is appropriate to consider whether the position would be alleviated if or when the Copyright Amendment Bill comes into operation.

### **4.3 THE DRAFT COPYRIGHT AMENDMENT BILL**

As noted, both the initial and new draft Copyright Amendment Bill seek, *inter alia*, to introduce fair use into the law and provide proper regulation with regard to TPMs.<sup>408</sup> With the introduction of new law comes new phrases and words that need to be interpreted. Therefore, the first point of departure for this discussion is the definitions section of both drafts of the bill.

#### **4.3.1 Definitions In Terms Of Section 1**

The initial Bill sought to insert four potentially relevant definitions into the Copyright Act. The first definition was that of 'Digital Rights System' which was referred to as a collection of systems used to protect rights of electronic media.<sup>409</sup> This definition was criticised as being irrelevant as there is no mention of this phrase in the bill.<sup>410</sup> It is further unclear what it could relate to, given its relative breadth and vagueness. This definition was deleted from the new draft of the bill.

The definition of a TPM under the initial bill was quite similar to that of the definition contained in Article 6(3) of the Information Society Directive. This definition is of vital importance as it could be the point of departure in determining whether a specific mechanism falls within the definition of a TPM. It appears from the wording of the initial bill that a TPM will only be

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<sup>407</sup> Government Gazette No. 23195 of 1 March 2002.

<sup>408</sup> Copyright Amendment Bill 2015, Preamble to the Bill.

<sup>409</sup> Copyright Amendment Bill 2015, s1(f).

<sup>410</sup> Commentary on the Copyright Amendment Bill at 5.

protected in so far as it relates to copyright infringement.<sup>411</sup> This would limit the scope of its application to only copy-control mechanisms and not access control mechanisms. If this is the case, it would be a positive for user rights, but would not be popular with authors who wish to protect against access. The new draft adds a second layer to the definition of TPMs by stating that any method used to control access to a work for non-infringing uses will not qualify as a TPM under the act.<sup>412</sup> This is strange as the definition of TPMs under paragraph (a) already makes this clear by limiting a TPM to something that protects or restricts infringement. Due to this the definition comes across as somewhat redundant.

The third definition that the initial Bill sought to introduce is that of a ‘Technological Protection Measure Work.’ This merely refers to a work that is protected by a TPM.<sup>413</sup> The reason for the inclusion of this definition is unclear as it appears that the bill is trying to distinguish between works protected by a TPM and works not protected by a TPM. This definition has been maintained in the new bill.<sup>414</sup>

The final definition worth noting is that of ‘TPM device.’ In terms of this definition, a TPM device is any device that is primarily designed, produced, or adapted for the circumvention of a TPM.<sup>415</sup> This definition appears to be narrower than comparable definitions found in the DMCA and the Information Society Directive. Commentators are critical of this definition as they believe that its narrow scope excludes the liability for persons who have produced devices that do not restrict or prevent copyright infringement,<sup>416</sup> although this contribution does not view a narrower definition as being problematic. The second draft of the bill adds unlawfulness as a prerequisite for the circumvention of a TPM.<sup>417</sup> Therefore, it appears that the new bill only considers devices that are primarily designed for the circumvention of TPMs as circumvention devices and not those that may have the ability to circumvent TPMs but are not primarily designed for such purposes. This definition is to be welcomed.

It seems that the scope of application of the old bill is somewhat narrower than that of comparable foreign legislation. This is also true for the new bill. Additionally, the drafters have

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<sup>411</sup> Copyright Amendment Bill 2015, s1(k) – The definition of a TPM is: ‘means any process, treatment, mechanism, technology, device, system or component that in the normal course of its operation is designed to prevent or restrict infringement of copyright work that is protected by a technological protection measure;’.

<sup>412</sup> Copyright Amendment Bill 2017, s1(h)(b).

<sup>413</sup> Copyright Amendment Bill 2015, s1(k).

<sup>414</sup> Copyright Amendment Bill 2017, s1(h).

<sup>415</sup> Copyright Amendment Bill 2015, s1(k).

<sup>416</sup> Commentary on the Copyright Amendment Bill at 8.

<sup>417</sup> Copyright Amendment Bill 2017, s1(h).

linked the protection of TPMs to copyright infringement rather than creating new rights for authors under the bill. Notwithstanding the quality of drafting under the initial bill, the definitions introduced by it were mostly to be welcomed, and the fact that some of these aspects have been addressed in the amended draft is also positive.

### **4.3.2 Fair Use**

The initial Bill sought to introduce the doctrine of fair use into the law as s12A.<sup>418</sup> This has now changed with the new bill. Section 12A has been changed in its entirety and a new s12(1)(a) has been added to introduce the doctrine. The introduction of a fair use defence is to be commended as it is vital in dealing with today's rapidly growing technology and the potential problems it may pose. The need for a doctrine capable of adapting to changes in both the categories and uses of works that qualify for copyright cannot be understated.

As South Africa already follows a fair dealing approach and will continue to do so, the introduction of fair use would mean that South Africa would then have a hybrid system of sorts. Shay is of the opinion that both cannot operate in the same sphere as fair use would at some point subsume fair dealing.<sup>419</sup> In light of this observation Shay further submits that instead of adopting a dual fair use-fair dealing model, fair dealing should be completely disregarded in favour of an open-ended fair use approach.<sup>420</sup> One cannot say for certain whether this may materialise. Even in the USA there appears to be a hybrid approach to fair use and fair dealing in some aspects. For example, s107 of the US Copyright Act contains the test for fair use, whereas the DMCA contains further exceptions more akin to fair dealing.<sup>421</sup> It is submitted that it would be possible to have both fair use and fair dealing exist in tandem. For instance, fair dealing can assist in dealing with certain common exceptions related to the use of copyright, whereas fair use would then cater for the rest.

Section 12A(5) of the initial bill introduced the factors necessary for the determination of fair use. These are quite similar to those in the USA with the main difference being that an extra factor has been added which looks at whether the use of the copyrighted work is fair and

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<sup>418</sup> Copyright Amendment Bill 2015, s14.

<sup>419</sup> Shay RM 'Fair deuce: an uneasy fair dealing-fair use duality' (2016) 49 *De Jure* 105 106.

<sup>420</sup> Shay (2016) 106.

<sup>421</sup> See DMCA Sections 1201(d) to 1201(k)



proportionate.<sup>422</sup> It should be noted that this factor appears to apply only in cases where the work is being used in a parody.<sup>423</sup> Under the new bill these factors are contained in s12A(1)(b) and unlike the initial bill, the new bill does not have specific factors applying to parody. Instead the factors in the new bill appear to be more aligned with the approach in the USA. This is to be welcomed as the approach taken in the initial bill did not come across as truly open-ended given that it had specific aspects applicable only to certain instances.

One of the common criticisms of the proposed s12A is that it repeated the most of the exceptions contained in s12 of the Copyright Act.<sup>424</sup> Commentators therefore argued that the provision is not actually an open-ended fair use doctrine.<sup>425</sup> This appears to be the same situation under the new s12(1)(a) even though much of the provision differs from its s12A counterpart in the initial bill.

The proposed s12A(3) described that the fair use of digitised content was limited to educational use only.<sup>426</sup> This limited the use of fair use for digital content,<sup>427</sup> and flouted the principles of technological neutrality<sup>428</sup> and non-discrimination in doing so. Fortunately, this was removed from the second draft of the bill, and no difference in treatment between analogue or digital works remains. It is submitted that this means that the fair use provisions now apply to digital works in the same manner that they would to analogue works.

One of the primary purposes of the initial bill was to introduce fair use into the law. However, it did not do so in a proper manner. The old s12A initially appeared effective but closer analysis shows that the section created a fair amount of confusion. Various exceptions found in s12A were already covered by other provisions of the Copyright Act. Additionally, fair use was seemingly closed off by creating certain defined circumstances where it operated, effectively defeating the purpose of having a fair use provision in the first place. The position in terms of s12(1)(a) is far clearer, but not without fault. Firstly, the provision also covers circumstances already dealt with under fair dealing. If the provisions sought to replace fair dealing this would not be a problem, but this is seemingly not the case. Secondly, in terms of s12(1)(b), the factors are used to determine whether something will constitute fair use *or* fair dealing.<sup>429</sup> It appears

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<sup>422</sup> Copyright Amendment Bill 2015, s12A(5)(d).

<sup>423</sup> Shay (2016) 113.

<sup>424</sup> Commentary on the Copyright Amendment Bill at 31. Schonwetter (2015) 17.

<sup>425</sup> Commentary on the Copyright Amendment Bill at 31.

<sup>426</sup> Copyright Amendment Bill 2015, s12A(3).

<sup>427</sup> Commentary on the Copyright Amendment Bill at 31.

<sup>428</sup> Shay (2016) 108.

<sup>429</sup> Copyright Amendment Bill 2017, s12(1)(b).

therefore that the section does not properly distinguish between fair use and fair dealing. As noted, fair dealing is generally confined to a set of circumstances, whereas fair use is much wider,<sup>430</sup> and as such the conflation of the two concepts is puzzling. It is submitted that this position should be clarified in the final draft.

### **4.3.3 TPMs Under The Copyright Amendment Bill**

As noted, both bills contain various provisions relating to TPMs. For the purposes of this thesis, the discussion will be limited to the relevant ones dealing with conduct and devices relating to the circumvention of TPMs. Both drafts provide for this in s28O and s28P. In the initial bill, a number of new offences were proposed which would have fallen under s23(4), s23(6) and s27(5A). These offences were removed from the second draft, and the possible reasons for their removal will be briefly discussed.

#### **4.3.3.1 Section 28O And Section 28P**

Section 28O highlights specific prohibited conduct in terms of the circumvention of TPMs. This section criminalises not only the production of devices<sup>431</sup> and the acts of circumvention by persons<sup>432</sup> but it also covers the situation whereby the service provided by a person could circumvent TPMs<sup>433</sup>. Furthermore, it covers the situation where persons could publish information which could assist in the circumvention of TPMs.<sup>434</sup> This provision appears to be more closely aligned with that of the Information Society Directive. ‘Effective,’ in the context of the initial bill, refers to the situation where an owner has control over the access and use of the work.<sup>435</sup> The new draft retains this definition, but replaces the word owner with author.<sup>436</sup> While the USA does not use the same wording, it is submitted that the definition under the

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<sup>430</sup> See Chapter 2.3.3.1.

<sup>431</sup> Copyright Amendment Bill 2015, s28O(1).

<sup>432</sup> Copyright Amendment Bill 2015, s28O(4).

<sup>433</sup> Copyright Amendment Bill 2015, s28O(2).

<sup>434</sup> Copyright Amendment Bill 2015, s28O(3).

<sup>435</sup> Copyright Amendment Bill 2015, s28O(5).

<sup>436</sup> Copyright Amendment Bill 2017, s28O(5).

DMCA conveys the same meaning. It should be noted that the Information Society Directive also requires an element of control,<sup>437</sup> which the South African bill omits.

Both drafts of the bill provide that s28O should be read with reference to Chapter 13 of ECTA.<sup>438</sup> As argued above, the provisions of ECTA do not currently have any explicit link to copyright infringement, which the provisions of the bill seek to change. The relevance of this provision is questionable. Firstly, a reference to Chapter 13 of ECTA would mean that authors of copyright would be gaining an extra layer of protection for TPMs, something seemingly not in line with the definitions of both drafts of the bill. Secondly, Chapter 13 of ECTA does not contain any exceptions, and would create uncertainty as to the true position of the protection and application of TPMs within the law.<sup>439</sup>

Section 28P provides for exceptions in terms of the circumvention of TPMs. The section appears to be an attempt at trying to find a balance between the protection of TPMs and the use of works by end users. The intention of this section is to allow for the use of circumvention devices in order to take advantage of end user rights contained within the Copyright Act.<sup>440</sup> Section 28P was initially silent on the production of circumvention devices. This provision also only covered the fair dealing provisions of the Copyright Act and excluded fair use under s12A.<sup>441</sup> Commentators praised the provision but also submitted that it should be amended to include references to both fair use and fair dealing.<sup>442</sup> Commentators also proposed that s28P(1) should allow for permitted acts relating to the production and sale of anti-circumvention devices.<sup>443</sup> This aspect has been addressed in the draft.<sup>444</sup> Interestingly, s28P now also includes a reference to s86 of ECTA. This seems like an attempt to create a link between copyright and the offences created by ECTA. Through this inclusion, it appears that s28P could be used to justify conduct insofar ordinarily prohibited by s86 of ECTA insofar as it relates to copyright.

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<sup>437</sup> See Chapter 3.4

<sup>438</sup> See s28O(6) of the Copyright Amendment Bill 2015 and Copyright Amendment Bill 2017 respectively.

<sup>439</sup> Commentary on the Copyright Amendment Bill at 60.

<sup>440</sup> Copyright Amendment Bill 2015, s28P(1).

<sup>441</sup> Section 28P(1)(a): ...a permitted act or an act that falls within the general public interest exceptions in sections,12, 13, 14, 15, 16, 17, 18, 19, 19A, 19B,19C,19D of this Act.

<sup>442</sup> Commentary on the Copyright Amendment Bill at 61.

<sup>443</sup> Schonwetter (2015) 41.

<sup>444</sup> Copyright Amendment Bill 2017, s28P(1)(a).

#### **4.3.3.2 Section 23(4), Section 23(6) And Section 27(5A)**

In terms of the initial draft, s23(4) introduced new offences for certain forms of conduct. These include but are not limited to the offence of engaging in prohibited conduct in respect of TPMs in terms of the act,<sup>445</sup> the offence of contravening TPM provisions in terms of the act<sup>446</sup> and quite interestingly, the offence of not granting permission for use of works the purposes of fair use.<sup>447</sup> Section 23(6) of the initial draft created the penalties for committing the new offences created in terms of s23(4). The penalty for committing the offences contained in s23(4) was imprisonment for not more than ten years or the payment of a fine not exceeding fifty thousand rand.<sup>448</sup> Additionally, Section 27(5A) criminalised dealing in circumvention devices.<sup>449</sup> The section was similarly worded to that of s28O.

Of the above three provisions, the most problematic ones were s23(4) and s23(6). The reason for this is threefold. Firstly, s23 deals with civil wrongs and does not contain criminal wrongs.<sup>450</sup> Commentators have accordingly called the placement of this section into question for this reason.<sup>451</sup> Secondly, the penalties contained in s23(6) come across as being quite excessive. The criminal sanction applied under normal circumstances under s27 is merely a fine not exceeding five thousand rand or imprisonment not exceeding three years.<sup>452</sup> The fact that the creation of circumvention devices carried a lower penalty than an act of circumvention is strange. If one looks at other jurisdictions such as the UK for example, the creation of circumvention devices is criminalised in terms of s296ZB of the CDPA but the act of circumvention under s296 does not carry criminal sanctions.<sup>453</sup> Finally, infringements traditionally warrant civil liability with criminal sanctions saved for only the most serious offences, such as those contained in s27 of the Copyright Act.<sup>454</sup> Commentators have rightfully criticised the approach as being medieval.<sup>455</sup>

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<sup>445</sup> Copyright Amendment Bill 2015, s23(4)(h).

<sup>446</sup> Copyright Amendment Bill 2015, s23(4)(e).

<sup>447</sup> Copyright Amendment Bill 2015, s23(4)(d).

<sup>448</sup> Copyright Amendment Bill 2015, s23(6).

<sup>449</sup> Copyright Amendment Bill 2015, s27(5A).

<sup>450</sup> Riby-Smith M 'South African Copyright Law – The Good, The Bad and The Copyright Amendment Bill' (2017) 12 *Journal of Intellectual Property Law & Practice* 216 223. Commentary on the Copyright Amendment Bill at 57.

<sup>451</sup> Commentary on the Copyright Amendment Bill at 57.

<sup>452</sup> Copyright Act 98 of 1978, s27(6)(a).

<sup>453</sup> Denoncourt (2015) 66.

<sup>454</sup> Riby-Smith (2017) 223.

<sup>455</sup> Commentary on the Copyright Amendment Bill at 58.

The new draft bill removed all references to s23(4)-(6), opting to replace it with a revised s23(1). In terms of s23(1) all the offences contained in the formerly proposed provisions were removed and replaced with acts that could infringe copyright.<sup>456</sup> As such, civil liability rather than criminal liability is now the point of departure. Quite pertinently, the section states that copyright will be infringed where an individual misuses copyright and TPMs so as to create a defence to copyright liability.<sup>457</sup> This is quite unique as even jurisdictions with more developed positions on DRMs and TPMs do not have a corresponding provision.

Section 27(5A) of the initial draft was replaced by introducing s27(7) in the new bill. Section 27(7) as the provision still criminalises the act of circumvention and the production of devices, but eliminates knowledge as a requirement, opting for an element of unauthorised permission to circumvent instead. As such, it bears a resemblance to that of s86(1) of ECTA.

The new draft bill should be commended for many of its changes. However, the fact that it still seeks to criminalise the act of circumvention is quite concerning. The circumvention of a TPM is generally geared towards a single infringing use that would under normal circumstances amount to primary infringement. This is generally not problematic and should attract nothing more than civil liability. The real problem actually comes in when the circumvention of a TPM will perpetuate secondary infringement. Under this circumstance, the attribution of criminal infringement would be justified. It is submitted that the drafters should therefore look to distinguish between primary and second infringement in order to determine whether circumvention will lead to criminal liability.

Overall, the new draft bill corrected some of the mistakes created by the initial draft. However, as noted there are still some aspects that need to be addressed. Under the next heading the position regarding the doctrine of first sale in South African Law will be considered.

#### **4.4 THE DOCTRINE OF FIRST SALE IN SOUTH AFRICAN LAW**

The doctrine of first sale was developed in the US case of *Bobbs-Merill v Macy & Co.*<sup>458</sup> The case concerned itself with the question of whether the right of distribution on the part of a

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<sup>456</sup> Copyright Amendment Bill 2017, s23(1).

<sup>457</sup> Copyright Amendment Bill 2017, s23(1)(e).

<sup>458</sup> 210 U.S. 339 (1908).



copyright extended beyond the first sale of the work.<sup>459</sup> The US Supreme Court ultimately found that the Copyright owner's right does not extend beyond the first sale thereof.<sup>460</sup> It was held that copyright legislation did not guarantee a right to control all future sales of copies of works.<sup>461</sup> Subsequent to the decision, the doctrine of first sale was codified as part of US Copyright Law in 1909.<sup>462</sup>

Moosa argues that a doctrine of first sale creates a whole new market for copyrighted works.<sup>463</sup> A modern example of this is the manner in which certain retailers sell previously owned video games in their stores.<sup>464</sup> Here the first owners of a physical copy of a video game can make money off their original purchases. Similarly, it would enable those who cannot traditionally afford the work to derive some benefit from it. While this may seem like a loss in the eyes of copyright owners, it is submitted that it may create goodwill and contribute to securing and strengthening brand loyalty for products and services.<sup>465</sup>

As previously stated, South Africa does not have a rights exhaustion regime for copyright akin to the doctrine of first sale. Karjiker notes that, as a member of TRIPS, South Africa is allowed to determine its own exhaustion regimes relating to Intellectual Property Rights.<sup>466</sup> The question of whether it is desirable to introduce a doctrine of first sale, or whether there might already exist an alternative equivalent in South African Law, is necessary as it may further affect the status of DRM in South Africa. Masango is of the opinion that while there is no express reference to the doctrine in the Copyright Act, the doctrine finds implicit acceptance, most notably in libraries, and that custom provides for it accordingly.<sup>467</sup> In order to see if such an argument holds any merit, it is important to analyse whether any statutes or other principles expressly provide otherwise.

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<sup>459</sup> *Bobbs-Merill v Macy & Co* 210 U.S. 339 (1908) at 343. See also Moosa RA 'Copyright and Property In The Digital Era: Achieving Functional Equivalence between Digital Property and Physical Property' (unpublished LLM Thesis, University of Pretoria, 2016) 18.

<sup>460</sup> *Bobbs-Merill v Macy & Co* 210 U.S. 339 (1908) at 351.

<sup>461</sup> *Bobbs-Merill v Macy & Co* 210 U.S. 339 (1908) at 351. See also Macmillan F *New Directions in Copyright Law Volume 6* (2007) 136.

<sup>462</sup> Moosa (2016) 19.

<sup>463</sup> Moosa (2016) 21.

<sup>464</sup> Both Cash Crusaders and BT Games sell second hand games at less than half the original price where they are pre-owned copies of the game.

<sup>465</sup> An analogous example would be the market for second-hand cars, where the quality and longevity of certain vehicles traditionally strengthen the reputation of the producer.

<sup>466</sup> Karjiker (2015) 650-651. See also Sinha KM & Mahalwar S *Copyright Law in the Digital World: Challenges and Opportunities* (2017).

<sup>467</sup> Masango CA 'The Fate Of The First Sale Doctrine On Scholarship With The Advent Of The Public Lending Right System In South Africa's Public Libraries' (2010) 28 *Mousaion* 153 154.

#### **4.4.1 The Copyright Act And The Patent Act**

Section 24 of the Copyright Act provides that, in a suit for copyright infringement, the owner of copyright will have all the remedies available to him or her that he or she would have had in cases where other property rights have been infringed.<sup>468</sup> Furthermore, s22 of the Copyright Act, which deals with the assignment and licencing of Copyright states that copyright shall be transmissible as movable property by assignment, testamentary disposition or by operation of law.<sup>469</sup> It appears from these two provisions that in certain cases, copyright obtains the same rights and remedies that tangible property would have. For example, the fact that copyright can be transmissible as movable property means that the rights that accompany the individual article would vest with the person who the property was transferred to. This appears to be a something akin to a rights exhaustion doctrine although not expressly identified as such.

In the Patents Act<sup>470</sup> there appears to be a rights exhaustion doctrine under s45(2).<sup>471</sup> In terms of this provision when a patented article is sold to a third party that party is given the right to use, the right to offer to dispose of and the right to dispose of that article to the exclusion of the original owner of the patent.<sup>472</sup>

Quite interestingly, the new Copyright Amendment Bill contains a provision relating to a rights exhaustion doctrine. In terms of s12B, the first sale of an original article or copy of an article in the Republic or internationally will exhaust the right of distribution and importation in respect of such original article or copy.<sup>473</sup> It should be noted that while this heading of the provision appears to only cover parallel importation of goods, the language used is wide enough to be construed as covering the sale of copyrighted goods as well. It is unsure whether or not the wording is unintentional, but it is nevertheless submitted to be a positive development, especially if the section is interpreted in such a manner that effectively introduces the doctrine into South African Law.

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<sup>468</sup> Copyright Act 98 of 1978, s24(1).

<sup>469</sup> Copyright Act 98 of 1978, s22(1).

<sup>470</sup> Act 57 of 1978.

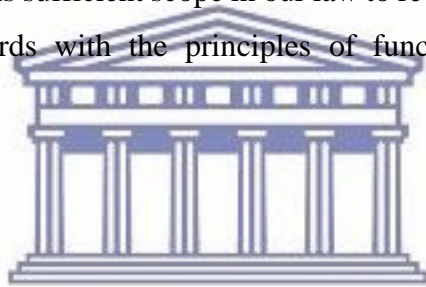
<sup>471</sup> Biago D 'Exhaustion of Rights and the Conditional Sale of Protected Articles' 2008 Spoor and Fisher available at <http://www.spoor.com/en/News/exhaustion-of-rights-and-the-conditional-sale-of-protected-articles/> (accessed on 20 April 2017).

<sup>472</sup> Patents Act 57 of 1978, s45(2).

<sup>473</sup> Copyright Amendment Bill 2017, s12B.

#### **4.4.2 Section 25 Of The Constitution – Property Clause**

Section 25 of the Constitution protects persons from being deprived of their property arbitrarily unless it is done in terms of a law of general application.<sup>474</sup> Property was interpreted to include Intellectual Property in the *Certification of the Constitution of the Republic of South Africa, 1996* case.<sup>475</sup> In terms of the common law, traditional property rights divided into either ownership rights or limited real rights.<sup>476</sup> Ownership Rights are considered to be the most comprehensive right in the law of property as all other rights in property law flow from it.<sup>477</sup> One of the most important ownership rights under the common law is the right of an owner to alienate the property.<sup>478</sup> Section 39 of the Constitution allows for the development of the common law in light with the spirit of the bill of rights,<sup>479</sup> while also giving credence to *inter alia* foreign law.<sup>480</sup> Given that property and intellectual property are protected in the same breath on a constitutional level, it is submitted that the same rules should apply in general. As such, it is submitted that there is sufficient scope in our law to recognise a doctrine of first sale. Such an approach also accords with the principles of functional equivalence and non-discrimination.



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#### **4.5 CONCLUSION**

The main purpose of this chapter was to consider the status of TPMs and DRMs in South African Law. As noted, the approach put forward by Pistorius, while a popular view, is untenable and far stricter than even the position in the USA.<sup>481</sup> The application of s86 in this area is too far reaching and upsets the delicate balance that copyright seeks to achieve.

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<sup>474</sup> The Constitution of the Republic of South Africa 1996, s25(1).

<sup>475</sup> *Certification of the Constitution of the Republic of South Africa, 1996* (CCT 23/96) [1996] ZACC 26 at 48. See also Dean OH 'The Case For The Recognition Of Intellectual Property In The Bill Of Rights' (1997) 60 *THRHR* 105 where the author Dean argues that Intellectual Property should, like in the American Constitution be protected in a separate provision rather than included in property. See also Van Der Walt AJ *Constitutional Property Law* (2011) 146. For more information regarding intangible property and the constitution see Kellerman M 'The Constitutional Property Clause and Immaterial Property Interests' (Unpublished LLD Thesis, University of Stellenbosch, 2011).

<sup>476</sup>Badenhorst P & Pienaar J (2010) *The Principles of The Law of Property in South Africa* 42-43.

<sup>477</sup> Badenhorst & Pienaar (2010) 43.

<sup>478</sup> Badenhorst & Pienaar (2010) 94.

<sup>479</sup> Constitution of the Republic of South Africa 1996, s39(2).

<sup>480</sup> Constitution of the Republic of South Africa 1996, s39(1).

<sup>481</sup> Visser(2006) 62.

In the initial draft amendment bill, the position did not seem to improve the *status quo*. Seemingly, drafters did not properly understand the nuance and issues related to digital copyright. The second draft improved on many aspects, but some provisions are still redundant while others remain potentially problematic. The fact that the new bill still seeks to criminalise the act of circumvention does not do it any favours. It should however be commended for generally adopting a more technologically neutral approach, especially with regard to fair use.

From the above discussion, it is submitted that the introduction of a doctrine of first sale in South African Law is both desirable and warranted. Seemingly, s12B of the new draft Copyright Amendment Bill introduces the doctrine, which is to be welcomed.

Due to the nature of certain types of works, for example books and music records, the alienation of rights is inherent in their sale. It is submitted that this should also be true for digital works, such as licences to computer software or even a licence to an mp3 file. An eBook<sup>482</sup> and a tangible book should be treated the same as they serve the same purposes. Assuming that means can be created to ensure that copyright owners' rights are protected, an approach that gives credence to principles of functional equivalence approach, technological neutrality and non-discrimination would mean that when the doctrine of first sale is introduced, it should not distinguish between physical and intangible products.

In the instance where s12B of the draft amendment bill is removed or clarified, it is submitted that it is only a matter of time before a case comes forward and the courts will be called upon to look at whether the doctrine of first sale applies in South African Law. It is submitted that the courts should not only find that it does apply, but also that an approach similar to that in *UsedSoft* should be adopted in the case of digital copies of works.

The next chapter will deal with the final observations under this thesis as well as make recommendations as to how the position regarding TPMs and DRMs can be improved.

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<sup>482</sup> For more information, as to how eBooks work in the digital environment, see Synodinou T 'E-Books, A New Page In The History Of Copyright Law?' (2013) 4 *E.I.P.R.* 220.

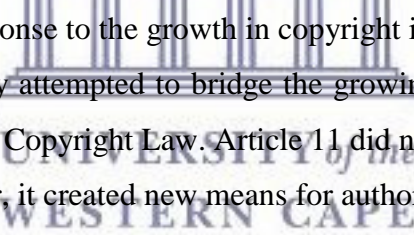
## CHAPTER FIVE

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### 5.1 INTRODUCTION

The age of technology has caused quite a few headaches for Copyright Law and Intellectual Property Law in general. This is illustrated by the fact that copyright protection has increasingly become diluted by the internet. Copyright infringement has become as normal as walking across the street. While TPMs and DRMs appeared to be the solution to the problem of internet piracy, it came with its own myriad of problems. This thesis has identified these issues and highlighted possible solutions to these problems. In this chapter, conclusions will be drawn regarding the various issues identified within the thesis and further recommendations will be made regarding future regulation in South Africa.

### 5.2 CONCLUSIONS



The WCT came about as a response to the growth in copyright infringement over the internet. Article 11 and 12 of the Treaty attempted to bridge the growing gap between the growth in technological development and Copyright Law. Article 11 did not attempt to create new rights for copyright holders.<sup>483</sup> Rather, it created new means for authors to manage and enforce their rights.<sup>484</sup> The same can be said for Article 12. This is important as this shows that the protection that was afforded to authors in terms of the DMCA and the Information Society Directive should not have actually gone beyond the scope of copyright protection. This research has demonstrated that DRM protection often goes well beyond the necessary scope of protection.

In the USA, the DMCA created quite a comprehensive position relating to DRM. As highlighted in both Chapter Two and Chapter Three, the DMCA has been the subject of some considerable debate. One of the primary criticisms levelled against it is the fact that it fails to sufficiently link the circumvention of DRMs to copyright infringement.<sup>485</sup> This has been illustrated in cases such as *Universal City Studios Inc v Reimerdes* and *Universal City Studios Inc v Corley*. These cases have been criticised as not taking note of end-user rights as in both

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<sup>483</sup> Reinbothe & Von Lewinski (2015) 171.

<sup>484</sup> Reinbothe & Von Lewinski (2015) 171.

<sup>485</sup> See Chapter 3.3.



cases the courts refused to acknowledge the effect that DRMs have on the doctrines of fair use and fair dealing.<sup>486</sup> All in all, the DMCA remains one of the most criticised pieces of legislation with regard to DRMs, but the triennial rule making process has been shown to mitigate and address some of this criticism. It is submitted that this review process is important for the purposes of certainty in the law relating to DRMs as it will continually adapt to changes in technology. Therefore, this could be a solution to bridging the gap between the law and technological innovation. South Africa should consider implementing a process similar to this for the aforementioned purpose.

The EU is no better off in this regard. Article 5 of the Information Society Directive has often been criticised for its optional approach to exceptions. As pointed out in Chapter Three, this has then led to member states cherry-picking the exceptions in favour of their national laws.<sup>487</sup> Scholars have criticised this position and has even called into question the reason for the existence of the directive.<sup>488</sup> However, in the *PC Box* case, the CJEU stated that while authors and rights owners are within their rights to protect copyrighted works with TPMs and DRMs, this protection cannot exceed more than the necessary protection of works.<sup>489</sup> This is important as it has been a recurring theme in this research that most DRM usage exceeds the scope of its intended protection. This has been illustrated in the cases where anti-competitive effects arose, as discussed in Chapters Two and Three.<sup>490</sup> These cases have also quite importantly illustrated the fact that DRMs cannot be used as tools to perpetuate anti-competitive conduct within the market.<sup>491</sup>

The aim of this research was to assess the current situation regarding DRMs in South African Law. It has been argued that s86 of ECTA appears to cover the position relating to DRMs. The reason behind this is that s86 is the only provision currently that deals with some form of circumvention measures. While this has been the view of authors like Pistorius and Visser, this position is stricter than that of the USA or the EU,<sup>492</sup> and this thesis submits that it is not a wholly correct view for a variety of reasons. As noted, there is direct evidence that this was not the intention of the legislature at the time of drafting. Furthermore, s86 knows no exceptions

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<sup>486</sup> See Chapter 3.3.1 and 3.3.2.

<sup>487</sup> See Chapter 3.5.

<sup>488</sup> See Chapter 3.5.

<sup>489</sup> See Chapter 3.4.1.1.

<sup>490</sup> See Chapter 2.3.3.2, 3.3.4 and 3.3.5.

<sup>491</sup> See Chapter 3.3.4 and 3.3.5.

<sup>492</sup> Visser (2006) 37

nor does it even appear to always be compatible with copyright.<sup>493</sup> This is due to the fact that a sufficiently direct link between s86 and copyright infringement cannot always be drawn.<sup>494</sup> Therefore, it is submitted that this cannot simply be the be-all and end-all of the South African position regarding DRMs.

As highlighted in the previous chapter, the first iteration of the amendment bill was far from ideal. It is submitted that some of the changes it proposed to make were unnecessary.<sup>495</sup> The manner in which DRMs were sought to be introduced comes across as quite severe. As pointed out, the fact that the production of circumvention devices initially carried a lesser penalty than that of the act of circumvention was strange as in most jurisdictions the act of circumvention is merely just dealt with in civil actions.<sup>496</sup> Additionally, the fact that the new bill, like the old one, still seeks to criminalise the act of circumvention is quite problematic. A more appropriate approach would be to distinguish between primary circumvention and secondary circumvention.<sup>497</sup> As the name suggests, primary circumvention would denote the instance where the act of circumvention is tied to primary infringement and secondary circumvention would cover the instance where the act of circumvention is tied to secondary infringement.<sup>498</sup>

It is submitted that the inclusion of the proposed s28P, which governs the exceptions to the circumvention of TPMs appears to be a good attempt at recognising the fact that DRMs will affect the ability of end users to take advantage of their rights. Under the new bill, a reference is included in s28P is made to s86 of ECTA which, it is submitted, is completely unnecessary. Introducing fair use into the law is commendable as it means that South Africa would have a rights doctrine that can adapt to technological innovation. Even more so, the fact that the drafters of the new bill used neutral language in s12(1)(a) indicates that the section will cover both digital and analogue works. However, the section is not without fault as it does not seem to distinguish between fair dealing and fair use in terms of the factors needed to consider whether an act falls within the realms of fair use.<sup>499</sup> As fair use is arguably wider than fair dealing, the bill should ideally have distinguished between fair use and fair dealing.

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<sup>493</sup> See Chapter 4.2.2.1

<sup>494</sup> See Chapter 4.2.2.3.

<sup>495</sup> See Chapter 4.3

<sup>496</sup> See Chapter 4.3.3.2.

<sup>497</sup> See Chapter 4.3.3.2.

<sup>498</sup> See Chapter 4.3.3.2.

<sup>499</sup> See Chapter 4.3.2.

This thesis also looked at the possibility of incorporating a rights exhaustion doctrine similar to the doctrine of first sale into South African Law. Taking note of what happened in both *ReDigi* and *UsedSoft*, it is important that such a doctrine is recognised in the law as it not only rightfully limits the influence that a copyright author has over their works but can also lead to the creation of secondary markets.<sup>500</sup> Additionally, there is scope in the law for its introduction given that the Constitution and the Copyright Act see copyright as equivalent to tangible property and afford it similar rights and remedies under certain circumstances.<sup>501</sup> This is further supported by the fact that s12B of the new bill introduces a rights exhaustion doctrine, seemingly for the purposes of parallel importation but which on a proper reading goes far beyond that scope. It is submitted that this effectively introduces the doctrine into South African Copyright Law, albeit possibly unintentionally, and this should be welcomed.

### **5.3 RECOMMENDATIONS**

The following is a summary of the recommendations contained in this thesis that can assist in the future regulation of DRMs in South Africa.



#### **5.3.1 Fair Use And Fair Dealing**

Fair use should become the overarching consideration when it comes to exceptions to infringement, whereas fair dealing can remain as a determining factor allowing for certain uses. This will provide courts with an opportunity to adapt the exceptions already defined in terms of the fair dealing provisions in the case of rapid developments in the law. To this end, the reference to fair dealing under s12(1)(b) of the new amendment bill should be removed in order to ensure that fair use and fair dealing are distinguished from one another.

#### **5.3.2 Redraft Certain DRM Provisions Within The New Bill**

The DRM provisions of the bill should be redrafted and brought in line with the goals of the WCT. The references to s86 of ECTA should be removed in its entirety as it has nothing to do

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<sup>500</sup> See Chapter 4.4 and Moosa (2016) 45.

<sup>501</sup> See Chapter 4.4.1 to 4.4.3

with Copyright Law. Further, the act of circumvention should be decriminalised in totality or a distinction should be drawn between primary circumvention and secondary circumvention with criminal liability accruing to conduct of the latter. Further emphasis should be placed on the fact that DRM protection should not exceed more than what is necessary to protect, namely the rights of authors abuse by unlawful users. South Africa should take note of the problems that have arisen in the EU and the USA as a result of their regulation of DRMs as these jurisdictions have the most authority in these positions.

### **5.3.3 The Implementation Of A Triennial Rule Making Process**

It is submitted that South Africa adopts a triennial rule making process similar to that of the USA. Essentially, every three years or so the government will engage in with various interested parties to ascertain if the general public can take advantage copyrighted works through fair use and other non-infringing uses.<sup>502</sup> During this process the anti-circumvention measures will be reviewed in order to determine whether the provisions are still appropriate for their purposes. This can easily be done by simply having the provisions of the amendment bill provide a framework in relation to TPMs and DRM, having regulations deal with specific aspects, and having the act bind the relevant minister to a period revision of the regulations.



### **5.3.4 The Implementation Of A Rights Exhaustion Doctrine**

A rights exhaustion doctrine such as the doctrine of first sale should be introduced into the law as it without it copyright authors could control the distribution of the works beyond the first sale thereof. As illustrated by *Bobbs-Merill* and *UsedSoft*, it is not within their rights as authors to be able to control the distribution of their works after the first sale. As such, it is submitted that s12B should be clarified, alternatively given its ordinary meaning when interpreted by courts, to effectively introduce a doctrine of first sale into South African Copyright Law.

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<sup>502</sup> See Chapter 3.2.3.

## **5.4 FINAL CONCLUSION**

This thesis has illustrated that the position relating to DRMs will always be a challenge as long as technology continues to grow. New ways of diluting copyright protection are emerging rapidly. It is therefore important that the law keeps up with these dramatic changes. The law needs to be flexible in order to be able to adapt to these changing circumstances. If this does not happen, copyright may end up becoming an inappropriate method of protection for digitised works. The principles of Information and Communications Technology Law may aid in preventing this from happening. However, this thesis has also demonstrated that judges are at times unwilling to embrace these principles. The reasons behind this may vary, and are never fully known. It is submitted that jurists, including the judiciary and the legislature, should pay greater attention to these principles as many of the problems that are plaguing the law due to the conflict between the law and technology can be solved by applying these principles. A good example of how these problems can be avoided is by looking at the new draft Copyright Amendment Bill. The provisions are phrased in such a manner that it makes it easy to interpret them as being technologically neutral.

It is possible that DRM and TPMs will continue to be problematic given the inherent imbalance between Copyright authors and users. Whether or not this will be addressed largely depends on both the knowledge and the values adopted by drafters of the laws governing these issues. One can surely wish that the position, over time, becomes better rather than worse. For now, it seems that South Africa is, at the very least, finally on the right track.

(Total Word Count: 31671 Words)



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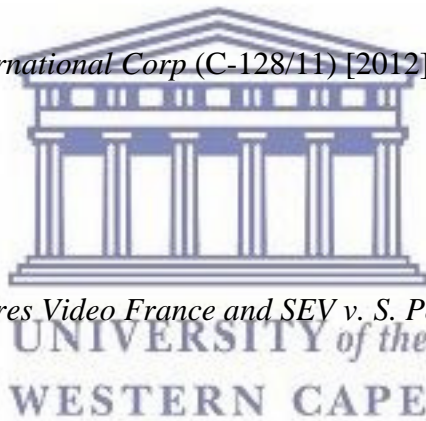
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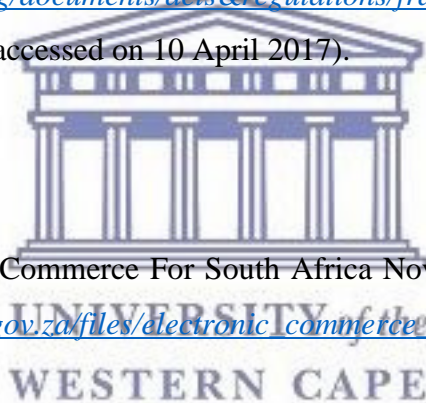
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