

South African Legal Expert Assessment of IIPA Petition of 18 April 2019, in respect of South African Copyright Amendment Processes

Executive Summary

The petition by the International Intellectual Property Association to the United States Trade Representative dated April 18, 2019 is based on flawed claims about South African law. Although the petition makes broad claims about the protection afforded to intellectual property in South Africa it relies almost entirely on reading the Copyright Amendment Bill in isolation. The result is a number of mistaken claims about South African law as a whole which undercut the complaints in the petition. In rejecting the claims in the petition the United States Trade Representative should make clear that it is entirely legitimate for countries that benefit under the General System of Preferences to include fair use provisions in their copyright laws.

Introduction

This submission is an assessment of the claims made in the IIPA Petition of 18 April 2019 in respect of South Africa, conducted by an independent expert trained in both South African and United States Copyright law, whether the claims made by the petition about South African law and practice are accurate and appropriate. It refers to international intellectual property law and United States copyright law where appropriate.

The petition focuses largely on pending legislation; the Copyright Amendment Bill 2016 and the Performer's Protection Bill 2016. Although these bills have been passed by the South African Parliament neither has yet been signed by the President and so neither is in force. When they are signed into force they will be supplemented by required delegated rule making, referred to in the South African legal system as 'regulations'. The legislation and regulations will be applied by the Companies and Intellectual Property Commission, the South African Police Services and customs

authorities and interpreted by the Copyright Tribunal and other courts. Speculation about how the legislation will be applied and interpreted is thus premature.

Although it claims that South Africa's current intellectual property laws give inadequate protection to US rights holders the petition fails to take into account important existing provisions and procedures of South African law. The assessment first sets out the remedies available to copyright owners in the South African legal system since these are central to issues raised by the petition. With an understanding of the full range of remedies and associated measures in South African law in place various claims made in the petition are assessed.

Criminal and Civil Remedies

An understanding of the existing civil and criminal remedies available to copyright holders, and how the Copyright Amendment Bill and Performer's Protection Amendment Bill add to these remedies is essential to a true assessment of the amendments. Current copyright legislation, the 1978 Copyright Act gives rights holders both civil and criminal remedies. In addition to the Copyright Act, the Counterfeiting Act and the Electronic Communications Act also give remedies to copyright holders.

Civil Remedies

Section 24 of the 1978 Copyright Act sets out civil remedies. A copyright holder can recover damages from an infringer, alternatively the rights holder may choose to recover a reasonable royalty. According to the general principles of South African law a copyright holder can recover as damages losses he suffered as a result of an infringement. But it is not always possible for a right holder to calculate lost sales, or licensing revenue lost as a consequence of infringement. To deal with this problem section 24 (3) creates an additional category of damages. Section 24(3) provides:

“(3) Where in an action under this section an infringement of copyright is proved or admitted, and the court having regard, in addition to all other material considerations, to -

- (a) the flagrancy of the infringement; and
- (b) any benefit shown to have accrued to the defendant by reason of the infringement, is satisfied that effective relief would not otherwise be available to the plaintiff, the court

shall in assessing damages for the infringement have power to award such additional damages as the court may deem fit.”

The courts would not have had the jurisdiction to grant damages for purposes other than compensation for demonstrated loss if it were not for section 24(3). Section 24(3) thus introduced an additional category of damages, a species of statutory damage. The petition is thus incorrect when it states that South African copyright law does not include statutory damages because it has done so since 1978. A rights holder need not elect between damages and reasonable royalties at the outset. It is only once infringement has been proved that the appropriate remedy is determined. For example in the recent case of *Moneyweb (Pty) Limited v Media 24 Limited and Another* (31575/2013) [2016] ZAGPJHC 81 the court first determined copyright liability, and authorized a further hearing on damages.

In addition to a claim for damages or a reasonable royalty, and statutory damages, a rightsholder can obtain injunctions, which are referred to as interdicts in South African law, seizing infringing copies, and prohibiting an infringer from making or distributing copies. Tools or other means of producing infringing copies may be seized and forfeited to a rights-holder without compensation to the infringer. A rights holder can obtain an order on application without notice to an alleged infringer which enables the sheriff to seize and hold suspected infringing copies and the means of production of infringing copies pending an infringement action. This remedy is referred to as an *Anton Piller* order after the eponymous English law precedent¹ followed by South African courts.

The Copyright Amendment Bill introduces additional categories of infringing acts giving rise to civil liability. These include tampering with copyright management information and abuse of technical protection measures to avoid liability. The petition incorrectly suggests (on page 18) that there is no civil penalty for circumventing technical protection measures. However section 26 of the Copyright Amendment Bill amends section 23 of the Copyright Act which sets out which the acts infringe copyright to add certain acts in respect of rights management information and technical protection measures to the list of acts infringing copyright.

¹ *Anton Piller KG v Manufacturing Processes Ltd & Ors* [1975] EWCA Civ 12, [1976] 1 All ER 779 (8 December 1975)

In addition to the remedies in copyright legislation the Counterfeit Goods Act 1997 provides for a rights holder to complain to the authorities, and for the authorities to search for and seize suspected counterfeit copyright copies, pending civil or criminal proceedings. Customs authorities may also seize suspected counterfeit copyright copies. The Counterfeit Goods Act provides that counterfeit copies, packaging and means of production can be forfeit to rightsholders, and for compensation to be paid by counterfeiters to innocent purchasers of counterfeit goods which surrender them.

Criminal Remedies

Section 27 of the Copyright Act criminalizes the intentional infringement of copyright. The section criminalizes distribution of infringing copies for purposes of trade but also “for any other purposes to such an extent that the owner of the copyright is prejudicially affected” (section 27(1)(f)). Intentionally infringing public performance and broadcast rights are also criminal offenses.

The Counterfeit Goods Act also created criminal offenses. Intentional or knowing counterfeit copying, dealing in counterfeit copies and distribution of counterfeit copies for trade or to the prejudice of the rightsholder are all criminal offenses.

The Electronic Communications and Transactions Act 2002 created an offense functionally equivalent to copyright prohibitions on circumvention; section 86 prohibits unauthorised interference with technical protection measures.² As a result it was not strictly necessary for the Copyright Act to be amended to include specific anti-circumvention provisions however some rights-holders lobbied for additional anti-circumvention provisions to be included in the Copyright Act itself, and the legislature obliged. Since the Electronic Communications and Transactions Act provides that unauthorised acts are unlawful it is not necessary for the Copyright Amendment Act to use the term unauthorised rather than unlawful as claimed in the petition.

The Copyright Amendment Bill introduces additional criminal offenses. These include new offenses for circumventing technical protection measures, supplying the means of circumvention of technical

² See T. Pistorius, *Developing Countries and Copyright in the Information Age The Functional Equivalent Implementation of the WCT*, 9 POTCHEFSTROOM ELECTRONIC LAW JOURNAL/POTCHEFSTROOMSE ELEKTRONIESE REGSBLAD (2006).

protection measures and tampering with copyright management information. The Bill dramatically increases the penalties for all criminal infringements. The Bill introduces a minimum sentence for corporations of ten percent of the corporations annual turn over for each infringement, thus discouraging infringement by those infringers who might regard the set fines as trivial.

Rights holders can use criminal procedures to effectively enforce their rights. Sections 7 & 8 of the Criminal Procedure Act 1977 authorize private prosecutions of criminal offenses. But whether or a not a prosecution is private prosecution or not the rights holder can apply to the court for compensation in terms of section 300 of the Criminal Procedure Act. Compensation may be paid by a court to a victim of a crime who has suffered monetary loss in lieu of a civil damages award. A rights holder may thus be able to receive compensation for infringement without incurring the costs of pursuing a civil claim.

Costs and Defenses

South African law inhibits unfounded defenses through its cost rules. The general rule, set out in *Ferreira v Levin NO and Others; Vryenhoek and Others v Powell NO and Others* (CCT5/95) [1995] ZACC 13, is that the successful party recovers their costs. In other words South African courts follow what the US legal system terms the 'English Rule' although South African law traces this rule not to English law but to the Twelve Tablets³. Thus if a rights holder sues for infringement and the defendant unsuccessfully raises fair use as a defense the rights holder will recover their costs, including the costs of fighting the fair use claim. Where a party raises a defense in bad faith a court may impose costs on a more onerous scale. If costs are increased through the misconduct of attorneys, such as the raising of a specious defense, then a court may require the attorneys to pay the costs of the opposing party *de bonis propriis*. The costs provisions of South Africa law are thus a more than adequate deterrent against unfounded defenses based on exceptions, whether fair dealing or fair use.

³ Twelve Tablets (XII Tab. Tab VI. Cicero De Off 3.65) and Gaius. IV. 171, see also L P Runbin, W P Standford, *The Sources of South African Law of Costs*, 65 S. African L.J. 387 (1948)

Claims in the Petition

“importation of the U.S. “fair use” rubric”

The petition objects to South African law incorporating a provision copied from US law claiming that this does not comply with the requirement of the GSP Renewal Act of 1996. But how could fair use, which the United States Supreme Court has ruled in *Eldred v Ashcroft*⁴ is essential to the constitutional validity of US Copyright law not be compliant with the GSP Renewal Act of 1996? The petition never explains how a constitutionally required provision in US federal law could be treated as failing to meet the requirements of another US federal law. Nor does it explain how a federal agency could effectively overrule the Supreme Court by making such a claim.

The petition complains that fair use is accompanied with specific detailed exceptions. The petition also complains that without the decades of precedent which the the United States has to guide court decisions that the application of fair use will be uncertain. In other words the IIPA objects to fair use because it does not have the detail of specific exceptions and also objects to specific exceptions because they are detailed. The petition contradicts itself.

Fair use precedents are available in the South African system. South African courts can can draw readily on the extensive precedents in United States law. Perhaps because South Africa is a relatively small jurisdiction its courts have routinely adopted precedents from other Anglo-American common law jurisdictions. A telling example of the willingness of South African courts follow to precedent from Anglo-American common law jurisdictions in respect of intellectual property is the granting of Anton Piller orders already discussed. Since the South African courts have granted this extraordinary ex parte remedy to protect trademarks, copyright and trade secrets there is every reason to anticipate that they will . draw on precedents from the United States and other jurisdictions such as Singapore which have adopted fair use. Moreover South African courts routinely engage in multi-factor analysis of the kind required by fair use, for example the limitations analysis required by section 36 of the Bill of Rights.

⁴ *Eldred v. Ashcroft*, 537 U.S. 186 (2003)

In its criticism the petition also claims that South Africa does not have statutory and punitive damages without explaining the relevance of this to fair use. There does not appear to be a link between fair use and statutory damages in United States law. But even if there were a link between fair use and statutory damages the petition is simply incorrect on South African law. As discussed the 1978 Copyright Act already contains a statutory damages provision which includes a punitive element.

“broad new exceptions and limitations”

In addition to complaining about fair use the petition complains that they are accompanied by detailed exceptions and limitations. But the United States itself takes the same approach: immediately after §107 of Title 17, §108, §109, §110, §111, §112 set out limitations with §110 containing a number of distinct limitations; §117, §118, §121, §121A and 122 also set out limitations. Many of these are for similar purposes as the exceptions in the Copyright Amendment Bill; for libraries and archives, to enable online instruction and to enable the making of accessible copies for visually impaired persons. If this approach is acceptable in United States copyright law the United States Trade Representative cannot declare it to be unacceptable in South African law.

The petition complains that the exceptions in Section 12B(1)(i) and 12B(2) which authorize individuals to make copies for personal use in certain circumstances are “private copying without any remuneration for rights holders, which is out of step with international norms”. However United States copyright law permits private copying without remuneration both under fair use and several other limitations, thus so doing so cannot be out of step with international norms. The petition speculates that Section 12B(1)(f) “could be interpreted too broadly”. However it provides no basis for this speculation. Section 12C authorizes transient or incidental copies or adaptations which are an essential part of a technical process for the lawful use of a work. The petition claims that the word ‘lawful’ should have been authorized. However that would prohibit incidental copies for other lawful uses such as the reproduction of a copyright work in judicial proceedings.

The petition takes issue with a new exception to be introduced by the Copyright Amendment Bill, section 19B which permits the non-profit making of accessible format copies by prescribed entities for use by persons with disabilities and also allows persons with disabilities to import or export a

legal copy or an accessible format copy. Although this is remarkably similar to 17 U.S. Code § 121A the IIPA is dissatisfied.

“F. Section 19D provides an exception provision for persons with disabilities, as defined to mean essentially disabilities that relate to the ability to read books. This would benefit from tighter drafting. While South Africa is not a signatory to the Marrakesh VIP Treaty, it would be prudent to bring provisions designed to facilitate access for visually impaired persons in line with the Treaty by including the requirement that the exception may apply only to authorized entities.” (page 17 of petition, numbered as page 72)

This suggests that the *Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled* (2013) requires countries to use the specific phrase “authorized entity” when describing an entity that meets the requirements of the treaty. However the test of whether the section is in line with Marrakesh is not whether it uses precisely the same words as the treaty.

“overly regulated licensing mechanisms” and “restrictions on the freedom of rights holders to contract in the open market”

In these categories the petition complains of Sections 22(b)(3) of the Copyright Amendment Bil, and Section 3A(3)(c) of the Public Performer’s Protection Bill because these limit the term for assignment of copyright in literary and musical works, and performers’ rights in sound recordings respectively to twenty five years. But international copyright treaties such as the Berne Convention, the Agreement on Trade-Related Aspects of Intellectual Property Rights and the WIPO Copyright Treaty don’t take issues with such provisions, which is why the copyright reversion provisions in United States copyright law have not been impugned.

The petition expresses concern that section 8A of the Copyright Amendment Act requires that performers be paid royalties, as opposed the possibility of a lump-sum payment, when the copyright holder in an audio-visual, which includes the performance, exercises the copyright in that audio-visual work. But section 8A is made subject to the Performer’s Protection Act, which, as amended by the Performer's Protection Amendment Bill will provide in Section 5(4) that a performer may receive either a royalty or equitable remuneration. The latter term is undefined but since it is an alternative to a royalty it seems that single payment is contemplated. The bills also stipulate that these provisions will be subject of elaboration in delegated rule making, which may define equitable remuneration to include a lump sum payment.

Section 39B(1) which prohibits contractual terms that seek vitiate copyright legislation is characterized by the petition as prohibiting contractual workarounds to problems which might arise with respect to provisions of copyright legislation. However the section renders contractual provisions which purport to prohibit the use of statutory exceptions void, and treats blanket waivers of protections afforded to authors similarly. Since, as the petition admits, rights may be licensed and assigned this section properly understood permits contracting around the provisions of the legislation while preventing contractual ouster.

The petition also complains about the power of the Minister of Trade and Industry to prescribe regulations, including regulations that affect the terms of contracts (section 39 of the Copyright Amendment Bill and Section 3A(3)(a) of the Performer's Protection Bill. However this provision, together with the royalty and equitable remuneration provisions in the Copyright Amendment Bill and Performer's Protection Bill are responses to the requirements of South African law. In its report the Copyright Review Commission chaired by Judge Farlam found that musical composers and musicians were subject to exploitative contracts. Given the history of South Africa those most likely to be exploited are black musicians. The South African state, including the legislature is obliged by section 9 of the Constitution read with section 7(2) requires to take steps to prevent laws and actions that have the effect of discriminating on grounds of race. The provisions on licenses and contract terms are such steps. International intellectual property law does not prohibit regulation of licensing or contracts. But it does require countries to respect the way that other countries comply with a long established norm, strongly defended by the United States in international fora that a country may implement intellectual property treaties in accordance with its legal systems. This norm has been codified in the very first article of the Agreement on Trade-Related Aspects of Intellectual Property Rights which provides: "Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice." South Africa has determined that the appropriate method of implementing the provisions of TRIPS in accordance with the requirements of its constitution is through the regulating certain aspects of licenses and assignments of copyright and performer's rights.

“Inadequate criminal and civil remedies for infringement”

As shown earlier there are extensive criminal and civil remedies for copyright infringement in the South African legal system and the Copyright Amendment Bill will add additional remedies. The petition complains “criminal fines provided will not assist copyright owners in recovering their losses from infringement, as the money does not go to them” apparently in ignorance of section 300 of the Criminal Procedure Act 1977 which authorizes compensation orders for rightsholders who have suffered monetary loss. In other words in direct contradiction to what the petition states South African criminal proceedings can enable copyright owners to recover their losses. The petition claims that the bill should have contained new damages provisions for online infringement but existing remedies including the statutory remedy in section 24(3) apply to online infringement. The IIPA petition claims a global increase in online infringement but without any evidence that any of the alleged online infringement takes place in South Africa and thus without evidence that South African law is inadequate.

“Inadequate provisions on technological protection measures”

The technical protection measures, or more accurately anti-circumvention measures in the Copyright Amendment Bill implement Article 11 of the WIPO Copyright Treaty which provides:

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.

The IIPA 301 submission demanded that the definition in section 1(h) should describe a technology as restricting infringement “in the normal course”. The definition now contains the desired phrase so there is no longer cause for complaint.

The Copyright Amendment Bill defines ‘technological protection measure circumvention device’ as “a device primarily designed, produced or adapted for purposes of enabling or facilitating the circumvention of a technological protection measure”. But the petition quibbles with this definition,

it wants the definition to include any device that has “only a limited commercially significant purpose or use other than to circumvent TPMs”. However this is not necessary to meet the requirements of the WIPO Copyright Treaty since the act of circumventing a technological protection measure is itself criminalized and the criminalization of devices is a supplementary measure. It would also criminalize technologies that are not commercially significant in South Africa but are used by South Africans in the exercise of their constitutional rights, for example disabled persons using technologies to access reading materials. It would not survive constitutional scrutiny and it not required by international law. The petition also states that the definition of ‘technological protection measure circumvention device’ should include devices advertised for the purposes of circumvention. Devices which enable circumvention are already within the definition so the only category of devices are those that don’t enable circumvention but are advertised as doing so. Prevention of circumvention does not rely on preventing the advertising ineffective technologies.

The petition also complains that the provision in S28O which permits circumvention for purposes of performing acts permitted by law is inadequately defined. However the section refers to an “act permitted in terms of any exception provided for in this Act”. This is clear, it refers to any act authorized by the legislation. For example circumvention is permitted by section 19D which authorizes the making of copies for visually impaired persons. The petition seems somewhat confused at this point because it suggests that this provision should meet the three step test. However this provision simply ensures that the anti-circumvention provisions prevents don’t render the exceptions in the legislation meaningless wherever technological protection measures are being used. In other words it is not itself an exception to copyright but a provision to ensure technological neutrality for exceptions. The exceptions set out elsewhere in copyright legislation must meet the requirements of the three step test, which they do.

The petition also misreads section 28O(1)(b) to suggest that a defendant could defeat a charge of owning or providing a prohibited circumvention device. But the section requires that the technology must be designed primarily to enable an act permitted by law. This is in accordance with the WIPO Copyright Treaty which requires only that circumvention to perform acts not permitted by law be prohibited.

Conclusion

The petitions speculate how recent amendments to South African copyright and performer's protection might possibly be interpreted but fails to take into account existing intellectual property, criminal law and procedural safeguards for copyright holders. As a result the petition misstates South Africa law at several points. Accordingly the complaints in the petition should be found to be neither valid nor reasonable. The United States Trade Representative should make it clear that South Africa's adoption of fair use from the United States is well within the bounds of required intellectual property protection.

Author

Dr. Andrew Rens is an expert on copyright law trained in United States and South African copyright law. He was awarded a doctorate (SJD) by Duke University for research on copyright and educational materials. Dr. Rens also researched intellectual property issues affecting the Internet of Things and AI at the Internet Governance Lab at American University. He earned BA, LLB and LLM degrees at the University of the Witwatersrand, and a practicing attorney in South Africa.