

**LEGAL ANALYSIS OF FAIR DEALING RELATING TO MUSIC WORKS IN THE
DIGITAL ENVIRONMENT**

by

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Abstract

Many people might think that downloading music without paying for it is not a big issue. Copyright owners disagree with this kind of reasoning because to them, music is intellectual property with substantial commercial value. Copyright law is the primary form of protection for intellectual property and is based on the fundamental principle that copyright works cannot be reproduced without the express consent of the copyright owner.

During the late 90's however, new technology made it possible for millions of people to download music from the Internet without the express consent of copyright owners. The mere act of downloading songs illegally violates the exclusive right of the copyright owner to reproduce the work. It has also created problems within copyright law that was not foreseeable in the 17th century when the Statute of Anne was enacted.

In law, there is always an exception to the rule and it is no different with copyright law. Although copyright owners have the exclusive right to reproduce their work, the general public has been granted exceptions to make fair dealing of copyright works for private or personal use, purposes of research, private study, criticism, review or for reporting current events in a magazine, newspaper or periodical, broadcasting or by using the work in a cinematograph film by virtue of s12 of the Copyright Act 98 of 1978.

However, the list of exceptions supra may be changed and/or extended, provided that it remains in line with the international conventions and agreements that South Africa is a member to.

The three-step test is inter alia provided for in Art. 9(2) of the Berne Convention¹ (Paris Text of 1971) and permit exceptions to the reproduction right of the copyright owner:

- 1) in certain special cases;
- 2) that do not conflict with the normal exploitation of the work and;
- 3) that does not unreasonably prejudice the legitimate interests of the author/rights holder.

S17 provides that certain subsections of s12 shall apply mutatis mutandis with reference to sound recordings. However, s12(1)(a) is not one of the subsections mentioned in s17 which means that fair dealing in sound recordings for purposes of research or private study, or for personal or private use is NOT permitted.

Fair dealing however, is not absolute nor is it an easy doctrine to interpret. The legal interpretation and application of fair dealing has been fraught with complexity since the English courts first dealt with fair abridgement of literary works between the 17th and 18th century but this complexity has been compounded even more by new technology, especially in relation to music works.

The legal uncertainty of fair dealing with regard to music works is the reason why this comparative research has been undertaken in the jurisdictions of South Africa, the United Kingdom, Australia and the United States. Hopefully it will shed more light on the doctrine and lift the veil of confusion.

¹ This test is also contained in Art. 13 of the TRIPS agreement, Art. 10 of the WCT and Art. 16 of the WPPT to which SA is a member.

FOREWORD

I give honour and thanks to my Heavenly Father for giving me the spiritual and emotional strength to complete this dissertation. God, you are truly omnipotent.

This dissertation is dedicated in loving memory of my parents. Thank you mommy and daddy for loving me and for every golden lesson you've ever taught me. Thank you also, for teaching me how invaluable education is. I will always love you.

I also extend my sincere gratitude and thanks to my supervisor, Prof. Sunelle Geyer. This dissertation would not have been possible without your guidance. I appreciate all the time that you have invested in helping me with this paper.

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I declare that LEGAL ANALYSIS OF FAIR DEALING RELATING TO MUSIC WORKS IN THE DIGITAL ENVIRONMENT is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

SIGNATURE

(Ms L. Groenewald)

DATE

CHAPTER 1: INTRODUCTION TO THE STUDY

‘[T]he complete history of the fair dealing doctrine begins with over a century of copyright infringement in the English courts.’² The pre-history of fair dealing consists of fair abridgement cases that were litigated in England between the 17th and 18th century.³ One of the abridgement cases is *Gyles v Wilcox* where an English court ruled that “[T]he second author, through good faith and productive use⁴ of the first author’s work, had in effect, created a new, original work that would itself promote the progress of science and thereby benefit the public.”⁵

Therefore, understanding the pre-history of fair dealing is helpful in understanding it today.⁶ The abridgement doctrine was based on the theory that ‘abridgement of a copyrighted book did not constitute copyright infringement because the second author created a new book.’⁷ However, its lawful scope was always contested and *Folsom v Marsh*⁸ is a perfect case in point. In *Folsom*, the plaintiff Jared Sparks sued the defendant for copyright infringement since he used Sparks’ biography and writings of George Washington in order to write his own two-volume biography. The defendant subsequently invoked fair abridgement but Justice Story rejected the defence of fair abridgement and held that the defendant infringed the plaintiff’s copyright. The copying in *Folsom* however, involved printing and publishing by a competitor reason being for Justice Story’s decision.⁹ As we can see from *Folsom*, copyright battles has a long history and a lot has changed since 1841.¹⁰ During the last decade there has been rapid technological advancement and we have progressed from analogue to digital music works. These developments impacted copyright laws because judiciaries had to ensure that the legislative process is capable of keeping up with technology.¹¹

² Matthew Sag ‘The Pre-History of Fair Use’ (De Paul University 2010) at 3

³ Op cit. at 3

⁴ Fair abridgment distinguished between the use of work and use of copyright. Use of work was regarded as fair whereas use of copyright was unfair. In *Gyles v Wilcox*, use of the work was held to be fair and in *Folsom* use of copyright was unfair.

⁵ *Gyles v Wilcox* (1740) 26 ER 489; This case concerned Fletcher Gyles who published a copy of Matthew Hale’s Pleas of The Crown. Soon after publication however, the publishers Wilcox and Nutt hired a writer named Barrow to abridge the book and repackaged it as Modern Crown Law whereupon Gyles sued for copyright infringement in terms of the Statute of Anne.

⁶ Op cit. at 4

⁷ L. Ray Patterson ‘Understanding Fair Use’ 55 Law & Contemp. Probs. (1992) at 52

⁸ *Folsom v Marsh* 9 F. Cas. 342 (C.C.Mass. 1841)

⁹ L. Ray Patterson ‘Free Speech, Copyright and Fair Use’ Vanderbilt Law Review (1987) Vol. 40, No. 1 at 38

¹⁰ On the other hand, some of the copyright tests/principles, e.g. the test of originality, are so flexible that it can remain effective, even as technology advances.

¹¹ The Shuttleworth Foundation ‘The SA Open Copyright Review Report 2008’ at 6

Since the birth of peer-to-peer file sharing technology (file-sharing), courts have been confronted with copyright battles like *Napster*¹², *Grokster*¹³ and *LimeWire*¹⁴ etcetera. File sharing can be described as an activity where users of a file sharing network upload and download music works via the Internet without the express consent of the copyright owner. File-sharing networks differ in how they function, depending on whether it is centralised or decentralised. The legal controversy started when Napster, an online file-sharing service enabled millions of users to access and download music works online without the express consent of the copyright owner. These activities subsequently caused record companies to institute legal action against infringers for copyright infringement. In their defence, they relied on “fair use” as the doctrine is known in the United States.

The purpose of this study is two-fold. Firstly, it is to gain a better understanding of fair dealing and secondly to examine how it applies to music works in the digital environment. This dissertation primarily concentrates on peer-to-peer file sharing but most importantly, the unit of analysis is fair dealing. The dissertation will ascertain what fair dealing means in terms of s12(1)(a) of the South African Copyright Act¹⁵ with respect to music works in the digital environment. For purposes of this paper, it should be noted the term fair dealing will be used, except where United States law is discussed.

Chapter 2 explores fair dealing in South Africa and the Copyright Act is examined to determine South Africa’s judicial position with regards to digital technology and digital music piracy. The provisions relating to fair dealing in the Intellectual Property Laws Amendment Bill of 2010 is looked at and the Electronic and Communications Transactions Act of 2002 are examined. As for South Africa, there is no available case law relating to file sharing.

Chapter 3 looks at the legal position of fair dealing in the United Kingdom followed by the relevant case law. England’s Digital Economy Act of 2010 is also discussed in order to determine changes that have been implemented in English law pertaining to copyright law and new technology.

¹² *A&M Records Inc. v Napster Inc.* 239 F. 3d 1004 (9th Cir. 2001)

¹³ *MGM v Grokster* 259 F. Supp. 2d 1029 (C.D. Cal. 2003)

¹⁴ *LimeWire v Arista* 2d. 409 n. 23 (S.D.N.Y. 2009)

¹⁵ Copyright Act 98 of 1978. Section 12(1)(a) provides that copyright shall not be infringed by fair dealing with certain works for the purposes of research or private study by, or the personal or private use of the person using the work.

Chapter 4 deals with the legal position in Australia regarding fair dealing. The dissertation examines how this legal system interprets and applies the doctrine. Australia's Digital Agenda Act of 2000 and the Copyright Amendment Act of 2006 are also examined because important legislative changes were effected with regards to digital technology.

Chapter 5 examines United States law and fair use. Quite a few legislative changes were implemented and this paper examines how it impacted American copyright law. Case law is discussed to determine how American courts deal with fair use and the technological changes that have affected copyright law. The United States' treaty obligations are explored to determine whether it is being complied with. The Digital Millennium Copyright Act (DMCA) of 1998 and the Sonny Bono Copyright Term Extension Act of 1998 (CTEA) are also examined because it is important legislation relating to copyright law and digital technology. The chapter also looks at how file sharing is relevant to the doctrine of fair dealing. File-sharing technology is also discussed regarding how it works including the impact it has on copyright law. Case law is examined as well to illustrate and compare the judicial interpretation and application of the doctrine in the United States.

Chapter 6 concludes the dissertation and compare the above legal systems in order to determine the similarities and differences between fair dealing and fair use as well as to compare the different fair dealing systems. In conclusion, these legal systems are critically analysed in order to determine which model, if any, would be best suited for a developing country like South Africa.

1.1 The Berne Convention of 1886

The Berne Convention (hereinafter referred to as the Convention) is an international treaty that governs copyright. It requires signatories to recognize copyright works of foreign authors in the same way national laws recognize copyright of its own nationals. The Convention also requires member states to provide adequate protection standards for copyright law. South Africa is a signatory to the Convention since 1928 and the Copyright Act is based on the provisions thereof. Art. 9(2) of the Convention make provision for the reproduction right and grant authors the exclusive right to reproduce their works in 'any manner or form'.

The expression 'any manner or form' include digital mediums like the transfer of copyright work in analogue format to a digital format. Although copyright owners have the exclusive right to reproduce their works, there are limitations and exceptions that are needed to

maintain the copyright balance between copyright owners and users. These exceptions and limitations differ between national laws therefore a three-step test was introduced at the Stockholm Conference during 1967 when the Convention was revised.¹⁶

The three-step test is provided for in Art. 9(2) and permit exceptions to the reproduction right of the copyright owner:¹⁷

- 1) in certain special cases;**
- 2) that do not conflict with the normal exploitation of the work and**
- 3) that does not unreasonably prejudice the legitimate interests of the author/rights holder.**

This test is quite important because it is also incorporated into Art.13 of TRIPS, Art. 10 of the WIPO Copyright Treaty (WCT) and Art.16 of the WIPO Performances and Phonograms Treaty (WPPT).¹⁸

‘Although the test has been incorporated into these treaties, there is no agreement as to what the test really means. During 2000, a World Trade Organisation (hereinafter WTO) dispute resolution panel addressed the interpretation and application of the three-step test by analyzing the three steps.’¹⁹ Schonwetter asserts the decision²⁰ provides valuable guidance to legislatures when enacting laws that need to comply with the test, including those that interpret existing legislation.²¹

The WTO panel firstly interpreted the meaning of ‘special’ and looked at the Oxford dictionary in this regard.²² The dictionary defines special as ‘having an individual or limited application or purpose’, ‘containing details; precise, specific’, ‘exceptional in quality or degree; unusual’ out of the ordinary’ or ‘distinctive in some way’.

The panel decided to opt for the ordinary meaning of the words in order to avoid introducing concessions within the legal framework of the WTO that is not intended.²³ Next, they interpreted the meaning of ‘exploitation’. The panel concluded it meant ‘all forms of a work

¹⁶ T. Schonwetter ‘The Three Step Test Within the Copyright System’ (UCT, 2006)

¹⁷ Ibid

¹⁸ Ibid

¹⁹ Ibid

²⁰ WT/DS160/R (The WTO case on the three-step test)

²¹ T. Schonwetter supra

²² Daniel J. Gervais ‘Toward a New International Copyright Norm: the Reverse Three-Step Test’ (Univ. of Ottawa, 2004)

at 16

²³ Ibid

which had or were likely to acquire considerable economic or practical importance.’²⁴ In other words, if the exception would limit a significant commercial market that would ultimately be in competition with the copyright owner, then the exception is prohibited.

Lastly, the panel determined the meaning of ‘unreasonable prejudice to legitimate interests of the rights holder’.²⁵ The panel concluded legitimate interests are interests that are protected by law.²⁶

‘Unreasonable prejudice’ was explained as:

‘Prejudice to the legitimate interests of copyright owners becomes unreasonable if the exception causes or has the potential to cause an unreasonable loss of income to the copyright owner.’²⁷

According to Professor Ricketson, “**certain special cases**” means the use should be for a specific and designated purpose, in other words, the exception should be clearly defined and narrow in its scope; the use is considered ‘special’ if it is also justified due to public policy or other exceptional circumstances.²⁸ In Art. 9(2) “**a normal exploitation of the work**” refers to the ways authors may be expected to exploit their works in the normal course of events and in determining ‘the normal exploitation of a copyright work’, regard must be given to the existing and potential use of a work that a copyright owner should be able to control.²⁹ It should be remembered that a use of a copyright work will only be in conflict with the normal exploitation of the work if it enters into economic competition with the copyright owner.³⁰ The third requirement under Art. 9(2) are that the reproduction of such works does **not unreasonably prejudice** the legitimate interests of the author. Delegates at the Stockholm Conference (in 1967) assumed that any exception to the reproduction would prejudice the copyright owner’s rights and therefore the word “unreasonable” was introduced, however, the term refers to the lawfulness of the author’s use and the underlying, justifiable reasons for protecting copyright.³¹

²⁴ Op cit. at 18

²⁵ Op cit. at 19

²⁶ Ibid

²⁷ Op cit. at 20

²⁸ Ibid

²⁹ Ibid

³⁰ Ibid

³¹ Ibid

The three-step test is an important legal framework that examines the legitimacy of the limitations in national copyright laws.³² Therefore, it is paramount that the test is understood, interpreted and applied correctly because it is indispensable to copyright law practitioners.³³ Schonwetter advises South Africa to ensure an appropriate area of application for the fair dealing doctrine is preserved in the digital environment and that restrictions of fair dealing of works imposed by legal and technical means remain the exception.³⁴ He concedes fair dealing remains an essential instrument to protect free speech and promotes future development in the sectors of education and science.³⁵ In conclusion, Schonwetter explains those who lobby for broad fair dealing exceptions are not necessarily supporters of copyright infringement and theft and that restrictive intellectual property provisions and the reduction of the scope in fair dealing have a detrimental impact on developing countries like South Africa because access to essential, educational information is restricted.³⁶ According to the Panel, all three steps of the three-step test apply cumulatively and a failure to apply one of the three steps results in the exception being disallowed.³⁷

Neither other member states nor domestic courts are bound by the decision; even a later Panel would arguably not be legally obliged to follow that decision.³⁸ The main consequence of a judicial application of the three-step test is that it places a heavy responsibility on courts since they will have to interpret the exceptions in light of the test and examine whether each case meets the conditions under Art. 9(2).³⁹ “[T]he question of copyright limitations is a sensitive topic and national legislators often hesitate to intervene to adapt the system to the imperatives of the information society.”⁴⁰ Consequentially, copyright systems are regularly modernised in relation to rights but limitations are still confined to narrow interpretations.⁴¹ Time will tell whether the situation will change or not but for now, courts will have to live with the current situation of the three-step test.

³² T. Schonwetter supra

<http://pcf4.dec.uwi.edu/viewpaper.php?id=58&print=1>

³³ Ibid

³⁴ T. Schonwetter ‘The Fair Use Doctrine and the Implications of Digitising for the Doctrine from a South African Perspective’ The Southern African Journal of Info. And Communication, Issue 7 (2006) at 51

³⁵ Ibid

³⁶ Op cit. at 52

³⁷ See D. Gervais supra at 18

³⁸ Op cit. at 17

³⁹ Christophe Geiger ‘The Role of the Three-step test in the Adaptation of Copyright Law to the Information Society’ e-Copyright Bulletin (January-March 2007) at 15

⁴⁰ Op cit. at 17

⁴¹ Ibid

CHAPTER 2: FAIR DEALING IN SOUTH AFRICA

2.1 Introduction

Fair dealing originates in England when English courts determined whether abridgement constituted copyright infringement.⁴² When writers used works of literature to create short stories or their own abstracts, it was described as abridgement but its lawful scope was usually contested.⁴³ Sag concedes that after examining the Statute of Anne, it becomes evident that the legislation was drafted to address the re-publication of identical books.⁴⁴

He also explains that the Statute did not address the question of fractional copying nor what the threshold of similarity was for works that were based on original works.⁴⁵ Sag explains this was either done by omission or design by the drafters. The underlying principle of the Statute of Anne was to grant protection to publishing companies for their copyright material. However, this right of reproduction was not absolute because a balance was maintained between copyright owners and the public by ensuring that works could be reprinted. This encouraged learning and guaranteed the availability of useful and important literature.

Fair dealing allows the public to make limited use of copyrighted material without the consent of copyright owners provided that they are not prejudicially affected by such use. However, technological advances of the last decade have compromised fair dealing.

‘The advances that have been made in digital technology since the Act was passed in 1978 revolutionised how South Africans engage with content, copyright and media.’⁴⁶ These technological changes have necessitated a review of South Africa’s copyright legislation especially with regard to fair dealing since the doctrine is even more complex within the digital environment. Australia, the United Kingdom and the United States made provision to ensure their copyright laws are capable of dealing with technological advancement that emerged during the last decade by enacting and or amending legislation⁴⁷ which provides for digital copyright in the 21st century. The respective Acts are examined and discussed in subsequent chapters and will be explored later.

⁴² Matthew Sag ‘Pre-history of Fair Use’ (DePaul University, College of Law 2010) at 3

⁴³ Ibid

⁴⁴ Op cit. at 10

⁴⁵ Ibid

⁴⁶ The Shuttleworth Foundation’s South African Open Copyright Review Report 2008

⁴⁷ An example would be safe harbour provisions under the Digital Millennium Copyright Act 1998 of the United States.

The Copyright Act of South Africa has been criticised on many levels and this dissertation will address it. Dr. Dean, an expert in the field of South African copyright law expressed his dissatisfaction with the Act by saying our law is frozen in the 1990's.⁴⁸ He furthermore asserts the Act does not make provision for new technological challenges and developments which renders the Act inadequate to deal with digital copyright issues.⁴⁹ South Africa has not ratified the WCT, thereby not completely fulfilling its international obligations under the aforesaid treaty and Dean explains if South Africa ratified the WCT, then our copyright law would be able to deal with today's digital content that is easily reproduced and distributed.⁵⁰ The fact that South Africa has not ratified the WCT also results in South African artists not being granted copyright protection for their works internationally because copyright protection can only be granted upon ratification.⁵¹

De Villiers concedes that until ratification of the WIPO treaties has occurred, South Africans will have to rely on South African legislation to deal with some Internet-related problems.⁵²

Technological developments, computing, telecommunications and broadcasting technology necessitated that copyright laws should be reviewed internationally and South Africa is no different in this regard.⁵³ The South African Open Copyright Review Report was undertaken by the Shuttleworth Foundation during 2008 and engaged civil society and ordinary South Africans in a review of how they understand copyright and how South African copyright law affects them and the work that they do.⁵⁴ Discussions and workshops were conducted to talk about copyright issues in South Africa which included a critical discussion regarding possible recommendations and changes for the Act.⁵⁵ The report (which focused on access to knowledge and learning material) looked at sections of the Act that are vague or poorly defined including fair dealing and the circumstances under which fair dealing is permitted by the Act.

The Intellectual Property Laws Amendment Bill of 2010, which was approved by the National Assembly on 31 October 2011, has the relatively limited purpose of amending the

⁴⁸ Duncan McCleod 'SA Copyright law Under Fire' <http://www.techcentral.co.za/sa-copyright-law-under-fire/13185> (Accessed 16 September 2010)

⁴⁹ Ibid

⁵⁰ Ibid

⁵¹ Ibid

⁵² Roux de Villiers 'Copyright and the Internet' <http://www.cyberlawsa.co.za/cyberlaw/cybertext/chapter2.htm> (Accessed 4 October 2010)

⁵³ Tana Pistorius 'Copyright Infringement in Cyberspace' 6 Juta's Bus. L. (1998) at 35

⁵⁴ Shuttleworth Foundation 'The South African Open Copyright Review Report 2008' (Accessed 16 September 2010) www.africancommons.org/2008/11/the-open-copyright-review

⁵⁵ Ibid

Performer's Protection Act of 1967, the Copyright Act, the Trademark Act of 1993 and the Designs Act of 1993. It is to provide for intellectual property protection of performances of traditional works, indigenous works (through copyright), indigenous terms and expressions (as trade marks) and indigenous designs. The Bill proposes the insertion of s28G into the Copyright Act. The heading of this proposed section is: "General exceptions regarding protection of traditional works." Section 28G(1)⁵⁶ would make the fair dealing exception in its entirety applicable to "indigenous works." In the Bill, a traditional work includes a derivative indigenous and an indigenous work." "Indigenous work" in its turn is defined as:

"...a literary, artistic or musical work with an indigenous or traditional origin, including indigenous cultural expressions or knowledge which was created by persons who are or were members, currently or historically, of an indigenous community and which literary, artistic or musical work is regarded as part of the heritage of the community..."

2.1.1 Overview of Copyright law in South Africa

South African copyright law is governed by the Copyright Act 98 of 1978 (the Act) and it is based on English law. Section 2(1) of the Act provides copyright protection to (original) literary, music and artistic works, sound recordings, cinematograph films, broadcasts, programme-carrying signals, published editions and computer programs. The underlying principle of copyright law is that original works may not be reproduced without the express consent of the copyright owner and s6 of the Act reads:

Copyright in a literary or musical work vests the exclusive right to do or to authorize the doing of any of the following acts in the Republic:

- (a) Reproducing⁵⁷ the work in any manner or form;
- (b) publishing the work if it was hitherto unpublished;
- (c) performing the work in public;
- (d) broadcasting the work;
- (e) causing the work to be transmitted in a diffusion service unless such service transmits a lawful broadcast, including the work, and is operated by the original broadcaster;
- (f) making an adaptation of the work;
- (g) doing, in relation to an adaptation of the work, any of the acts specified in relation to the work in paragraphs (a) to(c) inclusive.

⁵⁶ "Sections 12 to 19B shall with the necessary changes required by the context, apply to indigenous work, in so far as they can be applied to the specific indigenous work."

⁵⁷ In terms of the definition of "reproduction" in s1 of the Act, reproduction in relation to a literary or musical work includes a reproduction in the form of a record or cinematograph film, as well as a reproduction made from a reproduction.

This means if anyone besides the copyright owner commits any of the acts stipulated in s6, it would constitute copyright infringement. For purposes of this dissertation, the most important right of the copyright owner is the reproduction right.

Therefore, this dissertation will focus primarily on the infringement of this right.

The exclusive rights of the copyright owner in relation to sound recordings are set out in s9 and reads:

Copyright in a sound recording vests the exclusive right to do or to authorise the doing of any of the following acts in the Republic:

- a) Making directly or indirectly a record⁵⁸ embodying the sound recording and
- b) letting or offering or exposing for hire by way of trade directly or indirectly, a reproduction of the sound recording;
- c) broadcasting the sound recording;
- d) causing the sound recording to be transmitted in a diffusion service, unless that service transmits a lawful broadcast, including the sound recording and is operated by the original broadcaster;
- e) communicating the sound recording to the public.

When ss6 and 9 are applied to file-sharing, it definitely amounts to copyright infringement because the musical work⁵⁹ and the literary work are “reproduced” and a “record” of the sound recording is made. With respect to s6, the exclusive reproduction rights, the publishing rights and causing the work to be transmitted in a diffusion service all play a role in file-sharing and will be addressed briefly at a later stage. In terms of s9, the exclusive rights that play a role in file-sharing is the right to make a record that embodies the sound recording, offering a reproduction of the sound recording and causing the sound recording to be transmitted in a diffusion service and will also be discussed shortly at a later stage. A music work (i.e. a song track on a CD) consists of three distinct copyright works namely:

1. the literary work⁶⁰ (the lyrics of the song);
2. the musical work⁶¹ (the music of the song) and
3. The sound recording.⁶²

⁵⁸ s1 defines record as any disc, tape, perforated role or other device in or on which sounds, or data or signals representing sounds are embodied or represented so as to be capable of being automatically reproduced or performed therefrom.

⁵⁹ In this dissertation, I will not be referring to a recorded song as a “music work” because “musical work” is a technical term used in the Act to describe only 1 of the distinct works in a recorded song, namely the music of the song. Therefore, “music work” is used in this dissertation as a collective term for lyrics (if the music is accompanied by words), a musical work and a sound recording.

⁶⁰ s1 defines a “literary work” to include, irrespective of literary quality and whatever mode or form expressed- Novels, stories, poetical works, dramatic works, stage directions, cinematograph film scenarios, broadcasting scripts, textbooks, treatises, histories, biographies, essays, articles, encyclopedias, dictionaries, letters, reports, memoranda, lectures, speeches, sermons, tables, compilations, including tables and compilations of data stored or embodied in a computer or a medium used in conjunction with a computer.

⁶¹ s1 defines a “musical work” as a work consisting of music, exclusive of any words or action intended to be sung, spoken performed with the music.

⁶² s1 defines a “sound recording” as any fixation or storage of sounds, or data or signals representing sounds, capable of

This means when a song is copied (i.e. digitally reproduced), that the infringer commits copyright infringement in three distinct works in that song. Sections 6 and 9 apply to digital copying as well because of the qualifying phrase ‘reproducing in any manner or form’ in s6 and “or other device” in s9. Therefore, uploading material to the Internet and downloading material from the Internet would constitute reproduction in terms of South African law.⁶³

Under the Act, literary and musical works enjoy copyright protection during the life of the author while also granting copyright protection to literary and musical works for a period of 50 years after the author’s death subject to the relevant conditions of the provision.⁶⁴ Sound recordings enjoy protection for a term of 50 years from the end of the year that it is first published.⁶⁵ South Africa’s term of protection is in accordance with the Berne Convention whereas the United States, the United Kingdom and Australia’s term is 70 years while also in accordance with the Convention under Art. 7.

2.1.1 Copyright infringement in South Africa

In South Africa, the two forms of infringement are **direct** (primary) and **indirect** (secondary) infringement. For purposes of this study, the terms direct and indirect infringement will be used. **Direct infringement** takes place when a person, does or causes someone else to commit any of the restricted acts by virtue of ss6-11B, without the consent of the copyright owner.⁶⁶ Since there are three distinct copyright works within a music work, it is necessary to determine what an infringing copy means in each respective copyright work. With regards to a literary and musical work, an infringing copy is defined in the Act as “a copy thereof.” An infringing copy in relation to a sound recording means “a record embodying that recording.” A record is defined as “any disc, tape, perforated roll or other device in or which sounds or data or signals representing sounds are embodied or represented so as to be capable of being automatically reproduced or performed.”

being reproduced, but does not include a sound-track associated with a cinematograph film.

⁶³ OH Dean ‘Handbook of South African Copyright Law’ Service 13 2006 at 1-40

⁶⁴ s3(2)(a) of the Act

⁶⁵ s3(2)(c) of the Act

⁶⁶ see OH Dean supra at 1-44

De Villiers points out the definition of a record seem to be limited in its application to sound reproduction and although computer storage devices will fall within this definition, it is not sufficient to cover other types of work.⁶⁷

Dean explains that direct infringement also includes an element of causal infringement and s23 of the Act reads: “Copyright shall be infringed by any person, not being the owner of the copyright, who, without the license of such owner, does **or causes any other person to do**, in the Republic, any act which the owner has the exclusive rights to do or to authorize.”

For further discussion on causal infringement, refer to paragraph 2.1.2.1 infra.

Format shifting and file sharing involves acts of direct infringement and will therefore be discussed separately.

‘Format-shifting is a common practice for music. An old example was copying a vinyl record to an audio-cassette so the music could be played on a portable player or in a car. Now digital technology permits an audio CD to be copied in a compressed format (through a personal computer) in the embedded memory of a portable music player. An increasing range of copyright material can also be used by way of mobile phones.’⁶⁸ In South Africa, **format shifting** is regarded as direct infringement since it involves doing one of the acts reserved for the copyright owner in the sound recording, namely the making of a record (device) embodying the sound recording.⁶⁹ In terms of s9 read with s17 of the Act, format shifting is unlawful because copying of a sound recording for private or personal use is not permitted.

An example of a case where the court found that making a copy of a sound recording is an infringement of copyright under s23(1) of the Act, is *CCP Record v Avalon Record Centre*.⁷⁰ In this case, the defendant used a high speed recording apparatus to tape record selected songs from master tapes and long playing records (LP’s).

Although converting a CD to MP3 file format for personal use is copyright infringement, Du Plessis, the chairman of the Recording Industry of South Africa (RISA) said he was not aware of any record company that decided to institute legal proceedings against consumers for copying (commonly known as ripping) CD’s.⁷¹ Andrew Rens of the Creative Commons

⁶⁷ Roux de Villiers ‘Copyright and the Internet’ <http://www.cyberlawsa.co.za/cyberlaw/cybertext/chapter2.htm> (Accessed 4 October 2010) at par. 46

⁶⁸ The Australian Government ‘Format shifting’ www.ag.gov.au (Accessed 11 December 2010)

⁶⁹ s9 of the Act

⁷⁰ *CCP Record Co (Pty) Ltd v Avalon Record Centre* 1989 (1) SA 445

⁷¹ ‘Nicola Mawson’ Law Ties Consumers to CD’s’

South Africa⁷² explains that Regulation 2 of the Copyright Regulations may make format shifting lawful as it reads:

‘The reproduction of a work in terms of s13 of the Act shall be permitted---

- a) Except where otherwise provided, if not more than one copy of a reasonable portion of the work is made, having regard to the totality and meaning of the work; and
- b) if the cumulative effect of the reproductions does not conflict with the normal exploitation of the work to the unreasonable prejudice of the legal interest and residuary rights of the author.’

The problem with this regulation is its ambiguity and according to Rens, it is not clear what the meaning of ‘reasonable portion’ is. He also points out it is not clear what the meaning of ‘normal exploitation’ and ‘unreasonable prejudice’ means because there is no judicial precedent in this regard.⁷³

According to Schonwetter, it essentially means consumers may not format shift their CD’s to any file format since format shifting constitutes making a copy.⁷⁴ So, in South Africa, unless you have permission from the recording company to reproduce a music work, you cannot reproduce it; although the fair dealing exception may excuse a certain degree of copying music and lyrics, format shifting for s12(1)(a) purposes will always infringe the copyright of the recording company in terms of s9 of the Act.⁷⁵

As a solution, RISA suggests consumers should purchase music in digital format despite the fact that they may already own a CD.⁷⁶ I think the Act should be amended by providing an exception for format shifting just for personal or private use⁷⁷ because RISA’s suggestion will be practically problematic on some level. Many South Africans do not have Internet access at home nor do they have a credit card which is needed when purchasing music online. Therefore, the amount of people that would be able to purchase music digitally is very small in comparison to the total population of the country. The other problem with RISA’s suggestion lies in the fact that consumers who own CD’s will not be able to transfer their

<http://www.itweb.co.za/index.php?option=com-content&view=article&id=33817:law-ties-consumers-to-cds&catid=49>

(Accessed 25 August 2010)

⁷²Andrew Rens ‘Format shifting in South African Copyright Law’

<http://aliquidnovi.org/format-shifting-in-south-african-copyright-law> (Accessed 25 August 2010)

⁷³ Ibid

⁷⁴Jan Vermeulen ‘Warning: Converting a CD to MP3 illegal in SA’ see s6 read with s23 of the Act.

<http://mybroadband.co.za/news/general/12809-Warning-Converting-MP3-illegal.html> (Accessed 26 August 2010)

⁷⁵Reason being that the Act allows reproduction for personal or private use in a literary or musical work (s6 of the Act) of which the artists may be the copyright owner.

⁷⁶ Ibid

⁷⁷Personal or private use should be phrased in exact terms like s109A of the Australian Copyright Act of 1968.

Copies made cannot be sold, swapped, lent or given away but you may lend it to a family member or member in the household.

music to their MP3 players since copying is not permitted in terms of the Act. This means everyone who ripped their CD's to MP3 players have committed copyright infringement. This certainly indicates the Act is not up to date with technology and the situation clearly needs to be addressed.

2.1.2.1 Causal infringement

Section 23(1) of the Act (which deals with direct infringement) stipulates copyright is also infringed by a person who causes or authorises such reproduction. Causal infringement in this context is therefore a form of direct infringement and is committed by someone who instigates or instructs one of the restricted acts. Black's Law Dictionary defines 'cause' as "something (or someone) that produces an effect or result" and this is what causal infringement means in the context of this dissertation. Knowledge of infringement is however not required in order to establish causal infringement in South Africa.

Causal infringement is entrenched in our law and the *McKenzie*⁷⁸ decision is a case in point where Solomon AJ opined:

'Under the Lex Aquilia, not only the person who actually took part in the commission of a delict were held liable for the damage caused but also those who assisted them in any way as well as those by whose command or instigation or advice the delict was committed.'

Although this principle has been applied to trademark law, Visser states there are indications⁷⁹ that our courts may be prepared to accept it into copyright law as well.⁸⁰

Another court case in point is the *Esquire Electronics* decision where the court stated the following: 'A delict is committed not only by the actual perpetrator but by those who instigate or aid or advise its perpetration.'⁸¹

Under s23(1) of the Act, an instigating infringer (the person who causes someone else to commit an act which the copyright owner has the exclusive right to do or to authorise) also infringes the copyright in the work. With regard to sound recordings, for example, this means

⁷⁸ Wim Alberts 'Trade Mark infringements: Does a Retailer 'Use' the Mark?' SALJ (2009) Issue 1 at 15.
McKenzie v Van der Merwe 1917 AD 41

⁷⁹ see *Bosal Africa (Pty) Ltd v Grapnel (Pty) Ltd & another* 1985 (4) SA 882 (C)

⁸⁰ Coenraad Visser 'Online Service Provider Liability' 14 SAMLJ (2002) at 759

⁸¹ see Wim Alberts supra. *Esquire Electronics Ltd. v Executive Video* 1986 (2) All SA 210 (A)

that the person who, without the copyright owner's permission, instigates the making of a record by someone else is himself infringing the copyright in the sound recording (s23(1) read with s9(1)). It should therefore be noted that when an instigating infringer authorises infringement in a music work, then such authorisation amounts to *direct* infringement which is distinct from the direct infringement that is committed by the person who actually does the restricted acts.

A case in point is the *Haupt*⁸² decision where Coetzee assisted the respondents to infringe the appellant's copyright in a computer program by providing the source code in respect of the search function and also the source code required to incorporate the graphics server. By doing this, Coetzee therefore also directly infringed the appellant's copyright in the computer program.

2.1.2.2 Indirect infringement

Indirect infringement occurs 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.⁸³ There are two forms of indirect infringement in terms of the Act viz:

1. The unauthorised dealing with infringing copies and
2. Permitting a public performance to take place with respect to the infringing copies.⁸⁴

In terms of s23(2), the unauthorised dealing in an infringing copy of a work including the distribution for purposes of trade or any other purpose where the copyright owner is prejudicially affected, constitutes indirect infringement where there is *knowledge* that the making of the article constitutes copyright infringement or would have constituted copyright infringement if the article had been made in the Republic. In South African law, it needs to be proved that the instigating infringer has 'guilty knowledge' in order to establish indirect copyright infringement.⁸⁵

⁸² *Haupt t/a Softcopy v Brewers Marketing Intelligence (Pty) Ltd & others* 2006 (4) SA 458 (SCA) at [43] to [46].

⁸³ s23(2) of the Act

⁸⁴ OH Dean 'Handbook on South African Copyright Law' Service 13, 2006 at 1-44

⁸⁵ *Ibid*

2.2 Joint Wrongdoing (Contributory infringement)

In South Africa, the term “joint wrongdoing” is used in the law of delict but in the United States, the concept is known as contributory infringement. In terms of common law, someone commits “joint wrongdoing” (contributory infringement) when aiding and abetting the commission of an infringement by another.⁸⁶ “Joint wrongdoers” is defined as persons who are jointly or severally liable in delict for the same damage.⁸⁷

It is also a requirement for the “joint wrongdoer” to possess knowledge or he should have reason to believe the act in which he is aiding and abetting is an unlawful act.⁸⁸ The concept of **aiding and abetting** therefore only applies to delicts that are committed intentionally.⁸⁹ Delictual claims are governed by the Apportionment of Damages Act 34 of 1956 and a person can only be sued as a joint wrongdoer if they are in fact delictually liable for damages.⁹⁰ “Joint wrongdoers” are liable in solidum for full damages under s2(1) the Apportionment of Damages Act 34 of 1956 and the plaintiff has the right to institute action for copyright infringement against whichever “joint wrongdoer” he chooses.⁹¹

It could be argued that a service provider who grants access to the Internet reproduces copyright material that is accessed through its service and copyright owners could therefore institute action against service providers for copyright infringement or alternatively, the service provider contributed to, facilitated or caused the subscriber to make an unauthorised reproduction of copyright material.⁹² Therefore, based on common law, file sharing networks⁹³ such as *Napster*, *Grokster* and *LimeWire* would be liable for “joint wrongdoing” (contributory infringement) in South Africa as well.

2.3 Guilty knowledge

Since knowledge is not a requirement for direct infringement (s23(1)), it is possible that a defendant who directly infringed copyright will not be liable for damages because he or she acted without fault. However, where someone commits indirect infringement (s23(2)), ‘guilty knowledge’ is required before the conduct in question can amount to indirect infringement

⁸⁶ Op cit. at 1-50

⁸⁷ Neethling et al ‘Law of Delict’ 6th ed. (2010) at 265

⁸⁸ see OH Dean supra at 1-44

⁸⁹ Ibid

⁹⁰ see Neethling et al supra; “Same damage” refers to all the damage suffered by the plaintiff (at Neethling fn. 3).

⁹¹ Op cit. at 266

⁹² See OH Dean at 1-41

⁹³ File sharing networks and Internet Service Providers would be liable for “joint wrongdoing.”

and Dean explains that in practice, ‘guilty knowledge’ is communicated by the copyright owner to the infringer by sending a letter informing him/her of the infringing nature of the articles in question.⁹⁴

2.4 The fair dealing doctrine in South Africa

The Act provides exemptions from copyright infringement in ss12 to 19B. These “work specific” exemptions allow the public to make limited use of copyright material without the consent of the copyright owner. The Copyright Act provides fair dealing exemptions to copyright infringement in situations where the public has made limited use of copyright material.

The fair dealing provision in s12(1) reads as follow:

Copyright shall not be infringed by any fair dealing with a literary or musical work---

- (a) for the purposes of research or private study by, or the personal or private use of, the person using the work;
- (b) for the purposes of criticism or review of that work or of another work; or
- (c) for the purpose of reporting current events—
 - (i) in a newspaper, magazine or similar periodical; or
 - (ii) by means of broadcasting or in a cinematograph film:

Provided that, in the case of paragraphs (b) and (c)(i), the source shall be mentioned, as well as the name of the author if it appears on the work.

Therefore, if any reproduction of a copyright work does not fall within the ambit of s12(1), it would not qualify as fair dealing. Section 12(1) in its entirety or parts thereof does not apply to literary and musical works only but to other type of works as well.⁹⁵ It is however, for our purposes important to note that s12(1)(a) does not apply to sound recordings. A restrictive approach to fair dealing is followed in South Africa and anything outside the ambit of fair dealing or one of the other exceptions will be regarded as copyright infringement even if the use qualifies as fair dealing.⁹⁶ When courts determine whether the reproduction of a copyright work constitutes infringement, there are elements that have to be examined. The first element that courts look at is objective, substantial similarity which relates to the quality and not the quantity of what was taken.⁹⁷ “[I]n practice this means that courts look at the

⁹⁴ see OH Dean at 1-47

⁹⁵ see ss15-18, 19A and 19B of the Act.

⁹⁶ Bentley and Sherman at 193

⁹⁷ OH Dean ‘Handbook of South African Copyright Law, Service 13, 2006 at 1-37

degree of similarity between the alleged infringing copy and the original work.”⁹⁸ After examining whether there is substantial similarity, courts examine whether a causal connection exists between the plaintiff’s work and the defendant’s infringing copy.⁹⁹ Should either of these tests not be satisfied, it will be accepted that a substantial part of the copyright work was not copied and thus no infringement will arise.¹⁰⁰ If infringement is found, the court will consider whether it can be excused under any of the exceptions in the Act, including s12(1)(a) if applicable.

Dean describes fair dealing as vague and indefinite, perhaps to deliberately enable a court to take all the circumstances of the potentially infringing act into account and concedes that the terms fair dealing and fair use are synonymous.¹⁰¹ Visser disagrees with Dean on his statement that fair dealing and fair use are synonymous. In his article regarding the *King* case,¹⁰² Visser explains Dean’s view is a fundamental misstatement because fair use is a general defence to copyright infringement in United States law.¹⁰³ On the other hand, fair dealing in terms of s12(1) is a limited exception for the specific enumerated purposes like research, private study, criticism or review and reporting current events. Therefore, fair dealing in South African law is more restricted than fair use in United States law.¹⁰⁴

According to Schonwetter,¹⁰⁵ the limit of fair dealing is uncertain and vague in South Africa and our courts have a discretion when applying the doctrine in order to determine whether a work constitutes as fair dealing or not. Unfortunately, no fair dealing case law exists in South Africa relating to music works. Therefore, there is no existing precedent that indicates how a South African court would decide a case like *Napster*, *Grokster* or *LimeWire* but this dissertation examines how a South African court would decide such cases.

⁹⁸ Ibid

⁹⁹ See OH Dean supra at 1-42A

¹⁰⁰ Ibid

¹⁰¹ Ibid

¹⁰² Coenraad Visser ‘Copyright in works created in the course of employment: The Supreme Court of Appeal gives Guidance King v. SA Weather Service’ SAMLJ 2009, Issue 4, at 591

¹⁰³ Ibid

¹⁰⁴ Ibid

¹⁰⁵ T. Schonwetter ‘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 Issue 7, 2006 at 34

2.4.1 File sharing in South Africa

Illegal file sharing costs the local music industry approximately R200 million in lost sales every year and illegal downloads are expected to grow by 15% annually over the next 5 years.¹⁰⁶ RISA reports that 3.6 million songs are unlawfully downloaded in South Africa on a monthly basis which is estimated to cost the recording industry R18 million a month and describes digital music piracy as a threat to the local industry which is likely to have a significant impact as better broadband service become available in South Africa.¹⁰⁷

2.4.1.1 Exclusive rights in literary or musical works relevant to file sharing

(Section 6)¹⁰⁸

❖ Reproduction

Copyright in literary or musical works *inter alia* vests the exclusive right to reproduce the work *in any manner or form*. The reproduction rights granted to a copyright owner in s6(a) is therefore wide in its meaning and Dean submits the wording includes digital reproduction. Therefore file sharing infringes upon the reproduction rights of the copyright owner by virtue of s6(a) because the literary and musical work is reproduced while a record is made of the sound recording. Dean explains that for purposes of the Act, downloading material from the Internet and sourcing material from the Internet are examples of what would constitute reproduction.¹⁰⁹

❖ Publication

Next, it needs to be determined whether file sharing (of unpublished music works) infringes upon the rights of publication of the copyright owner. Another challenge for the music

¹⁰⁶ Nicola Mawson 'The Day the Music Died' (Accessed 16 September 2010)

http://www.itweb.co.za/index.php?option=com_content&view=article&id=33128:the-day-the-music-died&tmpl=component&print=1

¹⁰⁷ Ibid

¹⁰⁸ 'Copyright in a literary or musical work vests the exclusive right to do or to authorize the doing of any of the following acts in the Republic:

- (a) Reproducing the work in any manner or form;
- (b) publishing the work if it was hitherto unpublished;
- (c) performing the work in public;
- (d) broadcasting the work;
- (e) causing the work to be transmitted in a diffusion service unless such service transmits a lawful broadcast, including the work, and is operated by the original broadcaster;
- (f) making an adaptation of the work;
- (g) doing, in relation to an adaptation of the work, any of the acts specified in relation to the work in paragraphs (a) to (e) inclusive.

¹⁰⁹ OH Dean 'Handbook of South African Copyright Law' Service 13, (1987) at 1-44

industry is when music works that have not been officially released yet are leaked¹¹⁰ onto the Internet and shared with millions of people that can affect international and South African artists and impacts on the publication right in terms of the Act.

In terms of s1(5)(c), publication is deemed to have occurred when copies of a work have been issued to the public in sufficient quantities with the copyright owner's consent that reasonably meets the needs of the public, having regard to the nature of the work. However, for purposes of ss6, 7 and 11B, a work shall be deemed to be published if copies of it have been issued to the public. De Villiers concedes the issuing of copies of literary and musical works via the Internet could amount to publication because there is no apparent reason why it will not apply to the digital environment, especially where copyright material has been distributed on a website where users can make transient copies thereof by viewing it or making permanent copies by downloading it.¹¹¹

Visser agrees with De Villiers and explains 'when a work is made available on a website, it is simultaneously published in every country of the world that has Internet access.'¹¹² In this regard, Van Copenhagen points out it is not settled in law whether the making available of a literary or musical work on the internet constitutes publication or whether a work can be 'performed' by making it available on the internet.¹¹³

2.4.1.2 Exclusive rights in sound recordings relevant to file sharing (Section 9)¹¹⁴

With respect to sound recordings, s9 (inter alia) grants the copyright owner the exclusive rights to do or to authorize the making of a record embodying the sound recording,

¹¹⁰ <http://www.timeslive.co.za/entertainment/music/2011/11/10/new-madonna-song-leaked> and <http://www.dailymail.co.uk/tvshowbiz/article-1207707/Forthcoming-Leona-Lewis-tracks-leaked-internet-highest-profile-hacking-case.html> (Accessed 2 December 2011)

¹¹¹ Roux de Villiers 'Copyright and the Internet' <http://www.cyberlawsa.co.za/cyberlaw/cybertext/chapter2.htm> (Accessed 4 October 2010)

¹¹² Coenraad Visser 'Applicable Law in Online Copyright Disputes: a Proposal Emerges' 16 SAMLJ (2004) at 768

¹¹³ Vanessa van Copenhagen 'Copyright and the WIPO Copyright Treaty' 119 SALJ (2002) at 440

¹¹⁴ Copyright in a sound recording vests the exclusive right to do or to authorize the doing of any of the following acts in the Republic:

- a) Making directly or indirectly a record embodying the sound recording and
- b) letting or offering or exposing for hire by way of trade directly or indirectly, a reproduction of the sound recording;
- c) broadcasting the sound recording;
- d) causing the sound recording to be transmitted in a diffusion service, unless that service transmits a lawful broadcast, included the sound recording and is operated by the original broadcaster;
- e) communicating the sound recording to the public.

communicating the sound recording to the public, and causing the sound recording to be transmitted in a diffusion service.

❖ **Making a record**

In respect of a sound recording, the author has the exclusive right to make a record embodying the sound recording or let, offer or expose for hire by way of trade, a reproduction of the sound recording.¹¹⁵ So, file sharing infringes on the exclusive right of the copyright owner to make a record that embodies the sound recording because whenever users upload and download music works, a record is simultaneously made.

❖ **Communicating the sound recording to the public**

Van Coppenhagen submits it appears that ‘communication to the public’ in terms of s9(e) is broader than the traditional rights of communication.¹¹⁶ She also suggests the right of communication to the public (as defined in Art. 8 of the WPPT) should be incorporated into the Act as a separate, exclusive right of the copyright owner which is applicable to all works.¹¹⁷ Van Coppenhagen contends it would ensure compliance under Art. 8 of the WPPT.¹¹⁸

2.5 Liability for copyright infringement

Earlier, I explained that file sharing is an activity where users of a file sharing network upload and download music works via the Internet without the express consent of the copyright owner and since different parties are involved in file sharing, their respective roles need to be examined in relation to how copyright infringement is committed. The key players involved in file sharing are website hosts, ISP’s, users and file sharing networks. A **website host** is an Internet hosting service that makes it possible for individuals and organisations to make their websites available via the Internet.¹¹⁹ An **ISP** is a company that offers its clientele access to the Internet while **users** can be defined as people with access to the World Wide Web.¹²⁰ A **file sharing network** is a network that allows digital files to be shared amongst users of a particular network.¹²¹

¹¹⁵ Webber Wentzel Bowers ‘Napster: Digital Impact on Copyright’ www.webberwentzel.com (Accessed 4 October 2010)

¹¹⁶ Vanessa van Coppenhagen ‘Copyright and the WIPO Copyright Treaty’ 119 SALJ (2002) at 440

¹¹⁷ Ibid

¹¹⁸ Ibid

¹¹⁹ www.en.wikipedia.com (Accessed 13 December 2010)

¹²⁰ Ibid

¹²¹ http://mp3.about.com/od/glossary/g/P2P_def.htm (Accessed 13 December 2010)

2.5.1 User liability for copyright infringement

Where file sharing is concerned, users will be liable for direct infringement under ss6 and 9 of the Act because infringing copies are made of music works. Secondly, s13¹²² of the Act does also not exempt users because the said reproduction conflicts with the normal exploitation of the work and is prejudicial to the legitimate interests of the copyright owner. Normal exploitation implies “all forms of exploiting a work which have or are likely to acquire considerable economic or practical importance must be reserved for authors.”¹²³ Since file sharing competes with the sale of music works in ordinary music stores including online stores which ultimately deprives copyright owners of monetary rewards, it is certainly prejudicial and consequently not permissible. Schonwetter further explains “prejudice may not be unreasonable if the author is equitably compensated”¹²⁴ and we know with file sharing activities copyright owners receive no payment because individuals obtain their music free of charge. In South Africa, users can also be held liable for indirect infringement since the uploading of music works constitutes “unauthorised dealing with infringing copies.” The Act stipulates that the unauthorised dealing in infringing copies (including the distribution for purposes of trade or **any other purpose**) constitutes indirect infringement where copyright owners are prejudicially affected and where individuals know the copies are “infringing copies.”¹²⁵ Therefore, file sharing activities amounts to copyright infringement under the Act and infringers can be held delictually liable for the unauthorised reproduction of copyright material.

2.6 Liability of Internet Service Providers

The liability of Internet Service Providers (ISP's) is dependent on the role they play in the digital environment. “[A]n information provider could infringe the copyright of a copyright holder by incorporating unauthorised reproductions of copyright material in his website.”¹²⁶ In this situation, the hosting service provider may similarly infringe copyright because the infringing material is reproduced on to and located on his server.¹²⁷

¹²² “In addition to reproductions permitted in terms of this Act reproduction of a work shall also be permitted as prescribed by regulation, but in such a manner that the reproduction is not in conflict with a normal exploitation of the work and is not unreasonably prejudicial to the legitimate interests of the owner of the copyright.”

¹²³ T. Schonwetter ‘The implications of digitizing and the Internet for “fair use” in South Africa’ (UCT 2005) at 22

¹²⁴ Op cit. at 23

¹²⁵ See s23(2) of the Act

¹²⁶ OH Dean ‘Handbook of South African Copyright Law Service 13, 2006 at 1-60B

¹²⁷ Ibid

Users who download infringing material from the host's server will commit copyright infringement in respect of the relevant copyright material since he reproduces it which is unauthorised in terms of the Act and in these circumstances, the access provider assists or aids or abets in the infringement. Dean furthermore explains it is possible for a hosting service provider and an access provider to unknowingly aid and abet in the infringement.¹²⁸

2.6.1 The Electronic Communications and Transactions Act of 2002

South Africa does not have an Act which is similar to the DMCA of the United States that makes provision for extensive legislation relating to copyright law in the digital environment. However, the Electronic Communications and Transactions Act of 2002 (ECTA) includes a few provisions that are similar to the DMCA in some respects and will be examined. The main objective of the ECTA is 'to enable and facilitate electronic communications and transactions in the public interest.'¹²⁹ The liability exemption provisions are set out in ss73-76 respectively and apply to ISP's, depending on their respective roles within the digital environment. The ECTA distinguishes between a **conduit**, **system caching**, **hosting** and **linking** and grant service providers exemption from liability depending on whether they satisfy the enumerated requirements.

1. *An ISP that is merely a conduit*

Where an ISP is a conduit, the Act grants it exemption from liability for damages by virtue of s73 provided that the service provider:

- a) *does not initiate the transmission;*
- b) *does not select the addressee;*
- c) *performs the function in an automatic, technical manner without selecting the data and*
- d) *does not modify the data contained in the transmission.*

2. *An ISP that caches information*

A service provider that provides caching services will be exempt from liability for damages (s74) where it:

- a) *does not modify the data;*
- b) *complies with conditions on access to the data;*

¹²⁸ Ibid

¹²⁹ s2(1) of the Electronic Communications and Transactions Act 2002

- c) *complies with rules regarding updating data which is specified in a manner that is widely recognised and used by the industry;*
- d) *does not interfere with the lawful use of technology that is widely recognised and used by the industry to obtain information on how the data is used and*
- e) *removes or disables access to data it has stored upon receiving a take-down notice referred to in section 77.*

3. A service provider that is a host

Section 75 grants exemption from liability for damages where such service provider:

- a) *does not have actual knowledge that the data message or an activity relating to the data message is infringing the rights of a third party or;*
- b) *is not aware of facts or circumstances from which the infringing activity or the infringing nature of the data message is apparent and*
- c) *upon receipt of a take-down notification referred to in section 77, acts expeditiously to remove or to disable access to the data.*

4. A service provider that provides information location tools (i.e. Links)

In terms of s76, a service provider will be exempt from liability for damages where it:

- a) *does not have actual knowledge that the data message or an activity relating to the data message is infringing the rights of that person;*
- b) *is not aware of facts or circumstances from which the infringing activity or the infringing nature of the data message is apparent;*
- c) *does not receive a financial benefit directly attributable to the infringing activity and*
- d) *removes or disables access to the reference or link to the data message or activity within a reasonable time after being informed that the data message or the activity relating to such data message, infringes the rights of the person.*

The Act further states in order for service providers to avail themselves of the exemptions supra they must be a member of the representative body referred to in s71 and should have adopted and implemented the official code of conduct too under s72. Therefore, if service providers do not meet the respective requirements supra, it will be held liable for damages in terms of the Act.

Visser explains these limitations do not have the same effect because with conduits and system caching, the ISP is not liable for certain actions whereas with hosting and linking, the ISP is not liable for damages.¹³⁰

As a result of these exemptions, service providers agreed to comply with notice and take-down procedures. This procedure requires a service provider to remove or disable access to

¹³⁰ Coenraad Visser 'Online Service Provider Liability' 14 SAMLJ (2002) at 763

infringing material on its system or network when someone becomes aware thereof and notifies the service provider of such activity or material.¹³¹ However, such notification should be taken with caution because the Act imposes personal liability for damages by virtue of s 77(2) of the ECTA for wrongful take-down as a result of material misrepresentation.¹³²

In South Africa, service providers are under no obligation in terms of s78(1) to monitor data it transmits or stores nor do they have to actively seek facts or circumstances that indicate unlawful activity. However, under s78(2), the Minister may prescribe procedures where a service provider has to notify public authorities of alleged illegal activities and also request them to identify the recipients for their service.¹³³ It should be noted the Minister's power is subject to s14 of the Constitution which guarantees the right to privacy and the privacy of communication.

2.6.2 Criminal liability for copyright infringement

In terms of s27(6)(b) of the Act, a fine not exceeding R10,000 or a term of imprisonment not exceeding five years can be imposed for each article that has been reproduced. By virtue of s27(6)(a), if someone is convicted for the first time, the court may impose a fine not exceeding R5,000 or imprisonment¹³⁴ not exceeding three years for each article to which the offence relates. The court may also order that all infringing copies be seized, confiscated, forfeited or destroyed including all equipment or devices that were used in producing the infringing copies.

2.7 Remedies for copyright infringement

'The Law of delict governs the liability of wrongdoers to compensate those who have suffered harm through their wrongful and culpable, usually negligent conduct. The Lex Aquilia originally applied to compensation for physical damage to property but over the years it did not remain static. By the end of the nineteenth century, the action was no longer confined to cases of damage done to corporeal property but was extended to

¹³¹ Op cit. at 762

¹³² Ibid

¹³³ Op cit. at 763

¹³⁴ Gerhard Pretorius 'Man moet 5 jaar tronk toe oor roof-DVD's'

<http://www.beeld.com/Suid-Afrika/Nuus/Man-moet-5-j-tronk-toe-oor-roof-DVDs-20101118> (Accessed 10 March 2011)
In this case, the Commercial Criminal Court sentenced the accused to 5 years imprisonment for copyright infringement in cinematograph films.

every kind of loss sustained by a person as a result of the wrongful conduct of another.’¹³⁵

Section 24 of the Act governs the remedies that are available to a copyright owner when he institutes legal action against a defendant for copyright infringement. Where copyright infringement has been established by a court of law, it may grant the copyright owner relief in the form of damages or an interdict or order that the infringing copies or plates that were used or intended to be used for infringing copies be delivered or that it shall be available to the copyright owner in any corresponding proceedings with respect to infringement of other proprietary rights.¹³⁶ [see *Southern African Music Rights Organisation Ltd v Svenmill Fabrics (Pty) Ltd* 1983 (1) SA 608 (C)]

Secondly, in lieu of damages, the copyright owner may (if he chooses) be awarded compensation that is calculated on the basis of a reasonable royalty that would have been payable by license in respect of the relevant copyright work.¹³⁷ In *SA Broadcasting Corporation v Pollecutt* 1996 (1) SA 546 (A) the court awarded the respondent his royalties and his claim for an account after the applicant failed to pay royalties that were due to the respondent in terms of a consent agreement in respect of musical works in which he was the copyright owner and *Feldman NO v EMI Music SA (Pty) Ltd* 2010 (1) SA 1 (SCA) where the court awarded damages to the plaintiff for copyright infringement in music works which he co-owned. However, before the copyright owner institutes proceedings in terms of s24, he should notify the exclusive licensee or sub-licensee of his intention to do so, so that the exclusive licensee or sub-licensee may intervene in such proceedings and recover damages that he or she may have suffered because of the infringement or recover reasonable royalty to which he or she is entitled to.¹³⁸

In situations where infringement was proved or admitted but at the time of infringement, the defendant was not aware and had no reasonable grounds for suspecting that copyright subsisted in the work to which the action relates, the copyright owner will not be entitled to any damages against the defendant in respect of the infringement.¹³⁹ Where infringement has been proven or admitted, the court should consider all other material considerations relating to the flagrancy of the infringement and any benefit that accrued to the defendant as a result

¹³⁵ Justice FDJ Brand ‘Reflections on Wrongfulness in the Law of Delict’ SALJ (2007) Issue 124 at 76

¹³⁶ s24 of the Copyright Act 98 of 1978

¹³⁷ s24(1A) of the Copyright Act 98 of 1978

¹³⁸ s24(1C) of the Copyright Act 98 of 1978

¹³⁹ s24(2) of the Copyright Act 98 of 1978

of the infringement.¹⁴⁰ [see *CCP Record Company (Pty) Ltd v Adams Radio TV and Electronics*.] Where a court is satisfied that effective relief would not be available to the copyright owner, it will have the power to award additional damages as the court deems fit when assessing damages.¹⁴¹

2.8 Napster, Grokster and LimeWire in South Africa

South African courts have not been confronted with copyright infringement cases yet that relate to file sharing. However, it is an existing problem in South Africa although it may not be as widespread as in the United States or Europe. In light of the fact that there are no existing case law relating to fair dealing of music works in the digital environment, it is useful to examine how South African courts would decide cases such as *Napster*, *Grokster* and *LimeWire*. If RISA instituted legal action against file sharing networks like *Napster*, *Grokster* or *LimeWire*, our courts would have to determine whether file sharing qualifies as fair dealing in South African law. Since South African courts have never been confronted with file sharing cases there is no legal precedent that relates to the defence of fair dealing in music works within the digital environment. Therefore, our courts would examine English, American and Australian file sharing decisions because these jurisdictions have persuasive influence in our legal system. Now, let us examine the arguments of Napster.

Napster advanced several arguments in their defence and it is necessary to explore how it applies in a South African context. *Napster* asserted it qualified as a service provider in terms of the DMCA and therefore exempt from liability for copyright infringement. In South Africa, the ECTA would apply and a court would have to interpret and apply the Act in this regard. In terms of the ECTA a service provider means ‘any person providing information system services.’

After careful analysis of ss73-76, Napster would not be exempt from liability under either of the sections, so whether Napster would qualify as a conduit, a caching service provider, a host or an information location tools provider under the ECTA (depending on what a court would decide), it will not be exempt from liability because Napster provided the service that encourages copyright infringement and was aware of the infringing activity nor did they comply with the take-down notice as stipulated in s77.

¹⁴⁰ s24(3)(a) of the Copyright Act 98 of 1978

¹⁴¹ s24(3)(b) of the Copyright Act 98 of 1978

Next, it needs to be determined whether Napster would be liable for direct or indirect infringement and therefore, it must be ascertained whether the exclusive rights of the copyright owner in the respective works have been violated.¹⁴² With respect to musical works and literary works (lyrics), Napster certainly reproduced the works. As far as the sound recordings are concerned, it may be found that Napster made (directly or indirectly) a record embodying the sound recording by compressing the music works into an MP3 format; furthermore, Napster also dealt commercially with the sound recording.¹⁴³ Therefore, Napster would be guilty of direct copyright infringement in respect of the musical works, the literary works and the sound recordings unless they can establish that their use of the musical and/or literary works qualifies as fair dealing but a court may also find Napster guilty of indirect infringement because they were dealing in infringing copies of the music works.¹⁴⁴

So, based on the decision of the United States Court of Appeals, Napster would not be successful in their statutory defence of fair dealing in South Africa.

2.8.1 Conclusion

This chapter illustrated that South Africa's model of fair dealing is very restrictive and not flexible enough to adapt to digital technology. As we have seen, format shifting is a good example because although consumers can purchase MP3 players, computers etcetera, format shifting is not permitted in terms of the Act. Fair dealing does not only pose problems with music works, it is also problematic with respect to digital technology in the education sector and libraries, to name a few.

The South African Open Copyright Review Report (the Report) was launched during 2008 and made many recommendations with respect to the Act. With regards to fair dealing, the report advises that copyright exceptions and limitations should be expanded and that these exceptions and limitations should be clarified with respect to transformative or derivative works. It is furthermore recommended that these exceptions and limitations should make provision for distance learning, e-learning and educational institutions.

The Report explains that exceptions and limitations should be included for the benefit of teachers or teaching purposes which is extended and simplified. The Report also recommends

¹⁴² Webber Wentzel Bowens 'Napster: Digital Impact on Copyright'
<http://www.webberwentzel.com/wwb/view/wwb/en/page1874?oid=1184&sn=Detail&pid=1874>
(Accessed 4 October 2010)

¹⁴³ Ibid

¹⁴⁴ Ibid

that these exceptions and limitations should address new technologies. It is advised by the Report that the copyright exceptions and limitations should automatically qualify as defences with respect to the anti-circumvention provisions. It is advised that time shifting, format-shifting and space-shifting should also be provided for and that the scope of fair dealing should be clarified. As we can see from the recommendations, arguments and opinions that have been expressed by experts in practice, the South African Copyright Act lags behind the rest of the world and this issue must be addressed as soon as possible. South African courts have not been confronted with copyright infringement cases that relate to file sharing so we can only hope when they are confronted with this legal problem, that they will be able to give legal certainty to the doctrine of fair dealing from a South African perspective.

CHAPTER 3: FAIR DEALING IN THE UNITED KINGDOM

3.1 Introduction

Copyright has its roots in the sixteenth century but the foundation of Copyright law in the United Kingdom is based on the Statute of Anne which was enacted during 1709.¹⁴⁵ As Hart explains, this legislation was introduced because publishers needed greater protection. The Statute of Anne granted the Stationers' Company exclusive printing rights for 14 years in addition to another 14 years to be enjoyed by the author if he was still living. During 1734, the Engraving Copyright Act was enacted which granted protection to engravings and for 150 years thereafter, a number of Acts were passed in the United Kingdom that extended copyright protection to musical, dramatic and artistic works.¹⁴⁶

By the 18th century, there were 14 different pieces of copyright legislation in the United Kingdom and in 1875 a Royal Commission recommended that it should be incorporated into one Act; however, this could not happen until the United Kingdom signed the Berne Convention during 1885 and in 1911 the United Kingdom implemented the Copyright Act of 1911.¹⁴⁷ This Act repealed and replaced the various existing Acts and abolished common law copyright law which extended the copyright term of unpublished literary works indefinitely. During 1956, the United Kingdom enacted the Copyright Act of 1956 in order to comply with the Berne Convention.

In 1973, the Whitford Committee was appointed to review the United Kingdom's copyright law and in 1977 it recommended changes be made to the law in order to deal with the technological advances and to ensure it complied with its treaty obligations.¹⁴⁸ 'Consequently, a Green Paper titled **'Reform of the Law Relating to Copyright, Designs and Performers' Protection'** emerged during 1981, followed by a White Paper titled **'Intellectual Property and Innovation'** which resulted in the **Copyright, Designs and Patents Act of 1988** of today.'¹⁴⁹

The Copyright Designs and Patents Act of 1988 (hereinafter referred to as the CDPA) came into force on the 1st of August 1989 and included amending regulations that complied with European Council (EC) Directives; these regulations came into effect on the 31st of October

¹⁴⁵ Tina Hart et al 'Intellectual Property Law' 4th ed. (2006) at 163

¹⁴⁶ Ibid

¹⁴⁷ Ibid

¹⁴⁸ Ibid

¹⁴⁹ Op cit. at 164

2003 and implemented the Copyright Directive of 2001/29/EC relating to the harmonisation of certain aspects of copyright and related rights in the information society.¹⁵⁰

The purpose of the Copyright Directive was to bring national copyright laws into the twenty-first century so that it could adequately deal with challenges related to multimedia, digitisation and the Internet but also to ensure that copyright laws was in harmony throughout the European Union (hereinafter known as the EU).¹⁵¹ The United Kingdom also passed the Digital Economy Act of 2010 which will be discussed at a later stage. This is the historical background to the United Kingdom's copyright laws over the years and fair dealing will be examined against this background.

Copyright law in the United Kingdom is governed by the Copyright Designs and Patents Act of 1988 (CDPA). The doctrine of fair dealing developed in English courts for more than two centuries and the doctrine made its first statutory appearance in the Copyright Act of 1911.¹⁵² In the United Kingdom, fair dealing is a statutory defence relating to a claim of copyright infringement just like in South Africa. 'Fair dealing has been the subject of pronounced academic debate and some scholars have argued the doctrine offers no principles or vision and that it contains too many obstacles, that its purpose is too rigid and that the doctrine have been interpreted rigidly.'¹⁵³ Before fair dealing in the United Kingdom can be examined and discussed, it is necessary to firstly explore English copyright law.

3.1.1 Copyright law in the United Kingdom

Section 16(1) of the CDPA (as amended by the Copyright Regulations of 2003) grants a copyright owner the exclusive right to copy the work, issue copies to the public, to rent or lend the work to the public, perform, show or play the work in public, communicate the work to the public and to adapt a work. The right to copy constitutes **the reproduction right** whereas issuing copies to the public amounts to **the distribution right**. To perform, show or play the work in public constitutes **the performance right** and to adapt the work constitutes **the adaptation right**. To communicate a work to the public constitutes **the communication**

¹⁵⁰ Ibid

¹⁵¹ Ibid

¹⁵² Giuseppina D'Agostino 'Healing Fair Dealing? A Comparative Copyright Analysis of Canada's Fair Dealing to UK Fair Dealing and US Fair Use' 53 McGill L.J. (2008) at 337

¹⁵³ Ibid

right which is a recently new right and will be discussed at a later stage.¹⁵⁴ Note that this chapter will focus primarily on the infringement of the reproduction right and where necessary, mention will be made to the other rights supra that are also affected by file sharing.

The CDPA grants copyright protection to the following works in terms of s1:

- a) Original literary, dramatic, musical or artistic works;
- b) Sound recordings, films or broadcasts and
- c) The typographical arrangement of published editions.

As we have already established, a music work consist of three distinct copyright works viz. the literary work, the musical work and the sound recording. In s3 the CDPA defines a literary work as any work other than a dramatic or musical work which is written, spoken or sung. Section 3 defines a musical work as a work consisting of music exclusive of any words or action intended to be sung, spoken or performed with the music. In s5A, a sound recording is defined as a recording of sounds from which the sounds may be reproduced or a recording of the whole or any part of a literary, dramatic or musical work, from which sounds reproducing the work or part may be reproduced. Therefore, it is important to remember that each of these copyright works could be owned by different copyright holders.¹⁵⁵ Usually when music is produced for commercial gain, the artist will sign a contract with a record company who will be responsible for the production and commercial distribution of the music work.¹⁵⁶ Therefore, the music work is jointly owned by the artist and the recording company.¹⁵⁷ In other words, the different works within a particular music work are commonly owned by different individuals.

3.1.2 Duration of copyright in works

By virtue of s12 of the CDPA, literary, dramatic and musical works are granted copyright protection for 70 years. Sound recordings however, are granted protection under s13A and reads:

¹⁵⁴ Warren R. Shiell 'Viral Online Copyright Infringement in the United States and the United Kingdom' Ent. L.R. (2004) Issue 4 at 108

¹⁵⁵ Hart et al, 4th ed. (2006) at 167

¹⁵⁶ In Brief 'Illegal Downloading of Music' <http://www.inbrief.co.uk/intellectual-property/illegally-downloading-music.htm> (Accessed 5 December 2010)

¹⁵⁷ Ibid

Subject to subsections (4) and (5), copyright expires-

(a) at the end of the period of 50 years from the end of the calendar year in which the recording is made or

(b) if during that period the recording is published, 50 years from the end of the calendar year in which it is first published or

(c) if during that period the recording is not published but is made available to the public by being played in public or communicated to the public, 50 years from the end of the calendar year in which it is first so made available.

3.1.3 Primary infringement in the United Kingdom

In the United Kingdom, a distinction is made between primary (direct) and secondary (indirect) infringement and for purposes of this chapter, primary and secondary infringement will be used. Copyright infringement by 'copying' applies to all type of copyright works but the scope for reproduction of these different works vary of course.¹⁵⁸ With respect to artistic, literary, dramatic and musical works, copying means reproduction in any material form including storing the work in any electronic medium.¹⁵⁹ Therefore, digitised sound will also amount to copies for these purposes.¹⁶⁰ In the United Kingdom, infringement is established by determining whether the infringer reproduced the entire work or if he reproduced a substantial part of the work and substantiality is determined qualitatively and not only quantitatively.¹⁶¹ When English courts determine the issue of substantiality, each case is judged separately since there is no general test to determine substantiality.¹⁶² Section 27 of the CDPA stipulates that an article is an infringing copy if its making constituted an infringement of the copyright in the work in question. File sharing constitutes primary infringement because of the fact that the literary work and the musical work are being reproduced while the sound recording is being copied without the copyright owner's consent. So, in essence file sharing infringes on the copyright in the music work in terms of s17 of the CDPA as it reads:

- (1) The copying of the work is an act restricted by the copyright in every description of copyright work; and references in this Part to copying and copies shall be construed as follows.
- (2) Copying in relation to a literary, dramatic, musical or artistic work means reproducing the work in any material form. This includes storing the work in any medium by electronic means.

¹⁵⁸ Hart et al, 4th ed. (2006) at 163

¹⁵⁹ s17 of the CDPA of 1988

¹⁶⁰ Op cit. at 163

¹⁶¹ Ibid

¹⁶² Ibid

Section 17 goes on to define copying in relation to other types of works, namely artistic works, films, photographs and published editions but copying in relation to sound recordings is not defined therein. However, s17(6) does state that the copying of any works (i.e. including sound recordings) includes the making of copies which are transient or incidental to some other use of the work.¹⁶³ Section 182(1)(A) of the CDPA further expressly states the reproduction right includes ‘copying a recording’,¹⁶⁴ which is transient or is incidental to some other use of the original recording. It is irrelevant whether the copy was made directly or indirectly because regardless of how reproduction occurred, the copyright owner’s reproduction right is still infringed upon.¹⁶⁵

3.2 Secondary infringement

Secondary infringement occurs when a third party does not directly commit copyright infringement but facilitates primary (direct) infringement.¹⁶⁶ Therefore, in terms of s24 of the CDPA, software providers or services and ISP’s that facilitate copying or file sharing could be held liable for secondary infringement.¹⁶⁷ Acts of secondary infringement are provided for in ss22 to 26 of the CDPA and these are acts committed by people dealing in infringing copies.¹⁶⁸ In the United Kingdom, secondary infringement only becomes relevant once an act of primary infringement has been established and another pre-condition of secondary infringement is that it should be done in the course of business or done for profit; there should also be some level of knowledge or a reason to believe that the copies are infringing.¹⁶⁹ In terms of ss22-26, the following acts constitute secondary infringement:

- Selling, letting for hire or offering for sale or hire¹⁷⁰;
- Possessing, exhibiting or distributing in the course of business¹⁷¹;
- Importing infringing copies¹⁷² into the UK (except private or domestic use);
- Distributing other than in the course of business to an extent that will prejudicially affect the copyright owner;

¹⁶³ Under UK law, references to copying a work in any form include storage in computer memory as stipulated by the Computer Software Amendment Act of 1985. Warren Shiehl ‘Viral Online Copyright Infringement in the United States and the United Kingdom’ Ent. L.R. (2004) Issue 4 at 108

¹⁶⁴ The South African “equivalent” of this provision can be found in par. (c) of the definition of “reproduction” in s1 of the SA Copyright Act: “reproduction in relation to - ... (c) any work, includes a reproduction made from a reproduction of that work.” An example of this would be where someone copies a painting *via* a photograph of that painting which he found on the Internet.

¹⁶⁵ s182(1A)(2) of the CDPA of 1988

¹⁶⁶ Copinger and Skone James on Copyright 14th ed. (1999) at 477

¹⁶⁷ Field Fisher Waterhouse ‘UK proposals for a limited private copying exception’ www.ffw.com/publications/all/articles/format-shifting.aspx (Accessed 5 January 2011)

¹⁶⁸ Copinger and Skone James on Copyright 14th ed. (1999) at 477

¹⁶⁹ Ibid

¹⁷⁰ s24 of the CDPA of 1988

¹⁷¹ s23 of the CDPA of 1988

¹⁷² s22 of the CDPA of 1988

- Permitting use of premises for infringing performance¹⁷³ and
- Providing an apparatus for an infringing performance.¹⁷⁴

The CDPA provides three classes of secondary infringement viz. 1) dealing with infringing copies, 2) providing the means for making infringing copies and 3) permitting or enabling infringing performances to take place.¹⁷⁵ Under s24, providing means for making infringing copies is when a person, without the license of the copyright owner makes, imports into the United Kingdom, possesses in the course of business or sells or lets for hire or offer or exposes for sale or hire an article specifically designed or adapted for making copies of that work while knowing or having reason to believe that it will be used to make infringing copies.

The sale of infringing copies

In terms of s24, infringement is committed when infringing copies are offered or exposed for sale or hire whether this is done in the course of business or not. Whether a sale has taken place will be judged objectively and the fact that one party had no subjective intention to enter into a contract or legal relationship will be irrelevant in this regard.¹⁷⁶

In the United Kingdom, knowledge is an important requirement in establishing secondary infringement. The question regarding what level of knowledge or suspicion is required was addressed by a court in the *Boncrest*¹⁷⁷ decision and the judge stated in order for there to be sufficient knowledge to establish secondary infringement, a defendant must have reason to believe there is an infringement instead of just a suspicion.¹⁷⁸ The court furthermore explained the plaintiff must have notice of the facts along with sufficient information that identifies the copyright work and that such information must have been given sufficiently in advance so the plaintiff had time to evaluate the facts and form a reasonable belief.¹⁷⁹ Therefore, actual knowledge is a question of fact and will usually revolve around the evidence regarding the defendant's actions and what he knew and did.¹⁸⁰ Constructive knowledge however should be interpreted in accordance with their ordinary meaning and

¹⁷³ s25 of the CDPA of 1988

¹⁷⁴ s26 of the CDPA of 1988

¹⁷⁵ Copinger and Skone James on Copyright 14th ed. (1999) at 477

¹⁷⁶ Ibid

¹⁷⁷ *Vermaat and Powell v. Boncrest Limited* [2002] FSR 21

¹⁷⁸ Hart et al 'Intellectual Property Law' 4th ed. (2006) at 188

¹⁷⁹ Ibid

¹⁸⁰ Copinger and Skone James on Copyright 14th ed. (1999) at 482

“reason to believe” is based on the reasonable man theory by asking whether a reasonable man in the position of the defendant would have arrived at the relevant belief that the copies are infringing copies.¹⁸¹

Possession

By virtue of s20 of the CDPA, copyright in a work is infringed by any person who, without the permission of the copyright owner and who has knowledge, possesses an infringing copy in the course of business. “Business” is defined as a trade or profession.¹⁸² Copinger and Skone James explain the business must be that of the possessor and not of someone else who sold it to him and that these articles must be part of the ordinary course of business.¹⁸³

Another example of providing means for making infringing copies is when a person, without the license of the copyright owner transmits the work by means of a telecommunications system (other than communication to the public) while knowing or having reason to believe that infringing copies of the work will be made by means of the reception of the transmission in the United Kingdom or elsewhere.¹⁸⁴ Permitting use of premises for infringing performances occurs where the copyright in a literary, dramatic or musical work is infringed by a performance at a place of public entertainment and any person who gave permission for a place to be used for the performance will be liable for infringement unless he/she believed on reasonable grounds that such performance would not infringe copyright.¹⁸⁵ A place of public entertainment includes premises that are mainly occupied for other purposes but which is also available (from time to time) for hire for the purpose of public entertainment.¹⁸⁶

3.2.1 Authorisation

Section 16(2) of the CDPA prohibits anyone from “authorising unlicensed copying or authorising any of the restricted acts which are the exclusive rights of the copyright owner which now includes communicating the work to the public or making it available to the public by electronic transmission in such a way that the public may access it from a place and

¹⁸¹ Op cit. at 483

¹⁸² Copinger and Skone James on Copyright 14th ed. (1999) at 484

¹⁸³ Ibid

¹⁸⁴ s24(2) of the CDPA of 1988

¹⁸⁵ s25(1) of the CDPA of 1988

¹⁸⁶ s25(2) of the CDPA of 1988

at a time individually chosen by them.”¹⁸⁷ The question of whether file sharing software providers and services might be liable for “authorising” one of the restricted acts will be decided upon in light of the *Amstrad* decision.¹⁸⁸ *Amstrad* is not relevant for purposes of this dissertation and will not be discussed further.

3.3 Fair dealing in the United Kingdom

There are various exceptions (“acts permitted in relation to copyright works”) in Chapter 3 of the CDPA and certain exceptions require permission from the copyright owner whereas other exceptions do not.¹⁸⁹ The CDPA has categorised the permitted acts into thirteen sections viz.¹⁹⁰

- General
- Education
- Libraries and archives
- Public administration
- Computer programs
- Databases
- Designs
- Typefaces
- Works in electronic form
- Miscellaneous provisions relating to literary, dramatic, musical and artistic works
- Miscellaneous provisions relating to films and sound recordings and
- Miscellaneous provisions relating to broadcasts and cable programmes.

These exceptions are designed in order to balance and maintain the interests of the copyright owners with the public interest.¹⁹¹ ‘It performs different roles and in some instances the exceptions promote and encourage the creation of works. In other instances the exceptions protect non-copyright interests such as the freedom of expression or the protection of privacy.’¹⁹²

The following types of copying are not covered under the fair dealing exception: Copying for a direct or indirect commercial purpose, copying for educational purposes (group study),

¹⁸⁷ See Warren Shiell supra at 109

¹⁸⁸ Ibid

¹⁸⁹ Copinger and Skone James on Copyright 14th ed. (1999) at 493

¹⁹⁰ Op cit. at 493-494

¹⁹¹ Ibid

¹⁹² Bently and Sherman ‘Intellectual Property Law’ at 190

making multiple copies from printed works, making multiple copies from electronic works and copying film, images or sound recordings.¹⁹³

Under General supra, the exceptions that require “fair dealing” are research and private study (s29)¹⁹⁴, criticism, review and news reporting (s30)¹⁹⁵ and under Education supra, it is things done for purposes of instruction or examination (s32).¹⁹⁶

The current defences do not make provision for format shifting which means it is unlawful to format shift music or other works for personal use in the United Kingdom.¹⁹⁷ The compatibility of the exceptions within the digital environment has been subject to much debate. The United Kingdom Intellectual Property Office (IPO) followed the recommendation of the Gowers Review and proposed that a new exception should be provided for that would permit format shifting, which means that format shifting would become a fair dealing exception.¹⁹⁸

‘The proposed exception would be subject to limitations like the owner not being permitted to loan, sell or give the copy away that was made nor share it on a file sharing network; the owner would also not be permitted to keep the copy if they are no longer in possession of the original but the practical impossibility has been noted in this regard. Another condition includes the prohibition on commercial enterprises copying works on behalf of customers and this includes multiple copies being made for friends and family, however the proposed exception would allow users to make further copies from the copy which has been format-shifted for use on a further device (i.e mobile phone) in their lawful possession. This is designed to make provision for developing technology when one device becomes obsolete, then users

¹⁹³ Brunel University (London) ‘Fair Dealing’ <http://www.brunel.ac.uk/services/library/learning/copyright/fair-dealing> (Accessed 25 September 2011)

¹⁹⁴ Fair dealing with a literary, dramatic, musical or artistic work for the purposes of research for a non-commercial purpose does not infringe any copyright in the work provided that it is accompanied by a sufficient acknowledgement. No acknowledgement is required in connection with fair dealing for the purposes mentioned in subsection (1) where this would be impossible for reasons of practicality or otherwise. Fair dealing with a literary, dramatic, musical or artistic work for the purposes of private study does not infringe any copyright in the work.

¹⁹⁵ Fair dealing with a work for the purpose of criticism or review, of that or another work or of a performance of a work, does not infringe any copyright in the work provided that it is accompanied by a sufficient acknowledgement and provided that the work has been made available to the public.

¹⁹⁶ Copyright in a literary, dramatic, musical or artistic work is not infringed by its being copied in the course of instruction or of preparation for instruction, provided the copying- (a) is done by a person giving or receiving instruction, (b) is not done by means of a reprographic process, and (c) is accompanied by a sufficient acknowledgement, and provided that the instruction is for a non-commercial purpose.

¹⁹⁷ Field Fisher Waterhouse - ‘UK proposals for a limited private copying exception’ www.ffw.com/publications/all/articles/format-shifting.aspx (Accessed 5 January 2011)

¹⁹⁸ Ibid

can replace it with newer technology which would enable them to access the copyright works via the new device.’¹⁹⁹

“The proposals address but do not answer the question as to what types of work format-shifting should apply to and three choices have been presented namely:

- 1) The exception would apply only to sound recordings and films;
- 2) Apply the exception to all categories of work and
- 3) Tailor different exceptions to different categories of works.”²⁰⁰

Despite the fact that format shifting is unlawful in the United Kingdom, no one has been prosecuted for format shifting.²⁰¹ The music industry stated they would like provision to be made for format-shifting so that music fans were not criminalised.²⁰² The Act expressly makes provision for works of every description to be included except in situations where limited class of works is specified.²⁰³ Copinger and Skone James explains even if an act is committed where copyright is not infringed, such action could still be in breach of some other contractual obligation that expressly states reproduction is not permitted without the consent of the copyright owner.²⁰⁴ In the United Kingdom, copyright exceptions only apply once infringement has been established and the onus then rest with the defendant who must prove one of the exceptions applies.²⁰⁵ English courts construe the fair dealing exceptions strictly against a defendant but have not been consistent in their strict approach and have sometimes been prepared to opt for a broader interpretation of the fair dealing provisions.²⁰⁶ As pointed out earlier, the CDPA only permits fair dealing for purposes of:

1. Research or private study (s 29);
2. Criticism or review (s 30);
3. News reporting of current events [s 30(2)]

Although ss29, 30 and s30(2) is not related to file sharing for purposes of this dissertation, it has been included here for discussion in order to provide a better understanding of fair dealing in general.

¹⁹⁹ Ibid

²⁰⁰ see Field Fisher Waterhouse supra

²⁰¹ Harry Wallop ‘Millions of iPod fans breaking law by copying CD’s’

www.telegraph.co.uk/technology/apple/7299505/Millions-of-iPod-fans-breaking-law (Accessed 5 January 2011)

²⁰² Ibid

²⁰³ Op cit. at 494

²⁰⁴ Ibid

²⁰⁵ Ibid

²⁰⁶ Op cit. at 495

- Research or private study

English courts have stated research and private study must be for non-commercial purposes.²⁰⁷ The reasoning for this exception is because research and study is needed to generate new works and does not conflict with the incentives and rewards of the copyright owners.²⁰⁸ However, with respect to research the work and the author must be acknowledged accordingly.²⁰⁹

- Criticism or review

For works to fit into the category of criticism or review, the work must have been previously available to the public, be fair and should acknowledge its source sufficiently.²¹⁰ So, for a defendant to rely on s30(1), he must prove the dealing was for the purpose of criticism or review of the work or of another work.²¹¹ Courts employ an objective approach when deciding the purpose for which the work was used and construe criticism or review liberally.

Criticism or review may be in respect of the entire work or a single aspect thereof or the thought or philosophy underpinning the work or its moral or social implications.

- News reporting of current events

The supra has usually been understood as meaning news reporting but the *Pro Sieben*²¹² decision gave it a wider scope.²¹³ The Court of Appeal of England and Wales acknowledged *Pro Sieben's* liberal interpretation of “current events” and also laid down a hierarchy of factors for determining fair dealing in the following order:²¹⁴

1. whether there was a market substitute to the dealing (if so, fair dealing will fail);
2. whether the work was published or previously exposed to the public (if the answer is no, fair dealing will fail);
3. the extent of the work taken, though a substantial part of the work may be allowed.

²⁰⁷ See Copinger and Skone James supra at 339

²⁰⁸ Bently & Sherman ‘Intellectual Property Law’ Law at 198

²⁰⁹ Ibid

²¹⁰ G. D’Agostino ‘Healing Fair Dealing? A Comparative Analysis of Canada’s Fair Dealing to UK Fair Dealing and US Fair Use’ 53 McGill L.J. (2008) at 339

²¹¹ Bently & Sherman ‘Intellectual Property Law’ at 201

²¹² *Pro Sieben Media AG v. Carlton UK Television Ltd* [1999] 1 WLR 605

²¹³ Op cit. at 339

²¹⁴ G. D’Agostino ‘Healing Fair Dealing? A Comparative Analysis of Canada’s Fair Dealing to UK Fair Dealing and US Fair Use’ 53 McGill L.J. (2008) at 343

If a particular use does not fall within the ambit of ss29-30, it would not qualify as fair dealing regardless of whether such use could be deemed as fair. The strict approach of fair dealing in the United Kingdom can be compared to the strict interpretation of fair use in the United States that provide guidelines as to what may constitute fair use and which applies to all categories of works and will be discussed in chapter 5.²¹⁵ Public interest is another defence that is available in terms of s171(3) of the CDPA and originates from common law.

Before 1911, there were no statutory exceptions to copyright infringement in the United Kingdom but the question regarding what constituted fair dealing was always a legal issue prior to 1911.²¹⁶

English copyright is notable because fair dealing is only permitted under the enumerated circumstances supra and when determining whether the alleged infringement falls within the ambit of ss29 or 30, two facts are noteworthy viz:

1. English courts have interpreted specific purposes liberally.
2. The interpretation to be adopted when deciding the purpose for which the work was used.²¹⁷

The statute seems to suggest the test for determining the purpose of the dealing should be decided based on the subjective intentions of the alleged infringer.²¹⁸

However, in the *Hyde Park*²¹⁹ decision Justice Aldous stated it is not necessary for courts to step into the shoes of the alleged infringer when deciding the purpose of the dealing because an objective approach should be followed.²²⁰

Once a defendant established that his dealing falls within the ambit of ss29 to 30 supra, they have to prove the dealing is fair.²²¹ Whether or not dealing is fair is a question of degree and impression because it is not possible to provide exact guidelines in this regard.²²² Unlike the position in the United States, there are no statutory criteria of fairness in the United Kingdom but the test that was judicially developed incorporates similar considerations.²²³ In

²¹⁵ Copinger and Skone James on Copyright 14th ed. (1999) at 497

²¹⁶ Op cit. at 496

²¹⁷ Bently and Sherman 'Intellectual Property Law' at 193

²¹⁸ Ibid

²¹⁹ *Hyde Park v. Yelland* [2000] All ER (D) 156

²²⁰ Ibid

²²¹ Bently and Sherman 'Intellectual Property Law' at 194

²²² Ibid

²²³ Copinger & Skone James on Copyright, 14th ed. (1999) at 506

determining whether dealing is fair, courts will look at the test for fairness as set out in the *Hubbard* decision since it is the leading decision on the meaning of fairness.²²⁴

3.3.1 The test of fairness

1. Is the work unpublished?

Where dealing takes place in relation to works that have not been published or made widely available to the public, a court will not view such dealing as fair.²²⁵ With regards to music works that are shared via file sharing, most of it have already been published but in situations where music works are new and have not yet been made available to the public (i.e. not released) courts will be stricter simply because the music work is unpublished.

2. How was the work obtained?

The method in which infringers obtained the music work is also a factor in determining whether the dealing is fair. It is unlikely that a court would view dealing as fair especially where a work has been leaked or stolen.

3. How much of the original work was taken?

The quantity and quality of the original work that was taken is important in deciding whether dealing is fair. In the *Hubbard* decision, Lord Denning stated the number and extent of extracts that were taken should be examined and it should be asked if such extracts are too long and too many.²²⁶ Generally, the defence of fair dealing will only apply where a part of the work was taken. So, file sharing would not qualify as fair dealing since entire songs are generally downloaded and therefore the infringement will not be excused.²²⁷

4. What are the motives for the dealing?

Courts also examine the defendant's motives and Bently and Sherman explain a court must judge fairness according to an objective standard of whether a fair minded and honest person would have dealt with the copyright work in the manner in question.²²⁸ Usually courts

²²⁴ *Hubbard v. Vosper* [1972] 2 QB 84

²²⁵ Bently and Sherman 'Intellectual Property Law' at 194

²²⁶ Op cit. at 195

²²⁷ Robert C. Piasentin 'Unlawful? Innovative? Unstoppable? A Comparative Analysis of the Potential Legal Liability Facing P2P End-Users in the US, UK and Canada' 14 Int'l J.L. & Info. Tech. (2006) at 204

²²⁸ Bently and Sherman 'Intellectual Property Law' at 195

establish motive/s by looking at whether a defendant has been prompted by any financial gain and if this question is answered in the affirmative, the dealing will not be regarded as being fair.²²⁹

5. What are the consequences of the dealing?

Courts also look at how the dealing impacts the market for the work especially where the parties are in competition and the defendant's use of the work acts as a substitute for the purchase of the original music work.²³⁰ In other words, where infringing copies compete commercially with original music works and is in fact a substitute, the dealing will be regarded as being unfair.

6. Use made

Where a use is more transformative, it would favour fair dealing more.²³¹ In situations where a defendant derives financial benefit from the use, fair dealing will not be successful as the court made it clear in *Marks & Spencer*²³² that a dealing by a person with a copyright work for his own commercial advantage and to the actual or potential commercial disadvantage of the copyright owner is not to be regarded as fair dealing unless there is an overriding element of public advantage which justifies the use.²³³

7. Could the purpose be attained by a different means?

The court will look at whether alternatives to the dealing were available and if such alternatives were indeed available, fair dealing will fail.²³⁴

Two recent decisions that illustrate how English courts apply the test of fairness are *IPC Media Ltd v News Group Newspapers Ltd* and *Fraser-Woodward v BBC*. *IPC Media* presents an extreme example of the disadvantages of the undisciplined approach to fairness but the decision of *Fraser-Woodward* provides some clarification on the issue.²³⁵ Although these decisions do not deal with music works it still provides us with an idea of how English courts interpret and apply fair dealing.

²²⁹ Ibid

²³⁰ Op cit. at 196

²³¹ G. D'Agostino 'Healing Fair Dealing? A Comparative Analysis of Canada's Fair Dealing to UK Fair Dealing and US Fair Use' 53 McGill L.J. (2008) at 342

²³² *Newspaper Licensing Agency v Marks & Spencer* [1999] RPC 536

²³³ Bently & Sherman 'Intellectual Property Law' at 195

²³⁴ See G. D'Agostino supra at 343

²³⁵ Jonathan Griffiths 'Comparative advertising and celebrity photographs' *Jrnl of IP Law & Practice*, Vol. 1, No. 8 (2006) at 519.

3.3.1.1 IPC Media Ltd. v News Group Newspapers Ltd²³⁶

The plaintiff was a publisher of a magazine 'What's on TV' and was also the copyright owner of the logo and cover layout of the magazine. On the other hand, the defendant was a publisher of a newspaper 'The Sun' and advertised the re-launch of its own television listings magazine. The defendant's advertisement however reproduced the front cover of two editions of the plaintiff's magazine 'What's on TV'. It was not the first occasion where the defendant reproduced the plaintiff's copyright material because the same tactic was used before when the TV magazine was first launched.

As a result of this, the parties entered into a contract whereby the defendant agreed that he would not infringe the plaintiff's copyright. Therefore, the plaintiff sought summary judgment for copyright infringement in its literary and artistic work of the magazine's front covers and logo. The defendant however relied on the defence of fair dealing by virtue of s30(2) of the CDPA.

The plaintiff argued neither of the uses constituted criticism, review or reporting of current events and even if the contrary was arguable, the defendant's actual use of the copyright material could not be characterised as fair dealing. Thus, the court had to determine whether the reproduction of the artistic and literary work constituted fair dealing for purposes of criticism or review in terms of s30(2). The court opined it was arguable that the publications could be characterised as criticism or review but was not convinced the criticism constituted criticism of the plaintiff's work or of another work within the meaning of subsection 2.

Hart J explained in order to determine fair dealing, the better approach would be to follow Walker's CJ opinion in the *Pro Sieben*²³⁷ decision when he said to take the first 24 words of s30(1) along with the first 16 words of s30(2) as a simple composite phrase. The court stated fair dealing is an elusive concept and it is impossible to lay down any hard and fast definition of what fair dealing is because it is a matter of degree and impression.

Hart J said the most important factor to determine fair dealing was whether the infringing work was competing commercially with the original work. The court stated if the answer is yes, then fair dealing would not be successful. The second important factor was whether the work has already been published or exposed to the public. If the answer was no and if the

²³⁶ *IPC Media Ltd v News Group Newspapers Ltd* [2005] EMLR 23

²³⁷ *Pro Sieben Media AG v Carlton UK Television Ltd* [1999] 1 WLR 605

material was obtained in breach of confidence or underhand dealing, then courts would not view the use as fair dealing. The third important factor was the amount and importance of the work taken. The court stated although it was permissible to take a substantial part of the work, in some instances the taking of excessive amounts or small amounts, if used regularly, would negate fair dealing.²³⁸

Hart J asserted the use of the plaintiff's work by the defendant passed all three factors because the alleged reproduction did not compete with the plaintiff's product. Secondly, the court noted it was not unpublished material that was used. The court said while copying had taken place, not all essential features were copied. Hart J stated the concept of fairness is highly sensitive to contextual and contemporary mores.

The defendant argued it was widely accepted in the contemporary newspaper culture to use copyright material in the context of comparative advertising but according to the court, the defendant could not provide an example of such usage in the industry.

Lastly, the court explained previous judgments which involved similar factual situations did not indicate any readiness by participants in the industry to allege that usage represents fair dealing for the purposes of criticism or review or the reporting of current events. Therefore, the court ruled the use of the copyright material did not constitute fair dealing for the purpose of reporting current events. Despite the fact that the factors to determine fair dealing favoured the defendant, this conclusion was not placed in the balance against the factors that favoured the plaintiff.²³⁹ Griffiths explains it was the 'principal function' factor that determined the outcome of the case and it is not clear whether the 'principal function' factor should be added to the existing list of factors or whether it trumps all others and states the 'principal function' factor has no foundation in precedent either and is not supported by authority in the judgment.²⁴⁰

²³⁸ "For although it is permissible to take a substantial part of the work (if not there will be no question of infringement in the first place) in some circumstances the taking of an excessive amount or the taking of even small amount, if on a regular basis, would negate their dealing." At par. 13

²³⁹ Jonathan Griffiths 'Comparative advertising and celebrity photographs' *Jrnl of IP Law & Practice*, Vol. 1, No. 8 (2006) at 520-521

²⁴⁰ *Ibid*

3.3.1.2 Fraser-Woodward v BBC²⁴¹

The plaintiff instituted action against the defendant, BBC for copyright infringement of his photographs of the Beckhams that was used in a TV program. The defendant relied on the defence of fair dealing in terms of s30(1) of the CDPA and the court had to determine whether the use made of the photographs was for the purposes of criticism and review of the work or of another work. English cases regarding criticism and review is beyond the scope of this dissertation but can be helpful in understanding what British courts view as fair. In casu, fairness was judged on the circumstances of the case²⁴² and that is why the court ruled that the use of the photographs amounted to fair dealing. In other words, what may be regarded as fair in one case may not be seen as fair in subsequent decisions.

3.4 Remedies for copyright infringement

In situations where copyright infringement arises, the copyright owner may institute legal action against alleged infringers.²⁴³ Copyright owners may seek an award for damages or an injunction and delivery or destruction of infringing copies.²⁴⁴

When seeking compensation, a plaintiff has a choice of opting for damages which represent the loss caused by the infringement or the plaintiff can claim the profits that the defendant made by unlawfully using the plaintiff's work. They may also request for the names of suppliers or customers to be disclosed and legal costs may be included.²⁴⁵ Copyright owners can also opt for private prosecution or go through the enforcement authorities for offences that were committed in terms of the CDPA.

3.5 Criminal liability for copyright infringement

In the United Kingdom, the acts that constitute copyright infringement also amount to criminal offences provided that knowledge can be established.²⁴⁶ The New Copyright

²⁴¹ *Fraser-Woodward v BBC* [2005] EWHC 472

²⁴² In casu, the photographs were used to criticise or review the tabloid press, magazines and photographs per se, that is why the court ruled that there was nothing unfair about the use of the photographs.

²⁴³ Hart et al 'Intellectual Property Law' 4th ed. (2006) at 191

²⁴⁴ Ibid

²⁴⁵ R. Danay 'Copyright v Free Expression: The Case of P2P File Sharing of Music in the UK' 8 Yale J.L. (2005-2006) at 38

²⁴⁶ Hart et al 'Intellectual Property Law' 4th ed. (2006) at 193

Regulations introduced a new criminal offence for communicating a copyright work to the public. Where such communication occurs during the course of business or when it is prejudicial to the copyright owner, service providers can also be prosecuted.²⁴⁷

Although most of the criminal offences relate to traditional commercial exploitation, s 107(1)(e) of the CDPA creates an offence for distributing works which the accused should have known were protected by copyright other than in the course of business and to such an extent that it prejudicially affects the copyright owners.²⁴⁸

The New Regulations also gives the High Court the power to grant injunctions against service providers when they have actual knowledge that someone is using their service to commit infringement; where a company commits copyright infringement, its directors, managers, secretary and other officers of the company could be guilty of an offence if the act was committed with that person's consent or tacit encouragement.²⁴⁹

3.5.1 ISP liability for copyright infringement

'The liability of the ISP, the company that is the vehicle for the user's access to the Internet and which brings information to the user from around the world is potentially staggering if one applies long-established legal principles for issues such as breach of copyright to it.'²⁵⁰

Before the EC Directive, the issue of civil liability for online transmissions containing illegal material generally arose from defamation action.²⁵¹ In the United Kingdom, defamation was regulated by the Defamation Act of 1996 and s1(1) provided a network provider or a service provider with a defence in defamation proceedings if it could show that it was not the author, editor or publisher of the statement, took reasonable care in relation to the publication and did not know and had no reason to believe that it caused or contributed to a defamatory statement.²⁵²

²⁴⁷ Ibid

²⁴⁸ See R. Danay supra

²⁴⁹ Ibid

²⁵⁰ M. Deturbide 'Liability of ISP for Defamation in the US and Britain' JILT (2000), Issue 3 at 2

²⁵¹ Bob Clark 'Illegal Downloads: sharing out online liability: sharing files, sharing risks' J. of Intell. Prop. L & Prac. (2007) Vol. 2, No. 6 at 406

²⁵² Ibid

In the decision of *Godfrey v Demon Internet*²⁵³ Morland J held under English common law, the ISP was liable as a publisher and that while s1 of the Defamation Act granted a defence, the defendant did not fall within the ambit of the defence because he could not prove that he took reasonable care in relation to the publication and could not show he did not know and had no reason to believe what he did caused or contributed to the defamatory publication.²⁵⁴

3.5.1.2 ISP immunity for copyright infringement

Service providers in the United Kingdom are also granted immunity (generally known as safe harbour provisions) from liability for copyright infringement according to the provisions set out in the Electronic Commerce Directive (EC Directive) of 2002.²⁵⁵ This immunity only applies once certain requirements have been fulfilled that is in accordance with the stipulations of the EC Directive. Further examination is not required for purposes of this paper and it would suffice to point out that ISP immunity is available in the United Kingdom.

3.6 Joint liability of ISP's

The question has been raised whether ISP's could be jointly liable with direct infringers for copyright infringement.²⁵⁶ In the *Amstrad*²⁵⁷ decision, the court had to determine the issue of joint liability but rejected BPI's arguments that *Amstrad* was liable as a joint infringer (joint tortfeasor).²⁵⁸ In this case, the plaintiffs claimed that the defendant committed infringement under s21(3) of the Copyright Act of 1956 by manufacturing, advertising and offering for sale, equipment for high-speed recording of pre-recorded cassettes onto blank tapes and thereby authorised the public to infringe the plaintiffs' copyright and that the defendants were joint infringers with the public.

Lord Templeton explained "joint tortfeasors are two or more persons who act in concert with one another pursuant to a common design." The court stated there was no common design to infringe between *Amstrad* and their customers because the tape recorders that were used to

²⁵³ [2001] QB 201

²⁵⁴ Bob Clark 'Illegal Downloads: sharing out online liability: sharing files, sharing risks' J. of Intell. Prop. L & Prac. (2007) Vol. 2, No. 6 at 406-407

²⁵⁵ See Articles 17-19 of the Directive

²⁵⁶ Warren Shiell 'Viral Online Copyright Infringement in the US and the UK' Ent. L. R. (2004) at 111

²⁵⁷ *CBS Songs Ltd v Amstrad Consumer Electronics Plc* [1988] AC 1013 (HL)

²⁵⁸ See Warren Shiell supra

reproduce music works were capable of being used for lawful and unlawful purposes and “manufacturers and retailers are not joint infringers if purchasers choose to break the law.”²⁵⁹

In the *Unilever*²⁶⁰ decision, the English court was confronted with the issue of joint wrongdoing again and Mustill J stated “the suggestion that participation in a common venture may cause someone to become directly liable as tortfeasor, together with someone who actually did the damage was settled in law”.²⁶¹ Mustill J referred to the *Brook v Bool*²⁶² decision and explained the court found the landlord jointly liable as tortfeasor for an explosion that was negligently caused by a lodger who he retained to investigate a gas leak in his shop. However, in *Brook v Bool* the court found that the enterprise liability was quite different on which the defendant was held liable.

Under s21(3) of the Copyright Act of 1956, authorisation was the granting of the right to commit an act. In *Amstrad* however, the defendant conferred the power to copy but did not grant the right to copy, therefore did not authorise the infringement. Joint infringers were two or more persons who acted in concert with one another pursuant to a common design in the infringement and in this case there was no common design.

3.7 Twentieth Century Fox and others v NewzBin Limited

Even though *NewzBin* concerns a different copyright work, it is still relevant because the decision illustrates how English courts deal with the legal question whether service providers can be held liable for the activities of its users. In *NewzBin* the plaintiffs instituted legal action against the defendant for copyright infringement of cinematograph films. The plaintiffs argued the defendant directly infringed their copyright through its editors by authorising acts of infringement by its members; procuring, encouraging and entering into a common design with its members to infringe and communicating the plaintiffs’ copyright works to the public (i.e. NewzBin members).

The plaintiffs further stated NewzBin was a service provider who possessed actual knowledge of the infringement and thus sought an injunction in terms of s97A of the CDPA

²⁵⁹ Ibid

²⁶⁰ *Unilever Plc v Gillette (UK) Ltd* [1989] RPC 58

²⁶¹ Op cit. at 111

²⁶² *Brook v Bool* [1928] 2 KB 578

of 1988. Thus the High Court had to determine whether NewzBin could be held liable for copyright infringement committed by its users.

After evaluating the evidence, the court stated NewzBin was designed to search news groups that contained infringing material. The court said NewzBin's editors were encouraged to report films and include appropriate URL's. The court proceeded to inquire about the defendant's state of mind and needed to establish whether he had knowledge of the infringement. After listening to the defendant's testimony during cross-examination, Kitchen J ruled the evidence was not credible and stated:

'I have no doubt that the defendant is and has been aware for many years that the vast majority of films of NewzBin are commercial and also very likely to be protected by copyright and that members of NewzBin who used the facility to download films, were infringing that copyright.'

The court further opined the defendant provided its service in full knowledge of the consequences of its actions and therefore held that the defendant made the copyright films available to premium members and thus in essence, communicated them to the public.

Therefore, the High Court found the defendant liable for copyright infringement and granted the plaintiffs an injunction against NewzBin in terms of s97A of the CDPA of 1988. As a result of the litigation, NewzBin shut down 6 months after the trial. It should be noted that the *NewzBin* decision is significant because an English court has for the first time held an ISP primarily and secondarily liable for copyright infringement committed by its users.²⁶³

3.8 File sharing in the United Kingdom

In the United Kingdom, there are approximately 35 million Internet users and during 2009 a governmental survey revealed that 3.9 million users engage in file sharing.²⁶⁴ According to an annual report of The Leading Question, a media and technology research firm, monthly file sharing has declined among all users since the last national survey during 2007 while file sharing still occurs but the number of users who have ever used file sharing has increased by 31 percent.²⁶⁵

²⁶³ Darren Meale 'Online Service Provider's Liability for the Activities of its Users' Journal of IP Law & Practice, 2010, Vol. 00, No. 0 at 492

²⁶⁴ Catalin Cimpanu 'UK Officials Double P2P Statistics' <http://news.softpedia.com/news/UK-Officials-Double-P2P-Statistics-121396.shtml> (Accessed 17 December 2010)

²⁶⁵ Jacqui Cheng 'Report: UK File sharing drops, even among teens'

The report pointed out people was still giving music to each other the old-fashioned way but teenagers are also getting their music from legal streaming services and that 19 percent of British music fans buy single track downloads and part of the reason why file sharing has declined in the United Kingdom is because of the fact that users do not want to be sued for copyright infringement by recording companies.²⁶⁶ According to a report by The International Federation of the Phonographic Industry (IFPI), 95 percent of music works that are downloaded are unauthorised, with no payment to artists and producers.²⁶⁷

During July 2010, the music company Ministry of Sound Recordings served notices on 2000 internet users in the United Kingdom for alleged copyright infringement by downloading music works via file sharing. Ministry of Sound Recordings demanded compensation of £350 in order to avoid legal action being instituted against them. Affected parties challenged the claims either on the grounds of innocence or challenging the legality of the action. The hearing continued during October 2010 between Ministry of Sound Recordings and the ISP's (Plusnet and BT) in the London High Court.²⁶⁸

The applicant, Ministry of Sound Recordings sought an order that would compel ISP's to hand over the identities of file sharers so that they can enter into a cash settlement agreement with users but ISP's do not want to co-operate because of a security breach that transpired and The High Court adjourned the hearing in order to examine the arguments of the ISP's and the hearing continued on 12 January 2011.²⁶⁹ Birss J stated courts have not fully considered the status of IP addresses in proving illegal file sharing thus rights owners should not write to consumers that say evidence is conclusive and they are liable.²⁷⁰

The judge stated: "In my judgment, the letters of claim are flawed and not a solid place to stand."²⁷¹

Deborah Prince, in-house counsel for Which? explained that Justice Birss' judgment²⁷² made it clear copyright owners cannot say with certainty that an IP address proves file sharing or that not securing your Wi-Fi makes you liable for infringement.

<http://arstechnica.com/media/news/2009/07/report-more-uk-users-going-the-legal-route-for-music.ars>

(Accessed 17 December 2010)

²⁶⁶ Ibid

²⁶⁷ Wapedia http://wapedia.mobi/en/Peer-to-Peer_file_sharing (Accessed 17 December 2010)

²⁶⁸ Enigmax 'UK ISP's successfully resist file sharing data handover'

<http://torrentfreak.com/uk-isps-successfully-resist-file-sharing-data-handover-1001004> (Accessed 19 December 2010)

²⁶⁹ Ibid

²⁷⁰ Which? 'Ministry of Sound continues to pursue 'pirates'

<http://www.which.co.uk/news/2011/02/ministry-of-sound-continues-to-puruse-pirates> (Accessed 21 May 2011)

²⁷¹ Ibid

3.8.1 Exclusive rights in a literary or musical work relevant to file sharing: reproduction rights

There are several rights involved in the transmission of copyright works via the Internet in the United Kingdom namely the reproduction right, the right of communication to the public, the right of public performance and the distribution right.²⁷³

The *right of reproduction* (s17) is directly involved in online transmissions because when a person converts music works to make it transmittable on the Internet and copies it on a digital storage medium, at least two reproductions occur although it is ephemeral in some instances.²⁷⁴ Section 17 of the CDPA states the storage of a work in any medium by electronic means constitute a reproduction so this reproduction in the computer memory which is transient (or not) is covered by the exclusive right of the copyright owner unless a particular exception is applicable.²⁷⁵

3.8.2 Exclusive rights in a recording relevant to file sharing: reproduction rights

File sharing infringes on the right to copy the recording (the reproduction right) in terms of s182 of the CDPA because each time that music works are uploaded and downloaded via file sharing, unauthorised copies are being made of the recording.

3.8.3 Other exclusive rights in a literary or musical work or sound recording relevant to file sharing

❖ *The distribution right* (s18)

The distribution right of the copyright owner under s18 of the CDPA is also infringed by file sharing because infringers issue copies to the public by making ‘infringing copies’ of songs and circulating it on the Internet.²⁷⁶ Secondly, it also affects the copyright owner prejudicially because the infringing copies are in competition with the legitimate copies that are being sold in music stores or online stores.

²⁷² *Media CAT Ltd v Adams & Ors* [2011] EWPC 10

²⁷³ Daniel Gervais ‘Transmissions of Music on the Internet: Analysis of the copyright laws of Canada, France, Germany, Japan, the UK and the US’ 34 *Vand. J. Transnat’l L.* (2001) at 1386

²⁷⁴ *Ibid*

²⁷⁵ *Ibid*

²⁷⁶ *Op cit.* at 109

❖ *The communication right (s20)*

The CDPA also created a new “communication right”²⁷⁷ and the “making available right for performers.”²⁷⁸ The United Kingdom made provision for the “communication right” because Art. 3(1) of the Copyright Directive requires member states to do so.²⁷⁹ “Communicating a work to the public” is defined in s 20 as “broadcasting” the work or “the making available to the public of the work by electronic transmission in such a way that members of the public may access it from a place and at a time individually chosen by them.”²⁸⁰

❖ *The right of public performance*

When the music work is simultaneously listened to when the user reproduces it in his computer memory, a performance of the work takes place.²⁸¹ The test to apply to determine whether ‘the performance’ is public is “whether the people that joined together to form an audience are bound together domestically or privately or by some aspect of their public life; the public’s relationship with the copyright owner must also be looked at and therefore based on this criterion, a web-based performance would be public.”²⁸²

3.8.4 Other rights in a recording relevant to file sharing

❖ *The right to issue copies to the public*

❖ When users upload music works to a file sharing network, they are in essence issuing copies of that recording to the public without the consent of the copyright owner, which constitutes copyright infringement.²⁸³

❖ *The making available right*

As stated earlier, this is a new right that has been created. In terms of s182C of the CDPA, to make a recording available to the public of the whole or any substantial part thereof via electronic transmission where members can access the recording from a place and a time chosen by them constitutes infringement.

²⁷⁷ s16(d) of the CDPA of 1988

²⁷⁸ Warren Shiell ‘Viral Online Copyright Infringement in the US and the UK’ Ent. L.R. (2004) at 108

²⁷⁹ Art. 3(1) of the Copyright Directive reads ‘provide authors with the exclusive right to authorize or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.’

²⁸⁰ Warren Shiell ‘Viral Online Copyright Infringement in the US and the UK’ Ent. L. R. (2004) at 108

²⁸¹ See D. Gervais supra at 1387

²⁸² Ibid

²⁸³ s182B of the CDPA of 1988

3.9 Polydor v Brown²⁸⁴

The plaintiff instituted action against the defendant for infringing copyright in his music works via file sharing. The defendant admitted to using file sharing software but argued he did not know that he was distributing music and told the court his children used the software to download music.

The court was satisfied the evidence established that infringement occurred and Collins J stated the defendant committed primary infringement. The court further explained it does not matter whether a person knows or has reason to believe that what they are doing is an infringement because innocence or ignorance is no defence.

The court stated the mere presence of the audio files and the fact it was made available constituted infringement by virtue of s20 of the CDPA of 1988. The court asserted the plaintiff committed infringement by making the recording (i.e music work) available to the public and by authorising the performance. Therefore, the court granted summary judgment against the defendant and was ordered to pay damages to the plaintiff.

3.10 The Digital Economy Act of 2010

During October 2008, the British government launched an initiative known as “Digital Britain”.²⁸⁵ The purpose of “Digital Britain” was to survey and analyse the United Kingdom’s digital communication infrastructure and economy and to determine what the United Kingdom needed to do in order to retain a competitive edge in these areas.²⁸⁶

During June 2009, the final report of Digital Britain was published.²⁸⁷ The Digital Economy Act of 2010 (hereinafter the DEA) came into effect on the 8th of April 2010 and implements many of the recommendations set out in the Digital Britain report and introduced various amendments to existing laws; some with far-reaching consequences while the existing Acts affected by the DEA include the Video Recordings Act of 1984, the CDPA of 1988, the

²⁸⁴ *Polydor v Brown* [2005] EWHC 3191 (Ch)

²⁸⁵ Chris Coulter et al ‘UK steps towards “Digital Britain” with the introduction of the Digital Economy Act 2010’ www.mofo.com (Accessed 17 July 2010)

²⁸⁶ *Ibid*

²⁸⁷ *Op cit.* at 2

Broadcasting Act of 1990, the Wireless Telegraphy Act of 2006 and the Communications Act of 2003.²⁸⁸

Subject to specific exceptions, most of the DEA's provisions came into effect on the 9th of June 2010 while other provisions came into effect when the Act was passed but there are also some provisions that are still not in force, subject to further notice.²⁸⁹ Sections 3 to 18 of the DEA will be inserted into the Communications Act of 2003 and creates a new regime that regulates online copyright infringement. The Regime is based on two key obligations imposed on ISP's viz²⁹⁰:

1. If a copyright owner suspects that a subscriber to an internet service is committing copyright infringement while using that internet access or has allowed his or her internet connection to be used by someone else to commit infringement (through file sharing for example), then the copyright owner can file a copyright infringement report with the ISP. This report has to inform the ISP that there appears to have been an infringement of copyright including a description of the alleged infringement and evidence that identifies the IP address, date and time of the infringement.
2. Subsequent to being notified, the ISP needs to notify the relevant subscriber within a month and the subscriber notice must include specific information.

ISP's in breach of their obligations in terms of the Communications Act of 2003 could be subject to enforcement notification which the Office of Communications (OFCOM) can enforce by imposing a fine not exceeding £250,000 and by obtaining a court order for an injunction and specific performance.²⁹¹

The Act only provides a broad outline of the Regime and the precise circumstances in which a copyright infringement notice can be served on an individual subscriber is not clear nor how appeals by subscribers will work in practice²⁹²

A controversial legal issue of the DEA that has far-reaching consequences is the disconnection of households from the Internet if an individual is accused without proof of

²⁸⁸ Ibid

²⁸⁹ Ibid (The Act applies to England, Wales, Scotland and Western Ireland while certain provisions could also apply to the Channel Islands and/or the Isle of Man.)

²⁹⁰ Op cit. at 3

²⁹¹ Op cit. at 5

²⁹² Op cit. at 4

copyright infringement.²⁹³ This will only become clear once a code is developed and implemented that describes how the initial obligations will be regulated.²⁹⁴

Apart from the general provisions of the Communications Act of 2003, it also enables the government to obtain a court order for “a blocking injunction in respect of a location on the Internet which the court is satisfied has been, is being or is likely to be used for or in connection with an infringing activity.”²⁹⁵ ‘This power can only be exercised if:

- The online infringement in question has a serious, adverse effect on business or consumers;
- it is a proportionate way to address that effect and
- it would not prejudice national security or the prevention or detection of crime.

This means websites that make copyright material illegally available for download via file sharing could be forced to shut down.²⁹⁶

Section 42 of the DEA of 2010 introduces a statutory maximum fine of £50,000 that can be imposed by magistrate’s courts for copyright infringement and other IP-related offences and amends the CDPA of 1988 in this regard.

This includes, amongst others:²⁹⁷

- ❖ Making for sale or hire, importing, distributing etcetera “an article which is an infringing copy;”
- ❖ communicating copyright material to the public while knowing or having reason to believe that copyright is infringed and
- ❖ making for sale or hire, selling, importing, distributing etcetera a recording without the consent of the original artist and or the recording company, while knowing or having a reason to believe that copyright is infringed.

Prior to the DEA, offenders could face short term imprisonment and or a fine to the maximum amount of £5,000 for minor infringement cases but now it has been increased to £50,000.²⁹⁸

²⁹³ Cory Doctorow ‘Does the BPI want MP’s to debate the Digital Economy Bill properly?’

www.guardian.co.uk/technology/2010/mar/29/digital-economy-bill-bpi-doctorow (Accessed 6 December 2010)

²⁹⁴ see Chris Coulter supra

²⁹⁵ Op cit. at 5

²⁹⁶ Ibid

²⁹⁷ Ibid

²⁹⁸ Op cit. at 6

3.11 Objections and criticism of the Digital Economy Act of 2010

There have been a lot of discussions, debate and criticism of the Act, this was so even while it was still a Bill and there are many parties that are unhappy with the DEA for some of the following reasons.

The DEA has been described as dividing creative industries since its first inception and two of the United Kingdom's broadband providers, BT and TalkTalk went to the High Court during December 2010 so that the Act can be reviewed.²⁹⁹ Williams J granted BT and TalkTalk's request for the Act and its proposals to be reviewed because according to the court there is an arguable case against the implementation of the Act and Simon Milner, the Director of BT's group industry policy stated they started the process because they think there is uncertainty about the law and the court agreed with their argument.³⁰⁰

A very controversial aspect of the Act is the graduate response solution ("three-strike policy") that will allow individuals to be disconnected from the Internet for copyright violations in the digital environment.³⁰¹

The applicants argued the last government rushed the legislation through in an inappropriate manner despite the fact that it has been controversial in the United Kingdom.³⁰² On the other hand, copyright owners, the Motion Picture Association and the British Phonographic Industry (BPI) feel that the applicants' argument about the basic rights and freedoms of internet users is just a ruse to protect their financial interests and market share.³⁰³ This bears testament to the fact regarding the unhappiness surrounding the DEA because some are in favour of the legislation while others are opposed to it. The judicial review was scheduled for hearing during February 2011, leaving ISP's in the United Kingdom and the legislation "in a state of limbo."³⁰⁴ Parker J presided over the judicial review and delivered his judgment³⁰⁵ on the 20th of April 2011. The court dismissed the claims of the ISP's and stated that the

²⁹⁹ Josh Halliday 'Future of Digital Economy Act in limbo until next year, say lawyers' www.guardian.co.uk/technology/blog/2010/nov/11/digital-economy-act-bt-talktalk/ (Accessed 6 December 2010)

³⁰⁰ Ibid

³⁰¹ Madeleine Bennett 'The Digital Economy Act has nothing to do with UK politicians' www.theinquirer.net/inquirer/feature/1601752/the-digital-economy-act-uk-politicians (Accessed 29 July 2010)

³⁰² Josh Halliday 'Future of Digital Economy Act in limbo until next year, say lawyers' www.guardian.co.uk/technology/blog/2010/nov/11/digital-economy-act-bt-talktalk/ (Accessed 6 December 2010)

³⁰³ Ibid

³⁰⁴ Ibid

³⁰⁵ *British Telecommunications PLC et al v The Secretary of State for Business, Innovation and Skills* [2011] EWHC 1021 (Admin)

Directives were not breached.³⁰⁶ Consequently, they lost the judicial review against the DEA on all four challenges.³⁰⁷ In effect, Justice Parker's decision confirmed the DEA is proportionate and consistent with European law which means that warning letters will be sent to alleged infringers in 2012.³⁰⁸

3.12. The Hargreaves Report

The Prime Minister, David Cameron announced during November 2010 that the United Kingdom's copyright laws will be reviewed over the next six months to allow companies like Facebook and Google to use content created by others; he also stated there was a feeling amongst some that the United Kingdom's copyright system is not friendly to innovation as it is in the United States because they have fair use which give companies more breathing space to create new products and services.³⁰⁹

The government proposes to look at four areas viz: Barriers to new Internet-based business models as well as the costs of obtaining permission from existing rights-holders, the cost and complexity of enforcing intellectual property rights within the United Kingdom and internationally, the interaction between IP and Competition frameworks and the cost and complexity to SME's of accessing services to help them protect and exploit their intellectual property.³¹⁰

According to Cameron, some of these goals can be achieved with the introduction of an improved fair dealing policy that is similar to the doctrine in the US that allows limited use of copyright material like images that may be used for commentary, criticism, news reporting and research.³¹¹ The review was conducted by the Intellectual Property Office and ended in April 2011. During May 2011, the Hargreaves Report was released that contain suggestions on how to improve copyright law in the United Kingdom and some of the suggestions concern the legalisation of format-shifting for personal use, increasing the usability of orphan

³⁰⁶ Jennifer Scott 'ISP's lose Digital Economy Act judicial review'
<http://www.itpro.co.uk/632974/isps-lose-digital-economy-act-judicial-review> (Accessed 21 May 2011)

³⁰⁷ Ibid

³⁰⁸ Josh Halliday 'Filesharing: BT and TalkTalk fail in challenge to Digital Economy Act'
<http://www.guardian.co.uk/technology/2011/apr/20/filesharing-bt-talktalk-digital-economy-act> (Accessed 22 May 2011)

³⁰⁹ Olivier Laurent 'Government to review UK's copyright law'
www.bip-online.com/british-journal-of-photography/news/1869439/government-review-uks-copyright-law
(Accessed 26 November 2010)

³¹⁰ Ibid

³¹¹ Ibid

works and legalising a wide range of transformative uses.³¹² The report also recommends setting up an agency that will mediate between copyright owners and those wishing to license music.³¹³

Although no one has been prosecuted for ripping music, the recommendation has been welcomed since format-shifting has already been implemented in most European countries.³¹⁴

The report also does not support the implementation of the United States' concept of fair use where significant portions of a work may be reproduced without permission and rejected fair use because of the fact that it would not work in the United Kingdom as it would require copyright changes across Europe.³¹⁵ It has been said that the suggestions are “pretty easy to say but very hard to do” and will require a hands-on approach from David Cameron.³¹⁶ Be this as it may, Professor Hargreaves explained that his recommendations promote innovation and economic growth for the economy of the United Kingdom.

3.12.1 Conclusion

Music works that are transferred on a file sharing network is protected by the CDPA as “literary works” (where the music is accompanied by lyrics), “musical works” and “sound recordings” which means that, when an individual shares or uploads a music work onto a file sharing network, then copyright infringement takes place in terms of the CDPA.³¹⁷ When a user uploads (the up loader) a music work, thereby permitting the music work to be copied, it could be seen as issuing copies to the public and this contravenes ss16 and 18 of the CDPA.³¹⁸ When a user downloads (the downloader) a music work, this also amounts to copyright infringement in terms of ss16 and 17 of the CDPA.³¹⁹ Therefore, unless one of the defences applies, both parties involved in file sharing will be infringing on the rights of the

³¹² Mike Masnick ‘UK Copyright Review Hardly Surprising or Radical But Will Face Opposition’ <http://www.techdirt.com/articles/20110518/00355214310/> (Accessed 23 May 2011)

³¹³ Ibid

³¹⁴ BBC ‘Hargreaves review gives copyright law digital makeover’ <http://www.bbc.co.uk/news/technology-13429217> (Accessed 23 May 2011)

³¹⁵ Ibid

³¹⁶ Emma Barnett ‘David Cameron urged to back UK copyright law shake up’ <http://www.telegraph.co.uk/technology/news/8517041/> (Accessed 23 May 2011)

³¹⁷ Robert Danay ‘Copyright vs. Free Expression: The Case of Peer-to-Peer File sharing of Music in the United Kingdom’ 8 Yale J.L. and Tech. (2005-2006) at 45

³¹⁸ Ibid

³¹⁹ Ibid

copyright owner at the time when the music work is “shared.”³²⁰ (i.e. made available and downloaded).

The defence of fair dealing for private research or study does not apply to file sharing because of the fact that file sharing has nothing to do with formal aspects of research or study and the defence of fair dealing for purposes of criticism, review, reporting current events including for educational purposes, use in connection with library and archives or use in public administration does also not apply in a file sharing scenario.³²¹

In other words, none of the exceptions by virtue of Chapter III of the CDPA will apply to file sharing nor are there any other non-fair dealing exceptions in this chapter that can apply to file sharing. This means that under English law, file sharing does not constitute fair dealing. In the United Kingdom, the fair dealing provisions are not broad like the doctrine of fair use in the United States (discussed in chapter 5) since they only apply in certain limited situations³²² and the courts have generally construed these provisions in a manner whereby a defendant must prove the activities which are being complained of, falls within the ambit of fair dealing.³²³

In the future, The Hargreaves Report can certainly be useful for South Africa since it outlines how the United Kingdom can improve their copyright legislation and will provide insight and legislative guidance for how South Africa needs to tailor and improve its current copyright legislation.

³²⁰ Op cit. at 45 and 46

³²¹ Ibid

³²² The certain limited situations being ss 29-30 of the CDPA of 1988

³²³ Robert C. Piasentin ‘Unlawful? Innovative? Unstoppable? A Comparative Analysis of the Potential Legal Liability Facing P2P End-Users in the US, UK and Canada’ 14 Int’l J.L. & Info. Tech. (2006) at 211

CHAPTER 4: FAIR DEALING IN AUSTRALIA

4.1 History of Australian Copyright Law

Australian copyright law is governed by the Copyright Act of 1968 (hereinafter the Act). Therefore, copyright is a statutory right in Australia and exists by virtue of the Act.³²⁴ Historically, the Act has been influenced by British copyright law which was introduced in Australia during 1828. During 1905 however, the Australian government passed the first federal copyright statute, the Copyright Act of 1905. This statute departed from British copyright law and therefore the Copyright Act of 1911 was subsequently declared to be in force as of July 1912.³²⁵

The Act of 1911 was thus the foundation of Australian copyright law in the first half of the 20th century and was later replaced by the Copyright Act of 1968 which came into effect on the 1st of May 1969 and remains in force up to this day.³²⁶ Since the Act of Federation in 1901, the Australian Federal (Commonwealth) Parliament is primarily responsible for intellectual property laws (inter alia) by virtue of s51 of the Commonwealth Constitution.³²⁷ The Act has been amended on numerous occasions and the first review took place during 1974 by Justice Franki, better known as the Franki Committee.³²⁸

More reviews followed during the 80's and 90's and the Copyright Law Review Committee (CLRC) was established in 1983 as the advisory body for copyright reform.³²⁹ During 2000, the Digital Agenda Act of 2000 was passed in order to give effect to the WIPO treaties.³³⁰ This Act introduced three changes by extending the exclusive rights of copyright owners so that it applied to the digital environment; secondly, it extended copyright exceptions and compulsory licenses to the digital environment and provided legal enforcement for TPM's.³³¹

In 2001, the CLRC inquired into and reported on the extent to which electronic trade in copyright works and other subject matter is subject to agreements that exclude or modify

³²⁴ K.K. Puri 'Fair Dealing with copyright material in Australia and New Zealand' 13 Victoria U. Wellington L. Rev. (1983) at 281

³²⁵ P. Brudenall 'The future of fair dealing in Australian Copyright law' JILT, Issue 1 (1997) at 3

³²⁶ Ibid

³²⁷ Khan et al 'Copyright Law in Australia: Fair Dealing for Research or Study Purposes' 30 J.L. & Educ. (2001) at 509

³²⁸ See P. Brudenall supra

³²⁹ M. De Zwart 'Seriously Entertaining: The Panel and the Future of Fair Dealing' 8 Media & Arts L. Review (2003) at 7

³³⁰ K. Weatherall 'Of Copyright Bureaucracies and Incoherence: Stepping Back From Australia's Recent Copyright Reforms' MULR 37 (2007) at 3

³³¹ Ibid

exceptions and related to whether fair dealing is an essential part of copyright or whether it is an exception to the rights of copyright owners that can be overridden.³³²

The Committee found the principal exceptions such as those for fair dealing as fundamental in defining the copyright interest while statutory licenses are not true exceptions to the exclusive rights of copyright owners that might be more appropriately termed as limitations.³³³ The Report furthermore stated “it is important to note that while crucial to defining the copyright interest, the exceptions operate as defences to copyright infringement and are not positive rights in and of itself.” The CLRC was finally disbanded in 2005.³³⁴

During 2004, the Australia-United States Free Trade Agreement (AUSFTA) was concluded and extended the copyright term, introduced extensive provisions relating to the economic and moral rights of copyright owners in sound recordings of live performances and expanded copyright protection to all temporary copies in digital memory as well.³³⁵ Safe harbour provisions relating to ISP liability were also introduced, criminal liability was expanded and other enforcement measures were added.³³⁶ On the first of January 2007, the Copyright Amendment Act of 2006 came into effect and the Copyright Act was amended in order to bring the recommendations that were made by copyright law review bodies into effect.³³⁷ Therefore, the Copyright Act of 1968, as amended (taking into account amendments of Act No. 94 of 2010) is the legislation that I refer to in this chapter.

4.1.1 Copyright law in Australia

Under s31 of the Act (in relation to works), copyright owners have the exclusive right to:

- Reproduce the work;
- Publish the work;
- Perform the work in public;
- Communicate the work to the public;
- Make an adaptation of the work and

³³² Ibid

³³³ CLRC (2001) ‘Copyright and Contract’ <http://www.ag.gov.au/www/clrHome.nsf/AllDocs> (Accessed 25 May 2011) at 1

³³⁴ K. Weatherall ‘Of Copyright Bureaucracies and Incoherence: Stepping Back From Australia’s Recent Copyright Reforms’ MULR 37 (2007) at 6

³³⁵ Op cit. at 5

³³⁶ Ibid

³³⁷ A. Van Onselen ‘The Law of Copyright: Recovering the Rationale’ 16 Austl. L. Libr. (2008) at 50

- To do, in relation to a work that is an adaptation of the first-mentioned work, any of the acts specified in relation to the first-mentioned work in subparagraphs (i) to (iv).

With regard to sound recordings, a copyright owner has the exclusive right to:

- Make a copy of the sound recording;
- To cause the recording to be heard in public;
- To communicate the recording to the public;
- To enter into a commercial rental arrangement in respect of the recording.³³⁸

4.1.2 Duration of copyright protection

In Australia, copyright protection continues to subsist until the end of 70 years after the end of the calendar year in which the author of the work died..³³⁹ The copyright term was extended in Australia from 50 to 70 years which was agreed to under the Australia-United States Free Trade Agreement (AUSFTA).³⁴⁰ As far as sound recordings are concerned, copyright protection continues to subsist until the end of 70 years after the end of the calendar year in which the recording was first published.³⁴¹

4.1.2.1 Direct infringement in Australia

Australia distinguishes between primary (direct) and secondary (indirect) infringement. In terms of the Act, direct infringement occurs when a person, without the copyright owners' consent commits an act within the scope of the copyright owner's exclusive rights.

With respect to literary and musical works inter alia, s36 of the Act reads as follow:

[T]he copyright in a literary, dramatic, musical or artistic work is infringed by a person who, not being the copyright owner and without the license of the copyright owner does in Australia or authorises the doing in Australia of any act comprised in the copyright.

³³⁸ s85 of the Act

³³⁹ s33 of the Act as amended by AUSFTA

³⁴⁰ K. Weatherall 'Of Copyright Bureaucracies and Incoherence: Stepping Back From Australia's Recent Copyright Reforms' MULR 37 (2007) at 5

³⁴¹ s93 of the Act of 1968

With regard to sound recordings, s101(1) of the Act states:

[C]opyright subsisting by virtue of this Part is infringed by a person who, not being the copyright owner and without license of the copyright owner does in Australia or authorises the doing in Australia of any act comprised in the copyright.

Section 101(3) furthermore states that subsection 1 applies in relation to an act done in relation to a sound recording whether an act is done directly or indirectly making use of a record embodying the recording. Material form is also relevant with respect to infringement because copyright is the exclusive right (inter alia) to reproduce the work in material form.³⁴² Section 10 stipulates that material form in relation to a work³⁴³ or an adaptation includes any form and a work created or stored on a computer's memory is regarded as material form.³⁴⁴

According to s10 of the Act, an infringing copy in respect of a sound recording³⁴⁵ means a copy of a sound recording excluding a sound track associated with a cinematograph film and an infringing copy in respect of a work³⁴⁶ means a reproduction of the work or of an adaptation excluding a cinematograph film.

The term reproduction is not defined in the Act and by virtue of s21(1A), a work is regarded as having been reproduced if it is converted into or from a digital or other electronic machine-readable form and any article embodying the work in such form is accepted as a reproduction of the original work.³⁴⁷ The general rule is that no one may copy a work without the permission of the copyright owner or without a license to use it and this extends to copyright material on the Internet as well.³⁴⁸

Essentially, Australian courts have to determine whether a copyright work was reproduced in material form before indirect³⁴⁹ infringement can be established.³⁵⁰ In other words, direct infringement must firstly be ascertained under s14 which stipulates:

³⁴² William Van Caenegem 'Intellectual Property Law in Australia' (2010) at 32

³⁴³ s10 states "work" means literary, dramatic, musical or artistic work.

³⁴⁴ See William Van Caenegem supra

³⁴⁵ The Act states that sound recording means the aggregate of the sounds embodied in a record.

³⁴⁶ In this chapter, "works" refers to literary, dramatic, musical and artistic works which excludes sound recordings and cinematograph films.

³⁴⁷ Op cit. at 43

³⁴⁸ A. van Onselen 'The Law of Copyright: Recovering the Rationale' 16 Austl. L. Libr. (2008) at 45

³⁴⁹ See ss36(1) and 101(1) of the Australian Copyright Act. "indirect infringement by authorisation"

³⁵⁰ M. Naphtali 'Unauthorised: Some thoughts upon the doctrine of authorisation of copyright infringement in the P2P age' Australian Intellectual Property Journal (2005) 16 at 2

- (1) In this Act, unless the contrary intention appears:
- (a) a reference to the doing of an act in relation to a work or other subject-matter shall be read as including a reference to the doing of that act in relation to a substantial part of the work or other subject-matter; and
 - (b) a reference to a reproduction, adaptation or copy of a work shall be read as including a reference to a reproduction, adaptation or copy of a substantial part of the work, as the case may be.
- (2) This section does not affect the interpretation of any reference in sections 32, 177, 180, 187 and 198 to the publication, or absence of publication, of a work.

In order for a “reproduction” to exist within the law of copyright, there must be an objective similarity between the two works and a causal connection between the plaintiff’s work and the infringing copy.³⁵¹

Once these two elements have been established, a court must examine whether the infringement occurred in relation to the whole of the copyright work or just a substantial part thereof in terms of s14 of the Act. However, s14 provides that acts done in relation to a substantial part of the work are deemed to have been done in relation to the whole.³⁵² “Even taking a minute proportion of a copyright work may constitute infringement.”³⁵³ The Act does not define what a “substantial part” is and in any infringement action, the plaintiff has to prove that the defendant’s copying constitutes infringement in relation to a ‘substantial part’ of the plaintiff’s copyright work.³⁵⁴ Even taking a small portion of a copyright work may constitute infringement as the *Larrikin* decision conveys. Substantiality is judged qualitatively and quantitatively but more emphasis is placed on the quality of what was taken.³⁵⁵ According to Van Caenegem it is because of flexible judicial shaping of the notion “substantial part” that quality became emphasized in Australia instead of quantity.³⁵⁶

4.1.2.2 Indirect infringement in Australia

By virtue of the Act, indirect infringement occurs where a person permits a place of public entertainment to be used for public performances of a literary, dramatic or musical work and where a person (without permission) ‘deals’ with infringing articles or in respect with

³⁵¹ *Larrikin Music Publishing Pty Ltd v EMI Songs Australia Pty Limited* (No 2) [2010] FCA 698 at par. 8

³⁵² William Van Caenegem ‘Intellectual Property Law in Australia’ (2010) at 43

³⁵³ Pace Legal Online Business ‘Copyright Infringement’ <http://pacelegal.com.au/copyright-law/copyright-Infringement/> (Accessed 8 June 2011)

³⁵⁴ Anna Thuc-Anh Tran ‘What is a substantial part? : Digital samples: Cut and paste and s14 of the Australian Copyright Act of 1968’ (1999) *Digital Technology Law Journal* Vol. 1, Issue 1 at par. 13

³⁵⁵ *Op cit.* at par. 11. The *Larrikin* decision confirms this principle.

³⁵⁶ *Op cit.* at 43

imported articles, articles that would have been infringing articles had they been made in Australia by the importer.³⁵⁷

Dealing is broadly defined in the Act and includes the sale, hire, offering or exposing for sale or hire, distributing or exhibiting in public for trade purposes or distributing for other purposes that is prejudicial to the copyright owner. These forms of indirect infringement will however not be examined since it falls outside the scope of this dissertation.

4.1.2.3 Infringement by authorisation

According to Australian copyright law, infringement of the exclusive rights in works or other subject matter may occur directly through the direct infringer or indirectly through the act of authorising the direct infringer to commit copyright infringement.³⁵⁸ In other words, someone may also infringe copyright if they authorise infringement (ie. endorse/sanction someone else's infringement by asking/encouraging them to infringe copyright or providing them with the means to do so.)³⁵⁹

Authorisation extends beyond the authority given to an agent and Australian and British courts interpret the word in its ordinary dictionary meaning as “sanction”, “approve” or “countenance”.³⁶⁰ In terms of common law, a person who sanctions, approves or countenances an act is regarded as having authorised the infringement.³⁶¹ Unlike the United States, where liability for authorising infringement is grounded in common law, the Copyright Act of Australia and the United Kingdom makes authorisation of infringement a statutory violation.³⁶² “[L]iability for authorising infringement is distinct from direct liability for infringement.”³⁶³ In Australia, a plaintiff can establish liability through the statutory doctrine of authorisation and common law principles concerning joint infringers.³⁶⁴ In general terms, joint infringement is known as ‘contributory infringement’ in United States

³⁵⁷ Mark Davison et al ‘Australian Intellectual Property Law’ (2008) at 262

³⁵⁸ S. Ricketson et al ‘Inducers and Authorisers: A Comparison of the US Supreme Court’s Grokster Decision and the Australian Federal Court’s KaZaa Ruling’ Arts and Media Law Review (2006) at 10

³⁵⁹ Australian Copyright Council Fact Sheet www.copyright.org.au (Accessed 10 November 2010)

³⁶⁰ Ibid

³⁶¹ J. Charbonneau ‘Protecting the Messenger: Carriage Service Providers’ Liability for Third Party copyright infringement’ (2006) at 38 <https://elaw.murdoch.edu.au/archives/issues/2006/2/elaw> (Accessed 8 February 2011)

³⁶² A. Strowel ‘Peer-to-Peer File Sharing and Secondary Liability in Copyright Law’ at 120

³⁶³ See S. Ricketson et al supra

³⁶⁴ Op cit. at 9

law but in Australia it is a more limited concept than in the United States.³⁶⁵ Australia uses the term ‘joint tortfeasor’ but for purposes of this dissertation, the term ‘joint infringer’ is used. Note that although Australian courts have regard to American decisions, Federal Courts are bound to determine a defendant’s liability under the Australian concept of ‘infringement by authorisation.’³⁶⁶

The doctrine of authorisation is interpreted differently by Australia and the United Kingdom and Australia employs a broad approach which is expanded more by the *KaZaa*³⁶⁷ decision.³⁶⁸ Be this as it may, courts have exhibited flexibility in their approach when determining liability for authorisation.³⁶⁹ This flexible approach indicate that Australian courts do not view infringement by authorisation as a legal issue that is only written in black and white and *Sharman*³⁷⁰ and *Moorhouse*³⁷¹ establish that courts do acknowledge grey areas in the following 5 aspects:³⁷²

1. Power to prevent and permitting direct infringement

When courts determine authorisation, the power to prevent direct infringement is a highly relevant factor under s101(1)(A). Therefore, permitting infringement as a form of authorisation only arises when someone has authority or professes to have authority. In Australia, preventive power is conceptually broader than real and effective control because in *Moorhouse*, Gibbs J stated that “a person cannot authorise infringement unless he has some power to prevent it.” Furthermore, the phrase “if any” in s101(1)(A) suggests that authorisation can also be inferred without preventive power and without control and *Sharman* is a case in point where liability was established and continual control (as a factor) was not needed to ascertain authorisation.³⁷³

³⁶⁵ Ricketson et al ‘Inducers and Authorisers: A comparison of the US Supreme Court’s Grokster decision and the Australian Federal Court’s Kazaa ruling’ Columbia Law School (2006) at 14

³⁶⁶ J. Guthridge ‘Copyright infringement – Grokster’s Case: Implications for Australian Business’ www.stephens.com.au/view/2005080390617 (Accessed 23 January 2011)

³⁶⁷ *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) FCA 1242

³⁶⁸ JCY Lee ‘Authorising Copyright Infringement and the Control Requirement: A Look at P2P File Sharing and Distribution of New Technology in the UK, Australia, Canada and Singapore’ Canadian Journal of Law & Technology (2007) Vol. 6, No. 2 at 85

³⁶⁹ D. Lindsay ‘Copyright Infringement via the Internet: The Liability of Intermediaries’ (Univ. of Melbourne 2000) at 100

³⁷⁰ See Ricketson supra

³⁷¹ *University of New South Wales v Moorhouse* (1975) 133 CLR 1

³⁷² See JCY Lee supra at 88 et seq.

³⁷³ See M. Naphtali supra

2. *Lack of Action*

Authorisation will also be inferred in circumstances where a secondary infringer (i.e. a direct infringer through omission) is passively involved in the infringing activities while knowing thereof.³⁷⁴ Therefore, in situations where someone did not act or did not actively participate in preventing, minimizing or stopping infringement, it may be implied that direct infringement was committed.³⁷⁵ *Moorhouse* is an example in this regard where the court held the university authorised the reproduction of literary works by placing photocopiers in the library for unrestricted use although it did not have actual knowledge of the infringement.³⁷⁶ So, *Moorhouse* confirms the principle that inactivity or indifference exhibited through commissions or omissions might be enough to infer authorisation.³⁷⁷

3. *Inevitable infringing use*

When a product is distributed that will inevitably be used for infringing purposes, it will be difficult to evade liability for copyright infringement.

4. *Specific Authorisation*

“[G]eneral exhortations to infringe are not sufficient unless specific acts of infringement can be established.”³⁷⁸

5. *Knowledge*

Usually, actual or constructive knowledge is needed to establish authority but the *Sharman* decision confirms authorisation may be established without knowledge. In order to establish infringement by authorisation, actual or constructive knowledge is required in Australian law.³⁷⁹ Knowledge is viewed as a necessary element to establish infringement by authorisation but is not sufficient per se.³⁸⁰ The importance of knowledge was confirmed in *Moorhouse* when Gibbs J stated knowledge would be established if the defendant knew or

³⁷⁴ JCJ Lee supra at par 48

³⁷⁵ JCJ Lee supra at 88

³⁷⁶ B. Mercurio 'Internet Service Provider Liability For Copyright Infringements of Subscribers: A comparison of the American and Australian efforts to combat the uncertainty' Murdoch University Electronic Journal of Law, Vol. 9. No. 4 (December 2002) at par. 48

³⁷⁷ L. Edwards et al 'Online Intermediaries and Liability for Copyright Infringement' (University of Edinburgh 2005) at 48 www.era.lib.ed.ac.uk/bitstream/1842/2305/1/wipo-onlineintermediaries.pdf (Accessed 23 January 2011)

³⁷⁸ see JCJ Lee supra

³⁷⁹ See B. Mercurio supra

³⁸⁰ J. Guthridge 'Copyright infringement: Grokster's Case: Implications for Australian Business' (Newsletter Aug. 2005) at 4. www.stephens.com.au/view/22/2005080390617 (Accessed 23 January 2011)

had reason to suspect that any one of a number of infringing acts would likely take place.³⁸¹ On the other hand, constructive knowledge is proved by establishing that the defendant should have reasonably known that he was infringing copyright and regard should be given to his knowledge, capacity and circumstances; in other words, he must have the power to prevent the infringement.³⁸²

On the issue of authorisation, *Moorhouse*³⁸³ is the leading Australian decision. The amendments that were introduced by the Copyright Amendment (Digital Act) of 2000 changed the provisions regarding infringement by authorisation and codified the law as it stands in *Moorhouse*.³⁸⁴ The amendments do not override *Moorhouse* except with regards to the safe harbour provision in s112E of the Act.³⁸⁵ The amendments of the Digital Act of 2000 draw from *Moorhouse* and ss36(1A) and 101(1A) outlines some of the factors that **must** be considered when determining the issue of authorisation viz:³⁸⁶

1. A person's power to prevent the infringement;
2. the relationship between the direct infringer and the person who is allegedly authorising the infringement and
3. whether reasonable steps have been taken by the person who allegedly authorised the infringement.

So when courts examine whether there is a sufficient connection between the defendant and the infringing activities in order to be held liable for authorisation, courts will find different factors relevant in different circumstances and will place different weight on the factors depending on the facts of each case.³⁸⁷

4.2 Remedies for copyright infringement

Section 115 of the Act makes provision for the remedies in an action for infringement by copyright owners. In terms of s115(2), a court may grant an injunction and either damages or an account of profits. The injunctions are however, subject to terms that the court thinks is fit.

³⁸¹ D. Lindsay 'Copyright Infringement via the Internet: The Liability of Intermediaries' (Univ. of Melbourne 2000) at 101

³⁸² See JCJ Lee supra at par 46 and 47

³⁸³ *Moorhouse v University of New South Wales* (1975) 133 CLR 1

³⁸⁴ See L. Edwards supra

³⁸⁵ JCJ Lee 'Authorising Copyright Infringement and the Control Requirement: A Look at P2P File Sharing and Distribution of New Technology in the UK, Australia, Canada and Singapore' Canadian Journal of Law & Technology (2007) Vol. 6 at 87

³⁸⁶ Ibid

³⁸⁷ See L. Edwards supra at 101

In cases where infringement are established and the defendant was not aware (and had no reasonable grounds for suspecting) that the infringing acts constituted infringement at the time, the plaintiff will not be entitled to damages but an account of profits whether relief is granted under s115 or not.

In assessing damages for the infringement, courts may award additional damages as it deems appropriate in the circumstances while also taking into account the factors under s115(4) viz:

- the flagrancy of the infringement and
- the need to deter similar infringement of copyright and
- the conduct of the defendant after the act constituting the infringement or, if relevant, after the defendant was informed that the defendant had allegedly infringed the plaintiff's copyright and
- whether the infringement involved the conversion of a work or other subject-matter from hardcopy or analog form into a digital or other electronic machine-readable form and
- any benefit shown to have accrued to the defendant by reason of the infringement and
- all other relevant matters.

In situations where exclusive licenses were awarded, note that the licensees would have the same rights of action and entitlement to remedies under s115 as copyright owners.³⁸⁸

4.3 ISP liability in Australia

'ISP's³⁸⁹ form the backbone of the Internet and are crucial nodes of power. They are also easier to find than individual infringers and have deeper pockets, reason being the target for litigation in copyright infringement lawsuits.'³⁹⁰ Since ISP's provide the infrastructure whereby infringing material can be transmitted via the Internet, the question emerges whether they should be liable for infringement.³⁹¹

³⁸⁸ See s119 of the Copyright Act of 1968

³⁸⁹ Australia uses the term "carriage service providers" and it is used to connote ISP's. cf. Charbonneau *infra*

³⁹⁰ J. Charbonneau 'Protecting the Messenger: Carriage Service Providers' Liability for Third Party copyright infringement' (2006) at 38 <https://elaw.murdoch.edu.au/archives/issues/2006/2/elaw> (Accessed 8 February 2011)

³⁹¹ *Ibid*

To comply with article 8 of the WCT (while providing some clarity to this question), ss39B and 112E were added to the Act and specify persons who provide facilities that assist or make communications are not deemed to have authorised infringement just because their facilities were used by direct infringers but these provisions do not absolve ISP's from all complaints regarding infringement by authorisation.³⁹²

So, according to current Australian copyright law, a company or individual will be liable for copyright infringement if they authorise someone else to infringe copyright when they are not the copyright owner and also do not have a license from the copyright owner.³⁹³ The decisions of *Moorhouse*, *Cooper*³⁹⁴, *Kazaa* and *iiNet*³⁹⁵ are of relevance in this regard and will be discussed at a later stage.

4.3.1 Safe harbour provisions and Australian ISP's

During April 1998, the Australian government announced that ISP's would not be liable for copyright infringement simply because infringement occurs on the facilities of the carrier or ISP.³⁹⁶ Section 112E of the Act reads:

A person (including a carrier or carriage service provider) who provides the facilities for making or facilitating the making of a communication is not taken to have authorised any infringement of copyright in an audio-visual item merely because another person uses the facilities so provided to do something the right to do which is included in the copyright.

Section 22(6) of the Digital Agenda Act also states a communication is taken to have been made by the person responsible for the content of the communication.³⁹⁷ This provision protects communication carriers and ISP's from direct liability for communicating material to the public via their networks if they are not responsible for determining the material's content.³⁹⁸ This exemption only applies to carriers³⁹⁹ and ISP's though and the limitation

³⁹² Ibid

³⁹³ J. Guthridge 'Copyright infringement: Grokster's Case: Implications for Australian Business' (Newsletter Aug. 2005) www.stephens.com.au/view/22/2005080390617 (Accessed 23 January 2011)

³⁹⁴ *Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 187

³⁹⁵ *Roadshows Films Pty Ltd & Ors v iiNet Ltd* (No. 3) 2010 FCA 24

³⁹⁶ B. Mercurio 'Internet Service Provider Liability For Copyright Infringements of Subscribers: A comparison of the American and Australian efforts to combat the uncertainty' Murdoch University Electronic Journal of Law, Vol. 9. No. 4 (December 2002) at par. 55

³⁹⁷ Catherine Lee 'P2P technology on trial again: the Grokster and Stream cast cases' Journal of Law & Information Science Vol. 13, No. 1 (2002)

³⁹⁸ Ibid

³⁹⁹ A carrier is therefore essentially a person who provide the elements of a fixed network or certain radio transmission facilities that are used to supply telecommunications services to the public.

specifically applies to infringement of the public communication right and not other forms of liability including liability for authorisation.⁴⁰⁰

4.3.2 Criminal liability for copyright infringement

The Copyright Act now provides for strict liability, summary and indictable offences with a range of penalties, fines and terms of imprisonment in relation to copyright infringements on various scales.⁴⁰¹ The most serious offences are indictable with a maximum term of imprisonment of 5 years and penalties range between \$60,500 and \$93,500 for natural persons while summary offences have a maximum term of imprisonment of 2 years and a penalty of \$13,200.⁴⁰²

The police can also issue on the spot fines of \$1320 and seize pirate music and devices including computers and servers used for infringing activities.⁴⁰³ For commercial piracy on a lower level however, natural persons will pay a penalty of \$6,600.⁴⁰⁴ Directors of corporations may also be subject to these penalties but corporations however, can pay penalties of up to \$302,500 for each infringement and/or up to 5 years imprisonment.⁴⁰⁵

4.4 Fair dealing in Australia

Fair dealing made its way into Australian legislation for the first time with the British Copyright Act of 1911.⁴⁰⁶ This Act excused fair dealing with any work for the purposes for private study, research, criticism, review or newspaper summary.⁴⁰⁷ “[B]y the 1950’s, the dominant view was that these fair dealing exceptions were confined to the list of approved purposes in s2(1)(i) of Act 1911 and these purposes were comprehensive.”⁴⁰⁸ Traditionally,

⁴⁰⁰ D. Lindsay ‘Copyright infringement via the Internet: the liability of Intermediaries’ (Univ. of Melbourne 2000) at 103

⁴⁰¹ Australian Copyright Council ‘Criminal Offence Provisions Fact Sheet’ www.copyright.org.au (Accessed 16 November 2010)

⁴⁰² Ibid

⁴⁰³ MIPI ‘What is music piracy?’ www.mipi.com.au/What-is-music-piracy.html (Accessed 30 August 2010)

⁴⁰⁴ Australian Copyright Council ‘Criminal Offence Provisions Fact Sheet’ www.copyright.org.au (Accessed 16 November 2010)

⁴⁰⁵ Ibid

⁴⁰⁶ P. Brudenall ‘The Future of Fair Dealing in Australia’ JILT 1997, Issue 1 at 3

⁴⁰⁷ Ibid

⁴⁰⁸ Copyright Law Review Committee Report (CLRC) 2001 ‘Copyright and Contract’ <http://www.ag.gov.au/www/clrHome.nsf/AllDocs/> at 6 (Accessed 25 May 2011)

fair dealing has been accepted as being private dealing with copyright works whereby individuals reproduce works for their own research purposes.⁴⁰⁹ Now, the statutes merely codify the doctrine that evolved through case law over the years.⁴¹⁰ Unlike the monopoly granted by patents, copyright is not absolute reason being when copyright material comes into possession of the public, they are permitted to make fair dealing thereof, subject to limitations of course.⁴¹¹ Fair dealing is not defined in the Act and courts determine whether a particular use is fair or not.⁴¹²

There are few cases related to fair dealing in Australia and Lord Denning's formulation of the concept in *Hubbard*⁴¹³ is still recognised as the classic definition of fair dealing where he stated:

It is impossible to define what is "fair dealing." It must be a question of degree. You must consider first the number and extent of the quotations and extracts. Are they altogether too many and too long to be fair? Then you must consider the use made of them. If they are used as a basis for comment, criticism or review, that may be fair dealing. If they are used to convey the same information as the author, for a rival purpose, that may be unfair. Next, you must consider the proportions. To take long extracts and attach short comments may be unfair. But, short extracts and long comments may be fair. Other considerations may come to mind also. But, after all is said and done, it must be a matter of impression.

There are various defences and statutory limitations which confine the exclusive rights of copyright owners, ranging from the fair dealing provisions to granting compulsory licenses and providing for royalty free uses of copyright works.⁴¹⁴ In terms of ss40-43, the Act permits fair dealing for the following purposes:

- ❖ Research or study;
- ❖ Criticism or review;
- ❖ Parody or satire;
- ❖ News reporting;
- ❖ Judicial proceedings or professional advice by an attorney.

⁴⁰⁹ P. Brudenall supra at 16

⁴¹⁰ K.K Puri 'Fair Dealing with copyright material in Australia and New Zealand' 13 Victoria U. Wellington L. Rev. (1983) at 278

⁴¹¹ Ibid

⁴¹² M. de Zwart 'Seriously Entertaining: The Panel and the future of fair dealing' (2003) 8 Media and Arts Law Review at 3

⁴¹³ *Hubbard v Vosper* [1972] 2 Q.B. 84

⁴¹⁴ Pace Legal Online Business 'Copyright Infringement' <http://pacelegal.com.au/copyright-law/copyright-Infringement> (Accessed 8 June 2011) at 2

In other words, there is no room for fair dealing beyond these purposes.⁴¹⁵ Therefore, the purpose of an activity must fall within the supra five categories and the criterion of “fairness” applies.⁴¹⁶ It consequently means that file sharing does not fall within the ambit of “fair dealing” in Australia because ss40-43 only provides for fair dealing with respect to works which excludes file sharing, whereas s103A et seq. provides fair dealing in relation to sound recordings inter alia, which also excludes file sharing.

If someone intends to use copyright material in ways that are reserved for the copyright owner, they need to obtain permission to do so unless:

- 1) Copyright has expired or
- 2) they will use less than a substantial part or
- 3) One of the specific exceptions applies.⁴¹⁷

In Australia, the fair dealing exceptions predominantly apply to academics, students, research centres, journalists, the media and the legal profession which means it applies to a relatively small group of users and only in a few instances.⁴¹⁸ What does fair dealing mean? It means using copyright material in a fair manner which does not infringe upon the copyright of the copyright owner and which do not harm them financially in terms of royalties.⁴¹⁹ However, what is regarded as fair depends on the circumstances of each case but courts will generally look at whether someone is really using the material for one of the enumerated purposes under the Act and if the use is fair in that context.⁴²⁰ The exception of fair dealing is used as a defence to a claim of copyright infringement and when fair dealing is determined, regard must be given to the following factors (“fairness test”) in terms of s40(2) of the Act:

- ❖ The purpose and character of the dealing;
- ❖ the nature of the work or adaptation;
- ❖ the possibility of obtaining the work or adaptation within a reasonable time at an ordinary commercial price;
- ❖ the effect of the dealing upon the potential market for or value of the work or adaptation and

⁴¹⁵ See P. Brudenall supra at 3

⁴¹⁶ Op cit. at 6

⁴¹⁷ Australian Copyright Council ‘Fair Dealing information sheet 2008’ www.copyright.org.au (Accessed 12 October 2010)

⁴¹⁸ M. Jackson et al ‘The Impact of DRM’s on Personal Use: Expectations and Fair dealing rights’ (RMIT Univ. 2005)

⁴¹⁹ Australian Copyright Council supra

⁴²⁰ Ibid

- ❖ In a case where only part of the work or adaptation is reproduced, the amount and substantiality of the part copied taken in relation to the whole work or adaptation.

These guidelines set out in s40(2) are similar to the non-exclusive list of factors that are taken into account when determining fair use under s107 of the United States Copyright Act.⁴²¹ Section 40(2)(c) however has no counterpart in the American legislation which provides for consideration by a court of “the possibility of obtaining the work or adaptation within a reasonable time at an ordinary commercial price”.⁴²² It should be noted that a similar list of factors exist under s103C(2) in determining fair dealing of an audio-visual item.⁴²³

When determining fair dealing, a court will look at the use to which the reproduction was put, the type of work involved, whether the work is available for a reasonable fee and if the dealing damaged the copyright owner’s economic interests.⁴²⁴ There is no equivalent list of factors or a quantitative test for fairness in other sections and these factors offer the only legislative guidance in the context of fairness and should be applied in the context of other sections in the Act.⁴²⁵

Australia’s fair dealing doctrine is very restricted and Mee explains that the theoretical advantage lies in the fact that it provides certainty in the scope of application that allow copyright owners and users to predict whether a use falls within fair dealing.⁴²⁶ Some usage will definitely not fall within the ambit of fair dealing and the definition of each section is unclear and discrepancies exist between how judges apply the provisions.⁴²⁷ According to Weatherall, some drawbacks of Australia’s fair dealing provisions are the restrictive interpretation and the excessive emphasis on purpose instead of fairness, the ad hoc approach to fairness, the absence of a flexible model for exceptional cases and the lack of a ‘public interest’ exception.⁴²⁸

As Mee explains, the criticism that followed the litigation in *TCN Channel Nine*⁴²⁹ concerned the methodology applied by the courts when determining ‘fairness’. In *TCN Channel Nine*,

⁴²¹ T. Schonwetter ‘The implications of digitizing and the Internet for “fair use” in South Africa’ (UCT 2005) at 80 http://lawspace.law.uct.ac.za/dspace/bitstream/2165/237/1/SchonwetterT_2005.pdf (Accessed 8 June 2011)

⁴²² Ibid

⁴²³ Under s100A of the Act, audio-visual item means a sound recording, inter alia subject-matter.

⁴²⁴ M. Jackson et al ‘The Impact of DRM’s on Personal Use: Expectations and Fair dealing rights’ (RMIT Univ. 2005) at 2

⁴²⁵ M. De Zwart ‘Seriously Entertaining: The Panel and the Future of Fair Dealing’ 8 Media & Arts L. Review (2003) at 4

⁴²⁶ Ibid

⁴²⁷ Op cit. at 67

⁴²⁸ Ibid

⁴²⁹ *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd* [2001] FCA 108

Conti J extracted short principles from case law regarding fair dealing with the most problematic phrase that ‘fair dealing’ involves questions of degree and impression. In *Hubbard*, fair dealing was a matter of impression ‘after all is said and done’ for Lord Denning but in *TCN Channel Nine* the court used their subjective ‘impression’ as the basis to decide fair dealing.⁴³⁰ Mee asserts there is no clear agreement amongst judges and no guidance as to why the use was or was not fair which necessitated a re-examination of fair dealing.⁴³¹

During 1998, the CLRC⁴³² advised the fair dealing provisions should be simplified by combining the current fair dealing provisions into a single open-ended section that is similar to the model of the United States.⁴³³ It was suggested that the specific purposes should be retained as examples of the nature of the use that is permitted.⁴³⁴ It was also recommended the factors that determine fair dealing for purposes of study or research should be applied in general to any dealing.⁴³⁵

After the introduction of AUSFTA⁴³⁶ in 2004, there was a fair use review by the Attorney-General’s department regarding the desirability or introduction of the fair use doctrine into Australia.⁴³⁷ In the end however, the Australian government retained the restrictive model of fair dealing and added parody and satire in addition to the exceptions that relate to format shifting.⁴³⁸ Although Australia’s fair dealing provisions are broader⁴³⁹ than the copyright laws of the United Kingdom and South Africa, the United States’ fair use doctrine is described as being more flexible.⁴⁴⁰

In Australia, fair dealing needs to fall within the ambit of the categories supra and the dealing must be fair in order to be successful as a defence.⁴⁴¹ As a result, there is no scope for the

⁴³⁰ Mee ‘Laughing Matters: Parody and Satire in Australian Copyright Law’ 20 J.L. Inf. & Sci. (2009-2010) at 62

⁴³¹ Ibid

⁴³² Copyright Law Review Committee

⁴³³ M. De Zwart supra

⁴³⁴ Op cit. at 6

⁴³⁵ Ibid

⁴³⁶ Australian-United States Free Trade Agreement

⁴³⁷ J. Guthridge ‘Copyright infringement: Grokster’s case: Implications for Australian Business’ (Newsletter Aug. 2005) www.stephens.com.au/view/22/2005080390617 (Accessed 23 January 2011)

⁴³⁸ Op cit. at 68

⁴³⁹ In other words, the Act includes numerous exceptions but it is usually narrowly crafted and applies only under specific circumstances, to narrow classes of works and for specifically defined activities.

⁴⁴⁰ S. Young et al ‘Fair Enough? Copyright and the Australia-United States Free Trade Agreement’ at 5 www.crsi.mq.edu.au/documents/mobile_boundaries_rigid_worlds/young.collins.pdf (Accessed 24 January 2011)

⁴⁴¹ P. Brudenall ‘The Future of Fair Dealing in Australia’ JILT 1997, Issue 1 at 3

defence of fair dealing outside these permitted purposes.⁴⁴² The Australian fair dealing provisions are broad with little legislative guidance regarding what should be taken into consideration when determining fairness or dealing.⁴⁴³ Brudenall explains that this was not due to oversight by the legislators because these broad provisions give courts a wide discretion to shape the law in this area.⁴⁴⁴

Brudenall's view is confirmed by Gibbs J in *Moorhouse* where he opined:

'The principles laid down by the Act are broadly stated by reference to such abstract concepts as fair dealing and reasonable portion and it is left to courts to apply those principles after a detailed consideration of all the circumstances of a particular case.'

Format shifting⁴⁴⁵ (s109A)

Section 109A is found under Part IV, Division 6 of the Act that makes provision for infringement of copyright in subject-matter other than works. In other words, Division 6 caters for copyright works other than literary, dramatic, musical and artistic works and sound recordings is one example related to this dissertation. The Act was amended with s109A⁴⁴⁶ that provides for the private copying of music. Section 109A allows consumers to use an earlier copy to make later copies for all the players they own regardless of the format. Provision is also made for sequential copies (e.g. copying CD's to a computer and copying the music work again to an iPod.)

There are limitations to s109A viz:

- ❖ The original copy must be owned legitimately and cannot be a pirate copy;
- ❖ Copies made must only be for private and domestic use;
- ❖ Copies made must be used with a playing device that the consumer owns;
- ❖ Copies made cannot be reproduced from a podcast of a radio broadcast or similar program unless the podcast is licensed for private use;
- ❖ Copies made cannot be sold, swapped, lent or given away but you may lend it to a family member or member in the household;

⁴⁴² M. De Zwart supra

⁴⁴³ P. Brudenall supra at 4

⁴⁴⁴ Ibid

⁴⁴⁵ Format shifting is known as space shifting in Australian copyright law.

⁴⁴⁶ This section was inserted by the Copyright Amendment Act of 2006 thereby making provision for format shifting in Australian copyright law.

- ❖ If the original copy of the music work is sold, swapped, lent or given away, a person cannot keep any copy that he made himself;
- ❖ Businesses cannot use this exception to make copies of music works for individuals unless permission is granted by the copyright owner and
- ❖ Uploading copies of music works to the Internet is prohibited.

Thus in essence, format shifting is permitted in Australian law but is subject to the supra limitations. A fundamental phrase of s109A is “for private and domestic use.” In other words, copyright owners are allowed to make copies of sound recordings for private and domestic purposes only. Under s10, private and domestic use means private and domestic use on or off domestic premises. There is no further explanation within the Act of what private and domestic use entails but Australia would look to English and American law for more clarity in this regard as they usually would when situations of legal uncertainty arise. File-sharing is clearly not regarded as private or domestic use in Australia because uploading copies of music works to the Internet is prohibited under s109A.

Section 109A(2) also explains that making a later copy does not infringe copyright in the sound recording, literary, dramatic or musical work or other subject-matter included in the sound recording provided that the earlier or later copy is not dealt with as described in s109A (3). Section 109A(3) expressly states (in a note) that where the earlier or later copy is dealt with as described in s109A(3),⁴⁴⁷ then copyright may be infringed by making a later copy and by dealing with the later copy.

4.4.1 File sharing in Australia

‘The ease of copying and distribution of music works has altered social attitudes toward copyright works to the degree where copyright laws are ignored and the justification for breaking the law is ‘Everyone is doing it.’⁴⁴⁸ Around 3.4 million Australians illegally downloaded music files via file sharing services (1.8 million of these have used file sharing services in the one month period prior to the research).⁴⁴⁹

⁴⁴⁷ ‘Subsection (2) is taken never to have applied if the earlier copy or the later copy is sold or let for hire or by way of trade offered or exposed for sale or hire or distributed for the purpose of trade or otherwise or used for causing the sound recording to be heard in public or used for broadcasting the sound recording.’

⁴⁴⁸ M. Harrop ‘Something for Nothing: Copyright, ISP liability and P2P file sharing’ (Univ. of Otago, NZ) Oct. 2008 at 4

⁴⁴⁹ ARIA ‘Impact of Internet Music File sharing & CD Burning’

<http://www.aria.com.au/pages/CurrentIssueInternetMusicFileSharingCDBurning.htm> (Accessed 13 March 2011)

In terms of ss38 and 103⁴⁵⁰ of the Act, file sharing is unlawful in Australia because copyright owners have not given permission for the songs to be downloaded.⁴⁵¹ Section 38 reads:

Subject to Division 3, the copyright in a literary, dramatic, musical or artistic work is infringed by a person who, in Australia and without the license of the owner of the copyright:

(a) sells, lets for hire or by way of trade offers or exposes for sale or hire, an article; or
(b) by way of trade exhibits an article in public;

if the person knew, or ought reasonably to have known, that the making of the article constituted an infringement of the copyright or, in the case of an imported article, would, if the article had been made in Australia by the importer, have constituted such an infringement.

Furthermore, ss38(2)(b) and 103A(2) states that the distribution of any articles for any other purpose (to an extent that affects the copyright owner prejudicially) shall be taken to be the sale of those articles and ss38(3) and 103A(3) defines an article as a reproduction or copy of a work or other subject-matter, being a reproduction or copy in electronic form. It should also be borne in mind just because the person sharing the music works are not making a profit, does not make it fair either.⁴⁵² Therefore, file sharing would be regarded as copyright infringement in relation to music works.

“[F]ile-sharing and CD burning have been confirmed as having a negative impact on the Australian sales of recorded music, according to a ground-breaking study released by the Australian Record Industry Association (ARIA).”⁴⁵³ In *University of Tasmania*⁴⁵⁴, the Federal Court granted the music industry the right to interrogate the network information of three universities in order to identify students who use the network of the university to download music works.⁴⁵⁵ The court order was subject to strict conditions however.⁴⁵⁶ Where employers or universities provide employees or students with computer facilities and they then use it to download music from file sharing networks that do not pay royalties, such

⁴⁵⁰ ‘Subject to sections 112A, 112C, 112D and 112DA, a copyright subsisting by virtue of this Part is infringed by a person who, in Australia, and without the license of the owner of the copyright:

(a) sells, lets for hire, or by way of trade offers or exposes for sale or hire, an article; or

(b) by way of trade exhibits an article in public; if the person knew, or ought reasonably to have known, that the making of the article constituted an infringement of the copyright or, in the case of an imported article, would, if the article had been made in Australia by the importer, have constituted an infringement of the copyright.’

⁴⁵¹ N. Sikora ‘Australia a nation of music pirates’

www.heraldsun.com.au/news/national/teenage-music-pirates-rock-oz/story-e6frf716-1111115695744

(Accessed 30 August 2010)

⁴⁵² Australian Copyright Council ‘Fair Dealing Information Sheet Go79v05’ (June 2008) at 2

⁴⁵³ see ARIA supra

⁴⁵⁴ *Sony Music Entertainment (Australia) Ltd v University of Tasmania* [2003] FCA 532

⁴⁵⁵ Catherine Lee ‘P2P technology on trial again: the Grokster and Streamcast cases’ *Journal of Law & Information Science* Vol. 13 (No. 1) 2000 at 120

⁴⁵⁶ Ibid

employers or universities will face legal action for copyright infringement.⁴⁵⁷ The *University of Tasmania* decision advanced the cause of the music industry and is certainly a positive step in curtailing file sharing in Australia.⁴⁵⁸

4.4.2 Exclusive rights in music works relevant to file sharing

As far as literary and musical works are concerned, the most significant rights in relation to file sharing are the right to reproduce the work and the right to communicate the work to the public.⁴⁵⁹ Consequently, these rights are infringed by anyone 'who, not being the owner of the copyright, and without the license of the copyright owner, does in Australia or authorises the doing in Australia of any act comprised in the copyright.'⁴⁶⁰ Section 21 of the Act was amended by the Digital Agenda Act to clarify the meaning of 'reproduction' with respect to works stored electronically.⁴⁶¹ It provides that a musical work, sound recording or cinematograph film is reproduced if it is converted into or from a digital or other electronic machine-readable form and any article embodying the work in such form is taken to be a reproduction of the work so the files created in the transfer of music thus falls within the meaning of digital conversions under s21.⁴⁶²

4.4.3 Exclusive rights in sound recordings relevant to file sharing

For music works, the most significant rights in relation to file sharing are the right to make a copy of the sound recording and to communicate the recording to the public.⁴⁶³ Anyone infringing on these rights would be committing direct infringement.⁴⁶⁴ Section 10AA furthermore explains that a copy of a sound recording is a non-infringing copy **only if** it is made by or with the consent of the copyright owner and/or related right in the sound recording in the country in which the copy was made. File sharing consequently falls outside the ambit of s10AA of the Act.

⁴⁵⁷ J. Guthridge 'Copyright infringement: Grokster's case: Implications for Australian Business' (Newsletter Aug. 2005) www.stephens.com.au/view/22/2005080390617 (Accessed 23 January 2011)

⁴⁵⁸ Ibid

⁴⁵⁹ Ss31(1)(i) and 31(1)(iv) of the Copyright Act of 1968 respectively.

⁴⁶⁰ s101(1) of the Copyright Act of 1968

⁴⁶¹ C. Lee 'P2P Technology on Trial Again: The Grokster and StreamCast Cases' 13 J.L. & Inf. Sci. (2002) at 116

⁴⁶² Ibid

⁴⁶³ See Catherine Lee supra

⁴⁶⁴ Ibid

4.4.4 Other rights relevant to file sharing

The Digital Agenda Act of 2000 resulted in significant changes to Australian copyright law since the Act's introduction in 1968.⁴⁶⁵ The most important provision of the Act is the introduction of the new right of communication to the public which replaced the diffusion and broadcast rights.⁴⁶⁶ The public communication right is granted to copyright owners of literary, dramatic, musical and artistic works including sound recordings, films and broadcasts.⁴⁶⁷ Although the right to communicate to the public provides copyright owners with greater protection for their material in the digital environment, the Digital Agenda reforms ensure that "[a]s far as possible, the exceptions replicate the balance struck between the rights of copyright owners and the rights of users that applied in the print environment."⁴⁶⁸ The public communication right relates to making material available online (such as uploading material onto a server connected to the Internet) and electronically transmitting material.⁴⁶⁹

Section 10 of the Act defines communicate as:

[T]o make available online or electronically transmit (whether over a path or a combination of paths provided by a material substance or otherwise) a work or other subject matter, including a performance within the meaning of this Act.

Work is *made available online* once it has been uploaded to the Internet server where the public may access it.⁴⁷⁰ *Electronic transmission* however takes place once work is electronically emitted from the Internet server.⁴⁷¹

Definition of 'to the public'

The Act defines 'to the public' within or outside Australia and ensures that copyright owners can control transmission of their copyright works from Australia to overseas audiences.⁴⁷² The Act does not further define 'the public' and therefore the meaning depends on existing case law.⁴⁷³ In the *Telstra*⁴⁷⁴ decision, the court held that a communication will be considered

⁴⁶⁵ D. Lindsay 'Copyright infringement via the Internet: the liability of Intermediaries' (Univ. of Melbourne 2000) at 92

⁴⁶⁶ Ibid

⁴⁶⁷ Op cit. at 93

⁴⁶⁸ See A. Christie et al infra at 9

⁴⁶⁹ Ibid

⁴⁷⁰ A. Christie et al. 'The New Right of Communication in Australia' (2005) SydLawRw, Vol. 27 at 11

⁴⁷¹ Op cit. at 12

⁴⁷² D. Lindsay 'Copyright Infringement via the Internet: The Liability of Intermediaries' (Univ. of Melbourne 2000) at 94

⁴⁷³ Ibid

as “to the public” if it is communicated to the copyright owner’s public.⁴⁷⁵ An important consideration is to determine whether the communication is in a commercial setting or context so according to the court’s interpretation in *Telstra*, the public communication right will include material that is mostly communicated via the Internet.⁴⁷⁶

4.5 Universal Music Australia Pty Ltd v Sharman License Holdings Ltd⁴⁷⁷

The plaintiffs instituted action against the defendants for copyright infringement in their music works through use of the Kazaa file sharing system.⁴⁷⁸ The court had to decide whether the defendant authorised infringement by its users.

After examining the evidence, Wilcox J held that all the defendants infringed the copyright in each of the music works by:

Authorising the doing in Australia by Kazaa users of the following acts in relation to the music works;

- 1) making a copy of the music works;
- 2) communicating the works to the public without the license of the copyright owners and
- 3) Entering into a common design with each of the other infringing respondents to carry out, procure or direct the said authorisation.

The court reached this decision by saying despite the fact that the Kazaa website contained warnings against file sharing; it was obvious that the end-user license agreement were ineffective to prevent or curtail infringement. Wilcox J stated the defendants knew Kazaa’s system was used for file sharing, that there were technical measures that enabled them to curtail file sharing but that no action was taken in this regard. Finally, the court explained it was in the defendant’s financial interest to maximise file sharing and not to decrease it. Therefore, Wilcox J found the defendants liable for copyright infringement.

⁴⁷⁴ *Telstra Corporation Limited v Phone Directories Company Pty Ltd* [2010] FCAFC 149

⁴⁷⁵ See D. Lindsay supra

⁴⁷⁶ Ibid

⁴⁷⁷ *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* (2005) FCA 1242

⁴⁷⁸ The KaZaa system was freely available to users. Users placed music works in a file titled ‘My Shared Folder’. Users interested in obtaining music works could then search the files in ‘My Shared Folder’ of other users worldwide and download the music works using the software FastTrack.

4.6 Roadshows Films Pty Ltd & Ors v iiNet Ltd⁴⁷⁹

The plaintiffs (who represented Australian and United States' motion picture studios) instituted legal action against iiNet, an Australian ISP provider for copyright infringement committed by its subscribers. The court had to determine whether iiNet, by failing to take any steps to stop the infringement, authorised the copyright infringement committed by its subscribers when they downloaded cinematograph films (hereinafter films).

Before ruling on the issue of authorisation, Cowdroy J had to determine whether the subscribers infringed copyright. The court proceeded by explaining what the Internet is and looked at how network computers function. Although the explanation was technical, Cowdroy J focused on the BitTorrent protocol and software. The court asserted that the BitTorrent protocol operated on a P2P basis where all computers seeking data participated in the distribution thereof. Cowdroy J explained that the BitTorrent client was computer software that allowed someone to access groups of computers that share a particular torrent file.

The court examined each infringing act in order to establish the correct characterisation of the provisions in the following manner:

❖ *Correct construction of 'making available online'*

The court explained that a reasonable construction of the phrase 'make available online' should be applied and referred to *Cooper* where Tamberlin J favoured an approach that gave the entire phrase its ordinary meaning.

Cowdroy J said the Act focused on the actions of people and not computers, that a person makes a file available online and infringes copyright and not computers. His Honour explained the act of 'making available online' should focus on the actions of individuals instead of the technical process by which the files are 'made available online'. Therefore, the court ruled the subscribers made each film available online once only. After examining the evidence, the court held iiNet subscribers committed direct infringement by 'making available online', 'electronic transmitting' and making copies of the films without license from the plaintiffs. (except Mr Herps and Fraser)

⁴⁷⁹ *Roadshows Films Pty Ltd & Ors v iiNet Ltd* (No. 3) 2010 FCA 24

Authorisation by virtue of s101(1A) of the Act

After establishing direct infringement, it had to be determined whether iiNet authorised any of the acts within Australia. The court relied on *Moorhouse*, *KaZaa* and *Cooper* for judicial guidance with regards to the meaning of “authorisation” and “means” of infringement.

After consulting these decisions, Cowdroy J determined whether iiNet provided the means of infringement. The court said it is important to distinguish between a necessary precondition for infringement and the actual means of infringement. His Honour stated that iiNet’s provision of internet services was a necessary precondition for the infringement to have occurred.

Cowdroy J explained the BitTorrent system was the means in the real sense by which copyright was infringed because there was not any way to infringe copyright by only using the Internet. The court said if there was no BitTorrent system, there would have been no infringement. His Honour clarified iiNet’s internet service did not result in copyright infringement and that the defendant had no control over the BitTorrent system. The court conceded infringement took place by means of using the BitTorrent system and that there was no evidence that established a relationship between the defendant and the BitTorrent system.

His Honour explained the defendant had no dealings with any organisation which produces the BitTorrent system and in casu was completely different to the factual situation of ComCen in *Cooper*. Therefore, the court held the defendant did not provide the means of infringement in the sense that Gibbs J used the phrase.

The court explained that power to prevent is not an absolute power to prevent and did not believe that everyone has the power to prevent under s101(1A). His Honour stated the only power the defendant had to prevent infringement was to warn and terminate or suspend their subscriber accounts but said it was questionable whether doing so would have been effective. Therefore, Cowdroy J, held the defendant did not authorise infringement in terms of s101(1A) of the Act.

4.7 Cooper v Universal Music Australia Pty Ltd⁴⁸⁰

When no explicit authorisation is established, it must be determined if the actions of the authoriser constitutes implied authorisation.⁴⁸¹ Here, *Cooper* is a case in point. ‘E-Talk’ and Com-Cen formed an ISP known as Comcen which hosted Mr Cooper’s website that facilitated the downloading of music works. The record companies subsequently instituted action against Mr Cooper and Comcen for copyright infringement in their music works.

In the court of first instance, it was held the defendants infringed the copyright in the sound recordings of the plaintiffs by authorising the making of copies and authorising the communication to the public of the whole or a substantial part of those sound recordings without the license of the copyright owners and were permanently restrained from doing so in the future. Mr Cooper appealed the decision on the grounds that the court erred in its decision. The Federal Court thus had to determine the true meaning of the term ‘authorise’ in s13(2) and the related term authorises in s10(1) of the Act.

The court determined what is meant by ‘power to prevent’ and turned to *Moorhouse* for judicial guidance. Upon examining the decisions of *Moorhouse* and *Jain*, the court held Mr Cooper had the power to prevent the copying of the sound recordings via his website because he was responsible for creating and maintaining it. The Federal Court thus upheld the decision of the court of first instance.

4.7.1 Conclusion

Australian copyright law supports the legal position that file sharing is unlawful. Case law verifies that the courts and the music industry do not condone copyright infringement via file sharing in the digital environment. Australian businesses and individuals should be aware that they can be held liable for providing devices or software used by others to infringe copyright. Hopefully this awareness has been created through litigation. In South Africa and the United Kingdom, fair dealing can be relied upon as a defence to copyright infringement. In the United States, fair use is a defence to copyright infringement but Australia however, does not have a general ‘fair use’ defence like the United States. File sharing is not regarded as fair dealing in Australia because it does not fall within the statutory ambit of fair dealing.

⁴⁸⁰ *Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 187

⁴⁸¹ David-Ananian Cooper ‘Case-note: MGM Studios Inc. v Grokster 545 US (2005)’ www.johnsonlaw.com.au (Accessed 7 October 2010) at 2

As we established, Australian courts examine whether the person is really using the material for one of the purposes under the Act and secondly, if their use is fair in that context. So, although, file sharing does not fall within the fair dealing ambit of Australia, their “fairness test” can still be used as a guideline for South Africa when the time arrives to formulate a similar test for our copyright legislation. In contrast to South Africa, Australia has been progressive with their copyright law over the years and made amendments regarding fair dealing and music works. Now format shifting is permitted and the legal position was different prior the amendments so South Africa can certainly learn from how Australia tailored their copyright law to the digital environment.

CHAPTER 5: FAIR USE IN THE UNITED STATES

5.1 Introduction

Before the Copyright Act of 1909 the competitive use of copyright works was viewed as an act of piracy, so when individuals used copyright works, it was not regarded as piracy except where the use was competitive.⁴⁸² Back then, when individuals used copyright works, it was seen as ordinary use that was not fair or unfair and was not important in copyright infringement lawsuits.⁴⁸³ The fair use doctrine did not extend to an individual's use of copyright works since the fair abridgement doctrine regarded the use as fair.⁴⁸⁴ During 1909 when Congress expanded the rights of copyright owners, it granted copyright owners more rights in respect of how their copyright works was used, which meant that ordinary use could amount to infringement.⁴⁸⁵ The fair use doctrine developed from common law and attempts to balance the interests of musicians in protecting their creative work with the public's interest of access thereto.⁴⁸⁶

In the United States, fair use is a privilege and not a right and permits copyright material to be used without consent in reasonable ways for specific purposes.⁴⁸⁷ In 1841, the first American court case that concerned fair use was the *Folsom* decision and this exception was a defence against copyright infringement.⁴⁸⁸ In casu, the court permitted the copying of many works and (although copyright infringement was established) looked at the nature and objectives of the selections made, the quantity and value of materials used and the degree to which the use prejudiced the sale by the plaintiff or diminished the plaintiff's profits.⁴⁸⁹ Within time, Congress codified these factors which are known today as s107 of the United States Copyright Act.

Note that s107 was intended to codify the pre-existing judicial interpretation of fair use and not to enlarge it.⁴⁹⁰ Prior to the codification of fair use, courts evaluated fair use cases solely on common law but since enactment uncertainty about the doctrine remains.⁴⁹¹

⁴⁸² L. Ray Patterson 'Free Speech, Copyright and Fair Use' Vanderbilt Law Review (1987) Vol. 40, No. 1 at 39

⁴⁸³ Op cit. at 37

⁴⁸⁴ Op cit. at 39

⁴⁸⁵ Op cit. at 37

⁴⁸⁶ Aaron Johnson 'Pirates in Cyberspace' 80 Neb. L. Rev. (2001) at 127 and 132

⁴⁸⁷ Christopher A. Jennings 'Fair Use on the Internet' Report for Congress (May 2002) at 2

⁴⁸⁸ S. Das 'The Availability of the Fair Use Defense in Music Piracy and Internet Technology' Federal Communications Law Journal (2000) Vol. 52 at 733

⁴⁸⁹ Ibid

⁴⁹⁰ Philip Ruddock (Attorney General's Office) 'Fair Use and Other Copyright Exceptions' Issues Paper (May 2005) at 20

When American courts decide whether a specific use amounts to fair use, they must consider.⁴⁹²

- the purpose and character of the use including whether such use is of a commercial nature or is for non-profit educational purposes;
- the nature of the copyrighted work;
- the amount and substantiality of the portion used in relation to the copyrighted work as a whole and
- the effect of the use upon the potential market for the copyrighted work or the value thereof.

“[W]hen analysing the purpose and character of the use, courts look at whether the new work serves a commercial purpose or whether it has a non-profit educational purpose and secondly to what extent the use is transformative.”⁴⁹³ In *Campbell v Acuff-Rose*,⁴⁹⁴ J Souter said the central purpose of the first factor is to determine if the new work replaces the original or whether it adds something new, thus altering the original work. In situations where new works are transformative, it is likely a finding of fair use will be made and in such cases courts would have less regard to commercialism.⁴⁹⁵

Upon consideration of the second factor, should courts opine the original work is creative in nature, they are less likely to favour fair use.⁴⁹⁶ This factor acknowledges some works are closer to the essence of copyright protection⁴⁹⁷ than others which mean that fair use is more difficult to establish when creative works are copied.⁴⁹⁸

With respect to the third factor, courts scrutinize how much of the heart of the copyright work have been used and where the “heart of the original work” was taken, fair use will not be favoured.⁴⁹⁹ This factor examines whether the quantity and value of the proportion that is used is reasonable with respect to the purpose of why the work was copied.⁵⁰⁰

With the fourth factor, courts must consider the extent of the market harm that was caused by the alleged infringement and whether such infringement would adversely affect the potential

⁴⁹¹ Erin M. Calkins ‘Deciphering the Fair Use Doctrine: Campbell v Acuff-Rose Music Inc’ 28 Creighton L. Rev. (1994-1995) at 522

⁴⁹² Section 107 of the Copyright Act of 1976

⁴⁹³ J.E. Muscar ‘A Winner is Who? Fair Use and the Online Distribution of Manga and Video Game Fan Translations’ 9 Vand. J. Ent. & Tech. L. (2006-2007) at 243

⁴⁹⁴ *Campbell v Acuff-Rose* 510 US 569 (1994)

⁴⁹⁵ Philip Ruddock (Attorney General’s Office) ‘Fair Use and Other Copyright Exceptions’ Issues Paper (May 2005) at 18

⁴⁹⁶ H. Postel ‘The Fair Use Doctrine in the US American Copyright Act and Similar Regulations in the German Law’ 5 Chi-Kent J. Intell. Prop. (2006) at 145

⁴⁹⁷ In other words, original, creative works are granted greater protection than derivative works or factual compilations for example.

⁴⁹⁸ See Philip Ruddock at 19

⁴⁹⁹ See H. Postel supra

⁵⁰⁰ See Philip Ruddock supra

market if the use becomes widespread.⁵⁰¹ However in some situations, it is possible for the new work to harm the market of the original work and still qualify as fair use but this is unlikely with music piracy.⁵⁰²

The fourth factor is regarded as the most important factor where a defendant must prove the new work does not have an adverse impact on the actual or potential market of the original work.⁵⁰³ There is a general view however that the first and fourth factor are of primary importance and that the second and third factor are extensions of these two factors.⁵⁰⁴ Therefore, all four factors are weighed in light of the purpose of copyright protection⁵⁰⁵ in order to decide if a use of a copyright work is fair.⁵⁰⁶

Muscar explains the Supreme Court applied these factors inconsistently for two decades and provides *Sony*⁵⁰⁷ as an example where the court stated every commercial use of copyright material is presumptively unfair.⁵⁰⁸ In contrast to *Sony*, the court in *Harper*⁵⁰⁹ held commercial use is merely a separate factor that weighs against fair use. *Sony* and *Harper* are examples of how the factors in s107 have been interpreted broadly and consequently resulted in various interpretations but in *Acuff-Rose* the United States Supreme Court developed a more definitive method for determining fair use through these factors.⁵¹⁰

The doctrine of fair use is often criticized for its fact-intensive, case-by-case and unpredictable nature and in *Acuff-Rose* the United States Supreme Court stated the application of fair use cannot be simplified with bright-line rules because the statute requires a case-by-case analysis.⁵¹¹ However, in *casu* the court relied on legal precedent for guidance when it applied s107 to determine whether the song constituted fair use.⁵¹² So in essence, *Acuff-Rose* established a better structured framework for analysing the doctrine by relying on

⁵⁰¹ J.E. Muscar 'A Winner is Who? Fair Use and the Online Distribution of Manga and Video Game Fan Translations' 9 Vand. J. Ent. & Tech. L. (2006-2007) at 246

⁵⁰² see Philip Ruddock supra at 19

⁵⁰³ H. Postel 'The Fair Use Doctrine in the US American Copyright Act and Similar Regulations in the German Law' 5 Chi-Kent J. Intell. Prop. (2006) at 145

⁵⁰⁴ A. Johnson 'Pirates in Cyberspace' 80 Neb. L. Rev. (2001) at 142

⁵⁰⁵ "...To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive right to their respective Writings and Discoveries..."

⁵⁰⁶ see H. Postel supra at 145

⁵⁰⁷ *Sony Corp. of America v Universal City Studios Inc.* 464 US 417 (1984)

⁵⁰⁸ see J.E. Muscar supra at 227

⁵⁰⁹ *Harper & Row Publishers Inc. v Nation Enterprises* 471 US 539 (1985)

⁵¹⁰ Erin M. Calkins 'Deciphering the Fair Use Doctrine: Campbell v Acuff-Rose Music Inc' 28 Creighton L. Rev. (1994-1995) at 505

⁵¹¹ M. Sag 'The Pre-History of Fair Use' (De Paul University, College of Law 2010) at 21

⁵¹² See Erin M. Calkins supra

judicial precedent that applied to s107 and by rejecting the United States Court of Appeals' decision based on reasoning that was not supported by precedent.⁵¹³

Unlike South Africa, the United Kingdom and Australia, the defence of fair use can be invoked in the United States in relation to any use, commercial or private.⁵¹⁴ Where the use is challenged and said to be commercial, there is a presumption against fair use that the defendant must discharge.⁵¹⁵

Although a bright line approach to fair use is difficult to define, the digital environment has not caused courts to abandon or deviate from its traditional fair use analysis because the factors that determine fair use is applied in a technologically neutral method.⁵¹⁶

5.1.1 Fair use in the digital environment

'Uncertainty about the scope and nature of fair use has been heightened by digital technology and the Internet.'⁵¹⁷ Even in the United States, file sharing led to a re-examination of fair use and although courts adjudicated many fair use cases, no definition of the concept has ever emerged.⁵¹⁸ On the issue of fair use, the House of Representatives said that no general definition is possible and cases that raise the question must be decided on their facts.⁵¹⁹

The Internet is an international network of interconnected computers and computer networks whereby individuals can gain access to the Internet from many different sources and locations.⁵²⁰

The decentralized nature of the Internet's management makes it possible for any user to make music works available via different routes.⁵²¹ This made it difficult for the RIAA to institute legal action against individuals involved in file sharing which is why they alternatively pursued file sharing networks. However, when such cases reach litigation, defendants usually invoke fair use as a defence and this chapter examines how American courts interpret and apply fair use to the digital environment.

⁵¹³ Op cit. at 523

⁵¹⁴ Philip Ruddock (Attorney General's Office) 'Fair Use and Other Copyright Exceptions' Issues Paper (May 2005) at 19

⁵¹⁵ Ibid

⁵¹⁶ Christopher A. Jennings 'Fair Use on the Internet' Report for Congress (May 2002) at 5

⁵¹⁷ Danthu Thi Pan 'Will Fair Use Function on the Internet?' 98 Colum. L. Rev. (1998) at 186

⁵¹⁸ Op cit. at 184

⁵¹⁹ Op cit. at 185

⁵²⁰ Op cit. at 187

⁵²¹ Op cit. at 189

Certain uses of works are considered “fair use” under s107 where authorisation of copyright owners is not required but there are also situations where a compulsory license is mandatory.⁵²² These licenses apply to musical works and two licenses are relevant. First, the license for the mechanical reproduction of musical works and the second license concern the digital transmission of music.⁵²³ Digital transmission is defined in s101 of the Act as a transmission in whole or in part in a digital or other non-analogue format. The mechanical reproduction license is however required to reproduce music in a form that requires a mechanical device to listen to music (i.e. format shifting).⁵²⁴

5.2 Case law and the four factor test: A&M Records Inc. v Napster

Fair use examines whether the use of copyright material is justified in light of the principles of copyright law and *Napster*⁵²⁵ was judged in the same fashion under s107. In their defence, *Napster* argued its service constituted fair use and thereby qualified as an exception to copyright law because the doctrine permits any individual to reproduce a copyrighted work since the copyright owner do not possess an exclusive right to reproduction.⁵²⁶

To determine if *Napster*'s service qualified as fair use, the court looked at the fair use factors in s107 of the Act. The court looked at the first factor and examined whether the use of the music works by *Napster*'s users was transformative.⁵²⁷ *Napster* did not satisfy the first factor because the court opined music works in MP3 format are no different from music works in CD format, thus not being transformative in nature.⁵²⁸ Therefore, with respect to the first factor the District Court rejected the fair use argument and ruled the purpose and character of the work was not transformative.⁵²⁹ The second factor also weighed against *Napster* because their users appropriated the entire expression of the creative work which is exactly the type of work protected by copyright law.⁵³⁰

⁵²² See D. Gervais ‘Transmissions of Music on the Internet’ at 1390

⁵²³ *Ibid*

⁵²⁴ *Ibid*

⁵²⁵ *A&M Records Inc. v Napster Inc.* 239 F. 3d 1004 (9th Cir. 2001)

⁵²⁶ James E. Murrill Jnr. ‘Sounds and Silence: Downloading and Fair Use in *A&M Records Inc. v Napster Inc.*’ 24 Am. J. Trial Advoc. (2000-2001) at 470

⁵²⁷ Aaron Johnson ‘Pirates in Cyberspace’ 80 Neb. L. Rev. (2001) at 147

⁵²⁸ *Ibid*

⁵²⁹ Grace J. Bergen ‘The *Napster* Case: The Whole World is Listening’ 15 *Transnat’l Law* (2002) at 263

⁵³⁰ Aaron Johnson ‘Pirates in Cyberspace’ 80 Neb. L. Rev. (2001) at 148

The third factor was not in Napster's favour either because the music works in MP3 format contained musical selections in their entirety so Napster's users took the "heart" of the copyright works; the fourth factor counted against Napster too because the plaintiffs proved Napster harmed the market by reducing CD purchases and created a barrier for copyright owners who planned on entering the digital download market.⁵³¹ Napster's service replaced the use of the original recordings and became a market substitute and this is primarily why the RIAA instituted legal action against Napster and other file sharing services.

5.2.1 BMG Music v Gonzalez

In *casu*,⁵³² Gonzalez downloaded copyright music through the KaZaa file sharing network and the plaintiff instituted legal action against her for copyright infringement. In her defence, she contended her activities constituted fair use and not infringement.

The District Court ruled in favour of the plaintiffs and awarded \$22,500 in damages and Gonzalez appealed the decision. On appeal, the Court of Appeals determined whether her activity in respect of the music works qualified as fair use. After examining the facts in terms of s107, the court stated the defendant was not engaged in a non-profit use and that she downloaded and kept copyrighted songs despite the fact that the works are sold frequently per song and as an album. So, the court found no basis for fair use under the first three factors.

On the fourth factor, Gonzalez argued downloading music works on a trial basis before purchasing it, was good advertising for copyright owners that resulted in an expansion of the value of their inventory. The Court of Appeals stated according to *Grokster*, the Supreme Court had a different opinion because file sharing caused the sales of recorded music to decline by 30%.

The court asserted "downloading copyrighted songs cannot be defended as fair use regardless of whether the recipient plans on buying songs". The court also referred to *UMG Recordings*⁵³³ where it was held downloads are not fair use even if the downloader already owns one purchased copy. The court explained "downloading full copies of copyright material without compensation to authors cannot be deemed as fair use."

⁵³¹ Ibid

⁵³² *BMG Music v Gonzalez* 430 F. 3d 888 (7th Cir. 2005)

⁵³³ *UMG Recordings Inc v MP3.com Inc* 92 F. Supp. 2d 349 (SDNY 2000)

Although the plaintiffs sought damages for only 30 songs that Gonzalez never purchased, the court held she committed infringement in all 1370 songs.⁵³⁴ In conclusion, the Court of Appeals affirmed the decision of the District Court and Gonzalez consequently failed in her defence of fair use.

5.2.2 Sony BMG Entertainment et al v Tenenbaum⁵³⁵

In *Tenenbaum*, four recording companies instituted legal action against the defendant for file sharing activities. In his defence, Tenenbaum argued his activities constituted fair use. The evidence established (which was not disputed) the defendant's file sharing was for his private enjoyment including that of his friends. It was also verified that he downloaded songs and that the music works was not transformed at all and that Tenenbaum made more than 800 songs available to other KaZaa users for downloading.

The court stated the defendant offered no legal precedents that file sharing constituted fair use. Gertner J explained that in fact, courts have found exactly the opposite. The court referred to *Grokster* where the majority opinion held swapping music works was unlawful and said if it were to rule that file sharing for personal enjoyment is fair, their decision would overturn *Grokster*.

Gertner J stated that she would not stop the inquiry with the court decisions that were cited but would examine the factors in s107 of the Act and stated as follow:

The court explained fair use is there to benefit the public and that "the use must be productive and must employ the copied copyright material in a different way or for a different purpose from the original." Gertner asserted that nothing about the defendant's use of the music works was remotely transformative nor did it serve in the public interest as the doctrine requires.

The court said the copyrighted work at issue was music and it required robust copyright protection. The court referred to *Campbell* and said this factor weighs against fair use.

⁵³⁴ L. Fagen et al 'Downloading Copyrighted Songs On File-Sharing Network is not Fair Use' The Intellectual Property Strategist Vol. 12, Number 6 (March 2006) at 2

⁵³⁵ *Sony BMG Entertainment et al v Tenenbaum* F. Supp. 2d WL 4547019 (D. Mass. 2009)

The third factor requires the court to examine “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.” Tenenbaum argued he merely downloaded single songs and not full albums. He asserted the plaintiffs registered their copyrights in the albums and not the songs because the songs were “works made for hire.” The court rejected this argument and referred to *Szabo v Errisson*⁵³⁶ where it was held a single song on a registered album was an individual copyrightable work. Lastly, the court went on to explain that the copying of even extremely small portions of protected works may not be fair use.

In respect of the last factor, the court considered Tenenbaum’s conduct and also whether such unrestricted and widespread conduct would result in a substantial adverse impact on the potential market for the original works. The defendant argued his file sharing made little economic difference because the songs were popular thus being widely available on KaZaa.

The court rejected the defendant’s reasoning and explained it saw little difference between selling music works in the public marketplace and making them freely available online. Justice Gertner said it was this exact activity that distributed even more copies which would then result in a bigger market impact because there was no cost involved at all.

Therefore, based on the reasons above and the undisputed facts presented before the Court, Gertner J ruled in favour of the plaintiffs and a month later Joel Tenenbaum was ordered to pay \$675,000 in damages for his file sharing activities.

5.2.3 Viacom Inc. v YouTube Inc.⁵³⁷

In this case, the legal issue revolved around the DMCA’s safe harbour provisions⁵³⁸ and is a noteworthy decision in file sharing cases because Parul Kumar examined how and if YouTube could utilise the fair use defence.⁵³⁹ Viacom instituted action against YouTube for copyright infringement in their respected copyright material.

⁵³⁶ *Szabo v Errisson* 68 F. 3d 940 (5th Cir. 1995)

⁵³⁷ *Viacom International Inc. v YouTube Inc.* 718 F. Supp. 2d 514 (S.D.N.Y. 2010)

⁵³⁸ Section 512 of the DMCA provides that ISP’s cannot be liable for infringement provided that such providers remove copyright material promptly after receiving a take-down notice from copyright owners.

⁵³⁹ P. Kumar ‘Locating the boundary between fair use and copyright infringement: the Viacom-YouTube dispute’ JILT (2008) Vol. 3 No. 12 at 775

Stanton J held YouTube was protected from Viacom's copyright infringement claims under the DMCA because YouTube removed all of the videos after receiving a take-down notice from Viacom. He therefore dismissed Viacom's claim.

Kumar specifically looked at the factors under s107 of the Act and confirms the first factor focuses on whether the use of the copyright material is transformative and if such use is commercial.⁵⁴⁰ He explains courts examine whether the new use of the copyright material serves a different purpose from the original work.⁵⁴¹

In respect of YouTube however, it is difficult to say that the infringing video clips hosted on YouTube is transformative because those clips are just reproduced in a new medium and serve the same purpose of entertainment as the original works.⁵⁴²

Kumar concedes YouTube's business model exploits advertising as a source of revenue through banner advertising on the clip pages including video advertising on its homepage; therefore their financial benefits can be proven.

Regarding the nature of the copyright works, he said courts have always protected copyright material with a creative character and do not allow fair use in these situations and in this regard, YouTube infringed the defendant's copyright in the television programmes and motion pictures which lie at the heart of copyright protection.⁵⁴³

The third factor also counts against YouTube even though a 10 minute cap was placed on the videos since it only makes uploading and viewing difficult but does not stop copyright material from being uploaded, in other words, substantial portions of the works are uploaded.⁵⁴⁴ The last factor weighs against YouTube as well because the manner⁵⁴⁵ in which they use the copyright material deprives Viacom of revenue so the defendant's use can be regarded as unfair.⁵⁴⁶ YouTube was therefore not able to avail itself of the fair use defence.

⁵⁴⁰ Op cit. at 776

⁵⁴¹ Ibid

⁵⁴² Ibid

⁵⁴³ Ibid

⁵⁴⁴ Ibid

⁵⁴⁵ Youtube hosted infringing material which Viacom owned that allowed users to upload and share the copyright material.

⁵⁴⁶ See P. Kumar supra

5.3 File-sharing in the United States

'[F]ile sharing had a profound effect on copyright industries in recent years, especially the music industry and created legal questions regarding liability for the illegal distribution of copyright materials online.'⁵⁴⁷ According to the International Federation of the Phonographic Industry (IFPI), overall music sales decreased by 30% between 2004 and 2009 and file sharing remains a major piracy problem.⁵⁴⁸ Ten years ago, the term file sharing was unknown until Napster arrived.⁵⁴⁹ As a result, Napster and file sharing became etched into the consciousness of many.⁵⁵⁰ Napster was launched during 1999 in the United States by Shaun Fanning and was originally intended as a network where he could trade music works (MP3 files) between himself and his friends. The file sharing network gained popularity in the US and elsewhere and is estimated that Napster home-based users were close to twenty six million in thirteen different countries.⁵⁵¹

Napster's 'MusicShare' software was available on its website where users could download it freely.⁵⁵² When users logged on to Napster's network, the MusicShare software interacted with Napster's server and if users enabled MP3 files to be shared on their computer, Napster uploaded the titles of the user's songs to its server and not the MP3 files per se; so Napster users could access MP3 files located on the computers of other users when they were online by using a built-in tool that searched for a specific song either by using the artist's name or the song's title, the software then searched for the file names indexed on the server and notified a user of specific MP3 files they were looking for and once the user identified the song they wanted, they downloaded the MP3 file to their computer.⁵⁵³ So, when Napster made the software available, it constituted indirect infringement and the uploading and downloading of MP3 files by users constituted direct infringement. This large scale unlawful reproduction and distribution of music works caused the Recording Industry Association of America (RIAA) to institute legal action against many for copyright infringement. In order to understand the court decisions of *Napster*, *Grokster* and *LimeWire*, it is necessary to firstly discuss copyright law in the United States.

⁵⁴⁷ Alain Strowel 'Peer-to-Peer File Sharing and Secondary Liability in Copyright Law' (2009) at 43

⁵⁴⁸ IFPI Digital Music Report 2010 at 6

⁵⁴⁹ Stan J. Liebowietz 'Creative Destruction or just Plain Destruction' *Journal of Law and Economics*, Vol. XLIX (April 2006) at 1

⁵⁵⁰ *Ibid*

⁵⁵¹ Grace J. Bergen 'The Napster Case: The Whole World is Listening' 15 *Transnat'l Law* (2002) at 260

⁵⁵² Andrew McRobert 'Digital Music and Copyright: Third Party Liability and Home Taping' *Digital Technology L.J* (2001)

⁵⁵³ *Ibid*

5.4 Copyright law in the United States

The foundation of United States copyright law is the Statute of Anne which was enacted in 1710. Copyright law is governed by federal law and is codified in Title 17 of the United States Code (hereinafter referred to as the Copyright Act). The purpose of copyright law is found in the Copyright Clause of the United States Constitution and grants Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”⁵⁵⁴ The Copyright Clause promotes three important policies and the first relates to the promotion of learning and Phan explains that “science” was interchangeable with “knowledge” and “learning” during the eighteenth century.⁵⁵⁵ The second policy concerns authors having a transient monopoly in their writings which are the economic engine that drives the copyright system.⁵⁵⁶ The third policy that the copyright clause promotes is ensuring the public has access to copyright works by granting such works protection for a “limited time.”⁵⁵⁷

The Copyright Act affirms this position in s102(b) and reads: “[i]n no case does copyright protection for an original work of authorship extend to any idea, procedure or process regardless of the form in which it is described, explained, illustrated or embodied in such work.”⁵⁵⁸ Section 102 of the Copyright Act⁵⁵⁹ grants protection to the following works:

- Literary works;
- musical works (including any accompanying words);
- dramatic works (including accompanying music);
- pantomimes and choreographic works;
- pictorial, graphic and sculptural works;
- motion pictures and other audiovisual works;
- sound recordings and architectural works.

The United States distinguishes between “musical work”⁵⁶⁰, “sound recording” and “phono record.”⁵⁶¹ The sound recording contains a performance of a particular musical work whereas the phono record refers to the object (or copy) like a compact disc.⁵⁶² These copyright works are granted protection for a term generally consisting of the life of the author plus seventy

⁵⁵⁴ Article 1, Section 8 of the US Constitution

⁵⁵⁵ Ibid

⁵⁵⁶ Op cit. at 175

⁵⁵⁷ Ibid

⁵⁵⁸ Op cit. at 177

⁵⁵⁹ The Copyright Act of 1976

⁵⁶⁰ In the US, the musical work is the music and the lyrics.

⁵⁶¹ See D. Gervais ‘Transmissions of Music on the Internet’ supra at 1389

⁵⁶² Ibid

years after the author's death under s302(a) of the Act. So, if the general public would like to use any of the copyright works stipulated in s102 supra, they need to obtain the copyright owner's permission for such use or they have to comply with the conditions of a compulsory license or they should make fair use thereof. Section 106 provides the copyright owner the exclusive rights to do and to authorize any of the following:

- 1) to reproduce the copyrighted work in copies or phonorecords;
- 2) to prepare derivative works based upon the copyrighted work;
- 3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership or by rental, lease or lending;
- 4) in the case of literary, musical, dramatic and choreographic works, pantomimes and motion pictures and other audiovisual works to perform the copyrighted work publicly;
- 5) in the case of literary, musical, dramatic and choreographic works, pantomimes and pictorial, graphic or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly and;
- 6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission

This means if anyone, besides the copyright owner commits any of the above acts, it would constitute copyright infringement in terms of s106. In *Harper*,⁵⁶³ the court confirmed that proof of a defendant reproducing or distributing a copyrighted work without the permission of the copyright holder is sufficient to constitute infringement. However, s107 permits the public to make limited use of copyright works in terms of fair use provisions which means making use of copyrighted work under certain circumstances does not constitute copyright infringement under s107.

5.4.1 Direct copyright infringement in the United States (Primary infringement)

In the United States, the two forms of infringement are direct and indirect infringement. Direct infringement occurs when one of the exclusive rights of the copyright owner has been violated. With regards to music works, it would mean the rights of reproduction and distribution of the copyright owner have been violated in one or more of the distinct copyright works of the music work. File sharing thus qualifies as direct infringement in terms of s106 of the Act because 'downloading a copyright-protected song is understood to involve

⁵⁶³ *Maverick Recording Co. et al v Harper* (2007) [Case 5:07-cv-00026-XR]

a reproduction of a sound recording⁵⁶⁴ for which permission is needed from the copyright owner.⁵⁶⁵

Section 501(a) of the Act defines an infringer as *anyone who violates the exclusive rights of the copyright owner* and s501(b) entitles copyright owners to institute legal action for any infringement of a particular right that was committed, provided that pre-registration or registration of the copyright claim has been made. Legal action should be instituted within three years after the cause of action arose in terms of s507 of the Act. To establish a prima facie case of direct copyright infringement in the United States, ownership of the copyright work must be established and it must be shown that one of the exclusive rights are violated.⁵⁶⁶

5.4.2 Indirect infringement in the United States (Secondary infringement)

There are two types of indirect copyright infringement, namely contributory and vicarious infringement. Contributory infringement arises when someone with knowledge of the infringing activity-, induces, causes or materially contributes to the infringing conduct of another.⁵⁶⁷ Vicarious infringement is a form of secondary liability for direct infringement based on the common law principle of respondeat superior.⁵⁶⁸ The requirements are (1) direct financial interest, (2) the ability to control and (3) knowledge is not required. “A traditional example of vicarious infringement is where someone owns a swap meet and some person at the swap meet is selling infringing materials. The owner of the swap meet is then liable for vicarious infringement because he receives a direct financial benefit and has the ability to see what is going on at the swap meet and prevent the seller from selling the infringing materials by kicking him out.”⁵⁶⁹

⁵⁶⁴ Joshua Keesan ‘Let It Be: The Challenges of Using Old Definitions for Online Music Practices’ 23 Berkeley Tech. L.J. (2008) at 354 [Keesan defines a “sound recording” as a recorded performance of a musical work.] To me, a sound recording refers to the sound embodied on the physical CD or the MP3 file.

⁵⁶⁵ Op cit. at 361

⁵⁶⁶ Catherine Lee ‘P2P Technology on Trial Again: the Grokster and StreamCast Cases’ 13 J.L. & Inf. Sci. (2002) at 110

⁵⁶⁷ Ibid

⁵⁶⁸ Cornell University ‘Vicarious Infringement’ http://www.law.cornell.edu/wex/vicarious_infringement (Accessed 21 September 2011)

⁵⁶⁹ Quizlaw ‘What is vicarious infringement?’ http://www.quizlaw.com/copyrights/what_is_vicarious_infringement.php (Accessed 22 September 2011)

- ***Contributory infringement***

An example of contributory infringement would be if your brother has made infringing copies of a CD and you know these copies are infringing and create an e-bay listing for your brother to sell the discs, you have committed contributory infringement.⁵⁷⁰ As far as contributory infringement is concerned, two key elements of importance are knowledge and contribution.⁵⁷¹ American case law indicates the secondary infringer should know or should have reason to know that direct infringement occurs but actual knowledge of the infringing activity is not a requirement.⁵⁷² However, evidence of actual knowledge regarding specific acts of infringement is required to prove the secondary infringer failed to act when they were notified of the infringing activities.⁵⁷³ Once knowledge is established, it is necessary for the plaintiff to prove material contribution which means the secondary infringer engaged in personal conduct which encouraged copyright infringement or assisted therein.⁵⁷⁴

- ***Vicarious infringement***

In the online environment, vicarious infringement generally refers to where someone has the right to control the network, the ability to supervise infringing activities and has a direct financial interest therein.⁵⁷⁵ Financial gain is defined in the Act as *the receipt or expectation of receipt of anything of value, including the receipt of other copyrighted works*. In *Napster*, the court stated financial gain exists when the infringing material attract customers because as more people download file sharing software, it results in more revenue.⁵⁷⁶ In other words, *Napster* could establish its own subscription service and this subscription service equated as financial gain.⁵⁷⁷

⁵⁷⁰ Quizlaw 'What is contributory infringement?' www.quizlaw.com/copyrights/what_is_contributory_infringem_1.php (Accessed 21 September 2011)

⁵⁷¹ Aaron Johnson 'Pirates in Cyberspace' 80 Neb. L. Rev. (2001) at 141

⁵⁷² Catherine Lee 'P2P Technology on Trial Again: the Grokster and StreamCast Cases' 13 J.L. & Inf. Sci. (2002) at 111

⁵⁷³ Ibid

⁵⁷⁴ Ibid

⁵⁷⁵ Op cit. at 113

⁵⁷⁶ Ibid

⁵⁷⁷ Catherine Lee 'A&M Records v Napster: Time for Napster to Face the Music' Newcastle L.R. (2002) Vol. 4, Issue 2 at 145

5.4.3.1 US case law on indirect infringement: Napster

During 1999, A&M Records and seventeen other record companies instituted legal action against *Napster*⁵⁷⁸ for contributory and vicarious copyright infringement.⁵⁷⁹ The record companies sought relief to prevent *Napster* from engaging in or assisting others in copying, downloading, uploading, transmitting or distributing copyright music without the express consent of the copyright owners. In their defence, *Napster* argued it was protected under the safe harbour provisions of the DMCA. *Napster* also asserted the defence of fair use and substantial non-infringing use. *Napster* further argued it was merely a conduit and thus not responsible for its users actions. The District Court had to determine whether *Napster* was liable for contributory and vicarious infringement. It also had to establish whether the DMCA's safe harbour provisions under s512(a) applied to *Napster*. The District Court first addressed the issue of the DMCA and held *Napster* was not eligible for the safe harbour provision in terms of s512(a) because it did not qualify as a service provider under both definitions. Secondly, the court held the plaintiffs established a prima facie case of direct copyright infringement by *Napster* users and that the uploading and downloading of MP3 files was not fair use.

Next, the District court looked at the issue of contributory infringement. The court found *Napster* had actual and constructive knowledge of direct infringement by its users because the RIAA notified it of more than twelve thousand infringing files.⁵⁸⁰ The court said s512(d) does not grant protection to any defendant with actual or constructive knowledge of the infringing works or infringing activity.⁵⁸¹ Subsequently, the court examined *Napster*'s material contribution. The court held *Napster* materially contributed to the infringing activities because it provided support services that allowed its users to easily locate and download copyrighted files.⁵⁸²

Regarding the claim of vicarious infringement, the court said *Napster* had the authority to control the infringement and the ability to supervise its system and that *Napster* could also block users accused of repeat infringement but that they failed to prevent the infringing activities.⁵⁸³ Therefore, the District court found *Napster* liable for copyright infringement and

⁵⁷⁸ *A&M Records Inc. v Napster Inc.* 239 F. 3d 1004 (9th Cir. 2001)

⁵⁷⁹ Ibid

⁵⁸⁰ Op cit. at 77

⁵⁸¹ Op cit. at 78-79

⁵⁸² Op cit. at 77

⁵⁸³ Op cit. at 77-78

granted the plaintiffs a preliminary injunction which is an order that prevented Napster from continuing its infringing activity. *Napster* appealed and the case was referred to the Court of Appeals for the Ninth Circuit.

On appeal, the Ninth Circuit affirmed the District court's decision but it disagreed from the lower court on several important aspects.⁵⁸⁴ With regards to contributory infringement, the Ninth Circuit asserted *Napster* may be capable of commercially non-infringing uses. The court said the District Court disregarded its capabilities for future use and focused too much on the system's present use. The Ninth Circuit concurred with the District Court that Napster was liable for vicarious infringement since it had the authority to control the infringement and ability to supervise its system and held *Napster* gained financially from the infringing activities.

Regarding *Napster's* defence under the DMCA, the court explained that the adversity weighed in favour of the plaintiffs and it certainly warranted a preliminary injunction.⁵⁸⁵ The Ninth Circuit also mentioned its disagreement with the District Court's decision that the DMCA was not applicable and felt the legal issue would have developed more clearly at trial. Although the Ninth Circuit concurred with the District Court, it decided the injunction had to be modified. The court held the injunction was too broad because the entire burden of preventing infringement was on *Napster* and therefore instructed the District Court to place the burden of notification on the plaintiffs instead.

“[P]erforming rights societies expressed that any transmission of music, whether by streaming or delivery of a file containing a sound recording, is a public performance, a stand that seems fairly convincing.”⁵⁸⁶ On the other hand, if a court ruled these deliveries do not constitute a public performance of the music work and the rights of reproduction and distribution did not allow copyright owners to exercise their right to limit the online availability of copyright works, the United States would arguably be violating the WCT but in *Napster*, the court found (at the very least) the right of reproduction and right of distribution were infringed.⁵⁸⁷

⁵⁸⁴ Op cit. at 79

⁵⁸⁵ Ibid

⁵⁸⁶ See D. Gervais supra at 1397

⁵⁸⁷ Ibid

5.4.2.2 The Grokster decision

After the *Napster* trial, US courts were faced again with a file sharing dilemma in *Grokster*.⁵⁸⁸ *Napster* laid the foundation for copyright infringement in file sharing cases, thus it is important to examine how the courts subsequently dealt with *Grokster*.

In *Grokster*, the plaintiffs instituted legal action against the defendants for copyright infringement. The plaintiffs argued Grokster should be held liable for making file sharing software available that enabled its users to copy and distribute films and sound recordings.⁵⁸⁹ The defendants argued they could not be held liable because they only provided software to users and consequently had no control over them. The District Court had to determine whether Grokster could be held liable for contributory and vicarious infringement. The court firstly addressed the issue of contributory liability and relied on *Napster* for judicial guidance.

Wilson J noted the plaintiffs had to prove Grokster was engaged in direct infringement in order to establish liability. The court analysed how Grokster functioned and stated it was a completely different system to Napster. Wilson J asserted that Grokster merely distributed the software that enabled users to commit copyright infringement and Grokster did not actively facilitate the infringing activity as Napster did. The court emphasized Grokster did not provide the site and facilities to commit direct infringement because the copyright material was not transmitted to or through any computers owned or controlled by Grokster.

The court stated to be liable for contributory infringement, ‘participation in the infringement must be substantial’ and explained the plaintiffs failed in establishing contributory infringement for the reasons above. Next, the court determined whether Grokster committed vicarious infringement. The court affirmed vicarious infringement was proved by establishing (1) financial gain and (2) the defendant’s right and ability to supervise infringing conduct. The court stated the defendants gained financially from the infringement because as infringement increased, Grokster’s revenue also did. With regards to the supervision, Justice Wilson said Grokster provided software that communicated across networks which was not controlled by them.

⁵⁸⁸ *MGM v Grokster* 259 F. Supp. 2d 1029 (C.D. Cal. 2003) at 2

⁵⁸⁹ *Ibid*

The court conceded there was no admissible evidence that proved Grokster had the ability to supervise and control the infringing conduct. Therefore, the court could not hold Grokster vicariously liable simply because the software could be used for unlawful purposes.

In conclusion, the court opined it was aware of the fact that Grokster intentionally structured their business to avoid secondary liability but it could not expand existing copyright law beyond its boundaries simply to justify a judicial remedy. Therefore, based on the reasons above, the District Court denied the summary judgment and the plaintiffs appealed the decision.

On appeal, *Grokster* was heard in the Ninth Circuit and the court had to determine once more whether the defendants were liable for contributory and vicarious infringement. After applying the *Sony* standard (defendant is not liable for copyright infringement where he distributed a product that can be used for infringing as well as non-infringing purposes), the court concurred with the District Court that *Grokster* was not liable for contributory infringement because it did not have the requisite level of knowledge nor did it find *Grokster* materially contributed to the infringement.⁵⁹⁰ Therefore, the Ninth Circuit ruled in favour of *Grokster* whereupon the plaintiffs appealed the judgment again.

As mentioned earlier, American courts require the secondary infringer to have actual or constructive knowledge of the infringement and should also have contributed materially thereto in order to be held liable for contributory infringement. However, in *Grokster* the United States Supreme Court asserted encouraging direct infringement or intentionally inducing infringement also establishes contributory liability.⁵⁹¹ The Supreme Court mentioned three elements that indicated an intention to induce infringement viz:

1. *Grokster* promoted the infringement capabilities of the software;
2. *Grokster* failed to filter out infringing uses, it also blocked third-party filters and
3. Their business plan was reliant on high volume infringement.

Therefore, the Supreme Court reversed the decision of the Ninth Circuit and held Grokster liable for contributory infringement but declined to comment on the Ninth Circuit's decision regarding the application of vicarious infringement.⁵⁹²

⁵⁹⁰ Kent Schoen 'MGM v Grokster: Unpredictability in Digital Copyright Law' North Western J. of Tech. & Intellectual Property, Vol. 5, No. 1 (Fall 2006) at 160

⁵⁹¹ David Ananian-Cooper 'Case Note: MGM Studios Inc. v Grokster 545 US (2005)' at 7

⁵⁹² Op cit. at 6

5.4.2.3 The LimeWire decision

After *Grokster* and *Aimster*, the RIAA instituted legal action against *LimeWire*⁵⁹³ for copyright infringement because its file sharing program allowed users to share digital files through an Internet-based network. The District court determined whether LimeWire was liable for contributory and vicarious infringement including indirect copyright infringement by inducement.

On the issue of contributory infringement, Justice Wood looked at *Sony* in reaching her decision. The court examined whether LimeWire was liable for contributory infringement by establishing whether the plaintiff had knowledge of the infringing activity and whether they materially contributed to the infringement. After examining the evidence, J Wood found there was a material issue of fact regarding whether the *Sony* rule applied to *LimeWire*. The *Sony* rule established ‘a defendant who distributes a product that materially contributes to infringement will not be held liable if the product can also be used for legitimate purposes that would not be objected to or if the product is capable of non-infringing use.’⁵⁹⁴ The defendants presented evidence of non-infringing content on its file sharing server and J Wood held *LimeWire* was not liable for contributory infringement because she could not determine whether the system was in fact capable of non-infringing use as a matter of law.

The court then looked at the issue of vicarious infringement. After weighing the evidence, J Wood stated *LimeWire* had the authority and ability to supervise the infringing conduct but failed in doing so. The court also noted the defendants provided no legitimate reason for failing to supervise the infringing activity. Afterwards, the court examined whether *LimeWire* had a financial interest in the infringing activity. The court emphasized the defendants’ users were enticed to the service because of infringing activities and *LimeWire* profited from the growing user base, its advertisement and online music store.⁵⁹⁵ Therefore, the court ruled *LimeWire* was liable for vicarious infringement since the requirements for liability were established.

Lastly, J Wood determined if LimeWire was liable for indirect infringement by inducement. Here, the judge relied on *Grokster* for judicial guidance. She explained that a two-part test was necessary in order to determine liability through inducement. J Wood said it had to be determined whether 1) LimeWire engaged in conduct that encouraged infringement and 2)

⁵⁹³ *LimeWire v Arista* 2d. 409 n. 23 (S.D.N.Y. 2009)

⁵⁹⁴ *Ibid*

⁵⁹⁵ *Ibid*

whether LimeWire intentionally encouraged infringement. After evaluating the evidence, the court agreed LimeWire's conduct encouraged infringement since the defendants created and distributed the software that users utilised to commit infringement. Next, the court scrutinised LimeWire's intention and examined five factors in this regard viz:

1. LimeWire's awareness pertaining to the substantial infringement of its users;
2. LimeWire's attempts to attract infringers;
3. Their attempts to enable and assist users in their infringement;
4. LimeWire's dependence on the infringing activities in order to be a successful business;
5. Their failure to minimize the severity of the infringing activities.

In regard to the first factor, J Wood recognized the defendants were aware of the infringement because the evidence proved most of the download requests were related to copyrighted material. On the second factor, the evidence established LimeWire developed specific plans to attract Napster and KaZaa users and engaged in a marketing campaign whereby LimeWire could be found through Google's search engine.

With respect to the third factor, the evidence also established that LimeWire's system was designed so that users could easily download music works by creating genre categories which enabled them to find artists or albums. The fourth factor was established through the plaintiffs' evidence that verified LimeWire's primary source of revenue was indeed its user base. On the last factor, the plaintiffs established LimeWire failed to implement any meaningful technological barriers that could have prevented the infringement. Therefore, Justice Wood found LimeWire liable for indirect infringement by inducement. The court went a step further by ruling LimeWire's chairman and the Lime Group were liable for indirect infringement. The court reached this conclusion through evidence that established the chairman knew about the infringement and that he played a major part in strategic decisions and the final injunction was granted on the 26th of October 2010.

5.5 Civil Liability for copyright infringement in the US

In the United States, it is evident through case law that once copyright infringement is established, that liability can be attributed to individuals, file sharing networks and Internet Service Providers (ISP's). On an international level however, court decisions indicate a trend

toward strict liability.⁵⁹⁶ Factually though, liability for infringement can arise in terms of common law (common law liability) or from statute (statutory liability).

5.5.1 Common Law liability

United States copyright law do not expressly provide for secondary liability for copyright infringement but the courts, through case law, have imposed liability on those who facilitate or profit from copyright infringement.⁵⁹⁷ So, the two forms of secondary liability for copyright infringement are contributory infringement and vicarious infringement.

File sharing networks and ISP's may be found liable for contributory infringement if it knew or had reason to know that infringing material was available on their network.⁵⁹⁸ In other words, the record labels must not only prove ownership of a valid copyright and unlawful copying but must show that the file sharing network had knowledge of the infringing activity and materially contributed to the infringing conduct.⁵⁹⁹ When users download music works on file sharing networks, the reproduction right of the copyright owner is infringed and when users upload files for others to copy, the distribution right of the copyright owner is also violated.⁶⁰⁰ Secondly, ISP's can also be found liable for vicarious infringement when the service provider has the ability to supervise the infringing activity but fails to do so. Vicarious liability is another means of holding someone liable for copyright infringement even when that person or party is not the one who did the infringing.⁶⁰¹ If a court of law ascertains the service provider gained financially from infringing activities, it will result in the service provider being liable for vicarious infringement.⁶⁰²

⁵⁹⁶ M. William Krasilovsky et al 'This Business of Music: The Definitive Guide to the Business and Legal Issues of the Music Industry' 10th ed. (2007) at 199

⁵⁹⁷ The Tabberone Archives 'Contributory Infringement'
<http://www.tabberone.com/Trademarks/CopyrightLaw/ContributoryInfringement/ContributoryInfringement.shtml>
(Accessed 18 October 2011)

⁵⁹⁸ Hisanari Harry Tanaka 'Post-Napster: Peer-to-Peer file sharing systems' Loyola of Los Angeles Entertainment Law Review Vol. 22 (2001) at 50

⁵⁹⁹ See the Tabberone Archives supra

⁶⁰⁰ Ibid

⁶⁰¹ See Tabberone Archives supra

⁶⁰² Ibid

5.6 Statutory Liability (The Digital Millennium Copyright Act of 1998)

The Digital Millennium Copyright Act⁶⁰³ (DMCA) was enacted in October 1998 and implements the obligations of the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).⁶⁰⁴ Ginsburg explains the Copyright Act needed to be modernized in order to meet the challenges of digital creation, communication and exploitation.⁶⁰⁵ The United States Congress acknowledged stronger protection was needed so copyright owners could exploit their works digitally and the threat of digital piracy necessitated a new legislative framework which consequently resulted in the anti-circumvention provisions.⁶⁰⁶ The DMCA generally limits the liability of ISP's with regard to copyright infringement when they transmit information via the Internet and the provisions are contained in s512 of the Act.

The Act defines a service provider as an entity offering the transmission, routing or providing of connections for digital online communications between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received **OR**

A provider of online services/network access or the operator of facilities therefore and includes an entity described in subparagraph (A).⁶⁰⁷

This means if an ISP falls into the ambit of the first definition, the ISP can rely on all four of the safe harbour provisions but should an ISP fall into the ambit of the second definition, such an ISP can only rely on the provisions of s512 (b) to (d).⁶⁰⁸

a) Liability of ISP's in terms of the DMCA

For purposes of this dissertation, s512(a) of the DMCA is relevant because it deals with the safe harbour provisions for ISP's. The Act grants ISP's a safe harbour provision from liability, provided that certain requirements are met.⁶⁰⁹ Section 512(a) reads as follows:

A service provider shall not be liable for monetary relief or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider's transmitting, routing or providing connections for material through a system/network controlled or operated by or for the service provider.....if

- (1) the transmission of the material was initiated by or at the direction of a person other than the service provider;

⁶⁰³ The Digital Millennium Copyright Act of 1998

⁶⁰⁴ Jane C. Ginsburg 'Copyright Legislation for the Digital Millennium' 23 Colum. VLA J.L. & Arts (1999-2000) at 137

⁶⁰⁵ Ibid

⁶⁰⁶ Ibid

⁶⁰⁷ s512 (k)(1)(A) and (B) of the DMCA of 1998

⁶⁰⁸ Lisa M. Zepeda 'A&M Records Inc v Napster Inc' 17 Berkeley Tech. L.J. (2002) at 75

⁶⁰⁹ Op cit. at 262

- (2) the transmission, routing, provision of connections or storage is carried out through an automatic technical process without selection of the material by the service provider;
- (3) the service provider does not select the recipients of the material except as an automatic response to the request of another person;
- (4) no copy of the material made by the service provider in the course of such intermediate/transient storage is maintained on the system/network in a manner ordinarily accessible to anyone other than anticipated recipients and no such copy is maintained on the system/network in a manner ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary for the transmission, routing or provision of connections and
- (5) the material is transmitted through the system/network without modification of its content.

Note that s512 only relates to liability for copyright infringement and provides no safe harbour from liability for hosting or transmitting other kind of illicit content.⁶¹⁰ So, if service providers and file sharing networks do not satisfy the requirements in terms of s512(a) supra, they will be held liable for contributory and/or vicarious infringement. The second way where liability arises lies in the anti-circumvention provisions of the DMCA and will not be discussed since it falls beyond the scope of this dissertation.

b) Liability of universities in terms of the DMCA

When the RIAA started their legal action against file sharing networks, they subsequently sent complaint letters to universities during 2003 informing institutions their students were committing copyright infringement via file sharing on campus.⁶¹¹ American universities were not happy with this state of affairs since they could be charged with a criminal offence because under the DMCA, they qualified as a service provider. In some cases, the parents and grandparents of these university students were faced with lawsuits as well. In light of these events, universities responded differently to these notifications.⁶¹² However, they decided to comply with their obligations as a service provider under the Act by implementing the following procedures:

- Sending out complaint and warning letters to students and instructing them to remove copyright material from the university's database;
- Disconnecting students from the Internet network and terminating access privileges;
- Charging re-connection fees;
- Some students were even suspended from class depending on the university;
- Taking disciplinary action against students and

⁶¹⁰ Jane C. Ginsburg 'Copyright Legislation for the Digital Millennium' 23 Colum. VLA J.L. & Arts (1999-2000) at 160

⁶¹¹ <http://www.digitaltrends.com/lifestyle/riaa-cracks-down-on-college-music-sharing/> (Accessed 22 October 2010)

⁶¹² Ibid

- Notifying the Dean of the relevant faculty of the student's conduct.

Since universities implemented these policies and acted on it, they were protected in terms of ss512(e)(C) and 512(g) of the DMCA and could also not be held liable for damages in terms of common law as a secondary infringer.⁶¹³

5.7 Criminal liability for copyright infringement in the US

Criminal liability for copyright infringement is provided for in s2319 of Title 18 of the United States Code and there are three copyright crimes under this section. The first being intentional infringement for commercial gain or private financial gain with an imprisonment term of five years for first time offenders and ten years for repeat offenders. The second crime is the intentional infringement of a copyright work that was reproduced or distributed digitally for non-profit purposes and has an imprisonment term of three years. The third crime is pre-release piracy and carries an imprisonment term of not more than six years. Where a court does not impose imprisonment, the respective fines will apply as set out in terms of s2319.

5.8 Civil Remedies against copyright infringement

A plaintiff may avail himself of various remedies when his copyright has been infringed.⁶¹⁴ The usual remedy that is sought and granted by courts is the injunction which prevents defendants from continuing the infringing activities.⁶¹⁵ The court could also order that all infringing copies be destroyed or impounded in terms of s503 of the Copyright Act.⁶¹⁶ However, American courts are more commonly awarding damages to plaintiffs that include any profits that were made by the infringer that is not taken into account when calculating those damages but the plaintiff can decide to recover statutory damages under s504(c)(1) in

⁶¹³ <http://www.digitaltrends.com/lifestyle/riaa-cracks-down-on-college-music-sharing/> (Accessed 22 October 2010)

⁶¹⁴ M. William Krasilovsky et al 'This Business of Music: The Definitive Guide to the Business and Legal Issues of the Music Industry' 10th ed. (2007) at 201

⁶¹⁵ See s502 of the US Copyright Act

⁶¹⁶ Op cit. at 201

lieu of actual damages including the additional profits of the infringer but should be decided upon before judgment is rendered.⁶¹⁷

“U.S. copyright law gives successful plaintiffs who promptly registered their works the ability to elect to receive an award of statutory damages, which can be granted in any amount between \$750 and \$150,000 per infringed work. This provision gives little guidance regarding in what range awards should be made, except to say that the award should be an amount the court considers just and that the upper end of the spectrum from \$30,000 to \$150,000 per infringed work is reserved for awards against intentional infringers.”⁶¹⁸ The reason is because it is often difficult to prove actual damages or profits.⁶¹⁹ Section 504(c)(2) stipulates where the copyright owner has satisfied their evidential burden and the court finds that the infringement was committed intentionally, it may at its discretion, increase the statutory damages to an amount of no more than \$150,000.

Courts experienced difficulty to award punitive damages in copyright infringement cases and in 2003, a federal judge in New York granted an award of \$100 million in punitive damages.⁶²⁰ However, most courts refuse to award punitive damages beside damages that are available in terms of the Act.⁶²¹ It is also possible that the court could order the defendants to pay the plaintiffs attorney fees including court costs by virtue of s505 of the Act.⁶²²

5.9 United States and the three-step test

Advocates who argued the United States should join the Berne Convention felt when the United States first joined the Universal Copyright Convention (UCC) in 1988, that it was insufficient to protect United States copyright abroad.⁶²³ Congress finally passed the United States Berne Convention Implementation Act in March 1989 and that is when they officially joined the Berne Union.⁶²⁴ Consequently, works of American authors are now automatically protected in all countries of the Berne Union and a minimum level of protection exists

⁶¹⁷ Ibid

⁶¹⁸ P. Samuelson et al ‘Statutory Damages in Copyright Law: A Remedy in Need of Reform’ William & Mary Law Review, Vol. 51 (2009) at 439

⁶¹⁹ See M. William Krasilovsky et al supra

⁶²⁰ Op cit. at 201

⁶²¹ Op cit. at 202

⁶²² Op cit. at 203

⁶²³ M. Krasilovsky et al ‘This Business of Music: The Definitive Guide to the Business and Legal Issues of the Music Industry’ 10th ed. (2007) at 211

⁶²⁴ Op cit. at 212

between member states.⁶²⁵ The Berne Convention Implementation Act of 1988 amended the United States Copyright Act in several ways but various incentives were also included that encouraged copyright owners to continue to register and deposit copyrighted works with the United States Copyright Office.⁶²⁶

The three-step test was introduced into the Convention as a general standard that determines under which circumstances the right of reproduction may be restricted in national law.⁶²⁷ The test was designed to endorse the various exceptions to the right of reproduction that already existed in common law and civil law countries.⁶²⁸ Under the Convention, member states can decide whether their laws comply with the three-step test but when it was incorporated into the TRIPS Agreement as well, the test evolved from a non-binding 'rule of referral' to a 'rule of mandatory application.'⁶²⁹ Under TRIPS, the three-step test places a mandatory limitation on member states to provide exceptions that apply to all exclusive rights including the reproduction right.⁶³⁰ As Carter explains:

'It is clear that the three-step test has become entrenched in copyright law. Major debates about revisions to copyright law often hinge on the question whether a given course of conduct would violate the 3 step test.'⁶³¹

In this regard, some legal academics argued (and some believe) the fair use doctrine violates the three-step test.⁶³² Scholars paid attention to the WTO panel decision where Europe challenged the United States Copyright Act and complained the three-step test is no test at all but just a needless repetition of an idea.⁶³³ This raises the question: Does the fair use doctrine violate the three-step?

William Patry⁶³⁴ answers this question on his copyright blog by ardently providing clarity on the issue.⁶³⁵ He disagrees that s107 of the Copyright Act does not comply with the three-step test and quotes Director-General Arpad Bogsch where he testified by stating the following:⁶³⁶

⁶²⁵ Ibid

⁶²⁶ Copyright notice was eliminated as a requirement for US copyright protection, the recording of copyright assignments and documents of transfer as a prerequisite to suit was abolished. The registration of foreign works in other Berne countries as a prerequisite to suit was also eliminated.

⁶²⁷ K.J Koelman 'Fixing the Three-Step Test' European Intellectual Property Review (2006) Vol. 8 at 1

⁶²⁸ Edward L. Carter 'Harmonization Of Copyright Law in Response to Technological Change: Lessons From Europe About Fair Use and Free Expression' 30 U. La Verne L. Rev. (2008-2009) at 328

⁶²⁹ Op cit. at 329

⁶³⁰ Ibid

⁶³¹ Op cit. at 327

⁶³² Op cit. at 328

⁶³³ Ibid

⁶³⁴ William Patry is a US copyright attorney who is an expert in US copyright law and writes on many legal issues in his field.

‘The only real difference and that has nothing to do with the level of protection that makes US law incompatible with the Berne Convention consists in the notice and registration requirements.’

Patry explains for 23 years national ministries never raised any issues about the compatibility of fair use apart from doing so after Bogsch’s testimony and that his remarks about notice and registration hardly qualified as violating the three-step test.⁶³⁷ This is why Patry, Seftleben and Bogsch agree s107 of the Act does comply with the three-step test, contrary to what naysayers may say. Art. 9(2) of the 1971 Paris text of the Berne Convention reads as follow:

It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

Patry asserts there is a misconception that Art. 9(2) exist to ensure the rights of copyright owners are not weakened because the three-step is not only about the formal recognition of the reproduction right.⁶³⁸ He explains the chosen formulation for the three-step test was not about creating an enumerated list of “existing fair uses” but is actually about making provision for abstract criteria and in this way, the test gains the capacity to encompass a wide range of exceptions which is exactly what fair use seeks to accomplish.⁶³⁹ Section 107 of the United States Copyright Act that makes provision for fair use reads:

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 copyright 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.

There are three parts to section 107 and the first part contains a list of activities⁶⁴⁰ that qualify as fair use.⁶⁴¹ Although the list (infra at fn. 640) is not exclusive, the rationale behind fair use is to permit a use when the transaction costs for obtaining a license exceeds the value of the

⁶³⁵ W. Patry ‘Fair Use, the Three-Step Test and the Counter-Reformation’
<http://williampatry.blogspot.com/2008/04/fair-use-three-step-test-and-european.html> (Accessed 10 May 2011)

⁶³⁶ Op cit. at 2

⁶³⁷ Op cit. at 3

⁶³⁸ Op cit. at 5

⁶³⁹ Ibid

⁶⁴⁰ ‘Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research, is not an infringement of copyright.’

⁶⁴¹ Tyler G. Newby ‘What’s Fair Here is Not Fair Everywhere: Does the American Fair Use Doctrine Violate International Copyright Law?’ 51 Stan. L. Rev. (1998-1999) at 1638

use and allowing use when the public benefit exceeds the harm to copyright owners.⁶⁴² Courts have much discretion when examining the factors supra under s107 to determine fair use and these factors ensure that fair use remains flexible in light of technological development while complying with the three-step test too.⁶⁴³

As Professor Goldstein stated:

Each time they balance section 107's four factors in a particular case, courts trace anew the balances that Congress struck in designing the copyright system as a whole-determining what types of uses should be entitled to draw on copyrighted works without charge; differentiating between those types of works that need the copyright incentive and those that need it less; determining the point at which an unexcused taking will cut too deeply into a producer's incentives; and most fundamental of all, weighing the effect of free use on incentives to produce literary, musical and artistic works.

Upon careful analysis of case law regarding fair use and the opinion of legal academics, it becomes clear that fair use do not really violate the three-step test because even though American judges can test any use under 107, that does not mean a new use will necessarily qualify as fair use. The case law reveals judges only allow "special cases" to qualify as fair use after passing the muster of s107. Therefore, based on my research, I agree with Patry et al that the fair use provision complies with the three-step test.

5.10 Conclusion

After careful examination of case law, it is certain that copyright infringement via file sharing is not tolerated in the United States. In fact, digital music piracy is frowned upon as *Napster*, *Grokster* and *LimeWire* illustrates. Courts enforce legislation strictly and usually digital music piracy is not excused, regardless of fair dealing arguments or safe harbour provisions in terms of the DMCA. The Institute for Policy Innovation reports that global music piracy causes \$12.5 billion in economic losses annually, 71,060 United States jobs lost and a loss in worker salaries to the amount of \$2.7 billion.⁶⁴⁴ Tax revenue in the amount of \$422 million is also lost including a loss of personal income tax that amounts to \$291 million.⁶⁴⁵ A loss of corporate and production taxes to the value of \$131 million is also reported and these figures illustrate the negative ripple effect that file sharing has on the United States economy and its music industry.

⁶⁴² Ibid

⁶⁴³ Ibid

⁶⁴⁴ 'RIAA FAQ's' <http://www.riaa.com/faq.php> (Accessed 21 October 2010)

⁶⁴⁵ Ibid

As far as music works are concerned, the RIAA has truly become fierce watchdogs over their intellectual property and continue to enforce their rights in courts. Many scholars argue that litigation and substantial awards in damages are not permanent solutions since file sharing is an ever-growing and recurring problem. Despite the critics, the RIAA has at the very least been determined in minimizing file sharing activities because if they do not, their means of making a living will become seriously damaged in the future.

American case law illustrate that courts are required to apply the four factors set forth under s107 of the Act to ascertain whether a use is fair or not. Sheffner asserts fair use is notoriously difficult to define with precision and is unpredictable in its application; Justice Leval wrote the following regarding fair use:⁶⁴⁶

Judges do not share a consensus on the meaning of fair use. Earlier decisions provide little basis for predicting later ones. Reversals and divided courts are commonplace. The opinions reflect widely differing notions of the meaning of fair use. Decisions are not governed by consistent principles but seem rather to result from intuitive reactions to individual fact patterns. Justification is sought in notions of fairness, often more responsive to the concerns of private property than to the objectives of copyright.

Fair use disputes can be difficult for courts because some decisions in District courts have been overturned in Courts of Appeal and reversed again in the United States Supreme Court.⁶⁴⁷ Although the doctrine may be vague and contains many grey areas, the situation regarding fair use in cases like *Napster*, *Grokster*, *Gonzalez*, *Tenenbaum* and *Viacom* illustrates file sharing is definitely not a fair use. As Sheffner states: 'Obtaining and distributing entire copies of songs to avoid paying for it is not fair use, even under the most malleable standards.'⁶⁴⁸ Be this as it may, it has been said the United States fair use doctrine is broader in scope than fair dealing in Australia, South Africa and the United Kingdom.⁶⁴⁹ Secondly, the flexibility of fair use allows courts to play an active role in adapting United States copyright law to major changes in technology.⁶⁵⁰ In the end, an advantage of the fair use exceptions is that it is technologically neutral and does not require revision through legislation.⁶⁵¹

⁶⁴⁶ Ben Sheffner 'Sony v Tenenbaum: There are limits to fair use defense in copyright infringement cases' Legal Opinion Letter Vol. 18. No. 25 (October 2009)

⁶⁴⁷ Catherine Lee 'P2P Technology on Trial Again: the Grokster and StreamCast Cases' 13 J.L. & Inf. Sci. (2002) at 110

⁶⁴⁸ Op cit. at 2

⁶⁴⁹ P. Ruddock (Attorney General) 'Fair Use and Other Exceptions – An examination of fair use, fair dealing and other exceptions in the digital age' Issues Paper (May 2005) at 20

⁶⁵⁰ Ibid

⁶⁵¹ Op cit. at 21

CHAPTER 6: CONCLUSION

“[O]nly United States legislation contains open-ended fair use provisions whereas South Africa, Australia and the United Kingdom have a restrictive set of exceptions.”⁶⁵² Despite the existence of several international treaties dealing with copyright, there is no international standard for fair use/dealing as yet.⁶⁵³ Be that as it may, the jurisdictions examined in this dissertation ascertained that file sharing does not fall within the ambit of fair dealing and fair use.

In South Africa, the fair dealing exceptions can only be used where the infringement was done for one of the specific purposes listed in s12(1). Section 12(1) applies to the digital environment as well, although the South African Act has not been amended to this effect yet. However, s12(1)(a), i.e. fair dealing for purposes of research or private study or personal or private use, does not apply to sound recordings. It is further unlikely that file sharing (as examined in this dissertation) of music works will take place for purposes of criticism or review (s12(1)(b)) or the reporting of current events (s12(1)(c)). This means that file sharing of music works would not be excused as “fair dealing” under the South African Act.

The United Kingdom’s fair dealing exceptions are just as restrictive as South Africa’s which is no surprise since the South African Act is based on English copyright law so there are still similarities in the 2 pieces of legislation. The fair dealing exceptions are limited to the specific purposes as set out in ss29-32 of the CDPA which excludes file sharing of music works. That means that file sharing does not amount to fair dealing in the United Kingdom.

The fair dealing exceptions in Australia are limited by the user’s purpose (i.e. research or study, criticism or review, parody or satire, news reporting, judicial proceedings or professional advice by an attorney) including the extent to which works are used. Australia’s fair dealing exceptions however, give users larger scope to copy than in South Africa and United Kingdom which in my opinion makes the Australian legislation progressive because their copyright law is more on par with technological development. File sharing of music works however, is not excused under ss40-43 of the Australian Act which means it is not regarded as fair dealing.

⁶⁵² CLRC ‘Simplification of the Copyright Act 1968’ <http://www.ag.gov.au> (Accessed 29 June 2011)

⁶⁵³ See T. Schonwetter ‘The Fair Use Doctrine and the Implications of Digitising for the Doctrine from a SA Perspective’ at 47

South Africa and the United Kingdom's fair dealing provisions are very restrictive in nature whereas the United States' fair use provisions are more flexible. The United States provides four factors in s107 that any use must be tested against to determine whether it qualifies as fair use or not. The purposes that may be considered fair use are criticism, comment, news reporting, teaching, scholarship and research.⁶⁵⁴ In other words, the United States' "fairness test" can be used in any situation and is not limited to the purposes set out in s107. It was suggested that the doctrine of fair use should be implemented in South Africa including the test under s107 of the United States Copyright Act but Schonwetter thinks we must be cautionary because of the enormous degree of uncertainty surrounding fair use, the statutory factors which are not determinative and the question regarding whether s107 complies with the three-step test.⁶⁵⁵ The current fair dealing provisions in the South African Copyright Act lacks flexibility and needs to be amended while taking into account technological development, societal progress and learning and should (in my opinion) not adopt fair use or retain the restrictive fair dealing doctrine but find some middle ground (like Australia) in between and develop its own fair dealing model that is suitable for a developing country like South Africa. Schonwetter advised that South Africa must ensure that an appropriate area of application for fair dealing is reserved in the digital environment and that restrictions on fair dealing of works imposed by legal and technical means must remain the exception.⁶⁵⁶

After careful analysis and examination of these four jurisdictions, I would advise South Africa to use their copyright legislation (while being mindful of the Berne Convention) as a platform in order to amend our Copyright Act. South Africa is a unique country with many societal contrasts and everyone's needs are different when it comes to fair dealing. Therefore, our legislature should always be mindful of this fact when balancing the rights of copyright owners with that of the general public, especially where education is concerned. As far as technology goes, the legislature must ensure that the Copyright Act becomes flexible enough to deal with any type of technology so that citizens are not criminalised for activities like format-shifting. Perhaps format-shifting could also be provided for in s12 of the Act and I propose something (perhaps not perfect) along the following lines which is similar to s109A of the Australian Act:

⁶⁵⁴ s107 of the U.S.C

⁶⁵⁵ Op cit. at 110-111

⁶⁵⁶ See T. Schonwetter supra at 51

Format shifting

12 (1A) Copyright in a sound recording will not be infringed provided that:

- (1) The owner of a lawfully purchased compact disc makes a copy of such compact disc for the owner's private and domestic use;
- (2) The owner of a lawfully purchased MP3 song makes a copy thereof for the owner's private and domestic use;
- (3) Infringement under s(1A) will occur if the earlier copy or the later copy is:
 - (a) sold; or
 - (b) let for hire; or
 - (c) by way of trade offered or exposed for sale or hire; or
 - (d) distributed for the purpose of trade or otherwise; or
 - (e) used for causing the sound recording to be heard in public; or
 - (f) used for broadcasting the sound recording.
- (4) The provisions of s12(3)(a)-(f) apply to the digital environment as well.

The fair dealing provisions in s12(1) of the Act should also be amended and could maybe read as follow:

Fair dealing in literary or musical works

12(1) Copyright will not be infringed by any fair dealing with a literary or musical work---

- (a) for the private use or personal purposes of research or private study of the person using the work;
- (b) for the purposes of criticism or review of that work or of another work; or
- (c) for the purpose of reporting current events—
 - (i) in a newspaper, magazine or similar periodical; or
 - (ii) by means of broadcasting or in a cinematograph film:

Provided that, in the case of paragraphs (b) and (c)(i), the source shall be mentioned including the author's name if it appears on the work that is used.

(2) For purposes of this Act, in determining whether dealing with a literary or musical work is fair, the following factors which are not exhaustive must be taken into account:

- (a) the purpose of the dealing;
- (b) the nature of the work;
- (c) the effect of the dealing on the market;
- (d) in the case where literary or musical works are reproduced, the amount and substantiality of the material copied.

South Africa can only improve its copyright law by 'grabbing the bull by its horns' and actually drafting amendments and/or new sections for the Act (as I illustrated above) by intensively studying the current Act to determine the extent of its flaws, especially within the digital environment. Our country needs a Copyright Act that is digitally progressive and unfortunately, the Act in its current form is not good enough for South Africa and we can only hope that Parliament will address the situation very soon since its long overdue.

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