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Fair Use Versus Fair Dealing: An examination of the South African Copyright Amendment Bill

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FAIR USE VERSUS FAIR DEALING: AN EXAMINATION OF THE SOUTH AFRICAN COPYRIGHT AMENDMENT BILL

Professor Malebakeng Forere*

1. Introduction

Economic growth theory has since linked innovation to growth hence countries developed a system in which works of human ingenuity are protected through a system of intellectual property rights,[1] which from a copyright perspective intitially was done through domestic legislation and the 1884 Berne Convention for the Protection of Literary and Artistic Works. Despite guarding the system of monopoly to innovation jealously, the states parties to the Berne Convention enabled inroads through free uses to the rights under protection as provided for under Articles 9, 10, 11. However, these exceptions are carefully circumscribed by the three-step test contained in the Berne Article 9(2) and replicated in the Agreement on Trade-Related Intellectual Property Rights commonly known as the TRIPs Agreement in its Article 13.[2] Since the Berne Convention provides a template for copyright protection by prescribing minimum standards of protection, it follows that copyright legislation of the Berne's states parties resemble the Convention albeit with some differences in the implementation of the said minimum standards.

There have largely been two approaches to free uses of copyrighted works, and those have been the United States' open-ended fair use, essentially defined by courts of law, which is followed by a handful of countries being Singapore since 2004, Israel since 2007, Malaysia and South Korea since 2012, and Poland. The United Kingdom's and civil law countries closed list fair dealing in legislation has a large adoption, including by the European Union, Canada, South Africa and many commonwealth countries. The two approaches will be discussed further below.

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[1] Rana P Maradana and others, 'Does Innovation Promote Economic Growth? Evidence from European Countries' (2017) 6 Journal of Innovation and Entrepreneurship 1; Gene M Grossman and Elhanan Helpman, 'Endogenous Innovation in the Theory of Growth' (1994) 8 The Journal of Economic Perspectives 23; Paul M Romer, 'Endogenous Technological Change' (1990) 98 Journal of Political Economy S71.

[2] Note that Article 9(2) of the Berne Convention applies to reproduction rights of literary and artistic works while the TRIPs Article 13 extended it all rights.

As home and host to major tech companies, United States has been a leader in the copyright law reform such that a notable number of countries, which followed Britain and civil law countries are now beginning to borrow from the United States legal framework in regard to copyright law. South Africa is among such countries as reflected in the highly controversial Copyright Amendment Bill (hereinafter the CAB or Bill), which has been going back and forth between the President and Parliament. One of the highly contested clauses in the CAB is the fair use clause, derived from the United States' Copyright Act. While welcomed by universities, libraries, trade unions and companies whose business model is dependent on free flow of information such as Google, this clause is rejected by the industry. Specifically, the fair use clause is rejected by publishers, collecting societies representing performers and producers, major tech and entertainment companies such as Multichoice South Africa, Netflix. Most interesting is that it is equally rejected by the United States, which has threatened South Africa's participation in Africa Growth Opportunity Act (AGOA) should the Bill be passed with the fair use clause.

With the above background in mind, this contribution seeks to draw the differences between fair dealing and fair use, and the implications of fair use to the owners of copyrights. The paper finds that the differences lie in the fact that with fair dealing, a list of free uses is exhaustive while in fair use it is open thereby giving courts power to add on the list. While the paper finds that the criterion for determining fairness is *prima facie* similar between the US and the South African CAB, it is notable that the CAB criteria is a modification of the United States' criteria with huge negative implications for the owners of copyrights. Specifically, the different purpose and the substitution effect in the CAB's fairness assessment are the telltale threats to copyright owners. This contribution builds on the work of Professor Sadulla Karjiker who, in 2021, wrote about fair dealing and fair use, cautioning South Africa not to go with fair use as it promises chaos in our copyright laws beyond the rhetoric of its supporters who simply say it is a superior exception than fair dealing.[3] While Professor Karjiker compared the two concepts as I am doing in this paper, the difference is that Professor Karjiker found that

[3] S Karjiker, 'Should South Africa Adopt Fair Use? Cutting through the Rhetoric' [2021] Tydskrif vir die Suid-Afrikaanse Reg 240.

the open-ended fair use is in violation of the South African international obligations as it violates step one of the three-step test under both the Berne Convention and the TRIPs Agreement,[4] and this work finds that even steps two and three are in jeopardy. Secondly, this works goes beyond that of Professor Karjiker in that it focuses on the fairness test in both the South African CAB and the American Copyright Act and finds that the modifications of the American fairness test in the CAB are carefully crafted to enable copyright takings, which I submit herein that it is contrary to section 25 of the Constitution of the Republic of South Africa.

President Cyril Ramaphosa has been pondering on the CAB beyond the time assigned to him by law to sign the Bill, but he eventually sent it to the Constitutional Court to rule on its constitutionality.[5] This contribution will therefore be of value to the Constitutional Court in determining the constitutionality of fair use among others. Should the Bill be found to be unconstitutional, this contribution will assist the legislature to gain deeper insights into the differences between the two approaches in a neutral environment outside of parliamentary public hearings where I made submissions under tight time constraints. Also, while I was among a handful of academics and practitioners who facilitated a workshop for the legislature on general copyright law in preparation for public hearings on the CAB, the fact that we were cautioned not to get into the subject matter of the Bill was a missed opportunity as we could not assist the legislature in understanding the differences between fair dealing, the CAB's fair use and the American fair use. Should the Bill be enacted post the referral to the Constitutional Court, this paper shall be useful to the courts as the new law will surely attract litigation given the ambiguity that plagues the CAB.

In achieving the stated objective above, this work employs textual analysis of the current Copyright Act of South Africa, the Copyright Amendment Bill and the United States Copyright Act, limiting the discussion only to the fair dealing and fair use clauses. The textual analysis will be further augmented by the inclusion of the South African cases.

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[4] It might not have been useful for Professor Karjiker to analyse compliance with steps two and three because the test is cumulative and failure to meet step one spells end of the inquiry.

[5] "President Cyril Ramaphosa refers Copyright Amendment Bill and Performers' Protection Amendment Bill to Constitutional Court," available at: https://www.gov.za/news/media-statements/president-cyril-ramaphosa-refers-copyright-amendment-bill-and-performers%E2%80%99, accessed 20 October 2024.

This contribution is organised in three parts, with part one being an introduction as above while part two focuses on the differences between fair dealing and fair use, highlighting the implications to the copyright owners. The third part delves into the constitutionality of fair use while part four concludes the discussion.

2. Differences between the proposed fair use and fair dealing and the implications thereof

This section is the heart of this contribution. It analyses the texts of the Copyright Act, the Bill and section 107 of the US Copyright Act to chart the differences between the current fair dealing clause espoused in the Act, the fair use clause in the Bill and the fair use in the US Copyright Act. It starts off by providing for the relevant texts *verbatim*, it then proceeds to discuss the scope of application for fair dealing and fair use in the Bill and the US Copyright Act. It then assesses the criteria for determining fairness under fair dealing and also under the Bill and the US Copyright Act. It further discusses compliance of the fair dealing and fair use clauses with the Berne safeguards (the three-step test) as also adopted and expanded in the TRIPs Agreement. Throughout these discussions, the impact on the economic rights of copyright owners is highlighted.

2.1 Textual provisions on fair dealing and fair use in the Bill and in the US Copyright Act

The current fair dealing provided for under section 12(1) of the Copyright Act reads as follows:

> **"12. General exceptions from protection of literary and musical works**
>
> (1) Copyright shall not be infringed by any fair dealing with a literary or musical work—
> (a) for the purposes of research or private study by, or the personal or private use of, the person using the work;
> (b) for the purposes of criticism or review of that work or of another work; or
> (c) for the purpose of reporting current events—
> (i) in a newspaper, magazine or similar periodical; or
> (ii) by means of broadcasting or in a cinematograph film:
>
> Provided that, in the case of paragraphs (b) and (c)(i), the source shall be mentioned, as well as the name of the author if it appears on the work."

Whereas section 12 has 13 subsections, it is only subsection (1) quoted above that is regarded as fair dealing. Other traditional exceptions such as those on education, quatations, judicial proceedings are provided for under section 12 but do not fall under fair dealing. New exceptions such as those provided for in the Marrakesh Treaty are not yet included in the South African law as the country is yet to ratify the Marrakesh Treaty and the twin treaties – WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty.

The fair dealing provision quoted above will be deleted and substituted by section 12A of the Copyright Amendment Bill, if the Bill is signed into law in its current form,[6] which provides as follows:

> "General exceptions from copyright protection
> 12A.(a) In addition to uses specifically authorized, fair use in respect of a work or the performance of that work, for purposes such as the following, does not infringe copyright in that work:
> (i) Research, private study or personal use, including the use of a lawful copy of the work at a different time or with a different device;
> (ii) criticism or review of that work or of another work;
> (iii) reporting current events;
> (iv) scholarship, teaching and education;
> (v) comment, illustration, parody, satire, caricature, cartoon, tribute, homage or pastiche;
> (vi) preservation of and access to the collections of libraries, archives and museums; and
> (vii) ensuring proper performance of public administration.
>
> (b) In determining whether an act done in relation to a work constitutes fair use, all relevant factors shall be taken into account, including but not limited to—
> (i) the nature of the work in question;
> (ii) the amount and substantiality of the part of the work affected by the act in relation to the whole of the work;
> (iii) the purpose and character of the use, including whether—
> (aa) such use serves a purpose different from that of the work affected; and
> (bb) it is of a commercial nature or for non-profit research, library or educational purposes; and
> (iv) the substitution effect of the act upon the potential market for the work in question.
>
> (c) For the purposes of paragraphs (a) and (b) the source, as well as the name of the author shall be mentioned, if it appears on the work."

[6] Copyright Amendment Bill, B13F-2017.

The above clause was modelled upon the the American fair use as provided for below:

> **"107. Limitations on exclusive rights: Fair use**
> 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. 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 nonprofit educational purposes;
> (2) the nature of the copyrighted work;
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
> (4) the effect of the use upon the potential market for or value of the copyrighted work.
>
> The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors."

2.2 Scope of application of fair dealing and fair use

In this section, the focus is on the scope of application of fair dealing and the two versions of fair use respectively, specifically zooming into (a) the type of works that one can use without the permission of the copyright holder and raise a defence of fair dealing or fair use respectively, and (b) the purposes under which one can use protected works and claim fair dealing and fair use as appropriate.

(a) works covered by fair dealing vis-à-vis fair use

The Copyright Act protects nine kinds of works being literary works, musical works, artistic works, cinematograph films, sound recordings, broadcasts, programme-carrying signals, published editions and computer programs.[7] Of these nine (9) works, five (5) works are entirely subjected to fair dealing exception. Thus, while section 12 originally covered only literary and musical works, three (3) other works were included in the scope of application of fair dealing through the 1992 Copyright Amendment Act 125.

[7] Copyright Act, s 2(1).

The three works referred to are artistic works,[8] broadcasts,[9] and published editions.[10] Does it mean the other four works – cinematograph films, sound recordings, programme-carrying signals and computer programs – are exempt from fair dealing? No, that is not entirely the case. For sound recordings,[11] cinematograph films,[12] and computer programmes,[13] only section 12(1)(a) does not apply while (12(1)(b) and (c) apply to these three works. This means that a third party cannot use sound recordings, cinematograph films and broadcasts for purposes of research or private study or personal use or private use while they can use these three works for review or criticism of the work concerned and for reporting current events or news. Program-carrying signal is entirely exempt from fair dealing.

On the other hand, fair use in the draft Bill extends to all works under Copyright Act, which is a win for those aligned to the school of thought on reclaiming the commons. The fact that third parties can use sound recordings and cinematograph film for personal or private use is usually accompanied by private copying levy in many countries because of its negative impact on the income of the rightsholders.[14] With digital technology and the internet, today discussions are even on imposing copying levy on cloud storage after the Court of Justice of the European Union ruled for imposition of a copying levy on cloud storage services in *Austro-Mechana v Strato*.[15] With the Bill not

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[8] Copyright Act, as amended by Act 125 of 1992, s 15(4), which reads as follows: ""The provisions of section 12(1), (2), (4), (5), (9), (10), (12) and (13) shall *mutatis mutandis*, in so far as they can be applied, apply with reference to artistic works,"

[9] Copyright Act, as amended by Act 125 of 1992, s 18 provides that "[t]he provisions of section 12(1) to (5) inclusive (12) and (13) shall *mutatis mutandis* apply with reference to broadcasts."

[10] Copyright Act as amended by Act 125 of 1992, s 19A provides: "The provisions of sections 12(1), (2), (4), (5), (8) [and], (12) and (13) shall mutatis mutandis apply with reference to published editions."

[11] Copyright Act, as amended by Act 125 of 1992, s 17 provides: "The provisions of section 12(1)(b) and (c), (2), (3), (4), (5), (12) and (13) shall *mutatis mutandis* apply with reference to sound recordings."

[12] Copyright Act, as amended by Act 125 of 1992, s 16(1) provides: "The provisions of section 12(1)(b) and (c), (2), (3), (4), (12) and (13) shall *mutatis mutandis* apply with reference to cinematograph films.

[13] Copyright Act, as amended by Act 125 of 1992, s 19B provides: The provisions of section 12(1)(b) and (c), (2), (3), (4), (5), (12) and (13) shall *mutatis mutandis* apply, in so far as they can be applied, with reference to computer programs."

[14] These countries include Australia, Belgium, United States, Canada, Ghana, Finland, Russian Federation, Malawi, Nigeria, and many others. IA Olubiyi, 'Imposition of a Copyright Levy in Nigeria: Legal Justifications and Comparative Analysis' (2014) 4 Journal of Sustainable Development Law and Policy (The) 87.

[15] *Austro-Mechana v Strato* C-433/20 (24 March 2022) Court of Justice of the European Union (Second Chamber); Christian Peukert, 'Copyright Levies and Cloud Storage: Ex-Ante Policy Evaluation with a Field Experiment' (2024) 53 Research Policy 104918; Gianluca Campus, 'Cloud Services and Private Copying Levy: Further Developments in the AG Opinion on the Austro-Mechana Case' (*Kluwer Copyright Blog*, 8 December 2021) <https://copyrightblog.kluweriplaw.com/2021/12/08/cloud-services-

including private copying levy, the entertainment industry stands to suffer losses and so will the performers who are already having it hard in South Africa as a result of streaming among other challenges.[16]

(b) Purposes for which fair dealing can be claimed vis-à-vis fair use: is the open-ended approach tantamount to delegating legislative authority to courts?

The second yet stark difference between fair dealing and fair use is in relation to the purposes for which one can plead fair dealing or fair use. Firstly, there are only three categories of purposes for pleading fair dealing in the Copyright Act, and those are:

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

Meanwhile, the list of purposes for claiming fair use is very wide and endless. It incorporates the above three purposes that appear under fair dealing. It then introduces new purposes as below but not limited to them as it gives courts discretion to add to these purposes, the move which Professor Karjiker summarises as giving courts power to determine public policy.[17] The purposes for using protected works include but are not limited to:

> "….
> (iv) scholarship, teaching and education;
> (v) comment, illustration, parody, satire, caricature, cartoon, tribute, homage or pastiche;
> (vi) preservation of and access to the collections of libraries, archives and museums; and
> (vii) ensuring proper performance of public administration."

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and-private-copying-levy-further-developments-in-the-ag-opinion-on-the-austro-mechana-case/> accessed 28 October 2024.

[16] Malebakeng Forere, 'The South African Music Landscape and the Copyright Amendment Bill' <https://www.berghahnjournals.com/view/journals/jla/7/2/jla070204.xml> accessed 28 October 2024.

[17] Karjiker (n 3) 248.

With open-ended list of purposes for fair use, courts can add on the list of free uses whereas they could not do so under fair dealing, safeguarding predictability in respect of application of fair dealing. One will recall that the successful pleading of fair dealing or fair use is a two-stage process. Under fair dealing, the respondent would have to show that he or she used the work for grounds specified in the Copyright Act under section 12(1), which could be for private study or personal use or any other purpose as provided for in the Act. If the use is not for any of the purposes spelled out in the Act, the defence of fair dealing fails right there. On the other hand, with fair use, there is an indicative list of free uses, but courts can always add where a certain use that is otherwise not specified in the Act is argued successfully as a justifiable purpose.

The open-ended approach to purposes for fair use is what has caused a stir in South Africa, with opponents arguing that Parliament will be delegating its legislative powers to courts if the courts can be permitted to add to the list of free uses.

It is vital to state that using the words "such as" or "including" is not new to statutes in South Africa and elsewhere in the world. These words are interpreted as non-exhaustive and they are used where the legislation simply gives guidance in a form of examples of scenarios or things that are subject to that given provision. The very same Copyright Act uses a non-exhaustive word "includes" many times in the definition of terms. Nowhere else in the Copyright Act other than in definitions is the word "includes" used. Examples include the following:

> (1) In this Act, unless the context otherwise indicates—
>
> **"adaptation"**, in relation to—
>
> (a) a literary work, includes—
>
> (i) in the case of a non-dramatic work, a version of the work in which it is converted into a dramatic work;
>
> …
>
> **"building"** includes any structure;
>
> …
>
> **"literary work"** includes, irrespective of literary quality and in whatever mode or form expressed—
>
> (a) novels, stories and poetical works;
>
> (b) dramatic works, stage directions, cinematograph film scenarios and broadcasting scripts;
>
> (c) textbooks, treatises, histories, biographies, essays and articles;

…"

The question is whether using the flexible open-ended approach in the definitions within the Copyright Act is tantamount to delegating legislative powers to the courts, and if not, what is the fuss with the CAB when using the same approach as the Act? For definitions, the answer is in the negative because the courts stay within the set of definitional requirements whereas in the CAB it is something totally different, and there is no guidance given to courts on how to include the new purposes.

It is this wide and open formulation that led to the interpretation of literary works as including computer programmes,[18] and cinematograph films as including video games,[19] which is commendable yet still staying within the Act by not introducing new works with different definitions and characteristics, which would be *ultra vires* the powers of the courts. In both cases involving computer programmes as a form of literary work and videogames as cinematograph films, the courts stayed within the definitions and characteristics of literary works and cinematograph films respectively. There was no attempt to create new works.

Since we are dealing with limitation of rights or encroachment of rights, it cannot be justifiable to leave introduction of new limitations to the courts – it needs careful consideration by the legislature whether a particular purpose would require limitation of rights granted to the copyright holders or not. Indeed, the general limitation clause in the Constitution requires limitation of rights to be done by way of the law of general application.[20] The fair use clause would leave limitation of copyrights to the courts instead of the law of general application as contained in the predetermined exceptions spelled out in the Copyright Act.

On the other hand, it may be argued that the special cases are prescribed in the legislation and that as courts interpret special cases listed under section 12A of the CAB,

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[18] *Northern Office Micro Computers (Pty) Ltd and Others v Rosenstein* 1981 (4) SA 123 (C)

[19] *Golden China TV Game Centre v Nintendo Co Ltd* 1997 (1) SA 405 (SCA)

[20] The Constitution of the Republic of South Africa, s 36(1).

they may add such other special cases as they deem appropriate or those that can be interpreted as having the same description as purposes listed in the Act. With the former approach, there is no guidance for the courts to add to this list, which is a great concern and indeed tantamount to placing public policy decision-making to the courts. The latter approach is in keeping with the Berne Convention and finds resonance in *Northern Office Micro Computers (Pty) Ltd and Others v Rosenstein*.[21] Specifically in *Northern Office* case, the court was confronted with determining "whether a computer programme can be a subject of copyright in terms of the Copyright Act and thus acquire the protection of against infringement for which the Act provides."[22]Considering the wide definition of literary works and the requirements for subsistence of copyright, the Court concluded that computer programmes are literary works within the definition of the literary works provided for in the Act. It was only later in 1992 when the Act was amended that literary works were given a distinct status as a standalone work. Similarly, in *Golden China TV Game Centre v Nintendo Co Ltd*, the Supreme Court of Appeal was confronted with determining whether video games, which were nowhere mentioned in the Act, are protected under the Copyright Act.[23] The Court considered the definitional requirements of cinematograph films and found video games to fall within the definition of cinematograph films.[24] In this way, no additional standalone work was added by the Court under section 2(1); rather, an existing work was interpreted so much that it encompassed this new specie, which is acceptable within the role of courts as that of interpretation of statutes. The Court in *Nintendo* summed it well by saying:

> This general scheme of the Act suggests to me that the definitions in the Act should be interpreted "flexibly," so that it would cover new technologies as they appeared, rather than to interpret those provisions narrowly and so force [the Legislature] periodically to update the act" (WGN Continental Broadcasting Co et al v United Video Inc 693 F.2d 622 at 627).[25]

[21] 1981 (4) SA 123 (C)
[22] 1981 (4) SA 123 (C)
[23] 1997 (1) SA 405 (SCA)
[24] 1997 (1) SA 405 (SCA)
[25] *Golden China TV Game Centre v Nintendo Co Ltd* 1997 (1) SA 405 (SCA)

As regards the former, which is adding standalone special cases or purposes, that act goes beyond interpretation and hence falls outside of the mandate of the courts, and this is what fair use entails.

2.3 Criteria for determining fairness

As indicated above, fair dealing and fair use assessment is a two-stage approach with the first enquiry being whether the purpose for which the dealing/use of protected work is covered by the Act while the second enquiry is on whether such dealing/use of protected work is fair. Fair dealing did not provide guidance for determining fairness until the 2016 decision in *Moneyweb (Pty) Limited v Media 24 Limited and Another* 2016 (4) SA 591 wherein the Court provided a non-exhaustive criterion for determining fairness as follows:

> In my view, the factors relevant to a consideration of fairness within the meaning of section 12(1)(c)(i) include:
> the nature of the medium in which the works have been published; whether the original work has already been published; the time lapse between the publication of the two works; the amount (quality and quantity) of the work that has been taken; and the extent of the acknowledgement given to the original work. One factor may be more or less important than another, given the context in which publication occurs. The list of factors is not exhaustive.[26]

The fairness criterion in *Moneyweb* is notably different from both the CAB and the American criterion especially in relation to commercial considerations and whether the work has been published. On the other hand, the CAB's criteria as copied from the United States has two modifications, which caused a stir. Two salient features of the CAB, which are not in the US Copyright Act are that regard must be given to whether "such use serves a purpose different from that of the work affected" and whether there is "substitution effect of the act upon the potential market for the work question."[27]The below commentary is important in respect of the criterion in *Moneyweb*, the Bill, and the American Copyright act:

- Whereas commercial considerations are a factor under both the South African and American fairness assessment, the fairness assessment under fair dealing does not mention it. Accordingly, it would not matter that one is not making

[26] *Moneyweb (Pty) Limited v Media 24 Limited and Another* 2016 (4) SA 591, para 113.
[27] Copyright Amendment Bill, [B 13F—2017], s 12A.(b).

profit from using the work without the consent of the copyright owner, it may still be found unfair to use such work. This is important because often companies that rally behind fair use do not use copyrighted works for profit; however, they diminish income for copyright owners. The slogan "if I can get it for free, why pay for it" is typical in the copyright industries.

- In *Moneyweb* as a case where fairness in fair dealing was determined, it is important that the work has or has not been published in determining fair use such that one cannot use an unpublished work and then claim fair use. In America, the fact that a work is unpublished shall not itself bar a finding of fair use. The Bill is silent on publication, and we are yet to see how the South African courts grapple with it as they swim in the mud of fair use.

- The two other troubling differences particularly between the South African and America's factors is that for South Africa if the use of the infringing work serves a different purpose and/or does not substitute the use of the copyrighted work, fair use defence may succeed. This opens a door very wide for free uses of copyrighted works in South Africa, which is a real threat to copyright industries. Can a third party use a copyrighted book to produce a film and claim fair use because the film serves a different purpose and therefore does not substitute a book for a film? These are questions that we are going to battle with.

2.4 The Berne safeguards – three-step test: fair dealing versus fair use

Article 13 of TRIPs Agreement, mirroring Article 9(2) of the Berne Convention, requires countries to prescribe special cases in their legislation with which free uses can be allowed observing two provisos, which are that such permissible use must not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the rights holder. Regarding the meaning of Berne Article 9(2), the drafting committee report, which is instructive in extrapolating Article 9(2), said as follows:

> If it is considered that reproduction conflicts with the normal exploitation of the work, reproduction is not permitted at all. If it is considered that reproduction does not conflict with normal exploitation of the work, the next step would be to consider whether it does not prejudice the legitimate interests of the author. Only if such is not a case would it be possible to introduce a compulsory license, or to provide for use without payment.

> A practical example may be photocopying for various purposes. If it consists of producing a very large number of copies, it may not be permitted, as it conflicts with normal exploitation of the work. If it implies a rather large number of copies of use in industrial ndertakings,it may not unreasonably prejudice legitimate interests of the author, provided that, according to national legislation, an equitable remuneration is paid. If a small number of copies is made, photocopying may be permitted without payment.particularly for individual or scientific use."[28]

The WTO panels considered the three-step test as a whole and developed the following principles:

- Its application is only limited to exceptions of limited naturae;[29]
- Each condition of the three-step test requires different requirements for justifying the exception at issue with the first condition requiring the assessment of scope the exception while second condition requiring the assessment of the degree of conflct with normal exploitation, and third requiring the assessment of the extent of prejudice to the legitimate interests.[30]

Although section 107 of the US Copyright Act has not been challenged yet, the WTO panel has considered other provisions of the US Copyright Act as against the three-step test. Another panel considered the Canadian patents law against the three-step test.[31] These decisions are helpful in assessing the compliance of the South Africa's fair use against the Berne/TRIPs safeguards enshrined in the three-step test, which we assess below.

(a) Compatibility of fair use with the "certain special cases"

In the *United States – Section 110(5)* case, the Panel was called upon to assess the US compliance with its international obligations contained in the TRIPs Agreement. Specifically, the European Communities alleged that section 110(5) dealing with performing and displaying music without paying royalties for certain businesses and for establishments using apparatus similar to the ones used in homes limited violates

[28] Records of the Intellectual Property Conference of Stockholm, June 11 to July 14, 1967. Report on the Work of Main Committee I (Substantive Provisions of the Berne Convention. Articles 1 to 20).
[29] *United States – Section 110 (5) of the US Copyright Act*, para 6.97
[30] *United States – Section 110 (5) of the US Copyright Act*, para 6.99
[31] *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R (2000) (herein after *Canada - Pharmaceuticals*)

Articles 11 and 11bis of the TRIPs Agreement. The US argued that its exeptions enshrined in section 110(5) are justified under Berne Article 9.2 as embodied in the TRIPs Article 13. It is from this that the Panel considered Article 13 and made the assessment on whether the said exceptions meets the requirements for the phrase "certain special cases"

The Panel in the *United States – Section 110(5)* said that this phrase requires that the exception and limitation under national law must be clearly defined. This, the Panel interepeted it as not requiring that each and every possible situation where the exception applies to be identified and particularised; rather, than the scope of the exception is known and particularised.[32] Further, the Panel said that once the exception has been clearly defined satisfying the expectation for it to be narrow, the second requirement is that it must be intended to achieve an exceptional objective, referring to the second word "special". With open-ended fair use, exceptions cannot be said to be identified and particularised – courts can add to the list as in when there is a need, and this is contrary to the certain special cases requirements.

Most interestingly, the Panel said that the underlying objective or legitimacy of the public purpose objective which the exception seeks to achieve cannot discharge the requirements under the first condition of the three-step test.[33] What is required is that the exception must be narrow in scope and exceptional in its objective. Therefore, it would not matter that an exception seeks to address access to educational materials or books for the blind, which is a legitimate public policy objective, as long as normatively the exception is not narrow in scope for an exceptional objective.

Applying the above to the fair use, it is impossible not to come to the conclusion that the exception is not clearly defined when the courts have liberty to prescribe other exceptions and worse without any particularised guidance in prescribing new exceptions.

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[32] *United States – Section 110 (5) of the US Copyright Act*, para 6.108
[33] *United States – Section 110 (5) of the US Copyright Act*, para 6.111 – 6.112

The Panel determined whether they are narrow in scope and reach by assessing a percentage of eating, drinking and retail establishments that may benefit from the business exemption under subparagraph B and a perctage that will benefit from homestyle exemption under subparagraph A of section 110(5) of the US Copyright Act.[34] The this end, the Panel said in respect of business exemption:

> "we fail to understand how a law that excempts a major part of the users that were specifically intended to be covered by the provisions of Article 11bis(1)(iii) could be considered as a special case in the sense of the first condition of Article 13 of the TRIPs Agreement".[35]

On the basis of the above, the Panel found the business exemption clause not meeting the requirements of "certain special cases." Equally for the fair use exception, when considering some purposes enumerated under the fair use list such as "education, teaching and scholarship" on its own or taken together with "research or private study" in respect of prescribed books, journal articles, and other teaching and educational materials, it is questionable whether these exceptions can be claimed to be narrow in their scope of application. Thus, a book which is intended primarily for teaching and learning purposes, can have a particular section copied by all higher education institutions and students alike to achieve an objective of facilitating access to all teaching and learning materials. Even arguments that the scope of teaching and learning exception is limited by the fact that it does not allow for copying of the entire work and that commercial copying is not allowed thereby circumscribing the scope of application of this exception would not hold water because non-commercial uses can have an economic impact on the rights of the copyright holder.[36] In respect of free uses for teaching and learning together with private research or study, it would mean that the entire education sector, which is the entire market for the publishing industry, would benefit from this exception – it is for this reason that there is huge support for the fair use from universities and libraries across South Africa as they envision free use of books and scientific journals, which is a short gain because the publishing industry will surely

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[34] *United States – Section 110 (5) of the US Copyright Act*, para 6.113.
[35] *United States – Section 110 (5) of the US Copyright Act*, para 6.131.
[36] *United States – Section 110 (5) of the US Copyright Act*, para 6.58

close down. In summary, the exception on education, teaching, research and private study excludes a major market/users for these works.

It is notable that in the United States, studies were conducted on the impact of section 110(5) and no study was conducted in South Africa in respect of fair use.

(b) Compatible with normal exploitation of the work

Having found the homestyle exemption as a "certain special case" based on a small percentage of users that can benefit from it, the Panel went to assess whether the exception does not conflict with the normal exploitation of the work concerned.

The Panel stated that with regards to this second condition, one of the key requirement is that normal exploitation is in relation to all rights in a work concerned such that a serious encroachment on one right cannot be justified by the fact that other rights in that work are not affected.[37] The Panel explained that "normal exploitation" requires that all forms of exploitation of work, which had or likely to have considerable economic or practical importance must be reserved to the author.[38] Even in *Canada – Pharmaceuticals*, the Panel found that the the term

> "exploitation refers to the commercial activity by which patent owners employ their exclusive patent rights to extract economic value from their patent. The term "normal" defines the kind of commercial activity Article 30 seeks to protect… The normal practice of *exploitation of all patent owners, as with owners of any other intellectual property, is to exclude all forms of competition that could detract significantly from the economic returns anticipated from a patent grant of market exclusivity*."[39] [italics are my own emphasis]

In the *United States – Section 110(5)*, the Panel considered that a huge percentage of establisments are covered by the business exception and found that this affects a huge percentage of royalties that owners of musicals works would expect to receive from licensing their works for radio and television broadcasts. Accordingly, the Panel found business exemption as conflicting with the normal exploitation of the rights

[37] *United States – Section 110 (5) of the US Copyright Act*, para 6.172.
[38] *United States – Section 110 (5) of the US Copyright Act*, para 6.181.
[39] *Canada – Pharmaceuticals*, paras 7.54 and 7.55

conveyed by Article 11 and 11*bis* of the Berne Convention.[40] Applying these requirements to assess whether fair use in the Bill does or does not conflict with normal exploitation of the work, one right that is highly compromised is adaptation right especially where an adaption serves a different purpose, which the fair use affects its normal exploitation. Thus, where one uses a novel to make a film as an example, clearly this limits adaptation rights, which can be justified under the South African fair use as serving a different purpose from that of the affected work and that the film would not substitute the novel in the market. Meanwhile, it is a normal exploitation to license works for different purposes such as novels for films. With regard to general text books or journals, reproduction rights are affected because it is normal exploitation to sell copies of these works to students, teachers/lecturers and universities for purposes of education, teaching, research or private study. The fair use exception will negatively impact the publishing industry as the entire market would have been covered by fair use.

(c) Prejudice to the legitimate interests

In giving meaning to this requirement, the Panel in the *United States – Section 110(5)* said that one has to determine (i) the interests concerned, (ii) the attributes that make them legitimate, and (iii) the extent of prejudice that elevates it to the level of unreasonableness.[41] The Panel defined "interest" as a legal right to title to property including intellectual property while legitimate was defined as interests that are justifiable in the light of the objectives underlying the protection of exclusive rights. Panel defined prejudice as referring to harm or damage. In sum, the Panel held that prejudice in unreasonable if it causes or has a potential to cause unreasonable loss of income for the copyright owner.[42] The United States, being the party that invokes the exception, failed to prove that the business exemption is not prejudicial to the legitimate interests of copyright owners thereby rendering the Panel to find the exception as prejudicial. It is important to note that the Panel considered estimatates for potential loss of market and that prejudice was not limited only to the European Communities works but the entire WTO membership. It is unthinkable for fair use in the Bill not to be found

[40] *United States – Section 110 (5) of the US Copyright Act*, paras 6.206, 6.210 & 6.211.
[41] *United States – Section 110 (5) of the US Copyright Act*, para 6.222.
[42] *United States – Section 110 (5) of the US Copyright Act*, paras 6.220 - 6.229

to be prejudicial to the market of book/journal publishers, and indeed all other works including sound recordings.

Interestingly, the three-step test is not incorporated in the current fair dealing clause of the Copyright Act; but, perhaps it would have been unnecessary to include it as the fair dealing presents very few exceptions with a closed list, which do not seem to conflict with normal exploitation of the work and not prejudicial to the legitimate interests of copyright owners. Only under section 13 of the current Copyright Act, which deals with additional reproductions that the Minister can prescribe through the regulations will the three-step test be applied. The fair use clause in the CAB does not incorporate the three-step test either, which is a problem because courts cannot invoke it if it is not incorporated in a statute since South Africa is a dualist country. The CAB presents an opportunity for South Africa to be compliant with the Berne and TRIPs three-step test as well as preparing for ratification of both the WCT and the WPPT, which embody the three-step test.

3. Constitutionality of fair use in the CAB

Section 25 of the Constitution of the Republic of South Africa guarantees the right to property subject to regulatory takings, which must be done to achieve public purpose. The owner of property must be paid compensation.

Although there is no express reference to intellectual property as a fundamental human right to property under section 25 of the Constitution, it is increasingly accepted as such by both advocates and objectors of intellectual property. Both sides appeal to the 1966 International Covenant on Social, Economic and Cultural Rights (ICESCR) with vigor. Specifically, the advocates of intellectual property protection would argue that Article 15(1)(c) guarantees everyone "to benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author." Those demanding limitation of intellectual property rights appeal to the same Article but sub-subparagraph (b) arguing that everyone has a right to "enjoy the benefits of scientific progress and its applications." South Africa is a party to the Convention and must therefore adhere to its dictates, which include recognising intellectual property

protection as a fundamental human right. Courts must therefore consider Article 15(a)(c) when interpreting the Bill of Rights, especially section 25, as required by section 39 of the Constitution. It is important to note further that Articles 15(1)(b) and (c) can only be balanced by the Berne Article 9.2 as incorporated in Article 13 of the TRIPs Agreement, which as the analysis above has shown cannot find favour in the overreaching encroachment of copyrights through the fair use exception.

Although the Constitutional Court in the *Certification* case refrained from declaring intellectual property as a form of property,[43] subsequent cases recognise intellectual property as property under section 25, deserving constitutional protection and limitations subject to compensation. Specifically, in the *Laugh It Off case*, the Supreme Court of Appeal held that –

> "…trade marks are property, albeit intangible or incorporeal. The fact that property is intangible does not make it of a lower order. Our law has always recognised incorporeals as a class of things in spite of theoretical objections thereto." [44]

Had the Constitutional Court felt so averse to the statement made by the Supreme Court of Appeal above, it would have addressed it as the matter finally went to the Constitutional Court where the focus was primarily on the freedom of expression and less so on the status of intellectual property rights.

Later on in *National Soccer League T/A Premier Soccer League v Gidani*, the High Court had this to say about intellectual property:

> "When one examines the form of the defendant's conduct to determine whether any infringement of the plaintiff's copyright may be justified under section 16(1) or (b) of the Constitution, one finds that the defendant's conduct is not a form of speech or expression identified for protection by the Constitution. *On the contrary all indications or pointers point or lead to the appropriation of an intellectual property asset belonging to the plaintiff*, not for purposes of parody or lampooning or for other social purposes,

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[43] *Certification of the Constitution of the Republic of South Africa*, 1996 (CCT 23/96) [1996] ZACC 26; 1996 (4) SA 744 (CC); 1996 (10) BCLR 1253 (CC) (6 September 1996)

[44] *Laugh it Off Promotions CC v The South African Breweries International (Finance) BV t/a Sabmark International (Freedom of Expression Institute as Amicus Curiae)* 2005 (2) SA 46(SCA) para 10.

> but is instead for no purpose other than to generate commercial gain for itself. *Section 16(1)(a) or (b) of the Constitution on any construction does not permit commercial exploitation of another's intellectual property* under the guise of supposedly informing the public."[45] [italics my own emphasis]

To the extent that fair use in the CAB amounts to appropriation of copyrights in the protected work especially the right of adaptation as well as the right of reproduction, as established in the failure of fair use to meet the three step test, section 12 A of the CAB is unconstitutional. It enables appropriation of copyrights without compensation contrary to the Constitution of the Republic of South Africa and indeed as required by Berne Article 9.2 and Article 13 of the TRIPs Agreement:

> "A practical example may be photocopying for various purposes. If it consists of producing a very large number of copies, it may not be permitted, as it conflicts with normal exploitation of the work. If it implies a rather large number of copies of use in industrial undertakings, it may not unreasonably prejudice legitimate interests of the author, provided that, according to national legislation, an equitable remuneration is paid. If a small number of copies is made, photocopying may be permitted without payment.particularly for individual or scientific use."[46]

Not only is the fair use clause unconstitutional for appropriating exclusive rights of the copyright owner without paying due compensation, it also is unconstitutional to the extent that it ignores separation of powers by placing policymaking powers of the legislature in the realm of the courts. The fact that fair use is unconstitutional by bypassing the legislature whenever a new use arises is exemplified by arguments raised by the supporters of fair use. Thus, they hail the open-ended fair use for bypassing typically protracted law reform processes, as is the case with this Copyright Amendment Bill. It is however mindboggling that the legislature can pass the very clause that is intended to thwart the legislative powers to determine public policy on matters so important to the society and the economy as a whole.

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[45] *National Soccer League T/A Premier Soccer League v Gidani (Pty)* [2014] 2 All SA 461 (GJ) (28 February 2014)

[46] Records of the Intellectual Property Conference of Stockholm, June 11 to July 14, 1967. Report on the Work of Main Committee I (Substantive Provisions of the Berne Convention. Articles 1 to 20).

4. Conlusion

The tension in the South African copyright law reform on fair use has been intense, leaving the lawmaker particularly at the loss. The supporters of fair use have been lobbying intensely, with Google appearing as a partner at almost every event that the Department organised on the Bill often appealing to the superiority of fair use and its ability to enable courts to bypass legislature in the lawmaking process. It is disturbing that the legislature agreed, through this Bill, to have their policymaking powers placed in the hands of the courts.

This work compared fair dealing and the two versions of fair use and found that while fair dealing brought certainty in the law, fair use does not as already established by other scholars.[47] Having assessed the South African criteria for determining fairness as against the American criteria, this work finds that the different purpose and substitution effect, which are introduced by the Bill pose a real threat to copyright industries and are tantamount to enabling taking of intellectual property without compensation. As regards the Berne/TRIPs safeguards as embodied in the three-step test, this work finds that not only is step one side-stepped by the Bill but also steps two and three. It concludes with the general remark that failure to comply with South African international obligations and enabling taking of intellectual property rights without compensation is unconstitutional. Equally, by enabling judicial overreach on legislative powers to determine public policy is contrary to the Constitution of the Republic of South Africa, which clearly separates powers of the three arms of government.

[47] Ruth Okediji, 'Toward an International Fair Use Doctrine' (2000) 39 Columbia Journal of Transnational Law 75; Herman Cohen Jehoram, 'Restrictions on Copyright and Their Abuse' (2005) 27 European Intellectual Property Review; Paul Goldstein, 'Fair Use in Context' (2007) 31 Columbia Journal of Law & the Arts 433; Frédéric Pollaud-Dulian, 'The Dragon and the White Whale: Three Steps Test and Fair Use' in Toshiko Takenaka (ed), *Intellectual Property in Common Law and Civil Law* (Edward Elgar Pub 2013).