

International Working Group
on Data Protection
in Telecommunications

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Working Paper on Privacy and Electronic Micropayment on the Internet

50th meeting, 12-13 September 2011, Berlin (Germany)

Background

Public policy statements by prominent media organisations have signalled that the era of free online media may be nearing its end. Accordingly, several providers of online services, and specifically online newspapers, around the globe are beginning to offer access to their services exclusively on a fee paying basis.

The business models discussed range from subscription services where access would be offered for a monthly fee to „pay per view“ business models where a small amount of money is paid for access to a single information item (so-called „micropayment“, e. g. for an online newspaper article or video clip).

In addition, the latest generation of mobile devices provide the opportunity to install access capability to online media service via so-called „Apps“. Several providers of mobile devices have started to offer their own distribution platforms for such „Apps“, including related payment services.

At the same time, so-called „Third-Party Applications“ are becoming increasingly popular in social network services. Many of these „Third-Party Applications“ are being offered for a fee by a different service provider from the provider of the social network. Facebook, for example, has recently announced the introduction of its own currency „facebook coins“ for paying for services inside its social network.

These developments can lead to infringements of the privacy of users of such services, if the basic principles for the protection of privacy are not being taken into account. Indeed, the providers of such micropayment systems have the opportunity to generate advertising revenue by exploiting the detailed personal transactional information that they may capture.

Previously, the Working Group has frequently stressed the need for the preservation of anonymity to the largest extent possible as an essential aspect of privacy protection on the Internet¹. More specifically, the Working Group has underlined the need to maintain the possibility of anonymous access to digital media, and in particular digital television². More recently, these principles have been reconfirmed in the concept of „privacy by design“³.

¹ c.f. Report and Guidance on Data Protection and Privacy on the Internet – Budapest–Berlin Memorandum – adopted at 20th meeting in Berlin, Germany on 18/19 November 1996

(http://www.datenschutz-berlin.de/attachments/138/bbmem_en.pdf)

² c.f. „Working Paper on Privacy Issues in the Distribution of Digital Media Content and Digital Television“ – adopted at the 42nd meeting, Berlin, Germany on 4/5 September 2007;

(http://www.datenschutz-berlin.de/attachments/349/digit_en.pdf?1201702193)

³ Cf. 32nd International Conference of Data Protection and Privacy Commissioners, Jerusalem, Israel, 27-29 October, 2010: Resolution on Privacy by Design;

<http://www.justice.gov.il/NR/rdonlyres/F8A79347-170C-4EEF-A0AD-155554558A5F/26502/ResolutiononPrivacybyDesign.pdf>

These principles may be at risk when access to online media and other services is provided for a fee without anonymous payment methods being available. We may arrive at a situation where users will have to identify themselves solely for the purpose of being able to pay for a service.

Specifically, there is a risk that „micropayment“ operations (e.g. paying for viewing a specific article in an online newspaper) may generate traffic data that would include traces of who has read which article in which online media at which time.

At present, only a few payment means are available in the online environment which would allow for the same level of anonymity as cash in the offline world. On the contrary, most of the common payment methods (e. g. by credit cards, mobile phones, payment service providers, or via bank accounts) do not allow for anonymous use.

While anonymous prepaid cards are available, payment via these means is at present only offered by a minority of online service providers.

In addition, in Germany, a bill has been tabled by the German Federal Government that would force providers of online payment services to offer personalised payment means also for micropayment operations. This is based on the assumption that such services could be misused for money laundering.

Recommendations

In light of the above, the Working Group makes the following recommendations:

Regulators should refrain from prohibiting anonymous means for micropayments by law. It must remain possible to make everyday purchases without having to identify oneself solely for paying also in the online environment.

Regulators should mandate the provision of anonymous or at least pseudonymous payment services – specifically for micropayment operations – in their national legislation, where this is not already the case. This issue should also be taken into account in the ongoing process of evaluation and possible redrafting of national and international privacy instruments (e. g. the EU Directive 95/46, the Council of Europe Convention 108, or the OECD guideline on the protection of privacy and transborder flows of personal data).

Service providers should offer anonymous or at least pseudonymous means for payment for their services. They should take into account the principles of „privacy by design“ in their services from the very outset.

Users of online services, especially of online media services, should be made aware that their choice of a payment method can have a direct impact on the level of privacy that can be guaranteed for the use of these services. They should carefully inform themselves about different payment methods available with service providers on certain platforms, and demand and choose anonymous or at least pseudonymous payment means wherever possible.