Articles

Copyright Enforcement: The Graduated Response Takes Centre Stage

SA Mercantile Law Journal = SA Tydskrif vir Handelsreg

Vol. 24, Issue 2

(2012) 24 SA Merc LJ

By:

CAROLINE B NCUBE*, University of Cape Town
http://carolinebncube.wordpress.com/

(p. 133)

Abstract

A significant portion of copyright infringement in the digital environment is carried out through file sharing. Litigation by copyright-holders against individuals and the providers of online file sharing or peer-to-peer (P2P) platforms has failed to stem the tide of large-scale infringement. The pursuit of individuals has been nothing short of a 'public relations disaster' because of the disproportionate remedies sought. For example, in the United States, Jamie Thomas-Rasset's case, based on her sharing of 24 songs, resulted in a fine of US$1.92 million in 2009, which was reduced to US$54 000 in January 2010 and then fixed at US$1.5 million by a third jury trial in November 2010. Thereafter it was reduced to US $54 000 in July 2011. An appeal was filed against that reduction in August 2011, oral arguments were heard on 12 June 2012 and judgment is still pending as at 10 July 2012.

Introduction

A significant portion of copyright infringement in the digital environment is carried out through file sharing.1 Litigation by copyright-holders against individuals and the providers of online file sharing or peer-to-peer (P2P)platforms has failed to stem the tide of large-scale infringement.2 The pursuit of individuals has been nothing short of a ‘public relations disaster’ because of the disproportionate remedies sought.3 For example, in the United States, Jamie Thomas-Rasset’s case, based on her sharing of 24 songs, resulted in a fine of US$1.92 million in 2009, which was reduced toUS$54 000 in January 2010 and then fixed at US$1.5 million by a third jury trial in November 2010.4 Thereafter it was reduced to US $54 000 in July2011.5 An appeal was filed against that reduction in August 2011, oral

---

* LLB (UZ) LLM (Cantab) PhD (Cape Town). Senior Lecturer, Department of Commercial Law, University of Cape Town. E-mail: caroline.ncube@uct.ac.za.

1 F Oberholzer-Gee & K Strumpf 'File-Sharing and Copyright' (2009) 10 Policy 1 at 6 describe file sharing as follows: 'File sharing relies on computers forming networks to allow the transfer of data. Each computer (or node) may agree to share some files, and file-sharing software allows users to search for and download files from other computers in the network. Individual nodes are called clients if they request information, servers if they fulfill requests, and peers if they do both.' Whilst this technology is essentially neutral in that it may be used for sharing non-infringing materials of all kinds, this article focuses on its use to share infringing music and movies. For commentary on the extent of infringing file sharing, see Miaoran Li 'The Pirate Party and the Pirate Bay: How the Pirate Bay Influences Sweden and International Copyright Relations' (2009) 21 Pace International LR 281 at 281; Jonas Andersson 'For the Good of the Net: The Pirate Bay as a StrategicSovereign' (2010) 10 Culture Machine 64 at 69.
2 Joe Karaganis 'Rethinking Piracy' in: Joe Karaganis (ed) Media Piracy in Emerging Economies (2011) 1 at 30.
3 Idem at 26; Peter K Yu 'The Escalating Copyright Wars' (2004) 32 Hofstra LR 907.
4 Karaganis op cit note 2 at 25–6n21; Thierry Rayna & Laura Barbier 'Fighting Consumer Piracy with Graduated Response: An Evaluation of the French and British Implementations' (2010) 6International Journal of Foresight and Innovation Policy 294, also available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1713146 (visited on 24 April 2012); page references in this article are tothe SSRN version.
5 Capitol Records v Thomas-Rasset Case 0:06-cv-01497-MJD-LIB Memorandum of Law & Order Civil File No. 06-1497 (MJD/LIB), 22 July 2011, available at http://ia700504.us.archive.org/21/items/gov.uscourts.mnd.82850/gov.uscourts.mnd.82850.457.0.pdf (visited on 10 July 2012). Cite as: (2012) 24 SA Merc LJ 133–147. 133

Page 2 (p. 134)

arguments were heard on 12 June 20126 and judgment is still pending as at 10July 2012.Litigation against P2P platforms has also failed. When attempts are made to shut down a platform, it simply relocates to another 'more tolerant' jurisdiction or another platform emerges in its place.7 As a result, some jurisdictions have introduced graduated response schemes under which Internet service providers (ISPs) are required to take action against individuals who repeatedly infringe copyright through file sharing despite repeated notices to desist from infringement. Such action encompasses the denial of Internet access, capping bandwidth and the blockage of certainwebsites.8 In some jurisdictions, such action is taken by ISPs pursuant to orders given by government institutions without any judicial oversight.9 In others, judicial oversight is included as a court order is required before an ISP can apply any penalty.10Graduated response schemes may be introduced by legislation or through private arrangements between right-holders and ISPs (private ordering). An example of legislation that provides for the graduated response is the United Kingdom's Digital Economy Act 2010 (DEA). On the international plane, such legislative provisions are implicit in chap 2 of the Anti-Counterfeiting Trade Agreement (ACTA).11 There is no legislative provision for a graduated response scheme in South Africa and there is currently no indication that it is being considered by the government departments seized with intellectual property (IP) law and policy-making. However, because of ACTA's international significance and recent international developments regarding the graduated response, a general understanding of the current global approach to such schemes is relevant to South Africa. Accordingly, this article comments on graduated response schemes in the context of ACTA in par 2. It highlights global public interest concerns about ACTA in par 3.1 and the constitutional aspects of the graduated response approach from a South African perspective in par 3.2.Much has been written about ISP liability for secondary copyrightinfringement,12 and so that discussion is not reiterated in this article. Suffice to

---

6 Court Roll 11-15 June 2012, US Court of Appeals, Eighth Circuit, St Paul, Minnesota available at http://www.ca8.uscourts.gov/webcal/jun12stp.pdf (visited on 10 July 2012).
7 An example of such behaviour is the Pirate Bay's relocation of its server from Sweden to the Netherlands: see Li op cit note 2 at 288–9. It is reported that the Pirate Bay has several other servers worldwide.

8 Peter K Yu 'The Graduated Response' (2010) 62 Florida LR 1373 at 1374. See also Jeremy Phillips 'Three Strikes . . . and Then?' (2009) 4 Journal of Intellectual Property Law & Practice 521.
9 Rayner & Barbier op cit note 4 at 5.
10 Ibid.
11 See European Commission, press release IP/10/1504, 15 November 2010 'Joint statement on the Anti-Counterfeiting Trade Agreement (ACTA) from all the negotiating partners of the agreement', available at http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1504&format=HTML&aged=0&language=EN&guiLanguage=en (visited on 7 May 2011). The full text of ACTA is available at http://trade.ec.europa.eu/doclib/docs/2010/december/tradoc_147079.pdf (visited on 7 May2011). 12 For example, see Annemarie Bridy 'Why Pirates (Still) Won't Behave: Regulating P2P in the Decade after Napster' (2008-2009) 40 Rutgers LJ 565; Alain Strowel (ed) Peer-to-Peer File Sharing (2012)

say that there are various approaches to ISP secondary liability worldwide,13 and it was not possible to reach consensus on a harmonised approach during ACTA negotiations.14 As a result, ACTA contains no provisions on ISP secondary liability.15 Another area already well researched that is not covered in this article is safe harbour provisions for ISPs that are predicated on notice-and-take-down procedures.16

2 The Graduated Response on the International Plane: ACTA

2.1 Introduction to ACTA

The Anti-Counterfeiting Trade Agreement has its roots in a June 2005 Group of Eight meeting17 and was negotiated among 'Australia, Canada, the EU and its Member States, represented by the European Commission and the EU Presidency (Belgium), Japan, Korea, Mexico, Morocco, New Zealand, Singapore, Switzerland and the United States of America'.18 Since ACTA pertains to the commercial aspects of intellectual property, arts 207 and 218 of the Treaty on the Functioning of the European Union (TFEU)19 apply. These articles inter alia require that the treaty be negotiated by the European Commission and obtain the consent or approval of the European Parliament before the EU and its member states can ratify it.20 The final text of ACTA was finalised in late 2010 and signed21 by Australia, Canada, Japan, Republic of Korea, Morocco, New Zealand, Singapore, and the United States in October 2011.22 As of 21 February 2012, ACTA had been

---

and Secondary Liability in Copyright Law (2009); Okechukwu Benjamin Vincents 'Secondary Liability for Copyright Infringement in the Bit Torrent Platform: Placing the Blame Where it Belongs' (2008) 30 European Intellectual Property Review 4; Gerrie Ebersohn 'Internet Law: Peer-to-Peer File Sharing Services' 2003 Tydskrif vir die Suid-Afrikaanse Reg 376.
13 Natasha Primo & Libby Lloyd 'South Africa' in: Joe Karaganis (ed) Media Piracy in Emerging Economies (2011) 99 at 118.
14 Annemarie Bridy 'ACTA and the Specter of Graduated Response' (2011) 26 American University International LR 559.
15 Ibid.
16 For a discussion of such provisions, see Jeremy DeBeer & Christopher D Clemmer 'Global Trends in Online Copyright Enforcement: A Non-Neutral Role for Network Intermediaries?' (2009) 49Jurimetrics 375.
17 Peter K Yu 'Six Secret (and Now Open) Fears of ACTA' (2011) 64 SMU LR 975 at 980.
18 European Commission Press Release IP/10/1504 op cit note 11.
19 Consolidated Version of the Treaty on the Functioning of the European Union 2010 OJ C 83/47.

20 Alan Dashwood, Michael Dougan, Barry Rodger, Eleanor Spaventa & Derrick Wyatt Wyatt and Dashwood's European Union Law 6 ed (2011) at 936–9, 945–6 and 949–50.
21 The signature of a treaty by an authorised state representative is 'a means of authentication and expresses the willingness of the signatory state to continue the treaty-making process. The signature qualifies the signatory state to proceed to ratification, acceptance or approval. It also creates an obligation to refrain, in good faith, from acts that would defeat the object and the purpose of the treaty' (UN Office of Legal Affairs, Treaty Section 'Treaty Reference Guide: signature', available at http://untreaty.un.org/ola-Internet/Assistance/Guide.htm signature subject (visited on 4 April 2012)).See also arts 10 and 18 of the Vienna Convention on the Law of Treaties 1969 and Curtis A Bradley 'Treaty Signature' SSRN Accepted Paper Series, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1945721 (visited on 4 April 2012).
22 Office of the United States' Trade Representative 'Joint Statement on the Anti-Counterfeiting Trade Agreement (ACTA) From All the Negotiating Partners of the Agreement' (1 October 2011), available at

signed by the European Union (EU) and 22 EU member states.23 The remaining EU member states were expected to sign ACTA shortlyafterwards.24 The treaty will remain open for signature until 31 March 201325and will come into force after ratification26 by six states.27 Following criticism and protests across Europe,28 the European Commission decided to refer ACTA to the European Court of Justice (ECJ) for an evaluation of whether it contravenes any fundamental rights and freedoms protected in the EU.29 The question posed to the ECJ is phrased as follows:30

> 'Is the Anti-Counterfeiting Trade Agreement (ACTA) compatible with the European Treaties, in particular with the Charter of Fundamental Rights of the European Union?'

It is not known how long the ECJ will take to consider this matter and when its decision will be delivered. By contrast, the European Parliament voted against referring ACTA to the ECJ, and would not wait for the outcome of the European Commission's referral.31 Instead, following a rejection of ACTA by its international trade committee in June 2012,32 the European Parliament voted against ACTA in July 2012.33 As stated above the EU and its member

---

http://www.ustr.gov/about-us/press-office/press-releases/2011/october/joint-press-statement-anti-counterfeiting-trade-ag (visited on 4 April 2012).
23 European Parliament 'ACTA: Who Has Signed So Far? Situation as of 21 February 2012', available at http://www.europarl.europa.eu/pdf/acta_vote/Acta_vote_en.pdf (visited on 10 April 2012).
24 European Commission 'ACTA: Questions and Answers: 10: How Does the Referral to the European Court of Justice Change the Ratification Procedure?' available at http://ec.europa.eu/trade/tackling-unfair-trade/acta/questions-and-answers/ q-15 (visited on 10 April 2012).
25 Article 39 of ACTA.
26 The ratification of a treaty is an 'international act whereby a state indicates its consent to be bound to a treaty if the parties intended to show their consent by such an act. In the case of bilateral treaties, ratification is usually accomplished by exchanging the requisite instruments, while in the case of multilateral treaties the usual procedure is for the depositary to collect the ratifications of all states, keeping all parties informed of the situation. The institution of ratification grants states the necessary time-frame to seek the required approval for the treaty on the domestic level and to enact the necessary legislation to give domestic effect to that treaty' (UN Office of Legal Affairs, Treaty Section 'Treaty Reference Guide: Ratification', available at http://untreaty.un.org/ola-Internet/Assistance/Guide.htmratification (visited on 4 April 2012). Also see arts 2(1)(b), 14(1) and 16 of the

Vienna Convention on the Law of Treaties 1969 and H Blix 'The Requirement of Ratification' (1953) 30 British Yearbook of International Law 352.
27 Article 40 of ACTA.
28 There have been numerous reports of protests against Europe. See, for example, RT.com 'Anti-ACTA Day: Angry Crowds Take Action' (11 February 2012), available at http://rt.com/news/acta-protests-rallies-europe-089/ (visited on 4 April 2012).
29 Statement by Commissioner Karel De Gucht on ACTA (Anti-Counterfeiting Trade Agreement) MEMO/12/128 22 February 2012, available at http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/128 (visited on 4 April 2012).
30 European Commission Press Release 'Update on ACTA's referral to the European Court of Justice' IP/12/354 (4 April 2012), available at http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/354&format=HTML&aged=0&language=EN&guiLanguage=en (visited on 17 April 2012).
31 European Parliament 'ACTA: Reasons for Committee Vote Against Referral to Court of Justice' (28 March 2012), available at http://www.europarl.europa.eu/news/ro/pressroom/content/20120327IPR41978/html/ACTA-reasons-for-committee-vote-against-referral-to-Court-of-Justice (vis-ited on 10 April 2012).
32 European Parliament News 'Parliament Should Say NO to ACTA, Says International Trade Committee' (22 June 2012), available at http://www.europarl.europa.eu/news/en/pressroom/content/20120614IPR46889/html/Parliament-should-say-NO-to-ACTA-says-International-Trade-Committee(visited on 9 July 2012).
33 European Parliament Press Release 'European Parliament Rejects ACTA', available at http:// www.europarl.europa.eu/pdfs/news/expert/infopress/20120703IPR48247/20120703IPR48247_en.pdf(visited on 9 July 2012). (2012) 24 SA Merc LJ 136

Page 5 (p. 137)

states can only ratify international agreements with the consent of the European Parliament. Therefore, as the EU Parliament has rejected ACTA, the EU and its member states cannot ratify it in its current form. Meanwhile, non-EU signatory states are undertaking domestic ratification procedures.34 It is not known when these procedures will be completed and when ACTA will come into force. The following paragraph highlights ACTA's provisions that have a bearing on the adoption of the graduated response worldwide.

2.2 The Graduated Response in ACTA

A leaked draft of ACTA published online in February 2010 showed an intention to include the graduated response in the final text.35 This version contained detailed provisions on ISP safe harbour.36 Article 2.17(3)(b)(i) of this draft provided that the applicability of safe hour provisions would be conditional on:

> 'an online service provider adopting and reasonably implementing a policy6 to address the unauthorized storage or transmission of materials protected by copyright or related rights except that no Party may condition the limitations in subparagraph (a) on the online service provider's monitoring its services or affirmatively seeking facts indicating that infringing activity is occurring; 6An example of such a policy is providing for the termination in appropriate circumstances of subscriptions and accounts in the service provider's system or network of repeat infringers.

These provisions expressly refer to the graduated response as a precondition for an ISP's successfully relying on the safe harbour provisions that exempt an ISP for its client's infringements.37 The negotiating parties' intentions

in this regard were confirmed by a leaked EU memo discussing these provisions. This memo expressed concern about the introduction of the graduated response as going beyond the Acquis communautaire on a matter
---

34 European Commission 'Intellectual Property: Anti-counterfeiting', available at http://ec.europa.eu/trade/creating-opportunities/trade-topics/intellectual-property/anti-counterfeiting/ (visited on 12 May2011).
35 Paul Meller 'Leaked ACTA Draft Reveals Plans for A Net Clampdown' (19 February 2010), available at http://www.pcworld.com/printable/article/id,189812/printable.html; Michael Geist 'ACTA Internet Chapter Leaks: Renegotiates WIPO, Sets 3 Strikes as Model' (21 February 2012), available athttp://www.michaelgeist.ca/content/view/4808/125/. The full text of this leaked draft is available at https://sites.google.com/site/actadigitalchapter/acta_digital_chapter.pdf?attredirects=1 (all visitedon 12 April 2012).
36 Article 2.17(3)(a).
37 Kim Weatherall 'ACTA New (Leaked) Text, New Issues' Blogpost 15 July 2010, The Fortnightly Review of IP and Media Law, available at http://fortnightlyreview.info/2010/07/15/acta-new-leaked-text-new-issues%E2%80%A6/; Margot Kaminski 'ACTA's Digital Enforcement Provisions' Blogpost 3 July 2010, Balkanisation, available at http://balkin.blogspot.com/2010/07/actas-digital-enforcement-provisions.html (visited on 12 April 2012).

Page 6 (p. 138)

that was being debated by several EU member states and was 'subject tonegotiations between the European Parliament and the Council of Telecoms Ministers regarding the Telecoms Package'.38 The EU's grounds of opposition to the inclusion of the graduated response in ACTA were primarily concerns about the encroachment on fundamental rights. In particular, it was argued that users' privacy, freedom of expression and right to the due process of law were vulnerable to abuse. These issues are discussed, from a South African perspective, in par 3.2 below. In March 2010, the European Parliament passed a resolution on ACTA that:

> '. . . in order to respect fundamental rights, such as the right to freedom of expression and the right to privacy, while fully observing the principle of subsidiarity, the proposed agreement should not make it possible for any so-called 'three-strikes' procedures to be imposed. . .considers that any agreement must include the stipulation that the closing-off of an individual's Internet access shall be subject to prior examination by a court'39 (emphasis supplied).

Because of the EU's concerns and resolution, the digital enforcement provisions were renegotiated, and the next ACTA draft officially released in April 2010,40 whilst carrying forward the regulation of safe harbour,41 did not contain the art 2.17(3)(b)(i) text quoted above. Instead, it provided the following options for this precondition to safe harbour:

> Article 2.18 (3) [Enforcement Procedures in the Digital Environment]
>
> Option 1
>
> (b) condition the application of the provisions of subparagraph (a)on meeting the following requirements:
> (i) an online service provider adopting and reasonably implementing a policy[58]to address the unauthorized storage or transmission of materials protected by copyright or related rights [except that no Party may condition the limitations in subparagraph (a) on the online service

provider's monitoring its services or affirmatively seeking facts indicating that infringing activity is occurring];58

At least one delegation proposes to include language in this footnote to provide greater certainty that their existing national law complies with this requirement.

---

38 European Union's Comments to the US Proposal: Special Requirements Related to the Enforcement of Intellectual Property Rights in the Digital Environment (29 October 2009), available athttp://blog.die-linke.de/digitalelinke/wp-content/uploads/674b-09.pdf (visited on 12 April 2012).
39 Yu op cit (2010) note 8 at 1377; European Parliament resolution of 10 March 2010 On the Transparency and State of Play of the ACTA Negotiations P7_TA(2010)0058, available athttp://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2010-0058&language=EN&ring=P7-RC-2010-0154 (visited on 13 April 2012).
40 ACTA Public Pre-decisional/Deliberative Draft, Consolidated Text Prepared for Public Release, April 2010, available at http://www.ustr.gov/webfm_send/1883 (visited on 12 April 2012).
41 Article 2.18(3)(a).

Option 2:

[Paragraph 3(a) shall not affect the possibility for a judicial or administrative authority, in accordance with the Parties legal system, requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility of the parties establishing procedures governing the removal or disabling of access to information. The Parties shall not impose a general monitoring requirement on providers when acting in accordance with this paragraph 3.][3 ter. Each Party shall enable right holders, who have given effective notification to an online service provider of materials that they claim with valid reasons to be infringing their copyright or related rights, to expeditiously obtain from that provider information on the identity of the relevant subscriber.3quater. Each Party shall promote the development of mutually supportive relationships between online service providers and rightholders to deal effectively with patent, industrial design, trademark and copyright or related rights infringement which takes place by means of the Internet, including the encouragement of establishing guidelines for the actions which should be taken.]

Negotiations continued, with other drafts leaked in July and August 2010.42The next official draft released in October 2010 by the negotiating parties omitted the provisions that sought to regulate safe harbour, adopted the proposal given as 3 quater above and expressly referred to the preservation of fundamental rights. It provided:43

Article 2.18

(2) Each Party's enforcement procedures shall apply to infringement of at least trademark and copyright or related rights over digital networks, including the unlawful use of means of widespread distribution for infringing purposes. These procedures shall be implemented in a manner that avoids the creation of barriers to legitimate activity, including electronic commerce, and, consistent with each Party's law, preserves fundamental principles such as freedom of expression, fair process, and privacy13 (emphasis supplied).

(3) Each Party shall endeavor to promote cooperative efforts within the business community to effectively address at least trade-mark and copyright or related rights infringement while preserving legitimate competition and consistent with each Party's law, preserving fundamental principles such as freedom of expression, fair process, and privacy (emphasis supplied).

---

42 These leaked texts are available at https://sites.google.com/site/iipenforcement/acta (visited on 13 April 2012).
43 Consolidated Text, ACTA Agreement (2 October 2010), available at http://www.ustr.gov/webfm_ send/2338 (visited on 12 April 2012).

Page 8 (p. 140)

13 For instance, without prejudice to a Party's law, adopting or maintaining a regime providing for limitations on the liability of, or on the remedies available against, online service providers while preserving the legitimate interests of right holders.

This reflects the preferred EU approach instead of the US approach. Indeed, some scholars have noted that the final text is a result of the US 'caving-in' on this matter.44 Article 27(2) to (3) of the final draft of ACTA, officially released in December 2010, uses exactly the same wording as the October 2010 text, but omits the phrase 'at least trademarks' from art 27(3). Therefore ACTA does not provide for a mandatory graduated response scheme as initially sought by the United States. However, the wording of art 27(3) is wide enough to encompass the graduated response,45 particularly when read with the agreement's preamble, which states:

'The Parties to this Agreement. . . desiring to promote cooperation between service providers and right holders to address relevant infringements in the digital environment. . .'

These provisions cater for the member states who wish to enact graduated response scheme legislation46 or to support industry-driven graduated response schemes by encouraging enhanced co-operation between right-holders and ISPs. This is clear from the history of lobbying efforts,47 the drafting debates, previous drafts and the stated positions of the negotiating parties, especially the United States.48 Indeed, four ACTA negotiating states already have graduated response schemes in place. These schemes are mandated by legislation in France,49New Zealand,50 and the United Kingdom,51 whilst privately ordered schemes are in place the United States52 and Ireland.53 It is likely that these states will continue to exert pressure on their fellow negotiating states to implement similar schemes in their own

---

44 Michael Geist 'ACTA Ultra-Lite: The U.S. Cave on the Internet Chapter Complete' (6 October2010), available at http://www.michaelgeist.ca/content/view/5352/125/ (visited on 12 April 2012).
45 Yu op cit (2011) 17 at 1056; Bridy op cit (2011) 12 at 570–1.
46 Bridy op cit (2011) 14 at 577–8.
47 Yu op cit (2010) note 8 at 1374 notes that the Recording Industry Association of America (RIAA) publicly announced that its new enforcement tactic is to co-operate with ISPs. For confirmation of this approach, see the International Federation of the Phonographic Industry (IFPI) Digital Music Report2010 at 7, available at www.ifpi.org/content/library/DMR2010.pdf (visited on 24 April 2012).
48 Yu op cit (2011) 17 at 1056; Bridy op cit (2011) 12 at 570-1.
49 Loi favorisant la diffusion et la protection de la création sur Internet (Law to promote the dissemination and protection of creation on the Internet) 'HADOPI' Act No. 2009-669 of 12 June 2009.
50 Sections 122A–122U of the Copyright Act, introduced by the Copyright (Infringing File Sharing) Amendment Act 11 of 2011.

51 Sections 124A–124M of the Communications Act 2003 c. 21, introduced by the DEA. The DEA was reviewed in British Telecommunications PLC and Talktalk Telecom Group PLC v The Secretary of State for Business, Innovation and Skills & others [2011] EWHC 1021 (Admin). For commentary on the review, see Matt Lonsdale 'Digital Economy Act Emerges from Judicial Review Largely Unscathed',availableathttp://www.iposgoode.ca/2011/05/digital-economy-act-emerges-from-judicial-review-largely-unscathed/ (visited on 15 May 2011).
52 Bridy op cit (2011) 14 at 572–6 and Yu op cit (2010) note 6 at 1386 give the example of Comcast and Verizon and cite the partnership between Comcast and broadcasting giants NBC Universal and CBSas an example of the merger of interests between the entertainment industry and ISPs.
53 Bridy op cit (2011) 14 at 576–7.

Page 9 **(p. 141-142)**

jurisdictions. Therefore, it is reasonable to expect that graduated response schemes will in fact be applied in some of the ACTA member states as a result of legislative changes or private ordering.

3 Public Interest and Constitutional Issues

3.1 Global Public Interest Concerns about ACTA

Generally, ACTA is viewed with suspicion by advocates of users' rights and has been labelled as 'highly problematic and dangerous'54 for two reasons. First, it is viewed by many scholars as a direct counterpoint to the Development Agenda (DA) that was spearheaded by Brazil and Argentina(with a proposal in 2004) and adopted by the World Intellectual Property Organisation (WIPO) in 2007.55The DA is considered a triumph for developing and emerging states because of its emphasis on the proper calibration of intellectual property law premised on a fair balancing of the interests of IP right-holders, users and those of society generally.56 It has been hailed as 'the most important IP development post the conclusion of the TRIPS Agreement and perhaps ever'.57 The conclusion of ACTA, largely insecret,58 so soon after the DA appears to be a clear instance of forumshifting59 by developed nations.60 **Having suffered what they consider a setback at WIPO through the introduction and subsequent implementation of the DA,61** these states have pursued their 'enforcement agenda'62 elsewhere.

---
54 Yu op cit (2011) 17 at 979.
55 For details on the historical development of the DA, see WIPO 'WIPO Development Agenda: Background (2004-2007), Proposal of Argentina and Brazil, for the Establishment of a DevelopmentAgenda for WIPO' (Document WO/GA/31/11). For the text of the DA, see Assemblies of the MemberStates of WIPO Forty-Third Series of Meetings Geneva, 24 September to 3 October, 2007 GeneralReport (Document A/43/16) Annex A, all available at http://www.wipo.int/ip-development/en/agenda/background.html (visited on 12 May 2011).
56 Jeremy de Beer 'Defining WIPO's Development Agenda' in: Jeremy de Beer (ed) Implementing the World Intellectual Property Organisation's Development Agenda (2009) at 2–3.
57 De Beer op cit note 56 at 15. See also Sisule F Musungu 'The Development Agenda and the Changing Face of the World Intellectual Property Organization (WIPO)' Iqsensato Studies 2 (WorkingDraft), available at http://www.iqsensato.org/pdf/iqsensato-studies-no-2-working-draft-22_04_2010.pdf(visited on 5 April 2012); Christopher May 'The World Intellectual Property Organisation and theDevelopment Agenda' (2007) 13 Global Governance 161.
58 Yu op cit (2011) 17 at 978–9; Michael Geist 'ACTA Guide Part 3: Transparency and ACTA Secrecy', available at http://www.michaelgeist.ca/content/view/4737/125/ (visited on 24 April 2012).

59 Forum shifting occurs where states move the discussion of an issue from one forum to another in search of a forum where their agenda will be successful. For a general overview of forum shifting, seePeter Drahos 'Four Lessons for Developing Countries From the Trade Negotiations Over Access toMedicines' (2007) 28 Liverpool LR 11; Susan Sell 'The Global IP Upward Ratchet, Anti-counterfeitingand Piracy Enforcement Efforts: The State of Play' Program on Information Justice and IntellectualProperty (PIJIP) Research Paper no. 2010-15 American University Washington College of Law,Washington, DC, at 4–6 (hereafter 'Sell (2010a)'), available at http://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1016&context=research (visited on 24 April 2012); and Susan K Sell 'Catand Mouse: Forum Shifting in the Battle Over Intellectual Property Enforcement' Institute forGlobal and International Studies, George Washington University, Research Seminar, (7 October 2010)(hereafter 'Sell (2010b)'), available at www.gwu.edu/~igis/Sell%20Paper.doc (visited on 24 April 2012).
60 Sell op cit (2010a) note 59 at 4; Peter K Yu 'ACTA and its Complex Politics' (2011) 3 WIPO Journal 1 at 1–2.
61 Lawrence Kogan *'An Emerging Risk for US High Tech: How Foreign ''Public Interest'' Regulation Threatens Property Rights & Innovation'* Washington Legal Foundation Critical Legal Issues Working Paper Series (Number 175 December 2010), available at http://www.wlf.org/publishing/publication_detail.asp?id=2221 (visited on 16 March 2011).

Page 10 (p. 142)

However, instead of moving to another existing international organisation, ACTA states chose to create 'another international organisation in all butname',63 known as the ACTA Committee, which is structured, and functions, like existing international organisations.64 The negotiating parties did not simply shift forums but, as predicted, they have created 'an entirely new layer of global governance'.65 It is envisaged that ACTA member states will in due course use their economic and political clout to persuade other states to accede to and ratify ACTA and by so doing eventually supersede existing international IP treaties. The second reason that ACTA is viewed with suspicion is its upward ratcheting of IP protection well beyond standards contained in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs),66 which is currently the 'multilateral framework for global minimum standards on the protection of intellectual property at the nationallevel'.67 As a result of such ratcheting on the international plane, ACTA member states would have to ratchet up their own domestic legislation.68 For example, the TRIPs Agreement does not contain any provisions on anti-circumvention. These provisions are contained in the WIPO Copyright Treaty.69Not all ACTA negotiating parties have ratified the WIPO Copyright Treaty and are thus not bound to provide for and enforce anti-circumvention measures provided for in art 11 of that treaty.70 ACTA contains substantively equivalent provisions in art 27(5) to (6). Therefore a negotiating party that has previously chosen to forego the WCT will find itself saddled with some of its provisions through its ratification of ACTA.71

3.2 Constitutional Aspects

This paragraph deals with constitutional aspects that need to be considered in the introduction of a graduated response scheme in South Africa. Rayna and Barbier point out that the key advantages of the graduated
---

62 Andrew Rens 'Collateral Damage: The Impact of ACTA and the Enforcement Agenda on the World's Poorest People' (2011) 26 American University International LR 783 at 784–5.
63 Idem at 789 and 796.
64 Article 36 of ACTA.
65 Sell op cit (2010a) note 59 at 12 quoting Aaron Shaw 'The Problem with the Anti-Counterfeiting Trade Agreement (and What to Do about It)' KE Studies, vol. 2 (2008).

66 Agreement on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods, adopted 15 December 1993, entered into force 1 January 1995, (1994) 33 ILM 81(TRIPS).
67 Yu op cit (2010) note 6 at 38; Ermias Tekeste Biadgleng & Viviana Munoz Tellez 'The Changing Structure and Governance of Intellectual Property Enforcement' South Centre Research Paper 15 1,available at http://www.southcentre.org/index.php?option=com_content&task=view&id=614 (visited on 12 May 2011).
68 Yu op cit (2010) note 8 at 31–3.
69 WIPO Copyright Treaty, adopted 20 December 1996, entered into force on March 6 36 ILM 65 (WCT).
70 For a general overview of the import of the anti-circumvention provisions in WCT, see Coenraad Visser 'Technological Protection Measures: South Africa Goes Overboard. Overbroad' (2006) 7 Southern African Journal of Information and Communication 54. 71 Sell op cit (2010a) note 59 at 6. (2012)

Page 11 (p. 143)

response from a copyright-holder's perspective are threefold.72 In the first place, graduated response schemes that exclude judicial oversight dispense with the need to engage in costly, lengthy litigation against consumers. This isa significant advantage because litigation against consumers often feeds negative perceptions about right-holders and thus alienates existing and future consumers. Secondly, these schemes overcome the significant hurdle of lawfully monitoring consumer activity and thereafter obtaining personal information about alleged infringers required to mount litigation. This is important because in many jurisdictions such surveillance and data collection falls foul of privacy and data protection laws. Thirdly, these schemes are more effective than technological protection devices (TPMs) that have proved to be easily circumvented. Therefore, graduated response schemes appear to be an effective and beneficial way for right-holders to protect their exclusive rights online. However, it is important to note that, in the words of the Constitutional Court,

> 'like other property intellectual property does not enjoy special status under the Constitution. It is not immune from challenge and therefore its enforcement must be constitutionally tenable.'73

Therefore, graduated response schemes ought to take into account users' right to privacy, freedom of expression and the right to access courts, and balance them appropriately with copyright-holders' rights. The right to privacy74 is a fundamental human right75 that is protected by s 14 of the Constitution of the Republic of South Africa, 1996. Although informational privacy is not expressly mentioned in s 14, it is none the less protected because the list is not exhaustive.76 The protection of an individual's personal information77 is a high priority in many jurisdictions,78 including South Africa where draft legislation79 was passed by the National Assembly in
---

72 Rayna & Barbier op cit note 4 at 2–4.
73 Laugh It Off Promotions CC v SAB International (Finance) BV t/a Sabmark International (Freedom of Expression Institute as Amicus Curiae) 2006 (1) SA 144 (CC); 2005 (8) BCLR 743 in par17, citing Ex parte Chairperson of the Constitutional Assembly: In re Certification of the Constitution ofthe Republic of South Africa, 1996 1996 (4) SA 744 (CC); 1996 (10) BCLR 1253 in par 75.
74 Defined in Bernstein and Others v Bester and Others NNO 1996 (2) SA 751 (CC) at 789, as 'an individual condition of life characterised by exclusion from the public and publicity. This condition embraces all those personal facts which the person concerned has determined himself tobe excluded from the knowledge of outsiders and in respect of which he has the will that they be kept private'.
75 See, for example, art 12 of the 1948 Universal Declaration of Human Rights.
76 Mistry v Interim Medical and Dental Council of South Africa and Others 1998 (4) SA 1127 (CC); 1998 (7) BCLR 880 in par 14.

77 There are various definitions of personal information, but the key criterion is that the information must relate to an identifiable, living, natural person or existing juristic person (see, for example, s 1 of the Protection of Personal Information Bill [B9B-2009].
78 Examples of relevant agreements, directives and legislation include the European Council's Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data, Strasbourg 28 January 1981 (No 108/1981); the Organisation for Economic Co-operation and Development (OECD)'s Guidelines governing the Protection of Privacy and Transborder Flows of Personal Data (1981); and the European Union's Directive on the Protection of Individuals with regard to the Processing of Personal Data and on the Free Movement of such Data 1995 OJ L 281/31 (Dir95/46/EC).
79 Protection of Personal Information Bill [B9B-2009]. For commentary on this bill, see Ryan Ruthven 'Protecting Your Privacy: Legislation' (2010) 1(9) SA Occupational Risk 7; Danie Strachan & Martin

September 2012. A full exposition of data protection laws is beyond the scope of this article; suffice to say that the general approach is to subject the processing of personal information to certain principles.80 Graduated response schemes threaten individuals' privacy with respect to the collection, retention and disclosure of their personal information by ISPs.81 Therefore, the schemes have to be carefully structured to ensure the security and integrity of personal information and to abide by data protection principles, which it is to be hoped will soon be law in South Africa. In particular, the purpose of the collection, retention and disclosure of data would have to be only for the purpose of enabling right-holders to seek legal remedies for infringement. A failure to safeguard privacy and non-compliance with data protection principles, in the words of the French Constitutional Council, 'produces a patently unbalanced reconciliation between the protection of copyright and the right to privacy'.82The freedom of expression is a fundamental right83 protected by s 16 of the Constitution. A full exposition of this right is not given here; suffice to say that courts have consistently stressed its importance.84 The Constitutional Court has considered the limitation of the freedom of expression by intellectual property rights in relation to the tarnishment of a trade mark.85 In the context of graduated response schemes, it is argued that the termination of Internet

---

Mota 'Data Protection Legislation on its Way to South Africa' (2009) 9(11) World Data ProtectionReport 12; Keshri Chetty 'The Protection of Personal Information Bill' (2009) 19 TAXtalk 15; andReinhardt Buys 'Privacy and Data Protection in South Africa' (2005) 2(12) Data Protection Law andPolicy 12.
80 For a full exposition of this area, see South African Law Reform Commission (SALRC) 'Privacy and Data Protection' Project 124 Discussion Paper 109 (2005) at 15–53 and 98–225; SALRC'Privacy and Data Protection Project' 124 Report (2009) at 16–60; A Roos 'Data Protection: Explainingthe International Backdrop and Evaluating the Current South African Position' (2007) 124 SALJ 400; ARoos 'Core Principles of Data Protection Law' (2006) 39 Comparative and International Law Journalof Southern Africa 103; CB Ncube 'Watching the Watcher: Recent Developments in Privacy Regulationand Cyber-surveillance in South Africa' (2006) 3:4 SCRIPT-ed 344; and CB Ncube 'A ComparativeAnalysis of Zimbabwean and South African Data Protection Systems' 2004 (2) The Journal ofInformation, Law and Technology (JILT), available at http://www2.warwick.ac.uk/fac/soc/law2/elj/jilt/2004_2/ncube/ (visited on 18 April 2012).
81 Michael Boardman 'Digital Copyright Protection and Graduated Response: A Global Perspective' (2011) 33 Loyola of Los Angeles International & Comparative LR 223 at 235–9.
82 Constitutional Council (CC) decision no. 2009-580DC, 10 June 2009 par 21, available at http://www.conseil-constitutionnel.fr/conseil-constitutionnel/root/bank_mm/anglais/2009_580dc.pdf(visited on 12 May 2011). For commentary on this decision, see Rayna & Barbier op cit note 4 at 7–8;De Beer & Clemmer op cit note 16 at 394; and Nicola Lucchi 'Access to Network Services andProtection of Constitutional Rights: Recognizing the

Essential Role of Internet Access for the Freedomof Expression' (2011) 19 Cardozo Journal of International and Comparative Law (JICL) 646.
83 See, for example, the Preamble to and art 19 of the Universal Declaration of Human Rights.
84 De Reuck v Director of Public Prosecutions, Witwatersrand Local Division, and Others 2004 (1) SA 406 (CC); 2003 (12) BCLR 1333) in pars 46–50; Khumalo and Others v Holomisa 2002 (5) SA 401(CC);2002 (8) BCLR 771 in pars 21–4; Islamic Unity Convention v Independent BroadcastingAuthority and Others 2002 (4) SA 294 (CC); 2002 (5) BCLR 433 (CC) in pars 25–30; S v Mamabolo (ETV and Others Intervening) 2001 (3) SA 409 (CC) 2001 (5) BCLR 449 (CC) in par 37.
85 Laugh It Off Promotions CC v SAB International supra note 73. For commentary, see Jason Brickhill 'Breaking Down the Boardroom Doors with A Snigger and A Smirk – Laugh It Off LaughsLast: Case Note' (2006) 21 SA Public Law 214; J Deacon & I Govender 'Trade Mark Parody in SouthAfrica – The Last Laugh!' (2007) 32 Journal for Juridical Science 18; George Devenish 'We areAmused: Laugh it Off Promotions CC v SAB International (Finance) BV t/a Sabmark International:notes' (2005) 122 SALJ 792; Tana Pistorius 'Trade-mark Tarnishment: Should We ''Laugh it Off'' Allthe Way to ''Telkomsucks'' and ''Hellcom''?' (2004) 16 SA Merc LJ 727; and C Ncube 'From the law (2012) 24 SA Merc LJ 144

Page 13 (p. 145)

access may be an interference with a user's freedom of expression as it deprives the user of an important tool for receiving and impartinginformation.86 Whilst users whose Internet access has been terminated will have other avenues of receiving and imparting information, the termination of their access at home or place of work or business indisputably changes the nature of their access.87 However, this does not mean that termination of Internet access per se deprives them of their freedom of expression. At best, it can only be argued that it deprives them of one tool or avenue of exercising that freedom.

The third fundamental right that is relevant to graduated response schemes is the right to access courts, which is protected by s 34 of the Constitution.88 This section provides that

> 'everyone has the right to have any dispute that can be resolved by the application of law decided in a fair public hearing before a court or, where appropriate, another independent and impartial tribunal or forum'.

Therefore, any graduated response scheme introduced in South Africa must include judicial oversight unless such exclusion can be justified under s 36 of the Constitution. Excluding judicial oversight denies the alleged infringer an opportunity to defend his actions. This is particularly problematic in instances when the user has a valid defence such as fair dealing.89 A related point is that graduated response schemes may have a chilling effect on the exercise of legitimate rights such as fair dealing, because users would forego exercising these rights rather than risk having their Internet connection terminated. Such a chilling effect may have significant consequences for access to online educational materials.

An earlier version of France's HADOPI law that excluded judicial oversight was declared unconstitutional by the Constitutional Council.90 After HADOPI was revised to provide for court intervention, it was accepted by the Constitutional Council.91New Zealand had a similar experience. Its Copyright Act 143 of 1994 was initially amended in 2008 by the insertion ofs 92A, which required ISPs to establish graduated response schemes but did not provide for court oversight of them.92 This section did not come into force because it was strongly opposed for its failure to provide for judicial oversight. Ultimately, it was repealed and replaced with new provisions that
---

reports: Laugh It Off Promotions CC v South African Breweries International (Finance) BV T/ASabmark International' 2005 (1) Codicillus 82.
86 Boardman op cit note 81 at 239–40.
87 Lucchi op cit note 82 at 672.
88 For a general overview of this right, see Dennis Davis 'Access to Courts' in: H Cheadle, DM Davis & N Haysom (eds) South African Constitutional Law: The Bill of Rights (2002, last revised September2011–SI 11).
89 Nicolas Suzor & Brian Fitzgerald 'The Legitimacy of Graduated Response Schemes in Copyright Law' (2011) 34 University of New South Wales LJ 1 at 17–20.
90 CC decision no. 2009-580DC, pars 16–20 and 39.
91 CC decision no 2009-590DC, 22 October 2009, available at http://www.conseil-constitutionnel.fr/ conseil-constitutionnel/root/bank_mm/anglais/en2009_590dc.pdf (visited on 12 May 2011); Yu op cit(2010) note 8 at 1376.
92 Section 92A inserted by s 53 of the Copyright (New Technologies) Amendment Act 27 of 2008.

Page 14 (p. 146)

after an enforcement (or third) notice is issued to an alleged infringer, the right-holder may approach the Copyright Tribunal or a District Court which will make a finding on infringement and an appropriate penalty.93 In view of the above, any graduated scheme legislation that seeks to limit he right to privacy, freedom of expression and the right to access courts has to pass muster when measured against s 36 of the Constitution. This section provides that any limitations to fundamental rights must be:

> 'reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom, taking into account all relevant factors including –
> (a) the nature of the right;
> (b) the importance of the purpose of the limitation;
> (c) the nature and extent of the limitation;
> (d) the relation between the limitation and its purpose; and
> (e) less restrictive means to achieve the purpose'.

The first stage of such an evaluation (factor (a)) entails

> 'interpreting the [relevant fundamental] right: first, a court needs to determine its content and ambit and, secondly, whether it has been violated by the impugned law or conduct'.94

If a finding that the right has been violated has been made, the justifiability of that violation has to be assessed.95 This is addressed by factors (b) to (e) which assess proportionality.

The concerns in relation to proportionality are two-fold. First, whether graduated response schemes are 'justifiable in general in order to limit copyright infringement in society'96 and, secondly, whether the termination of a user's Internet access is proportionate to the infringement and subsequent harm caused by that individual.97 It is argued that using the termination of Internet access as a remedy for copyright infringement is inappropriate in view of the importance of this access to everyday life, enabling access to educational material, health, banking and other social or commercial services, and its significance in enabling people to enjoy fundamental rights and to participate in political debates of the day.98 In addition, such termination in response to an individual's infringement affects all other members of the household, business or other community that use the same connection for their personal or business use. With regard to proportionality in relation to the alleged infringer's acts, it has been argued that termination of Internet access may be inequitable in view of the insignificance of the alleged infringement.99 This is why graduated response schemes ought to include judicial

oversight sothat a court can decide the appropriate penalty after considering theallegations of infringement and equity or proportionality issues. This having

---

93 Section 4 of the Copyright (Infringing File Sharing) Amendment Act 11 of 2011, which introduced the new ss 122A–122U of the Copyright Act. Court oversight is provided for by s 122B(4).
94 D Bilchitz 'How Should Rights Be Limited? : Regspraak' 2011 Tydskrif vir die Suid-Afrikaanse Reg 568 at 571.
95 Ibid.
96 Suzor & Fitzgerald op cit note 89 at 7.
97 Ibid.
98 Idem at 11–5.
99 Idem at 10. (2012) 24 SA Merc LJ 146

been said, it is important to note that it is possible for a carefully structured graduated response scheme to comply with constitutional protection of the right to privacy, freedom of expression and the right to access courts, as was shown by the French Constitutional Council's approval of France's HADOPI's law. It is important to emphasise, that in addition to the concerns relating to the graduated response noted above, its introduction by private ordering is more problematic because it usually escapes scrutiny by the legislature, judiciary and the public.100 Of prime significance is the fact that private ordering has far-reaching legal effects on both user and creator rights but is obtained in the absence of any public consultation or other important features that are the hallmark of legislative processes. Further, unless the arrangements are challenged in court, they also escape judicial scrutiny. As these arrangements are devised by right-holders and ISPs, they serve these parties' interests, largely to the detriment of users, who have no bargaining power. Users either accept an ISP's terms of use or forego that ISP's services. 5

Conclusion

As shown above, the graduated response is steadily gaining ground, having being introduced into a number of jurisdictions. However, it raises concerns about Internet users' rights to privacy, freedom of expression and their right to have access to courts. Legislation or ISP policies mandating such schemes therefore need to be drafted with due regard to these issues. However, the fact that it can be validly done does not mean that it ought to be done. This is primarily because, whilst such schemes may be moderately successful, in the final analysis they will not eliminate infringing file sharing. The better option therefore seems to be to seek solutions that 'address the underlying causes of noncompliance and the legitimate sources of consumer discontent'.101

_____

100 Bridy op cit (2011) note 14 at 578.
101 Bridy op cit (2009) note 12 at 567.