

**PREPARED STATEMENT OF  
THE FEDERAL TRADE COMMISSION ON**

**"ONLINE PRIVACY: RECENT COMMISSION INITIATIVES"**

**Before the  
SUBCOMMITTEE ON COURTS AND INTELLECTUAL PROPERTY  
of the  
COMMITTEE ON THE JUDICIARY  
UNITED STATES HOUSE OF REPRESENTATIVES**

**Washington, D.C.**

**May 18, 2000**

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about the privacy of this data. Recent survey results demonstrate that 92% of consumers are concerned (67% are "very concerned") about the misuse of their personal information online. The level of consumer unease is also indicated by a recent study in which 92% of respondents from online households stated that they do not trust online companies to keep their personal information confidential. The Commission's online privacy efforts have been directed in large measure toward engaging the private sector in addressing these concerns, to ensure the continued growth of the online marketplace.

### **C. The Commission's Approach to Online Privacy - Initiatives since 1995**

Since 1995, the Commission has been at the forefront of the public debate on online privacy. The Commission has held public workshops; examined Web site information practices and disclosures regarding the collection, use, and transfer of personal information; and commented on self-regulatory efforts and technological developments intended to enhance consumer privacy. The Commission's goal has been to understand this new marketplace and its information practices, and to assess the costs and benefits to businesses and consumers.

In June 1998 the Commission issued *Privacy Online: A Policy Statement* (1998) (the "Statement").



mail addresses, and in one case, information about family finances. However, only 24% of those sites posted privacy policies, and only 1% of those sites sought parental permission to collect such information. These practices were in sharp contrast to parents' beliefs about what information should be collected from their children. A 1997 Louis Harris/Allan Westin survey found that 72% of parents objected to the collection of names and addresses from their children, even if that information was used only within the company, and 97% of parents objected if the information was to be released to third parties.

## **B. Children's Online Privacy Protection Act (COPPA)**

Reacting to these concerns, in October 1998 Congress enacted the Children's Online Privacy Protection Act, the first federal legislation specifically to address online privacy. The statute was enacted with the support of a broad coalition of industry, privacy advocates and consumer groups, and drew heavily on the experience of industry self-regulatory groups in attempting to establish workable guidelines for the protection of children's privacy online.

The legislation requires operators of commercial websites directed to children under 13 to:

- provide parents with notice of their information practices;
- obtain verifiable parental consent before collecting most personal information from children;
- provide parents with access to the information collected from their children;
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compliance with the Rule. In fact, the Commission has committed to undertake a review in eighteen months to determine whether new and developing technologies are available for use in obtaining "verifiable parental consent" under the Rule.

Another feature of the Act and Rule is a "safe harbor" provision, designed to encourage continued self-regulatory efforts to protect online privacy. Over the years, self-regulatory groups have developed substantial expertise in monitoring, detecting, and addressing online privacy problems. Website operators have long consulted with the self-regulatory groups on the privacy issues they face. Under COPPA, self-regulatory programs can now apply to have their programs accepted as "safe harbors" from Commission or State Attorney General enforcement. Several proposals are currently under review by the Commission.

### **C. Implementing the COPPA Rule**

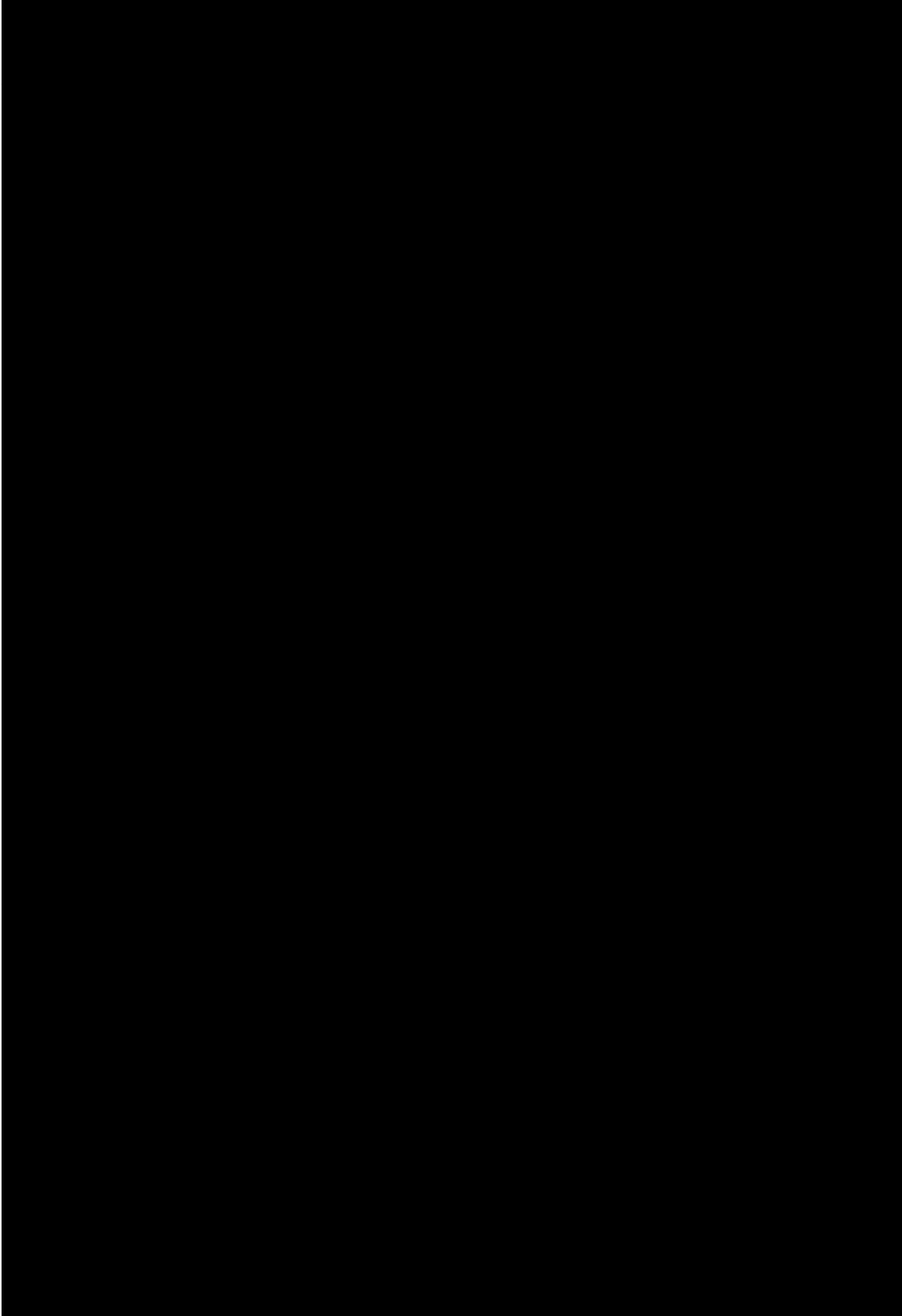
Now that the Rule is in effect, the Commission is attempting to address two key issues: business and consumer education and enforcement.

#### **1. *Eduah***

The Commission has used a variety of creative, novel and cost effective ways to educate parents, children and website operators about the provisions of the COPPA. As it has in all its education efforts, the Commission has made extensive use of the Internet to disseminate its messages. In November, shortly after the final Rule was announced, a Compliance Guide was posted on the FTC website. E-mails were sent to major children's sites, participants in COPPA workshops, and commentors in the rulemaking to alert them to the guidance. In addition, the Commission is holding informal seminars to educate online businesses about the need to comply with COPPA.

In February, the FTC issued a Consumer Alert geared to parents, introducing them to the new law. The Alert was sent to more than 14,000 news media, as well as to websites, parent organizations and schools through organizations like the PTA and the National Association of Elementary School Principals. The media mailing alone resulted in more than 100 interviews with Commission staff about the provisions of the Rule. Articles appeared in hundreds of newspapers, including the print and web editions of *USA Today*, the *Wall Street Journal* and the *New York Times*, and on radio and television networks and stations. Media exposure no doubt contributed to the fact that the Consumer Alert was accessed more than 32,000 times on the FTC's website in April alone.

At the same time, the FTC developed a Kidz Privacy website where information about COPPA was placed. Major national corporations and privacy advocacy groups joined in our outreach efforts. Among the participants: AOL, Center for Democracy and Technology, Center for Media Education, Chancery Software, CyberAngels, Disney/Go.com Network, Headbone.com, Lycos, Microsoft, NetFamilyNews, NetNanny Software, Surfmonkey.com, and Wiredkids. All these sites link to the FTC site. In addition, Chancery Software designed and printed 40,000 bookcovers and bookmarks



compliance with the law. We look forward to working with the Subcommittee to address these online privacy issues and are pleased to answer any questions you may have.