

## BT shelves Phorm's Web usage monitoring for ads

July 7 2009, By ROBERT BARR , Associated Press Writer

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(AP) -- British telecommunications provider BT PLC is indefinitely shelving plans to target online advertising to individual customers by using Web monitoring techniques that have drawn privacy complaints.

BT announced this week that it had no immediate plans to deploy Phorm Inc.'s Webwise ad-targeting system for BT's 4.8 million broadband customers, saying it needed to spend its resources on more urgent projects. BT did not address the privacy concerns in its statement.

Shares in Phorm fell Tuesday for a second day.

In the United States, potential partners for a similar ad-targeting system from NebuAd Inc. began backing out amid privacy complaints and congressional inquiries, prompting NebuAd to shut down.

Behavioral targeting is quite common on the Internet, usually accomplished by depositing tiny data files on personal computers to keep track of surfing patterns. That way, someone who regularly checks articles about golf at Yahoo Inc.'s Web site might see ads on golf clubs and golf vacations, even when viewing news on Britney Spears elsewhere at Yahoo. The targeted ads replace generic ads they'd otherwise see.

Systems from Phorm and NebuAd take that to the next level. By partnering with Internet service providers such as BT, those companies can track surfing habits across the Web, not just at one site or group of sites.

Supporters of ad-targeting systems say such ads are less annoying because consumers would find them more relevant.

But the system has been strongly criticized by privacy advocates and by World Wide Web inventor Tim Berners-Lee.

"To allow someone to snoop on your [Internet traffic](#) is to allow them to put a television camera in your room, except it will tell them a whole lot more about you than the television camera," Berners-Lee said in March at a Parliamentary event where he clashed with Phorm's chief executive, Kent Ertugrul.

Phorm has said its system would ask users whether they wanted to use the Webwise system, and that it would not store browsing histories or Internet Protocol addresses, the online equivalent of a street address.

The company has said it received assurances from the British government that its technology can be operated lawfully. The European Union, however, has started legal action against Britain for not applying EU data privacy rules to Internet monitoring such as Phorm's activities.

Two other U.K. broadband providers, Virgin Media and TalkTalk, have expressed interest in Phorm's system but have no immediate plans to adopt it.

After testing Phorm in 2006 and 2007 without informing customers involved in the trial, BT sought consent from users when it again tried out Phorm from October to December 2008 in an invitation-only trial. The company said then that the trial didn't keep or pass on information that could identify users and what they did.

BT had been expected to deploy the Phorm technology this year.

In a statement on Monday, Phorm said it looked forward "to creating the conditions necessary for U.K. ISPs to move to deployment."

However, it said it was trying to move faster on opportunities in other countries.

"In addition to making excellent progress in [South Korea](#), we are engaged in more than 15 markets worldwide including advanced negotiations with several major ISPs," the company said.

Shares in London-based Phorm fell 40 pence, or 14 percent, to close Tuesday at 242.50 pence, after falling by 40 percent on Monday.

Phorm, which has been traded on London's AIM since 2004, posted a loss of \$48 million in 2008, up from \$32.2 million in 2007. It reported no operating revenue in either year, but had \$1.8 million in investment income in 2008.

In May, Redwood City, Calif.-based NebuAd said in court filings that it had ceased trading, having laid off almost all of its employees a year ago.

NebuAd's potential clients - including Charter Communications Inc., Bresnan Communications LLC, The Washington Post Co.'s Cable One Inc. and Embarq Corp. - dropped out as the U.S. Congress showed increasing interest in the issues raised by the technology.

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On the Net:

Phorm: <http://www.phorm.com>

BT: <http://www.bt.com>

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