

# Facebook makes privacy pledge in FTC settlement

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This Oct. 11, 2010 file photo, shows the logo of the online network Facebook, recorded in Munich with a magnifying glass of a computer screen of a laptop. Facebook said Tuesday, Nov. 29, 2011, it is settling with the Federal Trade Commission over charges it deceived consumers. The FTC had charged that the social network told people they could keep the information they share private and then allowed for it to be made public. The charges go back to 2009.(AP Photo/dapd, Joerg Koch)

Government regulators are sharing some alarming information about Facebook: They believe the online social network has often misled its more than 800 million users about the sanctity of their personal information.

The unflattering portrait of Facebook's [privacy](#) practices emerged Tuesday in a [Federal Trade Commission](#) complaint alleging that

Facebook exposed details about users' lives without getting legally required consent. In some cases, the FTC charged, Facebook allowed potentially sensitive details to be passed along to advertisers and [software developers](#) prowling for customers.

To avoid further legal wrangling, Facebook agreed to submit to government audits of its privacy practices every other year for the next two decades. The company committed to getting explicit approval from its users - a process known as "opting in" - before changing their privacy controls.

The FTC's truce with Facebook, along with previous settlements with Google and [Twitter](#), is helping to establish more ground rules for online privacy expectations even as Internet companies regularly vacuum up insights about their audiences in an effort to sell more advertising.

Although Facebook didn't acknowledge any wrongdoing in the legal papers it signed with the FTC, Facebook co-founder and CEO [Mark Zuckerberg](#) was more contrite in a blog post Tuesday.

"I'm the first to admit that we've made a bunch of mistakes," Zuckerberg wrote. "In particular, I think that a small number of high-profile mistakes ... have often overshadowed much of the good work we've done."

Facebook has overcome its missteps in the past to emerge as the world's largest social network and one of the Internet's most influential companies since Zuckerberg created the website in his Harvard University [dorm room](#) in 2004.

No website has been as successful as Facebook at getting people to voluntarily share intimate details about themselves. Zuckerberg has emerged as the Internet's chief evangelist for sharing, partly because he

believes it can help make the world a better place by making it easier for people to stay connected with the things and people that they care about.

Facebook also is trying to make money by mining the personal information that it collects to help customize ads and aim the messages at people most likely to buy the products and services being promoted.

That strategy has been working well as Facebook prepares to sell its stock in an initial public offering that's expected next year.

The company's revenue this year is expected to approach \$4.3 billion, according to research firm eMarketer, up from \$777 million in 2009. The rapid growth is expected to make Facebook the biggest Internet IPO in history, topping Google's stock market debut in 2004.

The FTC's 19-page complaint casts a glaring spotlight on how Facebook has approached its users' rights to privacy at a time that it is facing tougher competition from Internet search leader Google Inc., which has attracted more than 40 million users to a social service called Plus just five months after its debut.

Google tried to lure people away from Facebook with a system that made it easier to guard their personal information. Facebook has responded by introducing more granular privacy settings.

The FTC cracked down on Google eight months ago for alleged privacy abuses that occurred last year when the company attempted to plant a social network called Buzz within its widely used Gmail service. Like Facebook, Google agreed to improve its privacy practices and submit to external audits for the next 20 years.

Twitter, the online short-messaging service, also struck a settlement with the FTC in June 2010 to resolve charges that it didn't do enough to

protect users' accounts from computer hackers.

Much of the FTC's complaint against Facebook centers on a series of changes that the company made to its privacy controls in late 2009. The revisions automatically shared information and pictures about Facebook users, even if they previously programmed their privacy settings to shield the content. Among other things, people's profile pictures, lists of online friends and political views were suddenly available for the world to see, the FTC alleged.

The complaint also charges that Facebook shared its users' personal information with third-party advertisers from September 2008 through May 2010 despite several public assurances from company officials that it wasn't passing the data along for marketing purposes.

Facebook believes that happened only in limited instances, generally when users clicked on ads that appeared on their personal profile pages. Most of Facebook's users click on ads when they are on their "Wall" - a section that highlights their friends' posts - or while visiting someone else's profile page.

The FTC also alleged that Facebook displayed personal photos even after users deleted them from their accounts.

Facebook's agreement with the FTC requires the company to obey privacy laws or face fines of \$16,000 per day for each violation.

"Facebook's innovation does not have to come at the expense of consumer privacy," FTC Chairman Jon Leibowitz. "The FTC action will ensure it will not."

The FTC's commissioners unanimously approved the agreement with Facebook. The FTC is accepting public comments through Dec. 30

before deciding whether to finalize the settlement.

Facebook's stepped-up commitment to privacy wasn't enough to satisfy Jeff Chester, executive director for the Center for Digital Democracy, one of the privacy watchdog groups that prodded the FTC investigation. In a statement, Chester called on Zuckerberg and Facebook's board of directors to resign so that the company could hire more trustworthy replacements.

"They misled consumers and should pay a price beyond a 20-year agreement to conduct their business practices in a more above-board fashion," Chester said.

Facebook sought to downplay the gravity of the FTC's allegations, maintaining that it had already addressed most of the privacy complaints. Zuckerberg said the website has added more than 20 new privacy features in the past 18 months.

To underscore its commitment, Facebook has created two new executive positions - Michael Richter as chief privacy officer of products and Erin Egan as chief privacy officer of policy.

"This means we're making a clear and formal long-term commitment to do the things we've always tried to do and planned to keep doing - giving you tools to control who can see your information and then making sure only those people you intend can see it," Zuckerberg wrote in his blog post.

## **Questions and answers about Facebook and privacy**

On Facebook, people talk about births and deaths. They share party shots, ultrasound scans and deliver news about serious illnesses in a way that was unimaginable just a few years ago.

Facebook doesn't want that openness to end, which is why the company has been trying to put its privacy problems behind it. But a big settlement with the Federal Trade Commission is once again putting this thorny issue front and center for the world's biggest online social network.

On Tuesday, Facebook agreed to settle federal charges that it violated users' privacy by getting people to share more information than they agreed to when they signed up to the site. As part of a settlement, Facebook will allow independent auditors to review its privacy practices for the next two years. It also agreed to get approval from users before changing how the company handles their data.

Here are some common questions and answers about Facebook's privacy practices and what they mean for users.

- Why is Facebook constantly pushing people to share things?

Even before it became a big business making billions in advertising revenue, Facebook's purpose has always been to let people "connect and share" - its motto - with their friends, families and acquaintances. Over the years, as it grew from an online network open only to college students to one with more than 800 million users, the company has pushed the envelope, encouraging people to share more photos, updates, links, and music. Some of the latest apps are let people automatically share news articles they read or music they are listening to.

Facebook's view is that people want to share more and that the company is giving people the platform to do so. Says CEO Mark Zuckerberg in a blog post Tuesday: "We made it easy for people to feel comfortable sharing things about their real lives."

- So this isn't all about making money?

Facebook, which is expected to go public next year in what could be one of the biggest IPOs in history, makes the bulk of its revenue from online advertising targeted to its users. The ads users see are based on things they share on the site. Research firm eMarketer estimates that Facebook will bring in \$3.8 billion in worldwide ad revenue this year and \$5.8 billion in 2012.

As a privately held company focused on building up its technology, Facebook has not made profits its outright goal. Rather, the company has cultivated an "if we build it, they will come" ethos. The more time people spend on its site and the more information they share about themselves, the better companies can target their ads. The more users Facebook attracts, the more people will see the ads so the more it can charge advertisers. However, as a public company with profit-seeking shareholders to answer to, Facebook's goals could change.

- How does Facebook use the information people share to make money?

Facebook, like Google and other companies that rely on advertising, targets ads to people based on their interests. Businesses can pick who they want to show their ads to - by location, age, hobbies and other things they share on Facebook. For example, a bridal magazine can target a promotion to women who've gotten engaged in the past six months. A soft drink company can show its ads to people who say they "like" a rival soft drink. Advertisers can narrow their target audience further by limiting the same pitch to football fans who live on the West Coast. People are more likely to click on ads that are relevant to them, making Facebook a virtual treasure trove of targeted advertising.

- Facebook says it has already addressed a lot of the issues raised in the FTC settlement. Are there things it didn't address?

Privacy advocates praised the settlement but many say more needs to be

done to protect people's private information. The nonprofit Consumers Union said it "sends a strong message to companies that they must live up to the privacy promises made to consumers."

Chris Conley, technology and civil liberties fellow at the American Civil Liberties Union of Northern California said Facebook should do more to address outside applications' access to users' information.

"There are settings for sharing information with third-party apps, but they are counter-intuitive," he said. For example, an app your friend installs could have access to your information even if you do not install the app yourself. Though it's possible to opt out of sharing some of your information with your friends' apps, many people don't know to do this because they are not aware that the sharing is happening in the first place.

There's also the issue of online tracking. Facebook (along with [Google](#) and companies that advertise online) tracks people's activity around the Web. Facebook, Conley notes, tracks your activity on the Web even if you are not logged on to Facebook at the time. If you visit a page that has a "like" button, Facebook knows you visited the page even if you do not click "Like."

For its part, Facebook says it does not use the information it collects to create profiles about people's browsing habits and it does not sell the data to anyone.

But Conley said the challenge is that while this may be what [Facebook](#) is doing with it today, there could be others - law enforcement agencies, divorce attorneys, data miners - who would be very interested in where someone has been on the Web.

### **More information:**



The FTC's complaint: <http://1.usa.gov/uUrr4z>

Mark Zuckerberg's blog post: <http://on.fb.me/vkTdhV>

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