

Google fined \$22.5M for latest privacy breakdown (Update)

August 9 2012, by MICHAEL LIEDTKE



The US Federal Trade Commission fined Google \$22.5 million for violating the privacy of people who used Apple's Safari web browser even after pledging not to do so.

Google is paying a \$22.5 million fine to settle the latest regulatory case questioning the Internet search leader's respect for people's privacy and the integrity of its internal controls.

The penalty announced Thursday by the Federal Trade Commission matches the figure reported by The Associated Press and other media outlets last month. It's the most that the FTC has ever fined a company for a civil violation.

The rebuke resolves the FTC's allegations that Google Inc. duped

millions of Web surfers who use Apple Inc.'s Safari browser.

Google had assured people that it wouldn't monitor their online activities, as long as they didn't change the browser settings to permit the tracking.

Google broke that promise, according to the FTC, by creating a technological loophole that enabled the company's DoubleClick advertising network to shadow unwitting Safari users. That tracking gave DoubleClick a better handle on what kinds of marketing pitches to show them.

The FTC concluded that the contradiction between Google's stealth tracking and its privacy assurances to Safari users violated a vow that the company made in another settlement with the agency in October.

The latest settlement doesn't affect a separate FTC inquiry over whether Google has been abusing its dominant position in Internet search to highlight its own services over rivals and drive up online advertising prices. The settlement also doesn't come with any admission from Google of wrongdoing.

The company has acknowledged that DoubleClick was tracking Safari users, but insists the monitoring wasn't by design.

All Google wanted to do, according to the company, was create a way for Safari users to press on a button to signal they recommended an ad. Google said it didn't realize its tinkering altered Safari's automatic privacy settings in a way that allowed for broader surveillance.

After the circumvention was publicized in February by a graduate student at Stanford University, Google stopped the tracking on Safari. The company says it never collected any personal information.

"We set the highest standards of privacy and security for our users," Google said Thursday.

Google's actions, though, have cast doubts about the sincerity of its commitment.

The Safari intrusion is the latest privacy stumble at Google, whose dominant Internet search engine and popular email service provide valuable peepholes into people's minds.

In 2010, Google set up a social networking service called Buzz that exposed people's email contacts. Following an FTC investigation, Google agreed to 20 years of oversight and a pledge not to mislead consumers about privacy issues. That's the pledge that the FTC says Google broke with Safari.

Google also got in trouble for collecting personal data transmitted over unprotected Wi-Fi networks as Google cars cruised neighborhoods around the world taking pictures for the company's online mapping service.

The FTC didn't take action against Google for scooping up the Wi-Fi data, although the Federal Communications Commission fined the company \$25,000 earlier this year for impeding its investigation into the matter.

As it did with the secret tracking on Safari, Google has framed those privacy breaches as inadvertent slips.

That defense is wearing thin, according to David Vladeck, the director of the FTC's bureau of consumer protection.

"In some ways, as a regulator, it's hard to know which answer is worst: 'I

didn't know' or 'I did it deliberately.' Both are bad," Vladeck told reporters on a Thursday conference call.

The FTC hopes the fine will force Google to pay better attention to its practices.

"It's a big company," Vladeck said. "It's grown very quickly, but the social contract is if you are going to hold on to people's most private data, you have got to do a better job of honoring your privacy commitment."

Those terse remarks underscore Google's increasingly tense relationship with regulators around the world. Both the FTC and the European Commission are engaged in broad antitrust investigations of Google. The company, which is based in Mountain View, California, has submitted a list of concessions in an attempt to settle Europe's probe, while the FTC's inquiry remains open.

Although the \$22.5 million fine is a record for the FTC, it won't leave much of a financial dent at Google. The company had \$43 billion in cash at the end of June and generates \$22.5 million in revenue roughly every four hours.

"This record fine will send a signal to a lot of Internet companies, but there's still some question whether the FTC has the authority and resources to rein in an entity as big and powerful as Google," said Carl Tobias, a Richmond University law professor who followed the Safari case.

Bad publicity may be the bigger blow for Google, which takes so much pride in its scruples that it has adopted "Don't Be Evil" as its corporate motto.

"This has to sting. They don't want to lose too much goodwill," said Justin Brookman, director of consumer privacy for the Center for Democracy & Technology.

The FTC's willingness to settle with Google without an admission of wrongdoing troubled one of the agency's own commissioners, J. Thomas Rosch. He voted against the settlement because he didn't believe the agreement was in the public interest without Google admitting liability.

But the FTC's four other commissioners voted in favor of the settlement.

"We don't get anything out of an admission other than a good headline," Vladeck said. "It is not of any practical value to us."

The fine surpasses a nearly \$19 million penalty that the FTC slapped on a telemarketer accused of duping people into believing they were donating to charities.

Without providing specifics, the FTC said the Google fine represents several times more than what Google made from the targeted ads that it distributed through Safari.

Consumer Watchdog, a California group that has emerged among Google's most strident critics, said it may challenge the settlement unless Google admits it broke the privacy promise made with the Buzz settlement.

"The commission has allowed Google to buy its way out of trouble for an amount that probably is less than the company spends on lunches for its employees and with no admission it did anything wrong," Consumer Watchdog complained.

News of the FTC's fine didn't faze investors as Google shares added 12

cents to close Thursday at \$642.35. Although it was modest, the gain was still enough to boost Google's market value by about \$39 million, nearly twice the amount of the fine.

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Citation: Google fined \$22.5M for latest privacy breakdown (Update) (2012, August 9) retrieved 25 June 2024 from <https://phys.org/news/2012-08-google-fined-225mn-safari-privacy.html>

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