

US tech firms fight spying, protect interests (Update)

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In this undated file photo made available by Google, hundreds of fans funnel hot air from the computer servers into a cooling unit to be recirculated at a Google data center in Mayes County, Okla. The green lights are the server status LEDs reflecting from the front of the servers. Eight major technology companies, including Google, Facebook and Twitter, have joined forces to call for tighter controls on government surveillance, issuing an open letter Monday, Dec. 9, 2013 to President Barack Obama arguing for reforms in the way the U.S. snoops on people. (AP Photo/Google, Connie Zhou, File)

Even as Silicon Valley's technology companies speak out against the U.S. government's surveillance methods, they are turning a handsome profit by mining personal data and peering into people's online habits.

The industry's profit machine has become tarnished by revelations that the National Security Agency digs deep into the everyday lives of Web surfers. As a result, companies including Apple, Facebook, Google, Microsoft and Yahoo are becoming more aggressive in their attempts to counter any perception that they voluntarily give the government access to users' email and other sensitive information.

Microsoft's general counsel, Brad Smith, said in a blog post last week that the U.S. government's online surveillance efforts "threaten to seriously undermine confidence in the security and privacy of online communications."

"Indeed, government snooping potentially now constitutes an 'advanced persistent threat,' alongside sophisticated malware and cyber-attacks," Smith wrote.

The industry's latest salvo came Monday with the release of an open letter to President Barack Obama and the introduction of a new website calling for more stringent controls on electronic espionage.

The public relations maneuver escalates a battle that Silicon Valley has waged since June, when media reports based on internal documents revealed the NSA had fashioned an elaborate system to vacuum up some of the user data that U.S. technology companies collect.

"The entire tech industry has been implicated and is now facing a global backlash," says Daniel Castro, a senior analyst for the Information Technology and Innovation Foundation, a Washington think tank.

As part of the industry's crusade, companies are going to court and to the U.S. Congress in an effort to force the government to reveal details of its online investigations. They believe data will show that, in the past five years, information turned over to the government under court order has affected a small fraction of the more than 1 billion people who use their products.

At stake is the trust of massive online audiences that attract digital advertising. As companies collect personal data and learn more about each user's interests and habits, advertising becomes easier to sell. The marketing campaigns are particularly important to Google, Yahoo and Facebook, all of which make most of their money from ads. Although Microsoft and Apple make billions from the sale of software and devices, the two companies are also hitching their fortunes to Internet services.

"We are now entering a new phase of the Internet that I call 'data wars,'" says Ethan Oberman, CEO of Internet privacy specialist SpiderOak. "It's all about who can amass the most personal data because that data has become so valuable that whoever accumulates the most is going to win."

The battle pits U.S. national security agencies against an industry that has been a bright spot in the country's dreary economy. More than \$1.3 trillion in shareholder wealth is tied up in Apple, Google, Microsoft, Facebook and Yahoo alone, and the companies collectively employ more than 243,000 people.

In a study for his think tank, Castro predicted that the U.S. government's online surveillance will take away up to \$35 billion in revenue from U.S. technology companies that host services over the Internet and sell remote data storage—a concept broadly known as "cloud computing." The estimate, which covers the next three years, is based on the assumption that many companies outside the U.S. will buy services in other countries

rather than risk copies of their data being turned over to the U.S. government. The prediction doesn't include possible losses in online ad revenue.

Without quantifying the company's potential losses, a Google lawyer recently told a Senate subcommittee that the government's online espionage could have "severe unintended consequences," including increased business costs, less data security and alienated Web surfers.

"The impact on U.S. companies, and the broader U.S. economy, could be significant," said Richard Salgado, Google's director of law enforcement and information security, during a Nov. 13 appearance before the Senate Judiciary Subcommittee on Privacy, Technology and the Law.

In a worst case scenario, Forrester's James Staten initially theorized that global cloud computing services could lose as much as \$180 billion over the next three years. That dire figure has been widely circulated by media outlets, but Staten told The Associated Press he now believes chances are remote that losses will surpass \$20 billion. That's because he believes most companies around the world are already encrypting the vital information they store on the computers of outside vendors.

Wary of the U.S. government's electronic espionage, Brazilian President Dilma Rousseff ordered a series of measures aimed at greater online independence and security for a country that boasts Latin America's largest economy. Other countries and international regulators are considering strict rules for data-handling by U.S. tech companies. If that were to happen, it could cripple the companies' drive to grow in overseas markets, and could fracture the Internet's seamless inner-workings.

The NSA says it retrieves only the online data tied to people outside the U.S., a limitation that is of little solace to companies such as Google and

Facebook that generate most of their revenue overseas and see the ripest opportunities for growth in Latin America, Asia, the Middle East and Africa.

While industry executives protest government's intrusions on privacy, industry critics point out that technology companies continue to store and analyze troves of personal information in pursuit of more profit.

Crisis communications expert Gene Grabowski believes the companies regret their initial decision to cooperate with the government. "It appears to more than a few people that they betrayed their customers," said Grabowski, an executive vice president for the public relations firm Levick.

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