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SENIOR VICE PRESIDENT, PUBLIC POLICY & CHIEF PRIVACY OFFICER  
AT&T INC.**

**BEFORE:**

**SUBCOMMITTEE ON COMMUNICATIONS, TECHNOLOGY & THE INTERNET  
COMMITTEE ON ENERGY & COMMERCE  
UNITED STATES HOUSE OF REPRESENTATIVES**

**HEARING ON COMMUNICATIONS NETWORKS AND CONSUMER PRIVACY**

**April 23, 2009**

Thank you, Chairman Boucher and Ranking Member Stearns, for providing AT&T Inc. the opportunity to discuss consumer privacy in the online world. As you know, next-generation forms of targeted online advertising – commonly referred to as “behavioral advertising” – raise important privacy issues that are worthy of thoughtful consideration by policymakers and dictate a cautious, consumer-focused approach by industry.

To be sure, your further inquiry into these matters is warranted. The interactive advertising industry continues to grow and experiment with new business models, and new ways of addressing privacy concerns. The attention of Congress, as well as the FTC, to these matters has gone far to encourage industry innovation and robust self-regulation. Your continued engagement in and growing understanding of this topic should, therefore, spur refinement of the technologies, policies and practices that online advertisers adopt.

Today’s hearing is also quite timely. While the companies represented here today generally are not engaged in behavioral advertising, the companies that are not present – most notably search engines and online advertising networks – have moved well past experimentation and have deployed sophisticated methods of tracking, targeting and delivering advertising to online consumers. Thus, we respectfully encourage the committee to focus similar attention on

the actors in the online ecosystem that are today actually engaged in behavioral and other forms of next-generation online advertising. Otherwise, your understanding of these new modes of advertising, their impact on consumers, and the best practices that can and should be utilized to ensure personal privacy, will be incomplete.

### **The Challenge Posed by Behavioral Advertising**

Given AT&T's multi-faceted position as a major advertiser, a website publisher, an Internet service provider ("ISP"), and the leading communications company in America, we have a profound interest in seeing the Internet grow through an advertising-supported model. For this reason, AT&T has articulated and publicly supports a pro-consumer framework that promotes the privacy interests of our customers and fosters the advancements that lead to more *useful and relevant* advertising. We have endorsed the simple principle that we need to engage consumers and offer them transparency and control over their Internet experiences. Next-generation forms of online advertising could prove quite valuable to consumers and could dramatically improve their online experiences. After all, online advertising fuels investment and innovation across a wide range of Internet activities, and provides the revenue that enables consumers to enjoy many free and discounted services and a rich diversity of content and information. Our joint goal should, therefore, be to improve the Internet experience for consumers while also increasing the capabilities of and the consumer value created by the online advertising industry.

Behavioral advertising can take many forms. It can, in theory, involve the use by an ISP of technologies to capture and analyze a user's Internet browsing activities and experience across unrelated websites. Various interactive advertising technologies also allow search engines and advertising networks to implement ever more sophisticated business models to track consumer web surfing and search activity over time, develop profiles of consumer activity, and combine

data from offline and online sources. These techniques include, by way of example, an ad network “dropping” third-party tracking “cookies” on a consumer’s computer to capture consumer visits to any one of thousands of unrelated websites; embedding software on PCs; or automatically downloading applications that – unbeknownst to the consumer – log the consumer’s full session of browsing activity.

Yet, the concern here is not necessarily that there will be more or new forms of online advertising. Rather, pitfalls arise because behavioral advertising in its current forms is largely invisible to consumers. Consumers confront an overwhelming amount of online content and advertising without the benefit of a cohesive explanation of the businesses or relationships that underlie that content, the manner in which the consumer’s personal information is collected or used, or the control – or lack thereof – that the consumer has over her personal information in the first place. Against this backdrop, then, customers clearly appear to understand and willingly accept that information will be collected in commercial relationships – both offline and online – and will be used to offer goods and services that are of value to them. But it seems equally clear that these same consumers do not well understand or fully embrace the concept – what we now call “behavioral advertising” or “invisible tracking” – that their online activity associated across unrelated websites, or their overall web-browsing activity, can be and is used to create detailed profiles of them. These new online advertising paradigms must be designed to account for a new set of still evolving consumer expectations and understandings about how personal information will be used and how personal privacy will be safeguarded. As an industry, then, we must deploy next-generation advertising techniques in tandem with next-generation privacy innovations, and any solutions must be achieved by all elements of the Internet ecosystem.

## **AT&T's Response to the Challenge**

The first thing that AT&T is doing to address the challenge of behavioral advertising – its promise and potential pitfalls – is to avoid thoughtlessly lurching into this realm without proper due diligence. We will initiate such a program only after testing and validating the various technologies and only after establishing clear and consistent methods and procedures to engage consumers and ensure the protection of, and ultimate consumer control over, consumer information. To this end, we are working with privacy advocates, consumer privacy coalitions and fellow industry participants in a cooperative, multi-faceted effort to develop a predictable framework in this area. If AT&T deploys these technologies and processes, it will do so the right way.

Indeed, AT&T already has adopted flexible privacy principles that will guide any effort to engage in behavioral advertising. We summarize this consumer-centric framework as follows:

- ***Transparency:*** Consumers must have full and complete notice of what information will be collected, how it will be used, and how it will be protected.
- ***Consumer Control:*** Consumers must have easily understood tools that will allow them to exercise meaningful consent, which should be a sacrosanct precondition to tracking online activities to be used for online behavioral advertising. AT&T will not use consumer information for online behavioral advertising without an affirmative, advance action by the consumer that is based on a clear explanation of how the consumer's action will affect the use of her information. This model differs materially from the default-based privacy policies that advertising networks and search engines – which already are engaged in behavioral advertising – currently employ.

- ***Privacy protection:*** The privacy of consumers and their personal information will be vigorously protected, and we will deploy technology to guard against unauthorized access to personally identifiable information.
- ***Consumer Value:*** The consumer benefits of a behavioral advertising program include the ability to receive a differentiated, secure Internet experience that provides consumers with customized Internet advertisements that are relevant to their interests. But we think the future is about much more than just customized advertising. Consumers have shown that in a world of almost limitless choices in the content and services available on the Internet, they see great value in being able to customize their unique online experience. That is the ultimate promise of the technological advances that are emerging in the market today.

The pillars of this framework – *transparency, consumer control, privacy protection, and consumer value* – can be the foundation of an ethic of consumer engagement for all players in the online behavioral advertising that both ensures that consumers have ultimate control over the use of their personal information and guards against privacy abuses. We believe these principles offer a rational approach to protecting consumer privacy while allowing the market for Internet advertising and its related products and services to grow.

Regardless of any ultimate policy framework, though, in order for consumers truly to be in control of their information, *all* entities involved in Internet advertising, including ad networks, search engines and ISPs, will need to adhere to a consistent set of principles. A regime that applies only to one set of actors will not protect consumers. In addition, it will arbitrarily favor one business model or technology over another. After all, consumers do not

want information and control with respect to just a subset of potential online advertising or the tracking and targeting that might underlie those ads. Thus, we trust that the committee will evaluate all facets of the online advertising industry and ensure that any privacy protections apply across the industry and across technologies.

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