



**Testimony of Nicole Wong
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House Committee on Energy and Commerce
Subcommittee on Communications, Technology, and the Internet and
Subcommittee on Commerce, Trade, and Consumer Protection
Hearing on the potential privacy implications of behavioral advertising
June 18, 2009**

Chairman Boucher, Chairman Rush, Ranking Member Stearns, Ranking Member Radanovich, and members of the Committee.

I'm pleased to appear before you this morning to discuss online advertising and the ways that Google protects our users' privacy. My name is Nicole Wong, and I am Google's Deputy General Counsel responsible for privacy. In this role, I work with our product teams and other privacy professionals at Google to ensure compliance with privacy laws and develop best practices for protecting our users' privacy.

Online advertising is relatively young and a very small piece of the advertising market as a whole. It accounts for approximately nine percent of all advertising revenue, and Google represents only 30 percent of online advertising revenue, according to Cowen and Company, in a business environment characterized by strong competition, significant innovation, and signs of continuing growth despite a challenging economic climate.

At Google we believe that our online advertising business has succeeded because our most important advertising goal is to deliver ads that benefit our users. From its inception, Google has focused on providing the best user experience possible. We do this, for example, by ensuring that advertising on our site delivers relevant content that is not a distraction. In fact, we endeavor to make ads that appear next to search results just as useful to Google's users as the search results themselves.

Putting our users first also means that we are deeply committed to their privacy, and our products and policies demonstrate that commitment. We believe that success in online advertising and protecting our users' privacy are not mutually exclusive goals. We work hard to provide advertising that is transparent to users, provides them with appropriate choices, and protects any personal information that we collect from inappropriate access by third parties. In fact, we design all of our products according to the three design principles of transparency, choice, and security.

In my written testimony, I would like to cover three key points:

- First, I'll describe Google's main advertising products and the significant benefits that we at Google believe online advertising brings to advertisers, online publishers, and individual Internet users.
- Second, I'll discuss Google's approach to privacy, specific steps that we take to protect our users' privacy, and our recent release of a new advertising product that we call interest-based advertising.

- And finally, I'll explore ideas and make recommendations for how to better protect Internet users' privacy with respect to advertising as well as more generally as increasing amounts of information move to the Internet.

The Benefits of Online Advertising

Google offers three main advertising products: AdWords, AdSense for Search, and AdSense for Content. AdWords is an advertiser-facing product that lets advertisers run ads on Google and on third-party sites that partner with us as part of the Google Content Network. AdSense for Search is a publisher-facing product that shows ads in response to search queries entered by users of our partners' search engines, including AOL and Ask.com. AdSense for Content is a publisher-facing product that shows ads to people who visit our Google Content Network partners' websites, based on the content of the page being viewed by a user. The vast majority of Google's revenue comes from these products.

In addition to AdWords and AdSense, our DoubleClick business lets advertisers and publishers take advantage of our efficient ad serving and reporting infrastructure.

In March of this year, we launched a new offering for AdSense for Content called interest-based advertising, which enables ads that are based on users' interests rather than the content of the page that they are viewing. I discuss interest-based advertising at length later in my testimony.

Advertisers, online publishers, and consumers all benefit from our advertising services. I'll start with consumers – our users – on whom our business depends.

In our experience, users value the advertisements that we deliver along with search results and other web content because the ads help connect them to the information, products, and services they're looking for. For example, the ads we deliver to our users complement the natural search results that we provide because our users are often searching for products and services that our advertisers offer. Making this connection is critical, and we strive to deliver the ads that are the most relevant to our users, not just the ones that generate the most revenue for us. We do this through our innovative ad auction system, which evaluates the relevance or usefulness of an ad to our users based on their search queries or the content that they are viewing. And in our pay-per-click pricing model, we generate revenue only when a user is interested enough to click on an ad.

Online advertising makes it possible for Google to offer dozens of free products to our users – everything from search and email to our word processing application Google Docs. Each of these products reflects our commitment to improving our users' online experience. For example, Google Docs allows multiple users to collaborate on a single document, presentation, or spreadsheet at the same time. And all of our products – including YouTube, Google Earth, and Gmail – are free to individuals for personal use. Current and future prospects for online advertising support the creation, development, and ongoing work on these and future products.

And our ads aren't always commercial. We run a program called Google Grants that provides free advertising to not-for-profit organizations supporting science and technology, education, global public health, the environment, youth advocacy, and the arts. For example the Dungannon Development Commission, which helps families in Dungannon, Virginia with housing, family services, and food drives, has seen a 50 percent increase in visits to its website (located at www.ddcinc.org) over the 18 months it's been associated with Google Grants. And Chicago-based Project Exploration, which makes science accessible to the public – especially minority youth and girls – through personalized experiences with scientists and science, has used Google Grants to generate more than 40 percent of the Internet traffic

going to www.projectexploration.org. Since April 2003, our grantees have collectively received over \$440 million in free advertising.

Our advertising network also helps small businesses connect with consumers that they otherwise would not reach, and do so affordably, efficiently, and effectively. The advertiser decides the maximum amount of money it wishes to spend on advertising and, as noted above, in the cost-per-click payment model the advertiser pays Google only when a user actually clicks on an ad.

Here are just some examples of small businesses and not-for-profit organizations that are using AdWords:

- Military spouse Meredith Levya of Schertz, Texas, founded eCarePackage.org after the attacks of September 11, 2001 to support our service members and their families with care packages, toiletries, snacks, and other necessities. Ms. Levya relies solely on AdWords to market nationally and significantly boost eCarePackage's ability to find people who want to show support to the troops.
- SmallConcept.com uses AdWords to drive customers to their store located in north Atlanta, Georgia, as well as to their online store. The family-owned business estimates that AdWords generates \$10,000 worth of sales each month.
- Jason Pelletier and Jessica Jensen of Los Angeles, California, created LowImpactLiving.com to educate on the benefits of green living and advise on how to lower your environmental impact. They use AdWords to reach out to environmentally conscious consumers and also monetize their site to deliver relevant AdWords ads alongside their content.
- Zingerman's Deli (www.zingermansdeli.com) of Ann Arbor, Michigan, has been using AdWords since the holiday season of 2007 when they saw an immediate 375 percent return on investment from advertising with Google.

Online advertising also promotes freer, more robust, and more diverse speech. This advertising supports the explosive growth of new online newspapers, blogs, and other online publications we have seen in the last few years. Our AdSense product lets publishers generate revenue from ads that we place on their websites, increasing the size and capabilities of the teams working on online publications. We know that many small website owners can afford to dedicate themselves to their sites full-time because of online advertising.

AdSense revenues support hundreds of thousands of diverse websites, and a significant percentage of the revenue we earn from advertising ends up in the hands of the bloggers and website operators who partner with us by featuring ads provided by Google. For example, last year we paid over \$5 billion in advertising revenue from our AdSense program to our publishing partners.

The vast majority of these AdSense partners are small businesses. For example, brothers Maxwell and Oliver Ryan leveraged AdSense to generate revenue for their home interior design resources site ApartmentTherapy.com. The New York City business soon expanded to branches in Boston, Chicago, Los Angeles, San Francisco, and Washington, DC in part by leveraging AdSense's ability to deliver relevant local advertisements. And in Alpharetta, Georgia, Stephanie and Rick Jaworski launched JoyofBaking.com as an outlet for Stephanie's passion in baking. The couple placed Google Ads on the site to earn revenue, and have now built a wildly successful business that sees over a million page views a month, which spikes

significantly during the holidays. Similar small business success stories are happening all across the United States.

AdSense partners also include hundreds of major newspapers across the country, like USA Today (www.usatoday.com), the Washington Post (www.washingtonpost.com), and the Los Angeles Times (www.latimes.com), as well as hundreds of smaller online news sites. We also work with online newspapers by sending them over one billion visits per month from our search engine and from Google News, our specialized service designed specifically for users who are looking for news articles.

It's no mistake that I've focused mainly on individual users, small publishers, and small advertisers. Google's business model has extended to what's known as the "long tail" of the Internet – the millions of individuals and small businesses that cater to and need to connect with niche interests and markets. Google's advertising programs lower the barrier to entry for small publishers and advertisers alike, and connect them with users who are interested in what they have to say or sell. As our advertising business continues to grow and evolve, we will continue working hard to encourage the development of the long tail.

Google's Focus on Privacy

We believe user trust is essential to building the best possible products. With every Google product, we work hard to earn and keep that trust with a long-standing commitment to protect the privacy of our users' personal information. We make privacy a priority because our business depends on it. If our users are uncomfortable with Google's approach to privacy, they are only one click away from switching to a competitor's services. As a result, for example, we are not in the business of selling our users' personal information.

Because user trust is so critical to us, we've ensured that privacy considerations are deeply embedded in our culture. Though I am Google's Deputy General Counsel responsible for privacy, I am just one of many individuals at Google who work on privacy, including global privacy attorneys and other Google employees who work on privacy technology, policy, and compliance initiatives. For example, our team of product counsels works with engineers and product managers from the beginning of product development to ensure that our products protect our users' privacy. We also have product managers dedicated to privacy and other trust and safety issues. And our Privacy Council, a cross-functional group of Google employees, helps us identify and address potential privacy issues.

Google's focus on user trust and privacy means that our product teams are thinking about user privacy by building privacy protections into our products from the ground up. For example, we have designed most of our products to allow people to use them without registering, and to avoid any use of personally identifiable data unless that use is fully disclosed in our privacy policy.

We have also made sure that three design fundamentals – all of them rooted in fair information principles – are at the bedrock of our privacy products and practices:

- **Transparency:** We believe in being upfront with our users about what information we collect and how we use it so that they can make informed choices about their personal information. We have been an industry leader in finding new ways to make our privacy practices more transparently to our users. Our Google Privacy Channel on YouTube (found at www.youtube.com/googleprivacy) features privacy videos that explain our privacy policies, practices, and product features in simple, plain language, and through our Privacy Center (found at www.google.com/privacy).

- **Choice:** We strive to design our products in a way that gives users meaningful choices about how they use our services and what information they provide to us. Many of our products, including our Search service, do not require users to provide any personally identifying information at all. When we do ask for personal information, we provide features that give users control over that information. For example, our Google Talk instant messaging service includes an “off the record” feature that prevents either party from storing the chat. In addition, we provide choice through our Data Liberation team, which is focused on making sure that our users control their data and can export it from our products and services conveniently and without expense. This effort ensures both a great user experience and strong competition on the web. Not trapping our users’ data is critical to ensuring that they have choice and control over their information.
- **Security:** Because we take security very seriously, we have some of the best engineers in the world working at Google to secure information. Much of their work is confidential, but we do want to highlight three ways we’re protecting our users’ data. First, our security philosophy is one of layered protection. The best analogy to this philosophy is how you secure your home. You put private information in a safe, you secure the safe in your house, you have locks and an alarm system for the house, and finally you have a neighborhood watch program or the police monitoring your neighborhood. Second, these layers of protection are built on what we believe is the best security technology in the world, including both products developed by others and our own security technology. We’re also constantly seeking more ways to use encryption and other technical measures to protect data, while still maintaining a great user experience. Finally, in addition to technology, we have processes in place that dictate how we secure confidential information at Google, and we limit access to sensitive information to a very limited number of Googlers, and then only when there is good reason to access the information. More information about our approach to security can be found on the Official Google Blog located at googleblog.blogspot.com/2008/03/how-google-keeps-your-information.html.

Interest-Based Advertising

In March of this year, Google announced our beta release of interest-based advertising – IBA – for our AdSense partner sites and YouTube. IBA uses information about the web pages people visit and YouTube videos watched to make the online ads they see more relevant. In addition, IBA allows advertisers to serve subsequent ads to users after they have left the advertiser’s website. For example, if a user visits a website that sells pet supplies, she might see an ad for cat food the next time she browses other sites that display interest-based ads from Google.

Providing such advertising has proven to be a challenging policy issue for advertisers, publishers, Internet advertising companies, and regulators over the last decade. On the one hand, well-tailored ads benefit consumers, advertisers, and publishers alike. On the other hand, the industry has long struggled with how to deliver this kind of relevant advertising in a way that respects users’ privacy.

In February, the Federal Trade Commission released its principles for online advertising (www2.ftc.gov/os/2009/02/P085400behavadreport.pdf). Likewise, non-governmental organizations interested in consumer protection and privacy also recently issued guidelines. The Network Advertising Initiative released its 2008 Self-Regulatory Code of Conduct in December of last year (www.networkadvertising.org/networks/2008%20NAI%20Principles_final%20for%20Website.pdf), and the Center for Democracy and Technology released its Threshold Analysis for Online Advertising Practices in January of this year (www.cdt.org/privacy/20090128threshold.pdf). There is a consistent message in all of these guidelines: consumers need and deserve greater transparency and choice when it

comes to online advertising, and in particular third-party advertising.

As Google prepared to roll out interest-based advertising, we consulted with many users, privacy and consumer advocates, and government experts. By listening to them and by relying on the creativity of our engineers, we built a product that goes beyond existing self-regulatory and industry standards. We are pleased that our launch of IBA includes innovative and consumer-friendly features that provide meaningful transparency and choice for our users.

Transparency in the right place and at the right time. When users see online ads today, they often don't know what information is being collected, who provided the ad, and sometimes who the advertiser is. We already clearly label most of the ads provided by Google on the AdSense partner network and on YouTube. The vast majority of Google Content Network ads contain in-ad notice, letting users with one click get more information about how we serve ads, and the information we use to show ads. This year we will expand the range of ad formats and publishers that display links that provide a way to learn more and make choices about Google's ad serving.

Meaningful, granular, and user-friendly choice. For the first time, people have a say in the types of ads they see by using our new Ads Preferences Manager (www.google.com/ads/preferences/). With this tool, users can view, add and remove the categories that are used to show them interest-based ads (sports, travel, cooking, etc.) when they visit one of our AdSense partners' websites or YouTube. To provide greater privacy protections to users, we will not serve interest-based ads based on sensitive interest categories. For example, we don't have health status interest categories or interest categories for children.

Tools that respect users' choices. Users can opt out of interest-based ads altogether, although it means they will probably see advertising that's less relevant and useful on our partners' websites or YouTube. The opt-out is achieved by attaching an "opt-out cookie" – a small file containing a string of characters that stores a preference for opting out – to a user's browser. More specifically, when a user opts out, an opt-out cookie that has the text "OPTOUT" where a unique ID would otherwise be is attached to the user's browser. If a user views the opt-out cookie, she will literally see the text "OPTOUT". This means that there is no further cookie-based information collected about that user (specific to the browser and computer that they are on). Opt-out cookies in the industry, however, have traditionally not been permanent. So Google's engineers also developed tools to make our opt-out cookie permanent, even when users clear other cookies from their browsers (see www.google.com/ads/preferences/plugin/).

Transparency beyond privacy policies. With interest-based advertising, we're continuing to explore new ways of communicating with our users on privacy. We've revamped the advertising section of our Privacy Center. And the Ads Preferences Manager features a video that explains in plain language how interest-based advertising works. All of the videos on the Google Privacy Channel on YouTube (www.youtube.com/googleprivacy) are open for comment and we look forward to hearing feedback from our users.

We've built our business by earning and keeping the trust of our users. And we'll continue our dialogue with them and with other stakeholders as we develop new products to make the ads we show our users more relevant and useful.

Continuing Efforts to Better Protect Consumer Privacy

In our quickly evolving business environment, ensuring that we earn and keep our users' trust is an essential constant for building the best possible products. With every Google product, we work hard to earn and keep that trust with a long-standing commitment to protect the privacy of our users' personal

information. As stated above, the bedrock of our privacy practices are three design fundamentals: transparency, choice, and security.

We have also found that innovation is a critical part of our approach to privacy. To best innovate in privacy, we welcome the feedback of privacy advocates, government experts, our users, and other stakeholders. This feedback, and our own internal discussions about how to protect privacy, has led us to several privacy innovations, including our development of new privacy tools for new products and our decision last year to anonymize our server logs after nine months for IP addresses and 18 months for cookies.

In the spirit of encouraging continuing innovation that enhances consumer privacy, we offer the following policy and technology recommendations – some of which can be accomplished by the private sector and some of which involve a government role.

Our ideas and recommendations endorse a baseline and robust level of privacy protections for everyone. On that foundation we believe that the private sector and government should cooperate to educate and inform consumers about privacy issues and to establish best practices that will help guide the development of the quickly evolving and innovative online advertising space. In addition, we believe that Congress should continue exploring online advertising practices with a particular focus on industry practices that may not be transparent. Finally, we believe that Google and others in the online advertising industry should work to provide tools to better protect individuals' privacy, and that government should encourage companies to experiment with new and innovative ways of protecting consumers' privacy.

Comprehensive Federal Privacy Legislation

Google supports the passage of a comprehensive federal privacy law that would accomplish several goals: building consumer trust and protections, establishing a uniform online and offline framework for privacy, creating expectations of privacy from one jurisdiction to another, and putting penalties in place to punish and deter bad actors. We believe that as information flows increase and more and more information is processed and stored – on remote servers rather than on users' or businesses' own computers – there is a greater need for uniform data safeguards, data breach notification procedures, and stronger procedural protections covering government and third-party litigant access to individuals' information.

Behavioral Advertising Principles and Self-Regulation

We participated actively in the Federal Trade Commission's efforts to develop privacy principles relating to online privacy and behavioral advertising, and we applaud the Commission's efforts to move industry towards stronger and broader self-regulation in the behavioral advertising space.

Google is a member of the Network Advertising Initiative (NAI), a self-regulatory organization chartered in 2000 to establish privacy principles for emerging online behavioral advertising technologies. In response to the FTC's call for stronger and broader self-regulation, the NAI is currently working with its members to undertake several new initiatives relating to notice in or around display advertisements and persistent opt-out technology. These efforts are very much in line with Google's own in-ad notice and persistent opt-out plugin tool.

Also in response to the Commission's call for a broad and strong self-regulatory system, Google has been working for several months with numerous leading companies and associations on cross-industry self-regulatory principles designed to provide consumers with greater transparency and choice regarding the online advertising they see. The effort was initiated by some of the nation's largest and most prominent

national advertising and marketing and publisher trade associations including the Association of National Advertisers, the American Association of Advertising Agencies, the Direct Marketing Association, and the Interactive Advertising Bureau. Though it has not been finalized, we are hopeful that this self-regulation effort will result in a benefit to American consumers through greater transparency and choice in online behavioral advertising.

We trust that this Committee will welcome these industry efforts at stronger and broader self-regulation as a positive initiative that will benefit consumers. At the same time, in the interest of consumers, we hope that the Committee will encourage industry to adhere to these standards and always be on the lookout for areas of improvement.

Empowering Consumers through Education and Transparency

Transparency is one of Google's bedrock design principles because we believe that informed and knowledgeable users are best able to protect their privacy. We believe that both the private sector and the government, including agencies like the FTC, can and should provide more information about what kinds of personal information are collected by companies, how such data is used, and what steps consumers can take to better protect their privacy.

At Google, for example, we take great pride in our effort to provide our users with a better understanding of how we collect, use, and protect their data through a series of short videos available at Google.com and on YouTube, as well as through blog posts. Too often, companies view their online privacy policy – which is often impenetrable to the average user – as the beginning and end of their privacy obligations. Companies that interact with consumers need to do more than simply provide and link to privacy policies; all we need to offer consumer-friendly materials in different media to help users better understand how their information is collected and used, and what choices they have to protect their privacy.

We also believe in “transparency in context” so that consumers can benefit from privacy information when and where they're actually using a product or service, in addition to through a privacy policy. The concept of transparency in context underlies our desire to provide in-ad notice for interest-based ads. With such notice, consumers have easy access to both information and choice tools at the point of interaction with the relevant product.

Continuing Development of Technology to Empower Users

Products like Google Toolbar let a user choose to not have data collected, and that choice persists even if all cookies are cleared and until the user chooses to have data collected. Similarly, as described above, our interest-based advertising product allows users to opt out of collection and use of data for that type of advertising until they make an affirmative choice to opt back into IBA.

Google also offers features like Web History, which allows users to view and search all search queries they have made on Google Search while logged into Google. Web History also lets users delete and thus disassociate from their account information any searches that they conduct while they are logged in. Users can also pause Web History altogether if they do not want their searches to be associated with their account information – and this choice persists until users choose to resume Web History.

Like Google, many other Internet companies that are consumer-facing and have strong trust relationships with consumers have developed tools that empower consumers. We applaud their efforts, and we believe that industry can and should continue to ensure both the availability of more transparency and greater user choices that persist at the user's option. Google looks forward to continuing to release products with

features and tools that uphold our commitment to providing users with greater transparency and more choice and control.

Further Exploration of Industry Practices

We believe that online advertising is critical to the success of the Internet and of the economy more broadly. In fact, a study commissioned by the Interactive Advertising Bureau and released last week put some real numbers on this very point. According to Harvard Business School professors John Deighton and John Quelch, the Internet is responsible for 3.1 million American jobs and \$300 billion in economic activity spread throughout the United States. As Professors Deighton and Quelch put it, the web “has created unprecedented opportunities for growth among small businesses and individual entrepreneurs.”

Of course, the online advertising industry, like all industries, has the obligation to engage in responsible business practices, and ought to be transparent with Congress about those practices. Already, the Network Advertising Initiative – of which Google is a member – places limitations on its members’ activities. For example, the NAI requires opt-in consent from consumers when their personally identifiable information (PII) is merged with previously collected non-PII, as well as when advertisers use sensitive consumer information for behavioral advertising.

There may also be industry practices that are not transparent and may not be in consumers’ best interests that require exploration by this Committee and Congress generally. In addition, the Committee should take a holistic approach to this issue, especially given ongoing efforts to bring together online and offline data, thus blurring the lines between the two worlds. The real potential misuse of personal information (such as the sale of personal information without an individual’s consent), and not simply the platform on which it is gathered, should be at the core of further Committee action.

Conclusion

Chairman Boucher, Chairman Rush, Ranking Member Stearns, Ranking Member Radanovich, and members of the Committee, thank you for inviting me to testify today. We at Google appreciate the opportunity to demonstrate both the benefits of online advertising and how our company has helped lead in the effort to protect consumers’ privacy by providing them with transparency, choice, and security.

I look forward to answering any questions you might have about our efforts, and Google looks forward to working with members of the Committee and others in the development of better privacy protections.

Thank you.