



Testimony of Jane Horvath
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Chairman Inouye, Vice Chairman Stevens, 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 Jane Horvath, and I am Google's Senior Privacy Counsel. In that role I am responsible for working 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.

Google's mission is to organize the world's information and make it universally accessible and useful. The best known way that we do this today is through our search engine, which is available for free to internet users throughout the world. The availability of Google search and our other products – and the improvements that we make to our products on a daily basis – is funded by online advertising, by far our primary source of revenue.

Online advertising is relatively young and a very small piece of the advertising market as a whole. It is a dynamic business characterized by strong competition, significant innovation, and continuing growth. Online advertising has succeeded because it helps businesses find customers more efficiently and effectively than through other media. It has also helped to create entirely new and innovative small businesses that generate revenue through advertising, often in partnership with Google.

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, our goal is to make our ads just as useful to Google's users as search results themselves.

We've also made a commitment to never compromise the integrity of our search results, for example by manipulating rankings to place our partners higher in our search results. And advertising on Google is always clearly identified as a “Sponsored Link” to ensure that our users know the difference between our search results and any advertising that we provide.

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 in a way 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 my testimony this morning, I would like to cover three key points:

First, I'll explain 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 privacy issues involving our advertising business.

And finally, I'll explore ideas and make recommendations for how to better protect internet users' privacy both with respect to advertising as well as more generally as more and more information moves to the internet cloud.

The Benefits of Online Advertising

Google offers three main advertising products: AdWords, AdSense for Search, and AdSense for Content. Our AdWords product allows us to provide ads on Google.com in response to search queries entered by our users, as well as to provide ads on our AdSense for Content and AdSense for Search services. AdSense for Search allows us to provide ads in response to search queries entered by users of our partners' search engines, including AOL and Ask.com. AdSense for Content allows us to provide ads to visitors of our third-party publisher partners' websites. AdSense for Content ads are provided based on the content of the page that is being viewed by a user. The vast majority of the revenue that Google generates comes from these three products.

All three advertising products are primarily easy-to-create text ads, which is one of the many reasons that hundreds of thousands of small businesses advertise with us. We also provide the capability to show display ads – ads that incorporate graphics in addition to text – through AdSense for Content, and we plan to enhance our display ad serving capabilities with our recent acquisition of DoubleClick, a display ad serving technology company.

Advertisers, online publishers, and consumers all benefit from our advertising network. 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 seek. 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 gives weight to the relevancy – the usefulness – of the 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 only generate revenue when a user is interested enough to click on an ad.

The revenue that we generate from 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 underscores our commitment to improving our users' online experience. For example, Google Docs allows multiple users to edit a single document, presentation,

or spreadsheet at the same time. And, despite the popularity of tools like Google Earth and YouTube, each of our products is free to individuals for personal use. Our online advertising business model subsidizes the creation, development, and ongoing improvements to and support for 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 engaged in areas such as science and technology, education, global public health, the environment, youth advocacy, and the arts. For example, we have provided Google Grants to non-profits such as Room to Read (www.roomtoread.org), which educates children in Vietnam, Nepal, India, and Cambodia, and CoachArt (www.coachart.org), which provides therapeutic art and athletic lessons to underprivileged children with life-threatening illnesses. Since April 2003, our grantees have collectively received almost \$300 million in free advertising.

Our advertising network also enables small businesses to connect with consumers that they otherwise would not reach, and to 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 only pays Google when a user actually clicks on an ad.

Here are just two of many stories of small businesses succeeding thanks to Google advertising. Suzanne Golter owns the Happy Hound dog daycare (www.happyhound.com) in Oakland, California. She estimates that 90 percent of her business is generated through Google AdWords, which helps her bring in approximately 40 new clients per month. In Minneapolis, Minnesota, Kenny Kormendy, a then-struggling taxi driver built a site for out-of-state travelers called Gopher State Taxi (www.gopherstatetaxi.com) and utilized AdWords to compete online with bigger taxi companies. In under three years, Gopher State Taxi has grown to a network of over 36 cabs, and Mr. Kormendy credits AdWords with connecting nine out of ten customers that his company services.

Online advertising also promotes freer, more robust, and more diverse speech. It's no coincidence that blogs have proliferated over the past few years. Our AdSense product enables bloggers and other publishers to generate revenue from ads that we place on their websites. Without online advertising, the individuals who run these sites would not be able to dedicate as much time and attention to their publications as they do today. In fact, we know that many 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. Last year we paid \$4.5 billion in advertising revenue from our AdSense program to our publishing partners. In Nevada, Arizona, Florida, and Washington alone over 100,000 of our publishing partners collectively generated nearly \$100 million from AdSense in 2007.

The vast majority of these AdSense partners are small businesses. For example, in Oregon, Hope Pryor, a grandmother of four, uses AdSense on her site – Cooksrecipes.com – to generate her primary source of income. And in Massachusetts, honey bee aficionado and retiree Albert Needham uses AdSense revenue generated from his Bees-online.com website to fund personal vacations. Similar small business success stories are found all across the United States.

It's no mistake that I've focused mainly on individual users, small publishers, and small advertisers. Google's business model has concentrated on 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 and 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. In fact, if our users are uncomfortable with how we manage their personal information, they are only one click away from switching to a competitor's services.

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 Senior Privacy Counsel, I am just one of many individuals at Google who work on privacy. For example, we have product counsels who work 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 we have a Privacy Council, which is comprised of a cross-functional group of Google employees that convenes on a regular basis to help Google address 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 anonymously, and to ensure that none of our products use any 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 educate users about privacy, such as through our Google Privacy Channel on YouTube (found at www.youtube.com/googleprivacy) where we feature privacy videos that explain our privacy policies, practices, and product features in simple, plain language.
- **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 also endeavor to 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.
- **Security:** We take seriously the protection of data that our users entrust with us. Google employs some of the world's best engineers in software and network security and has teams dedicated to developing and implementing policies, practices and technologies to protect this information. More information about our approach to security can be found in a recent post at

the Official Google Blog located at googleblog.blogspot.com/2008/03/how-google-keeps-your-information.html.

One of our newest products is Google Health, which enables individuals to consolidate and store their medical records and personal health information online. Google Health demonstrates our commitment to all three design fundamentals. For example, we have provided significant transparency about Google Health's privacy features through blog posts and the product's easy-to-understand privacy policy and frequently asked questions. In addition, Google Health provides users choice by empowering them with the decision of what information to import, share, and delete, and easy tools for accomplishing each.

The online advertising products that we offer today are also privacy-friendly because they are primarily contextual in nature. That is, we generally provide ads in response to what a user is searching for or viewing at the time, rather than based on who we believe the user may be or an extended history of the user's activities either online or off.

To respond to our users' desire for more relevant advertising, and to advertisers' desire to provide more relevant advertising to internet users, we are experimenting with some forms of online advertising that do involve more than the current search query to provide an ad. For example, we are currently experimenting in Google.com search with providing ads based on both the current query and a previous search. A user who types "Italy vacation" into the Google search box, for instance, might see ads about Tuscany or affordable flights to Rome. If the user were to subsequently search for "weather," we might assume that there is a link between "Italy vacation" and "weather" and deliver ads regarding local weather conditions in Italy. However, Google does not build a profile of the user to serve these ads that is stored and used later to serve other ads to the user.

As we continue to incorporate DoubleClick into our business, our focus on display advertising – ads that feature images in addition to text – will increase across our advertising product offerings, as will our ability to provide metrics and an improved user experience to our AdSense network. We believe that expanding into display advertising products is one way that we can compete effectively in the highly competitive online advertising environment. This transition will not undermine Google's focus on privacy or our commitment to the fundamental principles of transparency, choice, and security. As we move to offer more display advertising and other advertising products, Google intends to continue to be a leader in offering products that protect and respect the privacy of our users.

Google's Efforts to Continue Innovating in 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.

Another constant that we have found in our business is 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 decision last year to anonymize our server logs after 18 months.

In the interest of continuing to protect individuals' 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 – in the spirit of continuing the effort to innovate on consumer privacy. Our ideas and recommendations endorse a baseline and robust level of privacy protections for all individuals. On top of that baseline platform 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. 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 Law

Google supports the passage of a comprehensive federal privacy law that would accomplish several goals such as building consumer trust and protections; establishing a uniform framework for privacy, which would create consistent levels of privacy from one jurisdiction to another; and putting penalties in place to punish and dissuade bad actors. We believe that as information flows increase and more and more information is processed and stored in the internet cloud – on remote servers rather than on users' home computers – there is a greater need for uniform data safeguarding standards, data breach notification procedures, and stronger procedural protections relating to government and third party litigant access to individuals' information.

Behavioral Advertising Principles

We have participated actively in the Federal Trade Commission's efforts to develop privacy principles relating to online privacy and behavioral advertising. Our hope is that revised principles will be adopted widely by the online advertising industry and serve as a model for industry self-regulation in jurisdictions beyond the United States. In order for the principles to achieve such broad adoption, however, they need to be revised to ensure that they can be operationalized by industry and that they will give consumers appropriate transparency, choice, and security. In order for that to happen, the principles would, among other things, need to make a distinction between personally identifiable information (PII) and non-PII.

Consumer Education

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, web site operators view their online privacy policy – which is typically impenetrable to the average user – as the beginning and end of their privacy obligations. Web companies that interact with individuals need to do more than simply provide and link to privacy policies; we need to offer consumer-friendly materials in different media to better help their users understand how their information is collected and used, and what choices they have to protect their privacy.

Transparency and Choice in Display Advertising

Google text ads are generally labeled “Ads by Google” or “Sponsored Links” and are accompanied by an explanation of what they are so that users understand that they are advertisements and that they have been provided by Google. We believe that this kind of notice and explanation should be adopted by industry and applied not only to text ads but also to display ads. We also believe that industry should continue working together to provide, for example, effective mechanisms that empower consumers with the ability to opt out of behaviorally targeted advertising.

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. 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. We believe that more can be done by industry to ensure the persistence of users’ choices, and we look forward to exploring such tools with industry and other stakeholders.

Conclusion

Chairman Inouye, Vice Chairman Stevens, and members of the Committee, thank you for the opportunity to testify today. I appreciate the opportunity to explain the benefits of our advertising business to consumers, advertisers, and publishers, and the chance to explain how Google protects our users’ privacy.

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 for internet users everywhere.

Thank you.