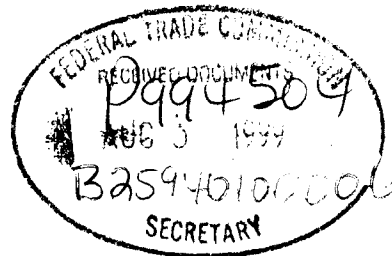


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FEDERAL TRADE COMMISSION

CHILDREN'S ONLINE PRIVACY PROTECTION RULE
COMMENT P994504

CLARIFICATION OF COMMENTS OF
THE WALT DISNEY COMPANY
AND INFOSEEK CORPORATION

Washington, D.C.

Wednesday, July 14, 1999

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P R O C E E D I N G S

(11:11 a.m.)

1
2
3 MR. BATES: Thank you. I just want
4 to make the point that we've made
5 consistently. And we've talked to, I think,
6 everyone here before about this, that we
7 think we have probably the best site going
8 for children on the Internet. And we feel
9 that we should be in the business of getting
10 people to go to our site, not put barriers in
11 the way of people coming to our site. We
12 feel that basically e-mail verification is
13 the way to go, and that's obviously
14 represented in our comments.

15 We think stopping children or
16 putting tough barriers in the way from
17 getting to our site is going to have the
18 reverse effect of what you all want, and
19 that's basically our argument today.

20 So, anyway, with that, Eric, I'm
21 going to let you walk through your
22 demonstration.

1 MR. ALEDORT: First of all, I'd
2 like to thank you for meeting with us. This
3 is very helpful to walk through our
4 perspective, even though it is reflected in
5 our comments and obviously some of you heard
6 it before. We are very proud of the way
7 we've designed our registration system to
8 make three different pathways for different
9 age groups, one for children, one for teens
10 and one for adults, and I just want to walk
11 you through what it looks like today. And
12 this is also a reflection of how it works
13 across the Go network which would include
14 ESPN, ABC, ABC News, as well as Disney.

15 So you went to Disney.com on July
16 13, screen shot. This is of our home page
17 and we've redesigned the site fairly
18 recently, so we have lots of different
19 channels to go to. You can go to any of
20 these channels, and there's our privacy
21 policy.

22 COMMISSIONER ANTHONY: Just a

1 minute. Where?

2 MR. ALEDORT: Well, these are all
3 channels.

4 COMMISSIONER ANTHONY: Privacy
5 policy.

6 MR. ALEDORT: The privacy policy is
7 right down here. And you'll notice we are
8 rolling out with the one-click concept or the
9 net wise which is to provide safety
10 information as well as tools on every single
11 page of our site. So we basically combined
12 privacy policy and Internet safety
13 information. So it will be a page that
14 contains our privacy policy as well as links
15 to Center for Missing and Exploited Children
16 and other content about Internet safety.

17 So, if you were to go to one of our
18 popular areas, this is television. This is
19 the selection of various activities you can
20 do within Disney television. We've lost the
21 footer down here but that's the same footer.
22 Across the board to a privacy policy and

1 Internet safety.

2 And what I wanted to show you was
3 if you go on a Disney channel, this is the
4 Zoog page. I don't know if any of you have
5 seen Zoog. Zoog is on the Disney channel and
6 it is actually interactive television where
7 children can play games and participate on
8 the web site and that participation is
9 reflected on the show the next week.

10 So it's very exciting and people
11 have really received it well. As you know,
12 we require a restriction for any of the
13 interactive components such as chats,
14 bulletin boards, ----- participating in the
15 contents.

16 So you've arrived at Zoog and
17 you've decided it's time to register because
18 you want to send a card to someone, you want
19 to post a message, or you want to participate
20 in a chat. And you come to our registration
21 page and this is a page we've rebranded for
22 ESPN or for ABC. But the page is essentially

1 the same and has the same information.

2 And there's a small description of
3 what you can do if you register, enter
4 contests or participate in chats, bulletin
5 boards, other fun activities, send ----
6 cards, which are interactive, reading cards,
7 receive updates from Disney.com and much,
8 much more.

9 It also says that Disney.com
10 registration gives you a Go network access.
11 And this is an important point that you have
12 one registration name. You've collected the
13 information once from a user, not every time
14 you have to go anywhere in the network, and
15 that registration is valid and ----.

16 The information isn't shared within
17 the network. It is one database. So, if
18 you're the user and you've gone to ESPN, you
19 can use your user in any password to go post
20 a message on ESPN or play a game on ESPN if
21 it's a game that needs to be a registered
22 game or joint contest. And that's across the

1 board.

2 The database doesn't get shared.
3 The database is only accessed by the user
4 when the user identifies himself and says I
5 am Eric A, here's my password. It goes and
6 checks the database and says yes, you are the
7 user; you may participate in the activity.

8 And across the network we have the
9 same policies, which is, if you are under 13,
10 we never send you an e-mail. We never market
11 to you. We never share that information with
12 an outside party, period.

13 MR. BATES: So if you were in ESPN
14 they would know you were 13 and you would
15 have to follow the same restrictions you and
16 I ----?

17 MR. ALEDORT: That's correct.

18 COMMISSIONER ANTHONY: Never send
19 an e-mail, never market.

20 MR. ALEDORT: Never market. Never
21 market in any way, shape, or form, and never
22 share the information. We never share the

1 information for anybody. That's not just for
2 13, but that's true across the board.

3 MR. SILVERMAN: Even within the
4 company, right, Eric?

5 MR. ALEDORT: Yeah.

6 MR. SILVERMAN: So you don't even
7 share it within Disney. So it wouldn't be
8 necessarily sent over to, like, the theme
9 parks or something like that to market? So
10 none of that information moves even when --

11 COMMISSIONER ANTHONY: So it's only
12 online keeps it and that's it?

13 MR. ALEDORT: Online keeps it. If
14 you are an adult, for example, and you've
15 decided that you would like to get e-mails
16 about new activities of the Walt Disney
17 Company.

18 COMMISSIONER ANTHONY: You can opt
19 in?

20 MR. ALEDORT: You can opt in. And
21 the parks, for example, would come to us and
22 say we have a great new millennium exhibit.

1 Please add us to your standard monthly
2 e-mail. But we sent it out. We don't
3 transfer the information to parks and say you
4 send out an e-mail. We control the user
5 information and how people receive
6 information from us.

7 COMMISSIONER ANTHONY: All right,
8 but under 13 you do not share your info even
9 with your parks?

10 MR. ALEDORT: Well, that's true for
11 anyone. There's no sharing.

12 COMMISSIONER ANTHONY: No sharing.

13 MR. ALEDORT: But we do send
14 e-mails to teens and adults so long as
15 they've agreed to accept. Kids can agree to
16 receive e-mails from us except of service
17 outage. We would send a technical e-mail.
18 Your user name is invalid; would you please
19 select a new one? Our system is down, we're
20 sorry. Those are the only things that would
21 be reported as a security issue. That's the
22 only time we would contact them.

1 So you've decided you want to
2 register. You've told us that you're a
3 child. This is the information and this is a
4 Zoog-themed registration, but all the
5 registration information is the same across
6 the network. So, no, ESPN doesn't collect
7 more information than ABC and ABC doesn't
8 collect information from Disney. It's one
9 database, one collection of information.

10 So you have a first name and a last
11 name, an e-mail address and a parent's e-mail
12 address, a ZIP code which will allow
13 personalization of your letter. So we can
14 immediately know that you're in San Marino,
15 California, and here's today's weather if you
16 want to go create your own home page, gender,
17 which is optional, and the birthdate.

18 The birthdate is basically another
19 check to see if someone has said, for
20 example, they're 18 but they put in an under-
21 12 birthday. They get bounced with this
22 page. It says I'm sorry, you've told us

1 you're under 12. You can't register as a
2 teen.

3 COMMISSIONER ANTHONY: Where do
4 they do that in the first place?

5 MR. ALEDORT: This is where they do
6 it. This is the --

7 COMMISSIONER ANTHONY: This is the
8 first place?

9 MR. ALEDORT: We just filled it in.

10 MR. BATES: The point you want to
11 make here, Eric, is that we have made all the
12 other sites adhere to our Disney.com site.

13 MR. ALEDORT: Go and ESPN and ABC
14 now are limited in the information they can
15 collect. Even though they're not
16 specifically directed to children, we wanted
17 to roll out a universal policy with the
18 concept that you collect as little
19 information as necessary to allow them to
20 register. And if they want to do something
21 else where they might need more information,
22 you could ask for it at that time.

1 We really do not want to house tons
2 of information and that's also one of the
3 reasons we really do not want a credit card.
4 We don't want the credit card information.
5 We think that's a hurdle for people to say I
6 don't want to give my credit card to buy
7 something; forget about giving my credit card
8 to have an e-mail.

9 That's why this has been a user
10 name because we don't want them to use their
11 real name and then a password. And we sent
12 this message which comes on the screen, gives
13 your name, you've registered, a little blurb
14 about what you can do. And then it confirms
15 again that we're going to send the parent or
16 guardian an e-mail confirming registration.

17 The parent or guardian has to
18 respond back to the e-mail and accept
19 registration before it's a valid account.
20 And until that happens, a child cannot post a
21 message on the bulletin board, cannot enter a
22 chat room and send a message. They can read

1 chats, but they can't participate. And they
2 don't have a valid ----.

3 COMMISSIONER ANTHONY: Let's go
4 back to the previous page and let me see what
5 the registration page looks like. Can you
6 take us back there?

7 MR. BATES: Eric, can we put these
8 pages up?

9 MR. ALEDORT: I think in our
10 comments we have a registration page, also.
11 It's a ---- book because it's not the Zoog
12 page, but I think we have a registration
13 page.

14 MR. SILVERMAN: There you go. And
15 this is a classic. This would be the Disney,
16 just the Disney.com, as opposed to Zoog.
17 They changed the color basically to make it
18 fit in. But it's the same information.

19 COMMISSIONER ANTHONY: Let me ask
20 you this: Do you market to the parents?

21 MR. ALEDORT: No. We would market
22 to the parents if the parent has registered

1 as a separate user, but we do not take the
2 parents' e-mail address and send them that
3 information. We view the receipt of the
4 parent's e-mail address as solely to validate
5 the account.

6 And we're very pleased with the
7 success in terms of number of verifications.
8 We're at about a 40-percent verification
9 rate, which for e-mail response is very high.
10 And for us it validates the idea that parents
11 are taking this seriously and responding and
12 saying yes, I want my child to participate or
13 no, I don't, but a 40 percent rate, at least,
14 is enough of an interaction.

15 MR. DeSANTIS: So the 40 percent is
16 people who respond one way or the other?

17 MR. ALEDORT: No, no, the 40
18 percent are saying yes.

19 MR. DeSANTIS: Okay. Of the
20 remaining percent, how many are saying no and
21 how many are just lost in space?

22 MR. ALEDORT: That's a very good

1 question and I have been pressing our
2 engineers to be able to answer that question.
3 It's a complicated excuse, basically, but
4 they couldn't read the token between a no
5 versus a no response and they're working to
6 fix that.

7 Obviously something we are also
8 very interested in knowing to gage the
9 success of the whole process.

10 COMMISSIONER ANTHONY: So the other
11 60 percent are either no or no response?

12 MR. ALEDORT: That's right.

13 COMMISSIONER ANTHONY: You don't
14 know which?

15 MR. ALEDORT: Right. As soon as I
16 can get that information from our engineers,
17 we'll let you know. But we think we've done
18 a very good job of designing a fairly easy,
19 unobtrusive process for kids to be able to
20 come and use the interactive activities on
21 our site without asking for too much
22 information but having a base minimum for

1 security purposes and protection purposes
2 that will allow the kid to use the site,
3 allow us to contact a parent, or cut off
4 their registration.

5 If, for example, someone is
6 constantly sending out harassing e-mail from
7 their e-mail account and we got complaints
8 about that, we would be able to send the
9 e-mail to that person and the parents. You
10 are not conforming to our house rules, the
11 things you're supposed to do. Please
12 discontinue doing whatever it is you're
13 doing. And if they don't we would have the
14 right to say okay, you're not a valid user
15 anymore because you've violated our rules.
16 And that's it. Really, it's a short
17 presentation.

18 We are also very pleased with the
19 way we've been able to get our sister sites
20 to basically live up to our standards and,
21 recognizing that ABC News isn't a site
22 directed towards children, it still is

1 important for us that we have a uniform
2 policy on data collection since data is a
3 sensitive subject. And I don't think you can
4 really differentiate between a site that's
5 just a news site versus a site where some
6 children will come to. We think that's also
7 an issue for our ESPN office.

8 MR. SILVERMAN: I can say coming
9 from one of the business units that limiting
10 ourselves in terms of what we'll do in terms
11 of marketing does have an impact. It's great
12 to be able to market and it's an important
13 way to do it, but we've said no to ourselves
14 across our sites. And I think that's clearly
15 showing that we're willing to take a hit to
16 make sure that this self-regulation works
17 well. It's not in our self-interest
18 necessarily, but we're willing to clearly do
19 it even at a risk potentially of less ability
20 to market.

21 COMMISSIONER ANTHONY: Let's go to
22 the next page just a minute and let me ask

1 again why you feel that this is a reasonable
2 way to avoid child cheating. I don't know
3 what else to call it.

4 MR. ALEDORT: Well, let me actually
5 go back one step before we go forward. We
6 believe that if a child has, since we have no
7 database --

8 COMMISSIONER ANTHONY: I see here.

9 MR. ALEDORT: Right. We believe
10 exactly that if a child has said to us that
11 they are a child the likelihood of them lying
12 on stage two and basically trying to
13 circumvent this system at that point is
14 fairly low because you can easily just say
15 I'm an adult. Then there's no way
16 technologically for us to confirm whether
17 someone is an adult or a child. That system
18 does not exist until there is something like
19 a uniform protocol for digital signatures or
20 some way to have every person in the world in
21 a database, which I think wouldn't
22 necessarily make people happy.

1 COMMISSIONER ANTHONY: But let's
2 say the child says okay, I'm a teen. Click
3 here.

4 MR. ALEDORT: Well, actually, since
5 it's Power Point it's not live links. But
6 what would happen is you would get the same
7 screen because we still ask for the parents'
8 e-mail address because we inform the parent
9 that a user who has identified themselves as
10 a teen who is their child or ward. If your
11 child or ward has identified you as their
12 parent or guardian, they are registering.
13 This is an informational e-mail that says
14 parents, you should know that your teen has
15 registered and this is what it means. We're
16 going to send them e-mails informing them
17 about our products.

18 COMMISSIONER ANTHONY: Do you tell
19 them that their child has registered as a
20 child under 12 or a teen?

21 MR. ALEDORT: Yes.

22 COMMISSIONER ANTHONY: You give

1 them the category in which the child has
2 attempted to register?

3 MR. ALEDORT: Exactly.

4 MR. SILVERMAN: But if they're
5 under 21, clarify that they would have to --

6 MR. ALEDORT: Yes, if they're under
7 12 they cannot actually do anything without
8 the parent responding affirmatively. If
9 you're a teen, you have access, but it's an
10 informational e-mail to the parent.

11 MR. SILVERMAN: And is notified.

12 MR. ALEDORT: The parent is
13 notified.

14 MR. SILVERMAN: Under 12, the
15 parent has to respond.

16 CHAIRMAN ANTHONY: But a parent is
17 notified if someone attempts to register as a
18 teen?

19 MR. ALEDORT: Yes.

20 MR. DeSANTIS: And if a child
21 attempts to register as an adult --

22 MR. ALEDORT: But writes in their

1 birthday as their actual birthday, they get
2 bounced to -- it basically says sorry, you
3 are a child.

4 MR. DeSANTIS: Your screen is still
5 the same, though.

6 MR. ALEDORT: The screen is still
7 the same except there is no parenting ----
8 for an adult.

9 MS. ARMSTRONG: When is the parent
10 notified?

11 MR. ALEDORT: Immediately. The
12 e-mail goes out immediately. And we've
13 looked into and are willing to discuss
14 whether there is some time lag that is
15 appropriate. I know one of the concerns was
16 if you send it immediately you can receive
17 that e-mail as you're still online, and
18 there's some risk that the child will then
19 respond to that e-mail. Even though from our
20 point of view, if they've been honest enough
21 to admit that they're a child, there's no
22 incentive for them to basically self-validate

1 what they've already said. Okay, my mommy
2 and daddy need to know about this. And,
3 hopefully, they've given the correct address.

4 MR. SILVERMAN: I said under 12
5 before. I mean under 13.

6 CHAIRMAN ANTHONY: Have you
7 experienced any children attempting to
8 register as teens that you've been able to
9 bounce? And do you know how many bounces
10 you've gotten?

11 MR. ALEDORT: Why would we bounce
12 them? If you're a teen --

13 CHAIRMAN ANTHONY: No, a child
14 under 12, 12 or under, attempting to register
15 either as a teen or --

16 MR. ALEDORT: Oh, it's an
17 automatic. We don't track.

18 CHAIRMAN ANTHONY: You don't track
19 the bounces?

20 MR. ALEDORT: It's just part of the
21 system, so it would immediately send it to
22 you. So our engineers don't even have that

1 record. It would be like an invalid ZIP
2 code. It would give you an ---- where you
3 just say sorry, you have to re-enter it.

4 CHAIRMAN ANTHONY: Have you even
5 estimated the cost of an oral or faxed
6 response from the parent?

7 MR. ALEDORT: We have not looked
8 into how much --

9 CHAIRMAN ANTHONY: Or an 800-line
10 or to a fax response? Do you know what your
11 cost would be?

12 MR. ALEDORT: It would obviously
13 depend on the number of users. If you had
14 50,000 people, you could probably do a five-
15 person phone bank. If you have three million
16 users, you probably need an entire customer
17 support center to do that. So we think the
18 cost is potentially high.

19 We're actually more concerned about
20 the ---- barrier that people will say you
21 know what, my parent is never going to phone.
22 They're never going to print out this form.

1 I don't have a fax at home. I can't actually
2 get this in. So I'm not going to spend time
3 at Disney. I'm going to go to XXX.com
4 because I don't have to do anything. I don't
5 have to identify myself as a child and I can
6 see whatever I want to see.

7 I mean, our view of the Internet is
8 once you have access to the Internet by
9 having a dial-up account there's all kinds of
10 information and content that is appropriate
11 and is not appropriate. And by raising the
12 hurdle of getting into the appropriate
13 content we are very concerned that people
14 say, you know what, it's too much trouble.
15 I'm a parent. I don't have a fax machine at
16 home. I'm not going to take this into the
17 office and remember to do it, and my child,
18 therefore, doesn't get access to the good
19 content of the people that are trying to
20 differentiate between a child, a teen, and an
21 adult. And they should just go off and go to
22 other places.

1 So we view it not as a hard dollar
2 cost but both as a psychological and customer
3 cost that people will just not come. And
4 that for us is of much more of a concern than
5 35 people in South Carolina answering the
6 phone.

7 COMMISSIONER ANTHONY: I understand
8 that. Tell me how that can be applied across
9 the board in a rulemaking situation, how we
10 can deal with other companies whose
11 content --

12 MR. ALEDORT: We think we're very
13 happy with the report that came out this week
14 that self-regulation really is gathering some
15 steam and people have really stepped up to
16 the plate, at least on the big web sites, to
17 try and institute privacy policies and be
18 more uniform than certainly a year ago.

19 And, as you know, we've also now
20 decided that we're not going to accept
21 advertising or advertise on web sites. We
22 even think that other groups do the same.

1 That will have an immediate economic effect
2 on how people do business. We are basically
3 saying we're not going to accept revenue.
4 And it was like what we did with pornographic
5 advertising. That would have been about nine
6 months ago. We don't accept pornographic
7 advertising anywhere within Go. That had a
8 real dollars and cents hard cost to us, and
9 we did it because of policy reasons.

10 So I think there are two things
11 that will happen. One, I think that
12 consumers will demand that you have a clearly
13 posted privacy policy because this is
14 something that people think about. It's in
15 the newspapers all the time. I think that
16 the public awareness campaign the FTC has
17 been really instrumental in has been very
18 helpful to raise the level of concern on this
19 issue.

20 As a consumer, well, I look for it
21 because I have to look for it, but it's also
22 something that I expect to see. I think

1 legislation requiring a privacy policy is
2 difficult to enforce and puts up barriers to
3 the way people choose to do business that may
4 not be helpful in the expansion of the
5 Internet. I think it really should be driven
6 by the customer demand and also the fact that
7 the Internet is global means that it's very
8 hard for us to impose our legislation on the
9 Internet. And this is the problem that the
10 Europeans are faced with today.

11 So we think it's really going to be
12 driven by consumers as well as companies,
13 good-acting companies like ourselves, that
14 will say this is the way that we have to do
15 business. And I think if you get all
16 portals, which represent probably 80 or 90
17 percent of the Internet traffic that touches
18 each one of those sites to do the same thing,
19 that would be incredibly compelling and will
20 force people to re-evaluate.

21 Your goal is not that the privacy
22 policy says one thing or another, that it's

1 just an honest disclosure of what people do.
2 We obviously support that. I think the OPA
3 has been successful in getting people to join
4 and roll out those things.

5 The next area is the not for profit
6 web sites. There are a lot of people that
7 just aren't as aware of the necessity for it
8 because it's the learning process.

9 CHAIRMAN ANTHONY: In this area of
10 the children's interactive sites and web
11 sites that we're dealing with and the
12 verifiability of a parental consent, are
13 there rules that we should think of that
14 would be applicable to everyone across the
15 board?

16 MR. BATES: One thought we had, and
17 I think this is ---- be reflected by the kind
18 of verification that you would have to get
19 ---- more information ----.

20 MR. ALEDORT: Both collects more
21 information and uses it differently. I mean,
22 we feel that by saying we never shared this

1 information and we never use it for marketing
2 purposes should allow the kind of lower level
3 parental verification since what we're just
4 doing is letting the kid participate.

5 And I think it makes sense to say,
6 if you're going to share your list with
7 somebody or start marketing to the children
8 directly, you should have a higher standard.
9 You should have to get a signature on that
10 because that's a much more intrusive use of
11 data than to allow someone to post a common
12 bulletin.

13 So I think we certainly could live
14 with it and think it makes sense. So you're
15 a business and you can say okay, I understand
16 the parameters which I can go by. I can be
17 very pure and say I'm just going to collect
18 the base information to allow the child to
19 participate. Or I want to do more, but that
20 means either as in cost or has the potential
21 to drive people away from my site.

22 I think that would be a very

1 reasonable way to effectuate the goal which I
2 think is to not have people misuse the
3 information, not erect barriers so that the
4 children never find the good content, which
5 is something we're concerned about.

6 CHAIRMAN ANTHONY: Katherine, do
7 you have any questions?

8 MR. DeSANTIS: I don't think I have
9 anymore right now.

10 COMMISSIONER ANTHONY: I'd like to
11 read the comment you made. Toby, you know
12 more about this probably than we do at this
13 point, and I'm sure you've been looking at
14 the comments. Do you have questions that we
15 should be asking?

16 MS. LEVIN: I do.

17 COMMISSIONER ANTHONY: That would
18 be helpful to us to know because you're going
19 to get your shot at us again. So it's better
20 for --

21 MS. LEVIN: But I'm wondering in
22 fairness to the company, to Disney, we would

1 be raising them at the workshop next Tuesday
2 in great detail and with all of the companies
3 that have asked to participate. And so at
4 that point Eric could respond to them in that
5 context and I don't think there will be any
6 surprises. We're going to actually circulate
7 a list of questions, general questions, for
8 the sessions. And in that context I think
9 we'll be able to ask. I feel a little bit
10 awkward asking them to do it on the spot
11 here.

12 MR. BATES: Are there some things
13 we should be thinking about?

14 MS. LEVIN: I was going to suggest
15 that, and Commissioner Anthony has just hit
16 on the top issue, which is the verifiability
17 issue. And we will try and pin down that
18 more in terms of what basis is there for
19 confirming that it's a parent, not a child,
20 that has supplied the information?

21 COMMISSIONER ANTHONY: And that
22 continues to trouble me because very skilful

1 children can cheat on an e-mail, they can
2 cheat on a fax, and they can cheat on a
3 telephone call. That does not take a rocket
4 scientist. But I think the balancing of the
5 verifying parent is the ----.

6 MR. ALEDORT: And our concern, just
7 frankly, is that we think it's just great
8 that we're getting a 40 percent response and
9 we think, for example, if a parent responds
10 to an e-mail and then you send another e-mail
11 back to try to verify that it's the parent,
12 we think that response rate will drop off
13 dramatically. Even 40 percent ---- 90
14 percent positive response. I'm very worried,
15 and we tried to think creatively about what
16 information would only a parent know. When
17 was the child's first DP shot? But most
18 parents wouldn't know.

19 COMMISSIONER ANTHONY: We wouldn't
20 know either ---- verify.

21 MR. ALEDORT: Exactly. So, I mean,
22 we've really tried to think of a way to ask a

1 question that only a parent would know. I
2 think you're right. Any really smart kid can
3 get around that. And we also believe
4 fundamentally that, since you have no way of
5 really knowing if it's a child, an adult, a
6 dog, you just don't know. If the child has
7 said they're a child, there's no reason for
8 them to go around the rules after that point.

9 COMMISSIONER ANTHONY: If the child
10 has said he's a teen.

11 MR. ALEDORT: And you're absolutely
12 right. And until there's a day that you have
13 a link between a birthdate and a name,
14 basically, without going down to give me your
15 Social Security number and then checking the
16 government Social Security database on every
17 registered user to participate in a web site,
18 we think that the best way to do it is roll
19 it out slowly.

20 There are digital signatures.
21 That's a great thing to do when people adopt
22 that. There are a lot of technological

1 advances that will happen we can't even
2 imagine in a year or two years.

3 But I would hate to ask for more
4 now, like a Social Security number that the
5 child is not likely to know, and then it's
6 another piece of data that you have in your
7 database that you don't want people to have
8 access to.

9 MS. LEVIN: Can I ask one technical
10 question on your specific example? If the
11 child goes in as a child with their birthday
12 and then decides uh-oh, I've got to get
13 parental permission; I don't really want to
14 do this. Goes back out, goes back in and
15 using the same e-mail address, but changes
16 the birthdate, do you have a system whereby
17 you can check that to block their re-entry
18 using that e-mail address?

19 MR. ALEDORT: We are working on
20 that. It is a harder engineering feat than I
21 had thought, unfortunately. If a child has
22 entered a birthdate, once they enter that

1 birthdate they can't change it in that
2 session. They can close the browser and come
3 back as somebody else. We have not been able
4 to because we don't capture that e-mail
5 address unless it's been submitted. So you
6 don't grab that screen until someone says
7 submit.

8 MS. LEVIN: Right, but I'm thinking
9 they would have submitted it and then you
10 kickback and say you're ----.

11 MR. ALEDORT: Once they submit it,
12 we totally have the ability to do that. But
13 if they haven't submitted it, it's basically
14 an error message that says sorry, you're ----
15 register as a teen ----. And then we don't
16 have that. We haven't collected anything at
17 that point because we don't want to be
18 collecting information when people mistype
19 things. You'll then have a database that
20 basically is meaningless because you'll have
21 all the errors in it.

22 So we haven't found the technical

1 solution for that question. I think it's all
2 a matter of time. And, obviously, we would
3 prefer to know. If our policy is not to send
4 an e-mail to a ten year old, I'd prefer to be
5 sure that I'm not doing that. But today we
6 obviously have now spent a couple of years
7 working on these issues. We think that
8 specifically what we're doing with the
9 information is the right process.

10 COMMISSIONER ANTHONY: I'll just
11 ask you for curiosity. If you don't market
12 to children and you don't share the
13 information with other people who market to
14 them, how are you making this online database
15 pay for itself?

16 MR. ALEDORT: Well, the database is
17 a full database, so it would include adults,
18 teens, and children. They just are flagged
19 separately and used separately. There's one
20 database. We don't have three different
21 databases. So the database is necessary just
22 to keep track of your registered users,

1 whether they're paying subscribers to
2 Disney's Club last or whether they're people
3 who want to participate in ESPN's fantasy
4 games or whether they just want to post a
5 message on the family bulletin boards.

6 So, since the database is
7 absolutely required, we don't try to monetize
8 the database and say each user is worth \$10.
9 I mean, I think Wall Street looks at
10 companies and their registered bases and does
11 monetize that. Whether that actually
12 translates into hard dollars remains to be
13 seen.

14 You're right. It's a cost to us,
15 children filling up our database, because we
16 can't use it. But, since we are the Walt
17 Disney Company, and we're held to higher
18 standards than anyone else, we do that,
19 anyway. We were doing this three years ago.
20 We actually had 16 as our cutoff because no
21 one ever really thought about the right ages.
22 And we never marketed to anyone who was under

1 16, and they just got flagged and that's how
2 they were treated.

3 MR. DeSANTIS: Now, when you say
4 you don't market to people, that means there
5 is no e-mail marketing or there is no
6 marketing of any kind on the site?

7 MR. ALEDORT: Well, the site is the
8 site. We do not block advertising.

9 MR. DeSANTIS: There is
10 advertising? So in other words, from a
11 business perspective with respect to the
12 children's site, you're not making money from
13 monetizing your list of users, but you do
14 have advertising that people are presumably
15 trying to reach that demographic and they're
16 paying for it. So, I mean, obviously it has
17 to make money or ---- it's not a charity. We
18 understand that. ---- very involved with
19 what they do ---- write their rules, so it's
20 a clearly important part of ----.

21 COMMISSIONER ANTHONY: I think that
22 the marketing and advertising being the same

1 thing. Can you distinguish it?

2 MR. ALEDORT: We do. For us and
3 what I think direct mail, it's really ----
4 it's e-mails. Here's, you know, you are a
5 user at Disney.com. And you've said I'm
6 interested in movies. So every time we
7 release a movie, you'll get an e-mail.
8 Tarzan's coming out. Here's a little teaser
9 clip of it and here's a link to where you can
10 find out where it's playing in your area.
11 That to me is marketing.

12 Advertising is just part of the
13 site and we have a clear part that's
14 designated for ads. And in various places we
15 choose to have ads or not have ads. It's
16 just like on television. They're even during
17 the children's programming blocks. There are
18 advertisements because otherwise, you
19 couldn't --

20 COMMISSIONER ANTHONY: So you're
21 talking about direct marketing.

22 MR. ALEDORT: We were really --

1 do these contests. That's the cost of doing
2 a contest.

3 (Whereupon, at 11:53 p.m. the
4 PROCEEDINGS were adjourned.)

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1 COMMISSIONER ANTHONY: Apart from
2 the site.

3 MR. ALEDORT: That's right, direct
4 online marketing.

5 MS. ARMSTRONG: What about offline?

6 MR. ALEDORT: Offline, we do not
7 share our database with other groups.

8 MS. ARMSTRONG: But yourselves.

9 MR. ALEDORT: We don't have a home
10 address. We don't have a home address.
11 Obviously, our business units have pressed me
12 for years saying well, I want the home
13 address and I want the Social Security
14 number. It would really make it easier for
15 us to award them the card that they won in
16 the contest.

17 And I've said well, I'm sorry. If
18 they are a winner, for example, let's say
19 you're a child who's participated in a
20 contest and you win a trip to France. You
21 don't actually win anything until we contact
22 your parent by e-mail. We send your parent

1 an affidavit that they do print out and sign
2 and send that into us because those are
3 people that we want to use their name and
4 likeness to say I'm a winner and I've won the
5 big Disneyland Paris trip. And we need to be
6 able to verify that they are the parent in
7 order to send someone a ticket. And we can't
8 get under the COPPA rules offline contact
9 information without the parent giving it to
10 us.

11 MS. LEVIN: The parent can give you
12 all of the information?

13 MR. ALEDORT: That's right, but the
14 kid can't, and we don't ask the kid to. And
15 I think that goes to Richard's sliding scale
16 description that, if you're collecting an
17 e-mail address and a first name and a last
18 name, we would argue that a parent sending
19 back an e-mail is sufficient. If you're
20 asking for give me your street address and
21 ZIP code so I can send you things, we would
22 say you know what, if you want that

1 incremental information, you need to incur
2 the cost of having a fax machine. And if
3 they don't fax it in you can't get that
4 information. And we think that that's a fair
5 and business-friendly perspective so that the
6 business makes the decision do they want to
7 just let the person use their site,
8 basically, or do they want to have -- for a
9 contest, we would always do that because we
10 always want to make sure that the person is
11 the person they've said they are and that
12 they have the right to receive the prize and
13 you're going to use their name in some
14 advertising.

15 COMMISSIONER ANTHONY: So on
16 contests you have the capacity to have a
17 written response from the parent?

18 MR. ALEDORT: Because you have one
19 winner or ten, the volume is so significantly
20 reduced. We don't do it for entrants. We do
21 it for winners. And that's just the cost of
22 what I've told our business units who want to