

Terms of Service and Privacy Policies

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Look familiar?



Motivation



Forrester Research

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Forrester Research: 62% of adults don't want to purchase from a site that shares data with data brokers. 37% of adults canceled orders after reading the company's terms of use.

Schedule

- Privacy Policy History
- Economic Perspective
- Potential Solutions

History

- Back in the day, the FTC thought business self-regulation was the solution for privacy protection
- Businesses can't really be trusted...
 - enacted the Fair Information Principles
 - notice/awareness
 - choice/consent
 - access/participation
 - integrity/security
 - enforcement/redress

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- didn't want to risk stifling innovation
- didn't require privacy policies
- instituted COPPA to protect children's data
- FIP were suggestions, not enforced

History

- In 1998, FTC found that 92% of commercial sites collected data but only 14% disclosed their practices
- The FTC ruthlessly pursued companies with private policies
 - Cartmanager case

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- Cartmanager licensed online shopping cart software
 - sold user data to 3rd parties
 - violated clients' privacy policies by selling user data

History

- As time went on, more companies started to have privacy policies
 - however, consumers started to lose trust in online commerce
 - TRUSTe (meh) and BBBO certified privacy policies
- FTC encourages Privacy Enhancing Technology (PET)
 - P3P read machine-readable privacy policies for assessment
 - built into browser so users were unaware of it

meh = companies without TRUSTe certifications often times had better privacy protections than companies that did

So Now What?

- Users don't trust companies, but don't have a good way of assessing their privacy policies...
- users need to read privacy policies
 - but they're long, boring, difficult to read, legalese-laden, and longgggggg

Economic Perspective

- Advertising economics lingo
 - **search** good: information you know right away (e.g. color)
 - **experience** good: information you know after the purchase/ use (e.g. hair product claims)
 - **credence** good: information you may never know (e.g. nutritional content of a food)
- Nutritional facts
 - credence good => search good
 - privacy policies are the nutritional facts of online businesses

Economic Perspective

- Lack of privacy policy causes informational asymmetry
 - potential market failure
- Next? Cost-benefit analysis

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- market: people buy and sell user information
- market failure: companies have all the info and users don't know the practices.
- Users lose trust in the market place and are less willing to cooperate.
- privacy policies add an element of transparency, "nutritional facts"

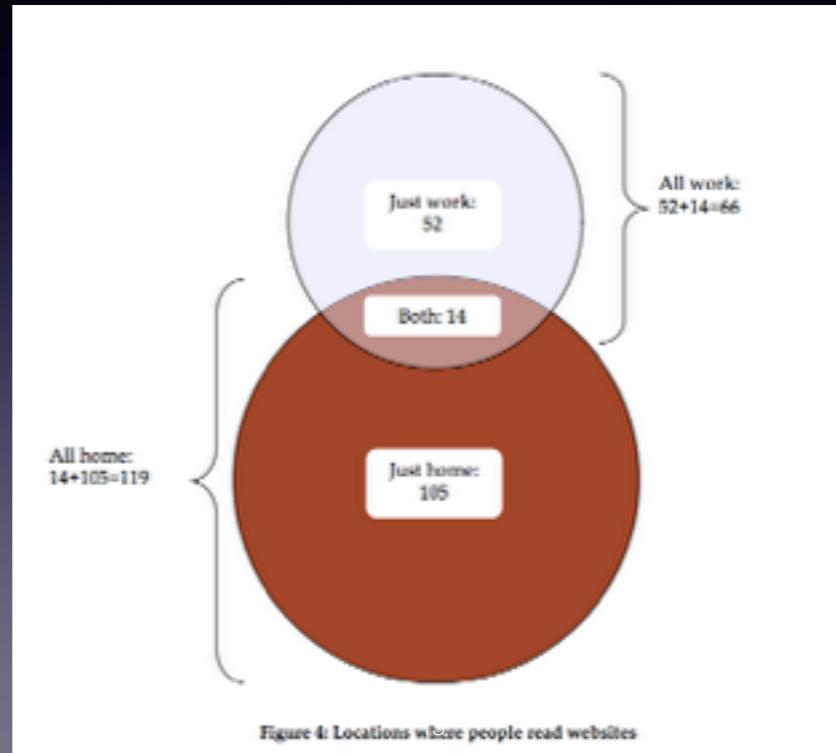
Cost-Benefit Analysis

- Is the opportunity cost of reading a privacy policy worth the benefit of knowing the privacy protection that a particular business offers?
 - Lorrie Cranor: quantify the value of an individual's time and then perform the cost-benefit analysis

Cost-Benefit Analysis

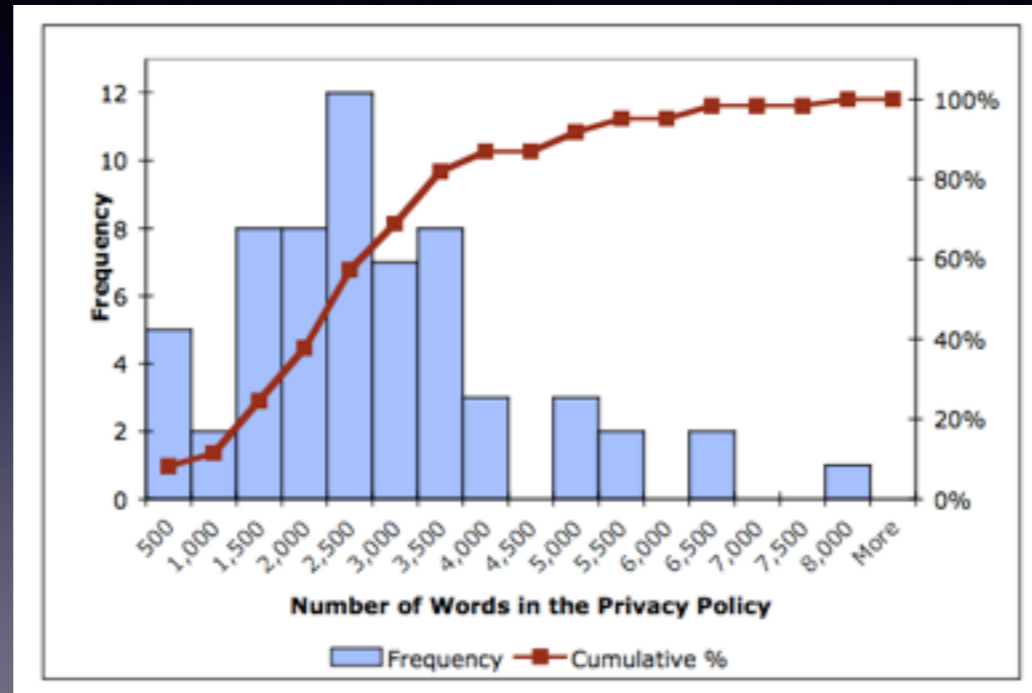
- Hard to evaluate an individual's time
 - study showed that people value their leisure time at 1/4 their take home pay ($W/4$)
 - opportunity cost = salary + overhead $\sim 2W$

Browsing by Location



- presumably you only read the privacy policy once

Words per Policy



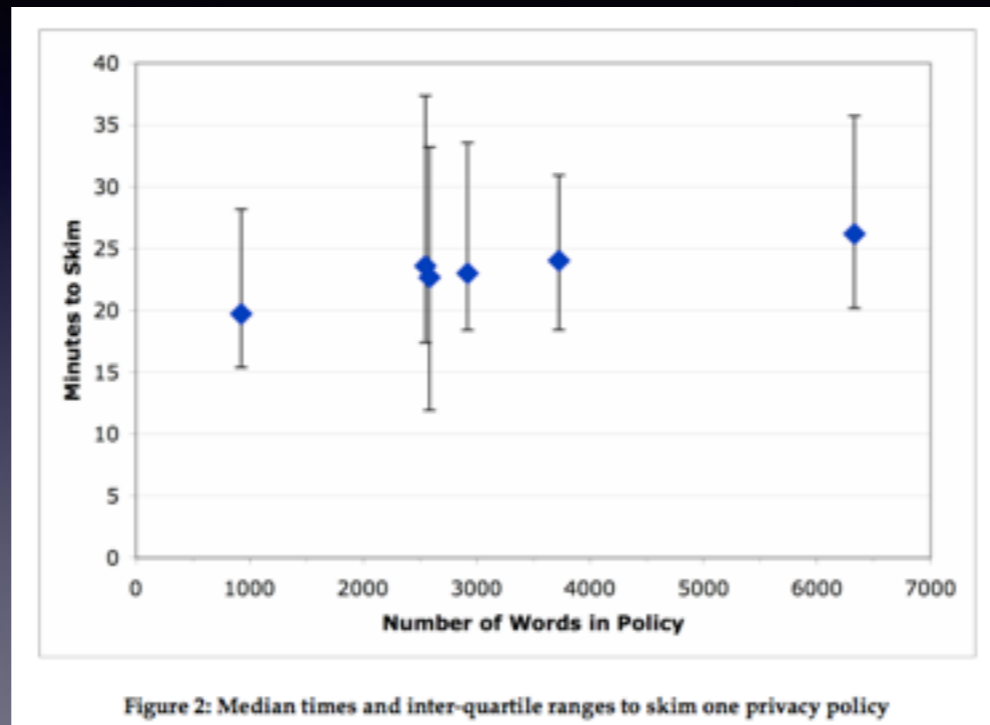
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a low of only 144 words to a high of 7,669 words ~ about 15 pages of text

Cost-Benefit Analysis

- National average times to read/skim privacy policies
 - Reading word-for-word: 8-12 minutes
 - Skimming: 4-12 minutes
- US Internet Pop. Opportunity Cost Loss: \$781 billion
 - US online advertising industry value in 2007: \$21 billion
 - 54 billion hours reading privacy policies vs. 3.4 billion hours filling out federal income tax reports

Time to Skim



Skimming: 4-12 minutes

Conclusions

- Users lose significantly more to opportunity cost than businesses benefit
- Company Perspective
 - if user doesn't read privacy policy => doesn't care about their privacy
- Some people like ads (e.g. Amazon recommending new books to read)
 - most people will pay a premium for an ad-free service (e.g. Spotify vs. Spotify Premium)

There's hope!



Simply Put...

a. Posting content

Pinterest allows you to post content, including photos, comments, and other materials. Anything that you post or otherwise make available on our Products is referred to as "User Content." You retain all rights in, and are solely responsible for, the User Content you post to Pinterest.

More simply put:

If you post your content on Pinterest, it still belongs to you but we can show it to people and others can re-pin it.

b. How Pinterest and other users can use your content

You grant Pinterest and its users a non-exclusive, royalty-free, transferable, sublicensable, worldwide license to use, store, display, reproduce, re-pin, modify, create derivative works, perform, and distribute your User Content on Pinterest solely for the purposes of operating, developing, providing, and using the Pinterest Products. Nothing in these Terms shall restrict other legal rights Pinterest may have to User Content, for example under other licenses. We reserve the right to remove or modify User Content for any reason, including User Content that we believe violates these Terms or our policies.

More simply put:

Copies of content shared with others may remain even after you delete the content from your account.

Potential Solutions

- Heavier Regulation
- "Nutritional Facts"
- Thoughts?

- nutritional facts: NLP browser extension