

YouTube to pay \$170M fine after violating kids' privacy law

September 4 2019, by Rachel Lerman And Marcy Gordon



Federal Trade Commission Chairman Joe Simons departs after speaking at a news conference at the Federal Trade Commission in Washington, Wednesday, Sept. 4, 2019, to announce that Google's video site YouTube has been fined \$170 million to settle allegations it collected children's personal data without their parents' consent. (AP Photo/Andrew Harnik)

Google will pay \$170 million to settle allegations its YouTube video service collected personal data on children without their parents' consent.

The company agreed to work with video creators to label material aimed at kids and said it will limit data collection when users view such videos, regardless of their age.

Some lawmakers and children's advocacy groups, however, complained that the settlement terms aren't strong enough to rein in a company whose parent, Alphabet, made a profit of \$30.7 billion last year on revenue of \$136.8 billion, mostly from targeted ads.

Google will pay \$136 million to the Federal Trade Commission and \$34 million to New York state, which had a similar investigation. The fine is the largest the FTC has levied against Google, although it is tiny compared with the \$5 billion fine imposed against Facebook this year for privacy violations.

The federal government has increased scrutiny of big tech companies in the past two years—especially questioning how the tech giants collect and use personal information from their billions of customers. Many of the huge Silicon Valley companies are also under antitrust investigations aimed at determining whether the companies have unlawfully stifled competition.

Kids under 13 are protected by a 1998 federal law that requires parental consent before companies can collect and share their personal information.

Tech companies typically skirt that by banning kids under 13 entirely, though such bans are rarely enforced. In YouTube's lengthy terms of service, those who are under 13 are simply asked, "please do not use the Service."

But younger kids commonly watch videos on YouTube, and many popular YouTube channels feature cartoons or sing-a-longs made for children. According to the FTC, YouTube assigned ratings to its video channels and even had a "Y" category directed at kids ages 7 or under. Yet from an advertising standpoint, YouTube targeted ads to those kids just as they would adults.

The FTC's complaint details Google's mixed messages about whom the service is geared for and includes as evidence Google presentations made to toy companies Mattel and Hasbro where YouTube is described as the "new Saturday Morning Cartoons" and the "#1 website regularly visited by kids."



Federal Trade Commission Chairman Joe Simons arrives for a news conference at the Federal Trade Commission in Washington, Wednesday, Sept. 4, 2019, to

announce that Google's video site YouTube has been fined \$170 million to settle allegations it collected children's personal data without their parents' consent. (AP Photo/Andrew Harnik)

"YouTube touted its popularity with children to prospective corporate clients," FTC Chairman Joe Simons said in a statement. Yet when it came to complying with the law, he said, "the company refused to acknowledge that portions of its platform were clearly directed to kids."

According to the settlement, Google and YouTube will get "verifiable" consent from parents before they collect or use personal information from children. The company also agreed not to use personal information they collected from children before.

YouTube has its own service for children, YouTube Kids. The kids-focused service already requires parental consent and uses simple math problems to ensure that kids aren't signing in on their own.

YouTube Kids does not target ads based on viewer interests the way the main YouTube service does. But the children's version does track information about what kids are watching in order to recommend videos. It also collects personally identifying device information.

On Wednesday, Google said that starting early next year, it will also limit targeting on its main service for videos meant for kids. Google is relying on video creators to label such items, though it will also employ artificial intelligence to help.

YouTube won't seek parental consent there, however, even on videos intended for children. The company is avoiding that precaution by instead turning off any personal tracking on those videos, saying it will

collect only what is needed to make the service work. For such videos, YouTube also won't offer features like comments and notifications and won't serve personalized ads.

The settlement now needs to be approved by a federal court in Washington.

As with the Facebook settlement, the FTC vote was 3-2, with both Democrats opposing.

YouTube "baited kids with nursery rhymes, cartoons, and more to feed its massively profitable behavioral advertising business," Democratic Commissioner Rohit Chopra said in a tweet. "It was lucrative, and it was illegal."



A sign with coming changes to kids' comment on YouTube is displayed as Federal Trade Commission Chairman Joe Simons speaks at a news conference at the Federal Trade Commission in Washington, Wednesday, Sept. 4, 2019, to announce that Google's video site YouTube has been fined \$170 million to settle allegations it collected children's personal data without their parents' consent. (AP Photo/Andrew Harnik)

He said in his dissent that the settlement offered no individual accountability, insufficient remedies and a fine amount that "still allows the company to profit from its lawbreaking."

Sen. Edward Markey, a Massachusetts Democrat, said the settlement terms won't turn YouTube into a safe place for children and "makes clear that this FTC stands for 'Forgetting Teens and Children.'"

A coalition of advocacy groups that last year helped trigger the FTC's investigation said the outcome will reduce the amount of behavioral advertising targeting children.

"We are gratified that the FTC has finally forced Google to confront its longstanding lie that it wasn't targeting children on YouTube," said Jeff Chester, executive director of the Center for Digital Democracy.

But he said the "paltry" fine sends a signal that politically powerful corporations don't have to fear serious consequences for breaking the law.

Critics of the settlement—including dissenting Democratic Commissioner Rebecca Slaughter—also expressed concern that too much responsibility was being placed on video creators to classify their

own content as kid-oriented, and thus limited to less-lucrative ads. They say that potentially allows Google to turn a blind eye as some try to cheat the system to make more money.

Andrew Smith, the FTC's consumer protection director, acknowledged that concern as valid, but said YouTube "has strong incentives to police its platform" to avoid further action from the agency.

Google is already under a 2011 agreement with the FTC that barred it from misrepresenting its privacy policy and subjected the company to 20 years of regular, independent privacy audits. Google was fined \$22.5 million in 2012 for violating that settlement when the FTC found it improperly used tracking cookies on Apple's Safari browser.

Separately, the FTC fined video site Musical.ly, now called TikTok, \$5.7 million earlier this year after finding it illegally collected personal information about kids.

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