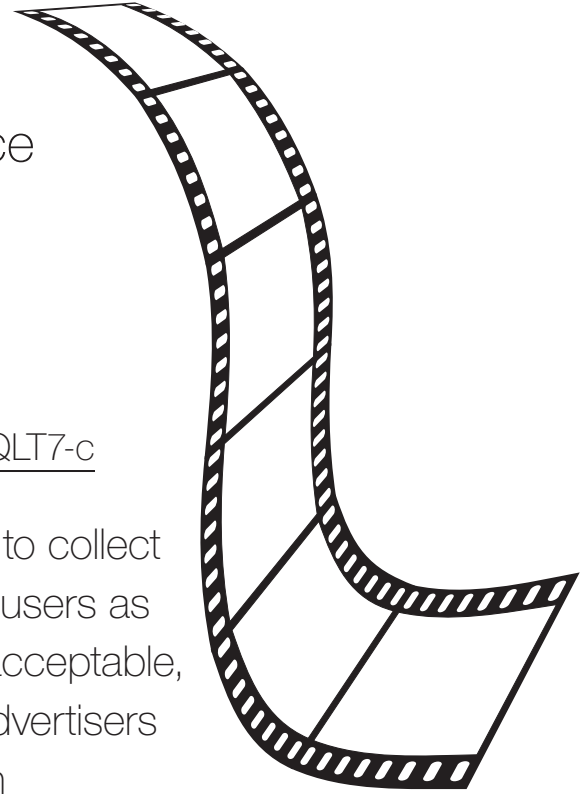




## video case



**chapter 8** Ethics, Law, and E-commerce

**case 1** Facebook Privacy

**watch the  
video at**

<https://www.youtube.com/watch?v=EjojvQLT7-c>

**summary**

The business model of Facebook is to collect as much personal information on its users as is technically possible, and socially acceptable, and then to sell that information to advertisers in the form of targeted advertising on Facebook's Web site, mobile site, and mobile apps, and on partner Web sites, who use the information to personalize ads. This video provides some suggestions for how users can gain greater control over their personal information that they have placed on their Facebook pages. *L=9:23.*

**case**

In a 2010 interview, Mark Zuckerberg, the founder of Facebook, proclaimed that the "age of privacy" had to come to an end. According to Zuckerberg, social norms had changed and people were no longer worried about sharing their personal information with friends, friends of friends, or even the entire Web. This view is in accordance with Facebook's broader goal, which is, according to Zuckerberg, to make the world a more open and connected place. Many Facebook features are premised on this position. Supporters of

continued

Zuckerberg's viewpoint believe the 21st century is an age of "information exhibitionism," a new era of openness and transparency.

Facebook has a long history of invading the personal privacy of its users. In fact, the very foundation of Facebook's business model is to sell the personal private information of its users to advertisers. In essence, Facebook is like any broadcast or cable television service that uses entertainment to attract large audiences, and then once those audiences are in place, to sell air time to advertisers in 30 to 60 second blocks. Of course, television broadcasters do not have much if any personal information on their users, and in that sense are much less of a privacy threat. Facebook, with 1.3 billion users worldwide, clearly attracts a huge audience.

Although Facebook started out at Harvard and other campuses with a simple privacy policy of not giving anyone except friends access to your profile, this quickly changed as its founder Mark Zuckerberg realized the revenue-generating potential of a social networking site open to the public.

In 2007 Facebook introduced the Beacon program, which was designed to broadcast users' activities on participating Web sites to their friends. Class-action suits followed. Facebook initially tried to mollify members by making the program "opt in" but this policy change was discovered to be a sham, as personal information continued to flow from Facebook to various Web sites. Facebook finally terminated the Beacon program in 2009, and paid \$9.5 million to settle the class-action suits.

In 2009, undeterred by the Beacon fiasco, Facebook unilaterally decided that it would publish users' basic personal information on the public Internet, and announced that whatever content users had contributed belonged to Facebook, and that its ownership of that information never terminated. However, as with the Beacon program, Facebook's efforts to take permanent control of user information resulted in users joining online resistance groups and it was ultimately forced to withdraw this policy as well. The widespread user unrest prompted Facebook to propose a new Facebook Principles and Statement of Rights and Responsibilities, which was approved by 75 percent of its members, who voted in an online survey.

The new policy explicitly stated that users "own and control their information." Facebook also improved account deletion features, limited sublicenses of information about users, and reduced data exchanges with outside developers. These moves quieted the uproar for a time. Unfortunately, the resulting privacy policy was so complicated that users typically defaulted to "share" rather than work through over 170 information categories that users could choose to make public or private.

In 2009, Facebook also introduced the Like button, and in 2010 extended it to third-party Web sites to alert Facebook users to their friends' browsing and purchases. In 2011, it began publicizing users' "likes" of various advertisers' products in Sponsored Stories (i.e.,

advertisements) that included the users' names and profile pictures without their explicit consent, without paying them, and without giving them a way to opt out. This resulted in yet another class-action lawsuit, which Facebook settled for \$20 million in June 2012. As part of the settlement, Facebook agreed to make it clear to users that information like their names and profile pictures might be used in Sponsored Stories, and also give users and parents of minor children greater control over how that personal information is used.

In 2011, Facebook enrolled all Facebook subscribers into its facial recognition program without asking anyone. When a user uploads photos, the software recognizes the faces, tags them, and creates a record of that person/photo. Later, users can retrieve all photos containing an image of a specific friend. Any existing friend can be tagged, and the software suggests the names of friends to tag when you upload the photos. This too raised the privacy alarm, forcing Facebook to make it easier for users to opt out. But concerns remain.

In 2012, Facebook went public, creating more pressure on it to increase revenues and profits to justify its stock market value. Shortly thereafter, Facebook announced that it was launching a new mobile advertising product that will push ads to the mobile news feeds of users based on the apps they use through the Facebook Connect feature, without explicit permission from the user to do so. Facebook reportedly may also decide to track what people do on their apps. It also announced Facebook Exchange, a new program that will allow advertisers to serve ads to Facebook users based on their browsing activity while not on Facebook.

In 2011 Facebook settled with the Federal Trade Commission, which charged Facebook with systematically deceiving its users with respect sharing personal information with advertisers in the period 2009 to 2011. In December 2012 Facebook finally settled with the FTC. The company had to promise that it will give its users "clear and prominent notice" and get their consent before sharing their information beyond their privacy settings. In addition, Facebook will have to submit itself to biennial privacy audits for the next 20 years and maintain a "comprehensive privacy program."

In 2011 Facebook was sued in a class action by users who claimed their privacy had been invaded when Facebook began including their pictures in Sponsored Story ads without their permission. In December 2012, Facebook settled a \$20 million class-action suit brought by people who objected to Facebook's Sponsored Story ad campaign.

In 2013 and 2014, Facebook actions continued to raise alarms about privacy, with a CNBC survey finding that Facebook is the technology company that consumers fear most when it comes to privacy.

If you continue to use Facebook, and want nevertheless to preserve some of your privacy, the video describes the steps you can take.

**video case questions**

1. Do people who use Facebook have a legitimate claim to privacy when they themselves are posting information about themselves?
2. How will changing your settings on Facebook help protect your privacy?
3. How can you prevent your Timeline from being indexed by Google or other search engines?

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