Comments on the Federal Trade Commission’s Implementation of the Children’s Online Privacy Protection Rule

COPPA Rule Review, 16 CFR part 312, Project No. P195404

International Center for Law & Economics

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In the Matter of The Federal Trade Commission’s
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COMMENTS OF THE INTERNATIONAL CENTER FOR
LAW & ECONOMICS

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Introduction

Thanks to the Federal Trade Commission (FTC) for the opportunity to comment on the impact of the implementation of the Children’s Online Privacy Protection Act (COPPA).

The International Center for Law and Economics (ICLE) is a nonprofit, nonpartisan research center whose work promotes the use of law & economics methodologies to inform public policy debates. We believe that intellectually rigorous, data-driven analysis will lead to efficient policy solutions that promote consumer welfare and global economic growth.¹

ICLE’s scholars have written extensively on privacy and data security issues. Some of these writings are included as references in the comment below. Additional materials may be found at our website: https://www.laweconcenter.org and https://www.truthonthemarket.com/.

In this comment, I write primarily address the first question presented by the Commission (“Is there a continuing need for the Rule as currently promulgated? Why or why not?”). This comment answers that question in the negative, arguing the FTC should return to the pre-2013 version of the COPPA Rule. However, these comments also speak to several other questions, including specifically:

b. What are the aggregate costs and benefits of the Rule?

- The benefits are unclear, but the costs — in the form of restricting the ability of family-friendly content creators to monetize their products — are real.

c. Does the Rule include any provisions not mandated by the Act that are unnecessary or whose costs outweigh their benefits? If so, which ones and why?

- The 2013 amendment’s definition of personal information is not only arguably inconsistent with the statute, but also very costly in restricting targeted advertising.

2. What effect, if any, has the Rule had on children, parents, or other consumers?

a. Has the Rule benefited children, parents, or other consumers? If so, how?

- The benefits to parents or children are unclear.

b. Has the Rule imposed any costs on children, parents, or other consumers? If so, what are these costs?

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• The costs on children and parents are felt in less-available zero-priced online children’s content.

c. What changes, if any, should be made to the Rule to increase its benefits, consistent with the Act’s requirements? What costs would these changes impose?

• The repeal of the 2013 amendments and returning the focus of COPPA to protecting children from online threats would decrease COPPA’s costs while maximizing its benefits to society.

9. Do the definitions set forth in § 312.2 of the Rule accomplish COPPA’s goal of protecting children’s online privacy and safety?

• The definition of personal information does not clearly protect online privacy and safety, but it does impose costs on online children’s content creation.

12. The 2013 revised COPPA Rule amended the definition of “Personal information” to include, among other items, a “persistent identifier that can be used to recognize a user over time and across different websites or online services.” Has this revision resulted in stronger privacy protection for children? Has it had any negative consequences?

• There are no clear benefits to privacy in this revision, but there are negative consequences in less online children’s content creation.

In Part I, this comment argues that the 2013 amendments got the purpose of COPPA wrong in focusing on targeted advertising rather than protection from predators. In Part II, this comment explains how the 2013 changes to the definition of personal information and the YouTube enforcement action exemplify this changed focus and resulted in making the monetization of children-friendly content online much harder. Part III then analyzes the 2013 definition of personal information in a cost-benefit framework and finds the uncertain benefits to children’s privacy are outweighed by the harm to children’s content creation.

I. COPPA is about protecting children from predators, not protecting children from advertising

The primary question the FTC should consider in this rule review is: What is the purpose of COPPA? In other words, what are we protecting children from?

At the time the legislation was introduced, Senator Richard Bryan (D-Nevada) laid out the purpose of COPPA in a speech, saying:

The goals of this legislation are: (1) to enhance parental involvement in a child’s online activities in order to protect the privacy of children in the online environment; (2) to enhance parental involvement to help protect the safety of children in online fora such as chatrooms, home pages, and pen-pal services in which children may make public postings of identifying information; (3) to maintain the security of personally identifiable
information of children collected online; and (4) to protect children’s privacy by limiting the collection of personal information from children without parental consent. The legislation accomplishes these goals in a manner that preserves the interactivity of children’s experience on the Internet and preserves children’s access to information in this rich and valuable medium.\(^2\)

In other words, COPPA was designed to protect children from online threats by promoting parental involvement in a way that also preserved a rich and vibrant marketplace for children’s content online. If COPPA is to be understood in this light, the 2013 COPPA revisions from the FTC miss the mark.

The safety of children online is an explicit animating purpose of COPPA. Protecting children from targeted advertising is not.\(^3\)

Targeted advertising is tremendously important to the monetization of content online. Without it, access to online children’s content is seriously impaired.\(^4\)

With this in mind, it seems unlikely that children revealing their IP address or device numbers online would allow online predators to track them down. Instead, the clear goal of the 2013 amendment to the definition of “personal information” is to “protect” children from targeted advertising.

The statutory definition of “personal information” in COPPA’s enabling legislation supports the argument that COPPA was not originally designed to prevent targeted advertising. Arguably, the FTC exceeded its statutory authority by promulgating the new definition in 2013.

COPPA’s definition for personal information is “individually identifiable information” collected online.\(^5\) The legislation included examples such as first and last name, home or other physical address, and e-mail address, a telephone number, or a Social Security number.\(^6\) These are all obviously connected to real identities of people. COPPA does empower the Commission to

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\(^3\) See Transcript for The Future of the COPPA Rule: An FTC Workshop Part 1, available at https://www.ftc.gov/system/files/documents/public_events/1535372/transcript_of_coppa_workshop_part_1_1.pdf#page=71 (James Dunstan, General Counsel of TechFreedom) (“So when we look at COPPA, we often forget the second P in COPPA, which is Protection. And I think we need to go back to the legislative history and look at what we were really protecting kids about. And first and foremost, it was predation. It was sexual predators. And if you look at the hearing, what Robert Petoskey, the FTC chairman, said at the time, that's what we were worried about. And I think we've done a great job in COPPA in that regard. COPPA as part of an overall enforcement on child predation. But my concern is I fear we are moving into taking a protection statute and turning it into an anti-advertising statute. And I think if we do that, as Malik said, you're going to harm an ecosystem, you're going to harm the marginal players, and all you're going to be left with are the big tech companies who can afford the regulatory overburden of this. I think we've got to be really careful about that.”).

\(^4\) See Section II, infra, and cites therein.


determine whether other identifiers should be included, but it must permit “the physical or online contacting of a specific individual” or “information concerning the child or the parents of that child that the website collects online from the child and combines with an identifier described in this paragraph.”

In 2013, the FTC amended the definition of personal information to include “[a] persistent identifier that can be used to recognize a user over time and across different Web sites or online services. Such persistent identifier includes, but is not limited to, a customer number held in a cookie, an Internet Protocol (IP) address, a processor or device serial number, or unique device identifier.”

Neither IP addresses nor device identifiers alone "permit the physical or online contacting of a specific individual" as required by 15 U.S.C. § 6501(8)(F). A website or app could not identify whether a person is an adult or child or their personal identity by these pieces of information alone. In order for persistent identifiers, like those relied upon for targeted advertising, to be counted as personal information under 15 U.S.C. § 6501(8)(G), they need to be combined with other identifiers listed in the definitions. In other words, it’s only when a persistent identifier is combined with a first and last name, an address, an email, a phone number, or a Social Security number that is should be considered personal information protected by the statute.

While administrative agencies receive Chevron deference in court challenges when definitions are ambiguous, the text, when illuminated by canons of statutory construction, is clear. The canon of ejusdem generis applies when general words follow an enumeration of two or more things. The general words are taken to apply only to persons or things of the same general kind or class specifically mentioned. Persistent identifiers like cookies bear little semblance to the other examples of “personally identifiable information” listed in the statute, like first and last name, address, phone, email, or Social Security number. Only when combined with such information could a persistent identifier become personal information.

The 2013 amendments take for granted that it is harmful for children to receive targeted advertisements, even where, as here, the targeting is based not on any knowledge about the users as individuals, but upon the browsing and search history of the device they happen to be using. But children under 13 are extremely unlikely to have purchased the devices they use, to have paid for the access to the Internet to use the devices, or to have any disposable income or means of paying

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9 16 CFR § 312.2 (Personal information)(7).
10 See Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837, 843 n.9 (1984) (“If a court, employing traditional tools of statutory construction, ascertains that Congress had an intention on the precise question at issue, that intention is the law and must be given effect.”).
for goods and services online. Thus, contrary to the presumptions of the 2013 amendments, the actual targets of behavioral ads “served” to children are much more likely to be the children’s parents.

As such, parental oversight is essentially built-in to any type of advertisement children see (including targeted advertisements), in the sense that few children can realistically make their own purchases or even view those advertisements without their parents giving them a device and Internet access to do so.

From this perspective, it is much harder to see the harm from targeted advertising. COPPA’s regulatory design is supposed to prevent stalkers, creepers, and perverts from using online information to interact with children. The 2013 amendments greatly reduce the ability of children’s content to generate revenue by use of relatively anonymous persistent identifiers like cookies — and thus, almost certainly, greatly reduce the amount of content actually made for and offered to children.

II. The addition of persistent identifiers to the definition of personal information makes the monetization of children’s content very difficult

As described above, the 2013 COPPA amendments define personal information to include persistent identifiers, like cookies, used for targeted advertising. These cookies allow site operators to effectively manage user sessions across multiple websites. Access to this data allows companies to advertise more effectively than is possible with static contextual advertisements, which estimate users’ interests based upon the type of content being viewed at the time. The age-old problem for advertisers is that “half the money spent on advertising is wasted; the trouble is they don’t know which half.”12 While this isn’t completely solved by the use of targeted advertising based on web browsing and search history, the fact that such advertising is more lucrative compared to contextual advertisements suggests that it is more effective at matching viewers and advertisers.13

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12 See Gerald Chait, “Half the money I spend on advertising is wasted; the trouble is I don’t know which half.”, B2B MARKETING (Mar. 18, 2015), https://www.b2bmarketing.net/en/resources/blog/half-money-i-spend-advertising-wasted-trouble-i-dont-know-which-half (crediting the quote to John Wanamaker).


On YouTube, advertisers can choose to whom their ads are shown to make sure those ads are matched to a relevant audience. When an advertiser uses YouTube’s backend marketing customization tools to target a specific demographic for its ads, two things happen. 1) The ad ideally gets put in front of more people who might actually want to buy the product, based on their personal data, viewing history, browsing activity, and more; and 2) in exchange for that targeting service, the advertiser pays YouTube more to run the ad. That means creators with videos that run “personalized ads” take home more revenue than they would if non-targeted ads ran against their content.

How drastically will creator income be impacted? By our assessment, very drastically.
The FTC’s recent COPPA enforcement actions against platforms, like YouTube, that host content of interest to children, will lead those platforms to restrict the ability of content creators to use those platforms to monetize their content through targeted advertising. The YouTube settlement, along with the $170 million fine, is the most important enforcement action in this space since the 2013 amendments. According to the complaint issued by the FTC and the New York Attorney General, YouTube violated COPPA by collecting personal information of children on its platform without obtaining parental consent.14 YouTube’s error, in the eyes of the FTC, was that the site left it to channel owners on YouTube’s general audience site to determine whether to monetize their content through targeted advertising or to opt out and use only contextual advertisements.15 As it turns out, many of those channels — including channels identified by the FTC as “directed to children” — made the more lucrative choice by choosing to have targeted advertisements on their channels.

In response to this enforcement action, YouTube has greatly restricted the ability of family-friendly content creators to monetize their content. The Order requires YouTube to obtain verifiable parental consent on any content “directed to children.”16 YouTube, under the Order, is now subject to even higher fines if found in contempt.17 Combine risk aversion on behalf of YouTube with the uncertainty as to what may be considered content “directed to children” and it is no surprise that YouTube is changing its platform to restrict the ability of creators to use targeted advertising on content which could be of interest to children.

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15 Id. at para. 20-22, 26.


Any person, partnership, or corporation who violates an order of the Commission after it has become final, and while such order is in effect, shall forfeit and pay to the United States a civil penalty of not more than $10,000 for each violation, which shall accrue to the United States and may be recovered in a civil action brought by the Attorney General of the United States. Each separate violation of such an order shall be a separate offense, except that in a case of a violation through continuing failure to obey or neglect to obey a final order of the Commission, each day of continuance of such failure or neglect shall be deemed a separate offense. In such actions, the United States district courts are empowered to grant mandatory injunctions and such other and further equitable relief as they deem appropriate in the enforcement of such final orders of the Commission.
The fears of online content creators, especially those who create content that may be of interest to children, should not be ignored. The incredibly high numbers of comments from content creators is instructive.

Stories abound online about online content creators’ fears of demonetization after the FTC’s recent enforcement actions:

- **Video game creators:** “It’s kind of like they’re killing video game content,” Forrest told The Verge. “The top three games on YouTube right now are Fortnite, Minecraft, and Roblox, which are generally non-realistically-violent and child-centric games, especially Roblox. Now, we can’t make videos on more mature video games because they’ll get demonetized, but if we make videos on child-friendly games, they’re also now going to get demonetized. What do we do?”

- **Family vloggers:** Melissa Hunter, the CEO of Family Video Network, a company that works with family vloggers and family-friendly channels, said she worries about creators she works with who are now preparing for financial losses and possible career shifts. And she puts most of the blame on the FTC. “People who I deal with at YouTube feel horrible that the creators are the ones who are going to be hurt by this,” Hunter told The Verge. “The part that’s really frustrating to me is trying to apply a very outdated policy to a really unique and unexpected platform.” Now, she argues, it’s families and the children who watch those videos who will suffer. “If people stop making content that’s intended for children, it’s because they’re not going to be able to support themselves and make money making that content,” Hunter said. “The landscape on YouTube is going to change dramatically, but that isn’t going to stop children from going to YouTube. So instead of being served content that is geared towards them, that is safe for them, that’s enriching for them, and that’s fun for them, they’re going to be watching what exactly?” The irony is that many of the creators who will suffer the most got into family content because the system seemed to favor content that appealed to a younger audience. Creators were clamoring to make more family-friendly content. Family vloggers, like the Ace Family, saw a huge uptick in traffic and success for their family vlog series; creators like Jake Paul started working with kids to try and appeal to a younger audience; and, yes, more creators started playing games like Minecraft. These were the types of videos that YouTube could sell to advertisers — especially at a time when the platform was so tumultuous and overrun by controversies.

- **Toy reviewers:** “Creators are being held directly responsible by the FTC,” Dan Eardley, who reviews collectible toys on his channel Pixel Dan, told The Verge on Wednesday. “So if the FTC decides that [we] are indeed targeting children, we’ll be fined. That is frightening.” “It’s especially scary because the verbiage of ‘kid directed’ vs ‘kid attractive’ isn’t very clear,” he continued. “It’s hard to know if we’re in violation or not.”

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19 Id.

• **Children’s Apps**: Against this legal landscape, a recent study of nearly 6,000 of the most popular children’s apps on Android found that “a majority are potentially in violation of COPPA.” The list of potentially non-compliant companies includes a number of household names, major education companies, and other large content providers.\(^{21}\)

• **EdTech**: Schools frequently rely on third parties that operate websites and online programs. Common examples include online research sites, homework help forums and testing platforms. Under COPPA, schools can currently consent as the parents’ agent when websites collect information solely for the benefit of the students or the school and not for a commercial purpose. If student information is used for a commercial purpose, then parents need to consent too.\(^{22}\)

The economics are simple: If these creators are essentially demonetized, there will be less content created that children can benefit from.

The supply curve for online children’s content shifts left as the marginal cost of monetizing it increases. The marginal cost of monetizing such content is increased by the higher compliance costs of obtaining verifiable parental consent before serving targeted advertising. This supply shift means both that less online content for children will be created and the price for such content in the market will be higher. The current price of zero for consumers will be shifted up to a positive price if targeted advertising is no longer practical. Expect monetization in the form of subscription fees to increase. But regardless of exactly how it manifests, it can be safely predicted that less zero-priced online children’s content will be available online.

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\(^{22}\) *Id.*
III. The uncertain privacy benefits of COPPA do not outweigh clear costs of less zero-priced children’s content online

While some genuinely believe there is a privacy harm in the collection of persistent identifiers for targeted advertising,23 there are considerable benefits to targeted advertising in monetizing content that is zero-priced to consumers. The balance COPPA aimed to strike was in protecting children’s privacy against predators while still allowing children to access valuable online resources. COPPA’s privacy protections were certainly not meant to come at the expense of a vibrant online children’s content marketplace.

The privacy benefits of the current COPPA Rule is uncertain. While some may classify the restriction of the collection of persistent identifiers as a benefit, this benefit itself comes with a cost.

Moreover, the current COPPA Rule disregards the possibility that controls that take advantage of parental oversight may be the most cost-effective form of protection. As Geoffrey Manne noted regarding the FTC’s analogous complaint against Amazon under the FTC Act, which ignored the possibility that Amazon’s in-app purchasing scheme was tailored to take advantage of parental oversight in order to avoid imposing excessive and needless costs:

[For the FTC], the imagined mechanism of “affirmatively seeking a customer’s authorized consent to a charge” is all benefit and no cost. Whatever design decisions may have informed the way Amazon decided to seek consent are either irrelevant, or else the user-experience benefits they confer are negligible....

Amazon is not abdicating its obligation to act fairly under the FTC Act and to ensure that users are protected from unauthorized charges. It’s just doing so in ways that also take account of the costs such protections may impose — particularly, in this case, on the majority of Amazon customers who didn’t and wouldn’t suffer such unauthorized charges....24

In other words, parents can protect their children’s privacy simply by taking control over the devices they allow their children to use.25 Tech-savvy parents could install software or use ad-blockers prevent persistent identifiers if they so choose.26 But even less tech-savvy parents could make sure their children are not subject to advertisements and tracking they do not wish to have by simply

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23 See, e.g., Google and YouTube Are Invading Children’s Privacy, CAMPAIGN FOR A COMMERCIAL-FREE CHILDHOOD (Apr. 9, 2018), https://commercialfreechildhood.org/google-and-youtube-are-invading-childrens-privacy/.
monitoring the usage of the devices they give their children and ensuring they use only YouTube Kids and other platforms that are explicitly created for children. In fact, iPhones, iPads, and other devices now have built-in, easy-to-use controls that enable both monitoring and blocking of children’s access to specific apps and websites.27 But the FTC should not assume that the many parents who allow their children to access YouTube and other online content subject to targeted advertisements are harmed. In many instances, it must be the case that parents have decided that the benefits of their children experiencing online content are larger than the costs they might experience in privacy harms from targeted advertising. Indeed, this seems likely in the vast majority of cases because parents still control the ability to actually buy any goods or services those ads are trying to sell.

A less restrictive COPPA rule could still enhance parental involvement and protect children from predators without severely impairing the marketplace for online children’s content. Parents already have the ability to review their children’s content-viewing habits on devices they buy for them. A COPPA rule which enhances parental control by providing for verifiable parental consent when children could be subject to sharing personal information like first and last name, address, phone number, email address, or Social Security number obviously makes sense. Requiring verifiable parental consent for geolocation data that could allow predators to identify children makes sense. But relatively anonymized data collection that comes from persistent identifiers for the purpose of targeted advertising is much more efficiently monitored by parental oversight without requiring costly verifiable parental consent.

**Conclusion**

The FTC should reconsider its course on COPPA. The Commission should repeal the 2013 amendments and make clear that persistent identifiers, by themselves, are not personal information requiring verifiable parental consent. Enforcement actions like the YouTube settlement should be abandoned, as well, and assurances should be given to online children’s content creators that the FTC will not come after them for using targeted ads to monetize their work. The FTC should refocus its enforcement activity against apps and websites which allow children to post the type of personally identifying information the COPPA statute originally targeted.

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