Tech Firms Vie to Protect Personal Data, Profits

Marcy Gordon and Michael LIedtke, AP Business Writers

SAN FRANCISCO (AP) — Even as Silicon Valley speaks out against the U.S. government's surveillance methods, technology companies are turning a handsome profit by mining personal data and peering into people's online habits.

The industry's profit machine has become tarnished by revelations that the National Security Agency trolls deep into the everyday lives of Web surfers. As a result, companies including Apple, Facebook, Google, Microsoft and Yahoo are becoming more aggressive in their attempts to counter any perception that they voluntarily give the government access to users' email and other sensitive information.

Microsoft's general counsel, Brad Smith, warned in a blog post last week that the U.S. government's online surveillance efforts "threaten to seriously undermine confidence in the security and privacy of online communications."

"Indeed, government snooping potentially now constitutes an 'advanced persistent threat,' alongside sophisticated malware and cyber-attacks," Smith wrote.

The industry's latest salvo came Monday with the release of an open letter to President Barack Obama and the introduction of a new website calling for more stringent controls on electronic espionage.

The public relations maneuver escalates a battle that Silicon Valley has waged since early June, when media reports based on internal documents revealed the NSA had fashioned an elaborate system to vacuum up some of the user data that U.S. technology companies collect.

"The entire tech industry has been implicated and is now facing a global backlash," says Daniel Castro, a senior analyst for the Information Technology and Innovation Foundation, a Washington D.C. think tank.

As part of the tech industry's crusade, companies are also going to court and to Congress in an effort to force the government to de-classify details of its online investigations. They believe data will show that, in the past five years, information turned over to the government under court order has only affected a small fraction of the more than 1 billion people who use their products.

At stake is the trust of massive online audiences that attract digital advertising. As companies collect personal data and learn more about each user's interests and habits, advertising becomes easier to sell. The marketing campaigns are particularly important to Google, Yahoo and Facebook, all of which make most of their money from ads. And although Microsoft and Apple make billions from the sale of software and devices, the two companies are also hitching their fortunes to Internet services.

"We are now entering a new phase of the Internet that I call 'data wars,'" says Ethan Oberman, CEO of Internet privacy specialist SpiderOak. "It's all about who can amass the most personal data because that data has become so valuable that whoever accumulates the most is going to win. If these companies are going to engage in these data wars, the security and privacy of this data becomes of critical significance."

The battle pits U.S. national security agencies against an industry that has been a bright spot in the country's dreary economy. More than $1.3 trillion in shareholder wealth is tied up in Apple, Google, Microsoft, Facebook and Yahoo alone, and the companies collectively employ more than 243,000 people while running services that create thousands of other jobs.

In a study for his think tank, Castro predicted that the U.S. government's online surveillance will divert $21.5 billion to $35 billion in revenue from U.S. technology companies that host services over the Internet and sell remote data storage — a concept broadly known as "cloud computing." The estimate, which covers the next three years, is based on the assumption that many companies outside the U.S. will buy services in other countries rather than risk copies of their data being turned over to the U.S. government. The prediction doesn't include possible losses in online ad revenue.

Without quantifying the company's potential losses, a Google lawyer recently warned a Senate subcommittee that the government's online espionage could have "severe unintended consequences," including increased business costs, less data security and alienated Web surfers.

"The impact on U.S. companies, and the broader U.S. economy, could be significant," said Richard Salgado, Google's director of law enforcement and information security, during a Nov. 13 appearance before the Senate Judiciary Subcommittee on Privacy, Technology and the Law.

In a worst case scenario, Forrester's James Staten initially theorized that global cloud computing services could lose as much as $180 billion over the next three years if corporate customers become worried about their crucial data falling into the hands of any government.

That dire figure has been widely circulated by media outlets, but Staten told The Associated Press he now believes chances are remote that losses will surpass $20 billion. That's because he is convinced most companies around the world are already encrypting the vital information they store on the computers of outside vendors.

"The reality is no enterprise is going to be naive," Staten says. "They are going to take the security into their own hands because they realize we live in a regulated world where every government is watching."

Wary of the U.S. government's electronic espionage, Brazil's president ordered a

series of measures aimed at greater online independence and security for a country that boasts Latin America's largest economy. Other countries and international regulators are considering strict rules for data-handling by U.S. tech companies. If that were to happen, it could cripple the companies' crucial drive to grow in overseas markets, and could fracture the Internet's seamless inner-workings.

"Try and compete in Europe when the Europeans think that their data is not secure with you," said Rep. Zoe Lofgren, a California Democrat who is a key standard bearer for Silicon Valley in Congress.

The NSA says it only retrieves online data tied to people outside the U.S., a limitation that is of little solace to companies such as Google and Facebook that generate most of their revenue overseas and see the ripest opportunities for growth in Latin America, Asia, the Middle East and Africa.

"Wonderful. That's really helpful to companies that are trying to serve people around the world and really inspire confidence in American Internet companies," said Facebook CEO Mark Zuckerberg at a San Francisco technology conference in September.

While Zuckerberg and other executives protest government's intrusions on privacy, industry critics point out that technology companies continue to store and analyze troves of personal information in pursuit of more profit. That is raising questions about the motives of their crusade to curb the government's Internet surveillance.

Google and its rivals "just want to be the exclusive spying source for their customers' data," said American Civil Liberties Union senior analyst Christopher Soghoian in a tweet last week.

Crisis communications expert Gene Grabowski believes the companies clearly regret their initial decision to cooperate with the government's personal data demands, rather than picking a legal fight. "It appears to more than a few people that they betrayed their customers," said Grabowski, an executive vice president for the public relations firm Levick.

Source URL (retrieved on *03/09/2014 - 4:12pm*):
http://www.wirelessweek.com/news/2013/12/tech-firms-vie-protect-personal-data-profits