

# Privacy: New corporate concern

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**C**ONSUMER PRIVACY HAS BEEN A FACTOR corporate executives have had to consider occasionally when launching new products or services. But it has rarely been a make-or-break issue for corporate America. All that has changed.

At least four major companies — three of them in Massachusetts — have had to reverse new policies in the last two months because they miscalculated how seriously customers regard personal privacy.

The reversals show the growing power of the privacy-rights movement, a coalition of civil libertarians and consumer advocates now joined by high-technology computer professionals. Orchestrating their campaign from Washington, the privacy people generated enough protests to reverse these poorly conceived corporate ventures.

In the past, the consumer affairs officer (if there was one) at a bank, insurance company or retail store could count on getting a few letters of protest about what consumers regarded as overly intrusive applications or a lack of regard for confidentiality. When a company receives 35,000 letters objecting to a new product — as Lotus Development Corp. of Cambridge did last fall — it should be clear that the privacy issue will get the attention of corporate executives at the very top.

Lotus, the software company, had joined forces with Equifax Inc. in Atlanta to create "Lotus Marketplace: Households," a computer disk available to Apple personal-computer users with consumer data and addresses on 80 million households. The consumer information was to come from Equifax's vast credit bureau files, which track how well we pay our bills. It was the source of the information that so many people objected to when the product was announced last fall, as well as the fact that it was being sold to unregulated, unknown individuals and small businesses.

Computer Professionals for Social Responsibility of Palo Alto, Calif. reacted to early warnings from its Washington director, Marc Rotenberg, and generated its complaints to Lotus by electronic mail, modem and other high-tech means. This organization of academics and others has taken a strong interest in privacy in the last five years after focusing mainly on military abuses of computer technology.

Lotus got the message. In January it canceled "Marketplace: Households," as well as a compact disk called "Marketplace: Businesses," which did not raise the same privacy concerns.

At the same time a vice president at Blockbuster Entertainment Corp., operators of video rental stores nationwide, proudly told a reporter from the Wall Street Journal the company was computerizing records of customers' video rental choices and offering to rent the information for 8 cents or so a name. The executive called it "one of the more popular lists coming out in 1991."

But there was immediate outrage from customers who expected their video store would keep secret their tastes in home movie viewing, whether racy or tame. Two days later Blockbuster's chief operating officer, Scott Beck, issued a blockbuster of his own, overriding the mail-list project and saying it had all been a misunderstanding.

Then, the Wall Street Journal discovered that Fidelity Investments in Boston had initiated a nationwide toll-free customer-service line that provided account information to anyone who claimed to be a certain customer and provided that person's Social Security number. A reporter tested the security of the system by getting the Social Security number of the company's chairman (from publicly available records at the Securities and Exchange Commission) and using it to discover details of the executive's Fidelity account.

In short order Fidelity shut down the toll-free line until it could do it right.

Why hadn't Fidelity included a unique personal identification number in the system, like most automatic teller machines? Because Fidelity had ignored the intensity with which Americans often guard personal information, especially investment information.

New England Telephone Co. had to learn the same lesson, the hard way. The company had taken steps to rent names and addresses of telephone subscribers as a way to generate revenue. But after routinely telling customers what it had in mind, 409,000 New Englanders wrote NET over two years saying: "Include me out!" And so, NET included a message in most January bills admitting a mistake and canceling rentals of the mailing lists. The telephone companies that serve New York City and the San Francisco area made the identical mistake about consumer reaction.

More experienced companies like IBM, Bank of America, Levi Strauss, Aetna, Federal Express, Equitable, Prudential, John Hancock and American Express have known for years that the privacy issue is explosive. They have avoided disasters like these by checking consumer reaction first, to discover how far is too far when it comes to snooping on consumers or selling information about them in the marketplace.

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