

6.033 Computer Systems Readings on Lotus MarketPlace

6.033 Staff

February 1, 1991

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**1 "Lotus - New Program Spurs Fears Privacy Could
be Undermined"; The Wall Street Journal, 13 Nov
1990, p. B1**

Privacy advocates are raising the alarm about a new Lotus product that lists names, addresses, shopping habits and likely income levels for some 80 million U.S. households. Due for release early next year, Lotus Marketplace packs the data on palm-sized compact disks aimed at small and mid-sized businesses that want to do inexpensive, targeted direct-mail marketing. But critics say the product is just too good. "It's going to change the whole ball game," says Mary Culnan, an associate professor at Georgetown University's School of Business Administration. "This is a big step toward people completely losing control of how, and by whom, personal information is used." Janlori Goldman, a staff attorney with the American Civil Liberties Union, adds that the product raises "serious legal and ethical questions."

Lotus' critics concede that the product offers little more than is already available from established mailing-list brokers. But they say it is a greater potential threat to personal privacy because of its low cost, ease of use and lack of effective safeguards over who ultimately has access to it and why. They also say that the way it is designed allows users to ask a series of increasingly specific questions about small subgroups of people - identifying, for example, unmarried, wealthy women over 65 in a neighborhood. "They've crossed the line," says Marc Rotenberg, Washington director for the nonprofit Computer Professionals for Social Responsibility. "It simply shouldn't be allowed on the market."

Lotus counters that the product, still under development, has been tailored to address privacy concerns. No phone numbers will be included, it won't be available in retail stores and it will be sold only to "legitimate businesses" at verified addresses checked against a "fraud file," Lotus says. A contract will specifically limit its use and provide penalties for abuses. Owners will be allowed unlimited use of the names and addresses they buy, at a cost of \$695 initially for the program plus 5,000 names and \$400 for each additional 5,000 names.

2 Rich Salz: Message, 26 Nov 1990

***** IMPORTANT ***** THIS IS *VERY* IMPORTANT ***** PLEASE READ

Date: 26 Nov 90 13:57:58 +0000
From: rsalz@bbn.com (Rich Salz)
Subject: National Lotus Database

Lotus Development Corporation has a new product due out in 1991, called "Household Marketplace." It's a database on CDROM. It has the estimated income and a profile of the buying habits of 120 million US residents. That's a high percentage of the US population - the odds are pretty good that YOU are in the Lotus database.

A Lotus spokesman has said that the company is concerned about privacy issues, so to help prevent misuse of the data only legitimate businesses can get the disk. With easy access to a laser printer, a POBox, and/or a fax machine, however, it is hard to see how Lotus can determine the legitimacy of anyone, however, and I'm sure that with minor effort almost anyone will be able to purchase Marketplace. The cost, by the way, is under \$1000 with quarterly updates available.

The database does not contain any of the data covered by the Fair Credit Practices Act so Lotus is under no legal obligation to let you see what they are saying about you. In fact, during interviews they have said that there is NO WAY for an individual to review their personal data, nor are there any provisions to make corrections on what is recorded.

Lotus will remove anyone from their database who writes to them. Send a letter to:

Lotus Development Corp.
Attn: Market Name Referral Service
55 Cambridge Parkway
Cambridge, MA 02142

3 Larry Seiler: Message and Letter, 12 Dec 1990

3.1 Message

From: RGB::SEILER "Larry Seiler, 225-4077, HL2-1/J12 12-Dec-1990 1144"

Subj: Confirmation of Lotus' plan to sell data on individuals - including income estimates and addresses

Folks,

I recently forwarded a message about a new Lotus product - a database on CDROM of 120M US residents with their estimated incomes and buying profiles. Someone questioned whether Lotus is really doing this, so I checked by calling Lotus and speaking to someone in pre-sales service.

It really is true. Lotus is still gearing up to sell their "Household Marketplace" product, and it really does give information on individual people, not just regional statistical summaries. I learned the following (and I asked for literature, so I'll soon know even more):

- 1) Yes, it really *DOES* have names and addresses of individuals.
- 2) They have divided up the database by regions, and you specify the region you are interested in when you buy the product. That explains how they could have 120M people in their database and still sell you just 1 CD (or a few) for your purchase price.
- 3) They also have a "Business Marketplace" CD with data on 7 million US businesses.

I forebore yelling at the sales-type who handled my call, merely asking if there was a place to write with comments about the service. Apparently the sales types haven't heard of the controversy the product is raising, since she replied that several different reports can be generated by the product, and some of them do have space for comments.

GREAT! So not only do they have the audacity to print an estimate of your income (which could be quite damaging if they get it wrong, and is an intrusion into your privacy if they get it right), they also have space on the disk for arbitrary comments about you - and they'll be selling this data in volume to mass marketing companies across the country!

In interviews, Lotus has said that individuals will NOT be able to correct their own entries, or even see what they are. I didn't try to confirm this in my call to Lotus, but I did confirm

that the person who reported it - Rich Salz of BBN - has an excellent reputation on the internet. Also, everything he said that I checked with Lotus is absolutely accurate. Further, the Wall Street Journal has reported on it - saying that the database has ages, marital status, and other such personal data as well.

So I believe it, and you should to, since it is going to affect your life. Remember - a database of 120 million US residents comes to almost half the people in the country. Considering that the database is probably biased toward those with higher incomes, the chances are *really good* that anyone able to electronically read this message is in the database.

What can you do about it? A couple of things. Lotus has said that they'll omit from their database anyone who asks. Therefore, start by writing to the address below. Tell them that you don't want to be in the database, and tell them exactly what you think of their database. I've appended a copy of my letter to Lotus for an example.

Second, pass this message along to anyone whom you think might care. To me, this is not just a matter of privacy. Lotus is going to sell information behind our backs - we are not allowed to dispute their data or even know what it is. Worse, Lotus is going to sell rumors about our income. Still worse, they will do it on a scale never before achieved. This should not be tolerated. Please help to stop Lotus.

Thanks,
Larry Seiler

Write to:

Lotus Development Corp. Attn: Market Name Referral Service
55 Cambridge Parkway
Cambridge, MA 02142

Here's my letter. Also send copies of your letter to the president and the CEO of Lotus, if you want to let those at the highest levels know that you are displeased with their product.

I've also appended a net copy of the Wall Street Journal article about it.

3.2 Letter

198 Linden Street
Boylston, MA 01505
December 6, 1990

Lotus Development Corp.
Attn: Market Name Referral Service
55 Cambridge Parkway
Cambridge, MA 02142

Dear Marketeers,

I do not want my name included in your "Household Marketplace" CDROM database, nor that of anyone in my family, at any address I have ever lived at. To be specific, please make sure that the following entries are ****NOT**** included in your database:

any last name (especially Seiler, Schmidt, Poffenberger, or Zwerner) at 198 Linden Street, Boylston MA//

any Seiler family name at 53 Oak Street, Waltham MA//

any Seiler family name at 77 Reed Road, Hudson MA//

As you have it set up, I think your "Household Marketplace" CDROM database is an incredible intrusion and ought to be illegal. I am a computer professional, so this opinion is not based on any native dislike of computers or databases. The problems I have with your proposed service involve the way in which you plan to administer it, the way in which the data will almost certainly be used, the type of data you are including, and my conviction that you will vigorously seek to avoid responsibility for errors in your database.

First, administration. I have heard that you are not providing any means to correct errors in your database. The potential for long term damage to individuals from use of your database is therefore enormous. Even if an individual knows that your database is false, users of your database will almost certainly believe the CDROM data in spite of any disclaimers or evidence offered by the individual.

Second, use of data. Given the fact that law enforcement agencies are nearly powerless to

shut down obviously illegal boiler-room businesses, it is absurd for you to claim that you will only provide the data to legitimate businesses. You won't be able to prevent your product from being used to defraud individuals by huge numbers of illegal operations. One way or another, essentially any business who wants your database will be able to get it - and it will be of special value to illegal and borderline businesses.

Third, type of data. I understand that you plan to publish "income estimates". There is no legal way for you to verify income, unless an individual voluntarily provides that information. (I never do, except when the data is legally required to be held in confidence.) It is absolutely unacceptable for you to publish what amount to rumors about people's income. The possibilities for abuse are tremendous.

Fourth, responsibility. I understand that you will not permit individuals to find out what information you are spreading about them. The only likely reason for this is that you don't want anyone to find out that your information about them is false. Therefore, while you will sell this product on the basis of providing reliable information, you aren't prepared to be responsible for the accuracy of your information, or for the damage that false information (or even true information) might cause.

So as you see, my concerns about your product are not primarily about privacy, although privacy is involved. If you were prepared to take responsibility for the accuracy of your information, then I would be willing to accept your service. For example, you could send copies of the data entries to *each* individual in your database, with a request to write back if any of the data is incorrect or if they want to be removed from your listing. If you did this, and *made* the requested corrections, then I would feel that you were providing a positive service, rather than making abusive use of unverified data.

In conclusion, if you market this product, it is my sincere hope that you are sued by every person for whom your data is false, with the eventual result that your company goes bankrupt. That would be a pity, since you make many fine products. However, that is preferable to permitting you to spread rumors and encourage abusive business practices. It would be better if your chief officers went to jail, but that will apparently require new laws to be passed. If you persist in your plans to market this product, a lot of people will be pushing to make that happen. I suggest that you abandon this project while there is time to do so.

Yours most sincerely,

Larry Seiler

4 - Grant Hogarth: statement and letter, Dec 19, 1990

4.1 Statement

Lotus wants to sell your salary and buying habits... As for legitimate businesses, I'm not sure what that means. I don't want anyone to have this...

Lotus Development Corporation has a new product due out in 1991, called "Household Marketplace." It's a database on CDROM. It has the estimated income and a profile of the buying habits of 120 million US residents. That's a high percentage of the US population - the odds are pretty good that YOU are in the Lotus database.

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Lotus will remove anyone from their database who writes to them. Send a letter to:

Lotus Development Corp.
Attn: Market Name Referral Service
55 Cambridge Parkway
Cambridge, MA 02142

Here is a copy of the letter I sent to Lotus regarding their proposed database: Forward as you feel appropriate.

4.2 Letter

December 19, 1990

VIA CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Lotus Development Corp.
Market Name Referral Service
55 Cambridge Parkway
Cambridge, MA 02142

Dear Sir/Madam:

It has come to my attention that Lotus is collecting salary and buying habits information on people without their knowledge or permission. I consider this to be a gross invasion of my privacy.

I would like to know the sources of this information that you are collecting, so I can write letters to the persons responsible for giving it out. I'm prepared to close accounts with any offenders.

Please remove my name and any information you may have collected on me from your database.

I'm requesting your assurance that this has been done, and would also like a written guarantee that no information will be collected or dispersed on me in the future.

Thank you for your cooperation.

Sincerely yours,

Grant Hogarth
(A former Lotus customer)

cc: Federal Trade Commission
901 Market Street
San Francisco, CA 94103

5 Doug Borchard: Lotus Statement, Jan 3 1991

Date: Thu, 3 Jan 91 14:33 EST
From: "Stephen G. Rowley" jsgr@zermatt.lcs.mit.edu;
To: bboard@ai.mit.edu

There has been quite a bit of traffic here and elsewhere about Lotus MarketPlace. One of the mailing lists I'm on received this message from a Lotus spokesperson. I neither endorse nor decry this response; I merely pass it along as information.

----- Begin Lotus Statement -----

Return-path: <CRD!Doug@UUNET.UU.NET>
Date: Thu, 3 Jan 91 10:25 EST
From: "lotus!"CRD!Doug Borchard@LOTUS ""@uunet.UU.NET
To: UNXML..D "THE-USUAL-SUSPECTS@SLCS.SLB.COM"@lotus.com

In response to recent messages that have appeared here about Lotus MarketPlace, we want to provide some hard facts that we hope will clear up some of the misinformation surrounding our product.

Lotus MarketPlace: Households is a CD-ROM database of names and addresses on U.S. consumers, which businesses use for direct marketing. It is a small - but highly visible - part of a multibillion direct marketing industry that helps businesses deliver products and services to interested consumers through compiled lists and databases.

Some people argue that the information collected in Lotus MarketPlace: Households should not be available. However, this information is already readily available, either as a matter of public record or through thousands of other commercial lists and database sources. For example, the 1990 Boston Yellow Pages alone lists more than 50 mailing list brokers.

Access to information is one of the benefits of a free society. In developing MarketPlace, Lotus and its data provider, Equifax Marketing Decision Systems, have strived to balance

the right to privacy with the freedom of information that is a hallmark of our society.

In developing MarketPlace, Lotus and Equifax Marketing Decision Systems have implemented a number of controls that go far beyond traditional industry practices for consumer privacy protection. Besides limiting the data to what is readily available as a matter of public record, Census data profiling, and similar sources most people can already access, we have taken three additional and important steps: 1) we are offering the product only to legitimate businesses; 2) we are providing consumers with an option to have their names removed from the database; and 3) we are educating and advising users of the proper legal and ethical responsibilities for list usage.

What's in Lotus MarketPlace: Households

Name Address Age range Gender Marital status Dwelling type Estimated neighborhood income (based on neighborhood average at the 9-digit zip code level) Neighborhood lifestyle

What's not in Lotus MarketPlace: Households

Telephone numbers Individual credit data (number of credit cards, spending levels, balances, etc.) An individual's purchase history An individual's actual income An individual's actual age

Lotus MarketPlace: Households does not include individual credit data and thus cannot be used to determine the credit worthiness of an individual.

Privacy Safeguards: Product Features

No telephone numbers Inability to directly look up a single name Ability to print/export names and addresses only (versus full records) Elderly people aggregated into a category "65 and older" Database includes decoy names that will receive sample mailings Direct Marketing Association guidelines inserted into retail package

Privacy Safeguards: Purchase Process

Only sample data included in retail package Signed data order form completed by purchaser Software license agreement outlines prohibited uses of the product Product sold only to registered businesses Approval and verification process of purchaser conducted prior to delivery of actual data discs

Consumer Name Removal Options:

Consumers can "opt out" of the Lotus MarketPlace: Households database by doing one of two things:

Write the Direct Marketing Association's Mail Preference Service to remove their names from MarketPlace and from all other lists that participate in this nationwide service at:

Direct Marketing Association's Mail Preference Service P.O. Box 3861 New York, NY 10163-3861

Write Lotus with a request to remove their names from Lotus MarketPlace: Households at:

Lotus Development Corporation MarketPlace Name Removal Service 55 Cambridge Parkway Cambridge, MA 02142

To expedite accurate name removal from MarketPlace, individuals should include the following information in their correspondence: name, address, social security number, and signature.

Because MarketPlace is a subscription-based product that will be updated quarterly, the name-removal process will be ongoing and open to consumers at their discretion. Because of the normal turnover in the data, it is expected that a majority of MarketPlace users will elect the subscription option, thereby minimizing the amount of "old" MarketPlace information in use.

Chances are that if a consumer is included in the MarketPlace database, he/she is included in many other databases and lists. Consumers concerned with being on any lists should therefore direct their name removal requests to the DMA.

Direct Marketing Association's Ethical Guidelines:

Lotus endorses and strongly encourages adherence by users to the DMA's guidelines for ethical direct marketing. These guidelines are included in the product's documentation.

While MarketPlace is perceived as breaking new ground in its use of CD-ROM and the personal computer to deliver mailing lists, all of the information in MarketPlace is already available through other published sources. Lotus believes that the product controls in place preserve consumer privacy while providing information and new technology essential to the growth of U.S. businesses.

We hope that this clarifies any questions or concerns.

MARKETPLACE

Technology: Federal rules could cut tranquilizer use in nursing homes **Page B4.**

Advertising: Hard times spell end to high times in magazine industry **Page B6.**

Lotus Is Likely to Abandon Consumer-Data Project

By MICHAEL W. MILLER

Staff Reporter of THE WALL STREET JOURNAL

Following a firestorm of protest about new technology's threat to privacy, Lotus Development Corp. is expected to announce today that it will drop its plans to sell a software product containing shopping habits and personal data about 120 million U.S. households.

The software, Lotus Marketplace, had become the most visible and controversial product in the mounting debate over electronic data bases of consumer information. Advances in computers are making it easier to gather and piece together minutely detailed portraits of households, and marketers are gobbling these up to help choose targets for direct-mail and telephone campaigns.

Marketplace, due to be released later this quarter, stirred especially sharp concern because the data were going to be unusually accessible. Lotus planned to offer it on palm-sized compact disks, which any buyer could search on a personal computer. Lotus's partner in the project was Equifax Inc., a giant Atlanta credit-reporting company and a big player in the con-

COMPUTERS

sumer-information business.

The turnaround on Marketplace suggests that technology companies are slowly learning how to strike a publicly acceptable balance between privacy and the explosion of electronic data. One example came last year when phone companies introduced "Caller ID" options that flash a caller's number on the other party's phone. In response to consumer complaints, some phone companies are adding a feature that lets callers block their numbers.

People familiar with the project said that a top Equifax executive, John Baker, met with electronic-privacy experts in Washington to tell them the project would be canceled today. They said Equifax and Lotus made the decision in the interests of both economics and consumer privacy.

Mr. Baker, reached in Washington, said, "We have been in a reappraisal period over the past several weeks, and we are going to announce the results of that." Spokesmen for Equifax and Cambridge, Mass.-based Lotus confirmed that an an-

nouncement would be made today about Marketplace, but didn't elaborate.

Lotus also sells a Marketplace product with data about businesses, which apparently isn't due to be canceled.

Lotus and Equifax had sought to argue that Marketplace's only impact on consumers would be to make their mailboxes a little fuller. They said users wouldn't be able to look up data about an individual—they would only get lists of names and addresses that fit particular specifications.

Moreover, the data wouldn't have been different from the kind of information Equifax and dozens of other companies routinely sell to direct marketers.

Still, Marketplace touched a raw nerve among consumers, and took on broad symbolic significance in the debate over electronic privacy. When Lotus offered to delete data about anyone who called or wrote, it was flooded with about 30,000 requests. Consumers learned about the product through widespread news reports.

Marketplace also became one of the

hottest topics on the computer networks linking technology students and professionals. Complaints and protest letters were posted and copied on hundreds of networks. Opponents circulated Lotus's phone number and the electronic-mail address of Jim Manzi, its chief executive officer.

"If you market this product, it is my sincere hope that you are sued by every person for whom your data is false, with the eventual result that your company goes bankrupt," declared one letter to Lotus that was posted on several networks.

Privacy advocates' chief objection to Marketplace was that it wouldn't be easy enough for consumers to delete their data, or correct any inaccuracies. They worried that even if Lotus offered to update the disk with corrections and deletions, offending earlier versions would still go on sale.

"There was no effective way to make sure that everyone listed on that product had freely consented," says Marc Rotenberg, Washington director of Computer Professionals for Social Responsibility. The nonprofit group was one of Marketplace's loudest opponents.

