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OF THE  
UNITED STATES OF AMERICA

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January 10, 2014

VIA ELECTRONIC FILING

Mr. Donald S. Clark  
Secretary  
Federal Trade Commission  
600 Pennsylvania Ave., NW, Room H-113 (Annex X)  
Washington, DC 20580

**Re: *Internet of Things, Project No. P135405***

Dear Mr. Clark:

The U.S. Chamber of Commerce, the world's largest business federation, representing the interests of more than three million businesses and organizations of every size, sector, and region, and dedicated to promoting, protecting, and defending America's free enterprise system, is pleased to submit these comments to the Federal Trade Commission ("Commission") in response to the agency's request for comments<sup>1</sup> on issues raised during the Commission's November 19, 2013, workshop on "Internet of Things—Privacy and Security in a Connected World."<sup>2</sup> Experience with the Internet shows that we do not know for certain what course it will take as technology and various business models evolve; therefore, the Chamber strongly urges the Commission to examine the Internet of Things with "regulatory humility"<sup>3</sup> given the economic consequences of hindering the development and use of these technologies.

**I. What is the Internet of Things?**

In her speech last year at the Chamber, Commissioner Ohlhausen described the Internet of Things as the "next phase of Internet development [focused] on connecting devices and other objects to the Internet, without the active role of a live person, so that they can collect and

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<sup>1</sup> Federal Trade Commission, *FTC Seeks Comment on Issues Raised at Internet of Things Workshop*, Dec. 11, 2013, available at <http://www.ftc.gov/news-events/press-releases/2013/12/ftc-seeks-comment-issues-raised-internet-things-workshop>.

<sup>2</sup> Federal Trade Commission, *Internet of Things - Privacy and Security in a Connected World*, Nov. 19, 2013, available at <http://www.ftc.gov/news-events/events-calendar/2013/11/internet-things-privacy-and-security-connected-world>.

<sup>3</sup> *Promoting an Internet of Inclusion: More Things AND More People*, Remarks of Commissioner Maureen K. Ohlhausen, Consumer Electronics Show, Las Vegas, NV, at 2 (Jan. 8, 2014), available at [http://www.ftc.gov/sites/default/files/documents/public\\_statements/promoting-internet-inclusion-more-things-more-people/140107ces-iot.pdf](http://www.ftc.gov/sites/default/files/documents/public_statements/promoting-internet-inclusion-more-things-more-people/140107ces-iot.pdf).

communicate information on their own and, in many instances, take action based on the information they send and receive.”<sup>4</sup> The development of smaller and cheaper sensors, tremendous investments in wired and mobile broadband networks by private-sector companies, the availability of Bluetooth, Wi-Fi, and similar technologies, and the surge in tablets and smartphones have made it easier and more cost effective than ever to connect objects to the Internet.<sup>5</sup> Consumers are coming to realize that even ordinary items are more useful when connected to the Internet.<sup>6</sup> Thermostats, light bulbs, refrigerators, cars, photo frames, power meters, healthcare and fitness devices, and garbage cans are just some of the everyday objects that are now or will soon be connected to the Internet.<sup>7</sup> The Internet of Things will lead to smarter homes, smarter cities, enhanced healthcare, and improved efficiency and productivity.

## II. The Internet of Things Will be a Key Driver of U.S. Economic Growth

To help our economy continue to recover, the Chamber believes that the Internet of Things will be a key component in the creation of jobs and innovation. A study by General Electric concluded that the Internet of Things could add as much as \$15 trillion to global GDP over the next twenty years, which it noted is roughly “the size of today’s U.S. economy.”<sup>8</sup> Cisco estimates that the “Internet of Everything” could be a \$19 trillion opportunity and that by 2020, 50 billion objects will be connected to the Internet.<sup>9</sup> Devices—excluding PCs, tablets and smartphones—comprising the Internet of Things will grow to “26 billion units installed in 2020 representing an almost 30-fold increase from 900 million in 2009,” according to Gartner, Inc.; the aggregate benefits that businesses derive through the sale and usage of this technology is forecast to be “\$1.9 trillion across sectors in 2020 with manufacturing (15 percent), healthcare (15 percent), and insurance (11 percent)” taking the lead.<sup>10</sup> IDC expects Internet of Things spending on technology and services to generate global revenues of “\$4.8 trillion in 2012 and \$8.9 trillion by 2020, growing at a compound annual rate (CAGR) of 7.9 [percent].”<sup>11</sup>

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<sup>4</sup> *The Internet of Things and The FTC: Does Innovation Require Intervention*, Remarks of Commissioner Maureen K. Ohlhausen, U.S. Chamber of Commerce, at 1 (Oct. 18, 2013), available at [http://www.ftc.gov/sites/default/files/documents/public\\_statements/internet-things-ftc-does-innovation-require-intervention/131018chamber.pdf](http://www.ftc.gov/sites/default/files/documents/public_statements/internet-things-ftc-does-innovation-require-intervention/131018chamber.pdf).

<sup>5</sup> Chris O’Brien, “CES 2014: Consumer electronics show to feature ‘Internet of things’” *Los Angeles Times*, Jan. 4, 2014, available at <http://www.latimes.com/business/la-fi-ces-internet-things-20140105.0.3796601.story#ixzz2q1iUDqJU>.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* See also, Daniel Castro and Jordan Misra, *The Internet of Things*, Center for Data Innovation (Nov. 2013), available at <http://www.datainnovation.org/2013/11/the-internet-of-things/>; and Don Clark and Geoffrey A. Fowler, “Seeing the Internet of Things in Action: A Look at Some of the Connected Gear at CES,” *The Wall Street Journal*, Jan. 8, 2014, available at <http://online.wsj.com/news/articles/SB10001424052702303393804579308642134683098>.

<sup>8</sup> Peter C. Evans and Marco Annunziata, *Industrial Internet: Pushing the Boundaries of Minds and Machines*, at 3 (Nov. 26, 2012), available at <http://files.gereports.com/wp-content/uploads/2012/11/ge-industrial-internet-vision-paper.pdf>.

<sup>9</sup> Olga Kharif, “Cisco CEO Pegs Internet of Things as \$19 Trillion Market,” *Bloomberg*, Jan 8, 2014, available at <http://www.bloomberg.com/news/print/2014-01-08/cisco-ceo-pegs-internet-of-things-as-19-trillion-market.html>.

<sup>10</sup> Press Release, Gartner, Inc., *Gartner Says the Internet of Things Installed Base Will Grow to 26 Billion Units By 2020* (Dec. 12, 2013), available at <http://www.gartner.com/newsroom/id/2636073>.

<sup>11</sup> Press Release, International Data Corporation, *The Internet of Things Is Poised to Change Everything, Says IDC* (Oct. 3, 2013), available at <http://www.idc.com/getdoc.jsp?containerId=prUS24366813>.

### **III. Businesses Have Marketplace Incentives to Protect Consumer Privacy and Security**

In this tough economy, businesses depend more than ever on having beneficial and trusted relationships with their customers. Successful companies work to ensure that their products and services are deemed trustworthy by their customers. If a company has failed to meet customers' privacy and security expectations, then oftentimes the marketplace and public relations consequences will be swift and decisive, forcing the company to quickly align its business practices with consumer expectations.<sup>12</sup> Companies "continually assess, reassure, evolve, rework and innovate to ensure that consumer privacy...[and security are] protected in the connected world of tomorrow."<sup>13</sup>

If the Commission—"[p]aralyzed by worrying about exotic threats"—<sup>14</sup>"attempt[s] to guard against every theoretical harm"<sup>15</sup> by adopting preemptive restrictions on the Internet of Things, then the agency will stifle innovation and limit the benefits realized by consumers. Instead, the Commission should focus its attention on promoting policies that help foster the fast-growing, but nascent, Internet of Things marketplace. Given the range of technologies and market participants involved in the Internet of the Things, the Chamber believes that self-regulation and best business practices—that are technology neutral—along with consumer education serve as the preferred framework for protecting consumer privacy and security while enhancing innovation, investment, competition, and the free flow of information essential to the Internet of Things.<sup>16</sup>

### **IV. Conclusion**

Thank you for the opportunity to provide comments on this matter.

Sincerely,

William L. Kovacs

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<sup>12</sup> See, Comments of Consumer Electronics Association at 7 (filed July 12, 2013), *available at* [http://www.ftc.gov/sites/default/files/documents/public\\_comments/2013/07/00027-86193.pdf](http://www.ftc.gov/sites/default/files/documents/public_comments/2013/07/00027-86193.pdf).

<sup>13</sup> *Id.* at 18.

<sup>14</sup> Tony Romm, "Regulatory Restraint Urged with the Internet of Things" (quoting Marc Rogers, Principal Security Researcher at Lookout), *Politico Pro*, Jan. 8, 2014, *available at* <https://www.politicopro.com/story/tech/?id=29536> (subscription required).

<sup>15</sup> Comments of Adam Thierer (The Technology Policy Program of the Mercatus Center at George Mason University) at 1 (filed July 10, 2013), *available at* [http://www.ftc.gov/sites/default/files/documents/public\\_comments/2013/07/00024-86180.pdf](http://www.ftc.gov/sites/default/files/documents/public_comments/2013/07/00024-86180.pdf).

<sup>16</sup> See also, Comments of CTIA—The Wireless Association at 3 (filed July 10, 2013), *available at* [http://www.ftc.gov/sites/default/files/documents/public\\_comments/2013/07/00009-86150.pdf](http://www.ftc.gov/sites/default/files/documents/public_comments/2013/07/00009-86150.pdf).