SCHOLASTIC

December 23, 2011

Jon Leibowitz, Chair Federal Trade Commission Office of the Secretary, Room H-113 600 Pennsylvania Ave., NW Washington, DC 20580

Submission Via Online FTC Comment Form

RE: Comments of Scholastic Inc. on COPPA Rule Review, 16 CFR Part 312, Project No. P104503 (76 Fed. Reg. 59,804)

Dear Chairman Leibowitz:

Scholastic Inc. ("Scholastic"), the world's largest publisher and distributor of children's books, and a global leader in online children's literacy and reading programs, is pleased to provide the following comments on the Federal Trade Commission's proposed amendments to the regulations promulgated pursuant to the Children's Online Privacy Protection Act ("COPPA").¹

I. Background

Scholastic was founded in 1920 with the mission of bringing "today's" world into the classroom through quality, age-appropriate educational materials. Ninety-one years later, Scholastic is the world's largest publisher and distributor of children's books; during its fiscal year ended May 31, 2011, Scholastic published or distributed approximately half a billion children's books worldwide. Scholastic has a longstanding commitment to quality children's literature, as evidenced by the fact that many of its publications have received the top awards for excellence in children's literature, including thirty-six Newbery Medals and Honors, numerous Caldecott Medals (most recently in 2008, for Brian Selznick's *The Invention of Hugo Cabret*), and the 2008 National Book Award for Young People's Literature. And of course, Scholastic is the U.S. publisher of one of the most popular book series of all time, *Harry Potter*. Scholastic reading materials are found in 97% of schools across all fifty states.

Scholastic is also a leader in the rapidly-emerging area of children's online literacy and reading programs, dedicated to a mission of using technology to help children in the United States and around the world to read and learn. Large numbers of students use Scholastic's online services in school settings under teacher supervision. Scholastic is a leading provider of technology-based formative reading and math assessment tools that track students in real time,

¹ Children's Online Privacy Protection Proposed Rule, 76 Fed. Reg. 59,804 (Sept. 27, 2011).

provide data and feedback to teachers, families and students on personalized dashboards, and help teachers tailor instruction to the needs of each student. Scholastic's flagship reading intervention software program, <u>*READ 180*</u>, is used by more than 1 million students who struggle with reading across the country every day. Scholastic is also a provider of digital and online reference tools for classroom and library use, including <u>Grolier Online</u>, a comprehensive source of non-fiction content for grades 3 and up, such as world newspapers, award-winning encyclopedias and clickable maps.

Scholastic's website for teachers, <u>Scholastic.com/teachers</u>, is the most popular site for teachers on the Internet. More than 1.6 million visitors to Scholastic.com each week access over 100,000 pages of free content and teaching resources, including lesson plans, teaching themes and suggested student activities. One such student activity, You Are What You Read (<u>www.youarewhatyouread.com</u>), has been recognized as a Best Website for Teaching and Learning by the American Association for School Librarians. Currently, Scholastic is running the One Million Bookprints for One Million Books campaign through <u>Scholastic ClassroomsCare</u>, encouraging teachers, parents and kids to create their "Bookprint" (a list of favorite books) at <u>You Are What You Read</u>. For every Bookprint created, Scholastic Book Clubs will donate a quality book to a child in need through <u>Reach Out and Read</u> (up to one million books).

II. Comments

Scholastic appreciates the overall effort of the Federal Trade Commission ("FTC") to update the COPPA regulations in a manner that both protects children participating in online activities and encourages the growth of "engaging, diverse, and appropriate online content for children that includes strong privacy protections by design."² Indeed, as a company whose educational products are designed primarily for use by children, Scholastic has been a leader in establishing rigorous safeguards for child-centered online materials. As a result, we believe that we have earned the confidence of parents, teachers, and educators across the country, not only in the educational value of our products, but in our commitment to keeping children safe online. Scholastic has collaborated closely with the FTC in the past in developing high-quality online children's educational experiences — including the successful AdMongo.gov website — and we look forward to continuing this collaboration under the final revised COPPA rule in providing a safe and secure online learning and activity environment for children.

While Scholastic supports many of the proposed changes to the COPPA rule, Scholastic does have significant reservations regarding certain of the proposed changes, particularly those relating to the "sliding scale" method of parental consent. We believe that not only are these proposed changes unlikely to achieve the FTC's desired outcomes in practice, but that such changes are also likely to have the counterproductive effect of reducing the availability of high-quality online content for children. In addition, Scholastic also believes that it would be valuable for the final rule to clarify several of the proposed changes, in order to assist operators in

² <u>Id</u>. at 58,808.

ensuring that their data management and collection safeguards are fully compliant with FTC intent.

A. "Email Plus" Has Significant Value and Should Be Retained

Scholastic is concerned about the consequences of eliminating "Email Plus" as an option for obtaining parental consent. As the FTC is aware, Email Plus is an option only in those limited circumstances when an operator seeks to collect personal information solely for its *internal* use. Scholastic has found this option extremely valuable under such circumstances, and a number of Scholastic programs have integrated Email Plus into their program registration process in recent years. These programs range from reading challenges to essay contests, including <u>Scholastic Summer Challenge</u>, Scholastic Book Fairs' <u>Read 100,000 Program</u>, <u>Clifford the Big Red Dog's Be Big In Your Community Contest</u>, and the <u>Jackie Robinson Breaking</u> <u>Barriers Major League Baseball Essay Contest</u>. Approximately 100,000 of the children who registered for these programs did so using the Email Plus method of consent. In the absence of reliable and affordable alternatives to Email Plus — and in the absence of any evidence of fraud or misuse attributable to Email Plus — Scholastic believes that the elimination of Email Plus will do little to improve the protection of children's personal information, yet will significantly hinder the ability of operators to deliver "engaging, diverse, and appropriate online content for children."³

1. Email Plus Continues To Constitute Appropriate "Reasonable Effort" Under COPPA.

Congress itself acknowledges that no method of obtaining parental consent will ever be absolutely foolproof. Indeed, COPPA defines "verifiable parental consent" as "any <u>reasonable effort</u> (taking into consideration available technology) . . . to ensure that a parent of a child receives notice of the operator's personal information collection, use, and disclosure practices, and authorizes [the same]"⁴ (emphasis supplied). In doing so, Congress clearly recognized the importance of striking a balance between strong verifiable parental consent procedures and encouraging operators to provide the very online children's activities for which such parental consent is being sought. The FTC is on record as being in agreement, affirming that "[t]he Commission believes it is appropriate to balance the costs imposed by a method against the risks associated with the intended uses of the information collected."⁵

In striking this balance, it is essential to recognize that, in the limited circumstances in which Email Plus is currently permitted, all stakeholders have acknowledged that the safety risk to children from the misuse of information used only for internal purposes is low. The FTC itself has noted (and reiterated in the proposed rule) that internal uses of information "present[] less

³ <u>Id</u>. at 58,808.

⁴ COPPA § 1302(9).

⁵ 64 Fed. Reg. 59,901.

risk than external disclosures of the information to third parties or through public postings."⁶ Information used only for an operator's "internal purposes" is subject to internal systems controls and confidentiality obligations, where the operator has significant incentives (both legal and reputational) to ensure that these controls and obligations are met. In contrast, information that is used externally may, depending on the circumstances, be accessed by the general public with no restrictions, or by third parties not subject to confidentiality obligations, thus increasing the risk of misuse of the information (whether by unscrupulous marketers or predators).

An example of an "internal" use of information is the collection of a student's school name and address, tied to the student's anonymous user name, so that the student can log minutes in a reading competition and earn credit for her school, where the specific school information is never displayed publicly in connection with that user. Scholastic has done this as part of its Scholastic Summer Challenge program, described more fully below, and its Scholastic Book Fairs' Read 100,000 program. An example of an "external" use of information requiring heightened parental consent would be open online forums where child users can post messages freely without moderation – something Scholastic has not done to date. As is evident, the distinctions between the two types of uses are significant in both scope and potential safety risk to the child. Scholastic is concerned that the proposed rule would improperly extinguish this highly relevant distinction between internal and external uses of information.

2. The Use of Email Plus Has Not Resulted in Fraud or Abuse

Having had extensive experience with Email Plus over the past several years, Scholastic is unaware of any evidence that Email Plus is being misused. Scholastic has utilized Email Plus as an integral component of a concerted effort to expand our free online literacy and reading activities and make them more engaging, interactive, and robust. In two years of using Email Plus, with over 100,000 registrations via Email Plus, Scholastic has never received a single complaint — from a parent, teacher, educator, regulator, competitor, or anyone else — alleging that the Email Plus verification process had been subject to misuse (for instance, by a child who posed as her parent). Importantly, several of our online activities use Email Plus to obtain parental consent at the outset, but subsequently require additional (and more stringent) parental consents to comply with the COPPA requirements for external uses of information. For instance, in the case of an essay contest in which the child's essay submission may contain personallyidentifiable information, Scholastic requires a signed affidavit from a parent before a child's winning entry can be posted online and acknowledged publicly. In no such "follow up" instance have we ever received a complaint that the initial Email Plus verification was obtained improperly. In short, Scholastic is unaware of any evidence whatsoever — either from our own experience, or our discussions with other operators — that Email Plus is being misused or manipulated in any way.⁷

⁶ 64 Fed. Reg. 59,901; 76 Fed. Reg. 59,819 at n. 147.

⁷ Scholastic notes that many of the commenting parties who encourage eliminating Email Plus (primarily on the basis of its alleged lack of reliability) appear to be vendors of proprietary identity verification software, and as such have a substantial vested financial interest in the elimination of an inexpensive, readily-available and reasonable means of parental verification such as Email Plus. <u>See</u> 76 Fed. Reg. 59,819 at n. 153-154.

3. The Advantages of Email Plus — and the Likely Adverse Consequences of its Elimination — are Significant.

Over the past eight years, Scholastic has enrolled nearly 3.4 million registrants in its online interactive literacy and reading websites. As more of Scholastic's traditional activities have moved online, and as online activities have become more sophisticated, Scholastic has turned to Email Plus more frequently to obtain consent from parents to allow children under 13 to participate. For instance, the Scholastic Summer Challenge, which encourages children to track their summer reading progress online, enrolled 101,361 children in 2011 — 60,313 of whom enrolled via Email Plus. For the Summer Challenge campaign, we link users to their schools because, at the end of the summer, we publish the 20 schools with the most summer reading minutes in the *Scholastic Book of World Records*. We have heard from numerous school administrators across the nation that this competition has been a great motivator in encouraging students to engage in reading on their own initiative.

By enabling parents and teachers to easily approve participation by their children and students in the Scholastic Summer Challenge through an automated means that does not require manual processing by Scholastic staff, Email Plus makes it possible for large numbers of children to begin logging their "reading minutes" shortly after registering, and to begin contributing those minutes to their schools' accounts in real time. The positive response Scholastic has received from parents, teachers and educators after making Email Plus available has demonstrated that they value the common-sense balance Email Plus strikes between protecting child safety and encouraging children to engage with online materials.

It is also important to note that many of the interactive online activities for which Scholastic uses Email Plus are specifically designed to promote literacy (such as Read 100,000 and Scholastic Summer Challenge) or encourage students to become involved in their community (such as Clifford's Be Big in Your Community, a program that asks participants to submit a "big idea" to make the world a better place, with the chance to win a community grant to implement the winning proposal). These online initiatives are offered to children without charge. Moreover, once the online initiatives have been developed, the automated means of obtaining parental consent via Email Plus means these initiatives can easily be "scaled up" to reach large numbers of children at little or no marginal cost.⁸

If Email Plus were eliminated, Scholastic envisions several adverse consequences. Because Scholastic does not charge students for participating in its online literacy initiatives, the other primary alternative means of verification under COPPA — consent via a credit card transaction — is not an option. This means that parents, to enable their children to participate, will need to resort to more cumbersome methods of verification, including print-sign-and-send (or –scan) and telephone or video-conferencing verification. For operators, this means that

⁸ For an example of a child user's logged-in experience on the Scholastic Summer Challenge, see Appendix A (Scholastic Summer Challenge — User View). For an example of a child's experience of Read 100,000, see Appendix B (Read 100,000 — User View). To see how Email Plus consent is used in Scholastic Read 100,000, see Appendix C (Read 100,000 — Registration Process).

online programs will no longer be scalable with little marginal cost, and will instead likely require hiring additional dedicated staff to manually process thousands of verification requests. As a result, operators like Scholastic, whose website experiences for children are currently free at the point of use, may find it difficult to continue support for the enriching programs and activities that can be made available under such an operating model.

Similarly, parents may not have or be willing to expend the time to take the extra steps to make these literacy and other programs available to their children. From our own experience, we have found that busy parents frequently neglect to complete and send back, or object to having to send back, signed affidavits even when we award prizes for sweepstakes or contests. If Email Plus is eliminated, assuming the continued existence of these programs for children under 13, the likelihood that parents will be willing to take extra steps simply to enable their children to participate in free online activities is low indeed.

In addition, the FTC currently permits teachers to act in lieu of parents in giving COPPA consent. Scholastic has designed registration for several of its online literacy programs to enable teachers to register their students as a class, and to provide any necessary consents for Scholastic's internal uses of children's personal information via the quick and highly automated Email Plus method.⁹ If Email Plus is eliminated, these teachers would instead need to provide an individual consent for each student via video chat, scanned signed consent forms, or constant telephone calls to phone banks. Given the limited child safety issues involved with the use of information collected by operators solely for internal purposes, Scholastic believes that this is simply not a realistic or proportionate demand to place on already-overworked teachers, many of whom are responsible for scores of individual students. Scholastic has designed its online opportunities to complement the needs of teachers and educators, and the children they serve, not to place disproportionate burdens upon them.

In sum, the elimination of Email Plus will not encourage the growth of valuable online content and programs for children, but is almost certain to decrease the number of children who can most benefit from having access to such content and programs, to the extent they continue to be maintained.

4. There Is No New Consent Technology that is Both More Reliable <u>And</u> More Affordable than Email Plus.

The FTC established the sliding scale in 1999, on the basis that this approach constituted an appropriate mechanism for implementing COPPA until other forms of electronic consent technology became "more reliable (and affordable)"¹⁰ (emphasis supplied). The FTC reaffirmed

⁹ Scholastic notes that these programs are not programs made available through the school pursuant to a contract with the school or the school district for the use and benefit of the school and its students; rather, they are programs available for any child to use via the Scholastic website. Thus, these programs are not exempt from COPPA's consent requirements, as articulated in the FTC's COPPA FAQ #55. For an example of bulk registration by teachers, see Appendix C (Read 100,000 — Registration Process).

¹⁰ 74 Fed. Reg. 59,819 & n. 149 (<u>citing</u> 64 Fed. Reg. 59,901).

this position in 2006 and extended the sliding scale approach indefinitely, announcing its intention to modify the COPPA rule "should an acceptable electronic consent technology develop."¹¹

Scholastic understands the FTC's frustration that, despite advances in technology since 2006, "few, if any, new methods for obtaining parental consent have emerged since the sliding scale was last extended in 2006." However, Scholastic strongly believes that the new alternative methods outlined in the proposed rule fail to meet either the reliability or the affordability standards articulated by the FTC for establishing an Email Plus replacement.

With respect to affordability, neither of the new proposed methods for obtaining parental consent — video-conferencing and returns of signed consent forms by electronic scan — are more affordable (or accessible) for parents and teachers than Email Plus. Both of these approaches require additional and expensive equipment to which many parents and schools simply do not have access. For instance, video-conferencing requires not only video-enabled devices, but access to broadband networks, to function effectively. Yet the federal government's National Broadband Plan reports that 100 million Americans do not have broadband access at home, while a 2011 FCC survey determined that nearly 80% percent of American schools do not have adequate broadband access.¹² Indeed, in 2008, the National Center for Education Statistics reported that only 30% of all public schools in the United States had video-conferencing capacity at all.¹³ Likewise, electronic scanning requires the purchase of additional hardware and software that many parents and schools, particularly in economically disadvantaged areas, either cannot access or cannot afford. Our own experience working with parents in other contexts indicates that a significant number of parents do not have access to scanners or know how to use them. A likely result is the inability of children, especially disadvantaged children, to gain access to literacy and other programs and activities that could most help them.

Nor would any of the current or proposed methods of consent be more affordable for operators to process than Email Plus. If operators are required to adopt the heightened consent methods previously used only for the collection of external data — paying staff to file print-andsend forms, training staff to evaluate the validity of (and properly handle) scanned drivers' licenses, or hiring more trained telephone operators to confirm consent — the additional costs will be substantial and significant. Scholastic is proud of the fact that it currently provides much of its online content free of charge at the point of use, meaning that children and families have access without regard to their ability to pay. Given that the costs of verifying consent will increase if Email Plus is eliminated, the likelihood that Scholastic and other operators will be forced to consider reducing or eliminating certain free online resources increases dramatically. Moreover, if Scholastic did find it necessary to charge for some of its currently-free content (and "consent via credit card purchase" became the predominant consent method), many poorer families could find themselves doubly-disadvantaged: lacking the financial means to pay for the content, and lacking access to a credit card that would enable them to provide consent. In short,

¹¹ 71 Fed. Reg. 13,254-55.

¹² http://www.broadband.gov/plan/executive-summary/; http://transition.fcc.gov/010511_Eratereport.pdf.

¹³ http://eric.ed.gov/PDFS/ED509397.pdf, at 9.

far from encouraging the "growth of engaging, diverse, and appropriate online content for children," the elimination of Email Plus would instead lead to a likely reduction in the availability of free educationally-oriented content.

There is also no evidence that the proposed alternatives are significantly more reliable than Email Plus. As explained above, Scholastic is unaware of any evidence that Email Plus is being abused or misused, or is an unreliable indicia of parental consent. It is always possible to hypothesize worst-case scenarios, but there is no indication that such hypotheticals have any basis in reality. Even in the hypothetical case of a child who wished to forge parental consent, the possibility of this occurring is no greater with Email Plus than it is with the process of reviewing mailed or scanned consent forms or government-issued identification. Indeed, there is no reason to believe that a child who is capable of registering for a duplicate email address is somehow incapable of forging a signature on a consent form (or borrowing a parent's license from their wallet) and then operating a scanner or dropping a copy in the mail. While all of these scenarios present the possibility that an enterprising child could go to great lengths to subvert an operator's reasonable efforts to obtain verifiable parental consent, in our experience there is no evidence that such activity occurs at all — much less with a frequency that would justify the elimination of Email Plus in favor of other available methods.

Finally, Scholastic has strong and significant reservations about a proposal to eliminate Email Plus but permit the use of government-issued identification as a permissible form of verifiable parental consent. Besides the fact that there is (again) no way for an operator to guarantee that the license of the individual is indeed being provided by that individual, the intent of COPPA is clearly to minimize the handling by operators of sensitive personal identification data. This new proposal, however, would increase the amount of sensitive personal information that operators are being asked to handle, and potentially subject operators to increased liability if such information were allegedly mishandled or is inadvertently retained. It is also unclear how operators would maintain a database of consents obtained through government IDs in a manner that would be simultaneously protective of the data provided therein, legal under all applicable laws, and susceptible to proof should the authenticity of such consents be challenged by a parent or a regulator. The "addition" of this option to the list of permissible methods is essentially illusory, given that the potential for significantly increased legal liability means that few — if any — operators are likely to adopt this method as a means for obtaining verifiable parental consent. Moreover, in our experience, parents are frequently reluctant to provide sensitive personal information like social security numbers, as may be required for tax reporting purposes when we award sweepstakes prizes, and will sometimes forfeit a prize rather than share this information. This suggests that parents will not embrace the use of government IDs as a means of giving consent for their children's online activities.

* * *

Overall, as Scholastic has articulated in the above comments, Email Plus has significant value and should be retained. Scholastic's experience is that Email Plus continues to remain the most reasonable, reliable, and affordable consent method available, in that it provides important safeguards for children's personally identifiable information without either imposing onerous

and disproportionate burdens on parents and teachers to provide consent, or disincentivizing operators from continuing to provide high quality children's online activities.

B. The Range of Alternative Electronic Payment Methods Permitted for Consent Should be Expanded

Scholastic appreciates the confirmation in the proposed rule that monetary credit card transactions will continue to be permissible as a form of obtaining verifiable parental consent. However, Scholastic encourages the FTC to reconsider its per se position that other forms of electronic payment — notably, debit cards and online transaction accounts — are not yet reliable enough to provide verifiable parental consent.¹⁴ While Scholastic agrees that not all alternative forms of electronic payment currently meet the criteria of § 312.5(b)(1), Scholastic believes that certain providers of alternative electronic payment options can meet the same stringent criteria as credit cards, and that those specific options should be deemed acceptable by the FTC for verifiable parental consent purposes.

An increasing number of parents and teachers are demanding (in part for security reasons) that operators like Scholastic offer alternative electronic payment method options (such as PayPal) in addition to the existing option of manually entering a credit card number. Operators should have the flexibility to enable parents and teachers to use other electronic payment method options and provide contemporaneous verifiable consent at the time of purchase. This is particularly important in the context of digital apps and other downloadable products that require COPPA consent, which parents and teachers may be purchasing in the same online order as physical products that will be shipped via traditional means. Few parents are likely to understand or benefit from a dual-online-checkout system — where one method of checkout (if the parent uses a credit card) permits the provision of consent, while the other (for all other forms of payment) does not.

In reaffirming the use of credit cards as a means for obtaining verifiable parental consent in 2006, the FTC acknowledged that, even though it is legally permissible for children under 13 to obtain credit cards, "principles of contract law would require the credit cards to be linked to a supervisory adult's account. Through this link, parents can set controls on and monitor the account, ensuring that the children cannot use the credit cards without permission." Moreover, the FTC reasoned that a credit card used in connection with a transaction provides "extra reliability, because parents obtain a transaction record that gives them additional notice of the consent provided. Parents thus are notified of the purported consent, and can withdraw it if improperly given."¹⁵

Scholastic thus proposes that the FTC codify this simple test across all payment platforms. Where an operator can demonstrate that an alternative means of electronic payment provides separate notification of each discrete monetary transaction to the primary cardholder

¹⁴ 76 Fed. Reg. 59,817-18.

¹⁵ 71 Fed. Reg. 13,254-55.

(for instance, via a mailed monthly statement or an online balance report), then the use of that specific product for a monetary transaction — in conjunction with provision of notice of the operator's privacy procedures and request for consent — should be deemed permissible as a means for obtaining verifiable parental consent.

For instance, if an account at an online service (such as PayPal or iTunes) is linked to a credit card, and that online service is used in a monetary transaction, a record of the transaction will appear on the credit card statement of the primary cardholder. Notably, the purposes of these types of online services are not to change the fundamental nature of the credit card transaction, but are instead to provide customers with either additional data protection (PayPal, with 103 million active registered users,¹⁶ is primarily designed to shield the cardholder's actual credit card number from the merchant, thus increasing data security) or convenience (enabling cardholders to avoid having to re-enter their credit card number manually in order to make subsequent purchases). In either event, the outcome is exactly the same as with the single use of a manually-entered credit card number — a purchase made in a recorded transaction, with a separate notification made available to the primary cardholder.

Similarly, hundreds of millions of debit cards are currently in circulation in the United States, the vast majority almost certainly issued to adults. It is estimated that Visa and MasterCard alone had 520 <u>million</u> debit cards in circulation in the United States as of 2010.¹⁷ Visa estimates the most recent annual payment volume from its U.S. debit cards at \$909 billion,¹⁸ while MasterCard estimates the most recent annual payment volume from its U.S. debit cards at \$457 billion.¹⁹ Debit cards are clearly being used as a primary means of completing billions of dollars' worth of financial transactions, and many adults prefer debit cards to credit cards because they help prevent the accumulation of spiraling credit balances and damaged credit ratings. In the event that an operator can demonstrate that a given debit card meets the test articulated above — separate notification of discrete transactions made available to the legal cardholder — Scholastic believes it is counterproductive, both practically and as a policy matter, to continue precluding the use of debit cards to provide verifiable parental consent.

C. Clarification of User Name Exception

Scholastic encourages the FTC to provide further clarification in the final rule concerning the circumstances in which screen and user names will remain exempt from the expanded definition of personal information. In its comments on the proposed rule, the FTC notes that, under the proposed exception (for screen or user names used "solely to maintain the technical functioning of the Web site or online service"), operators will be permitted to "allow children to

¹⁶ https://www.paypal-media.com/about

¹⁷ http://www.creditcards.com/credit-card-news/credit-card-industry-facts-personal-debt-statistics-1276.php

¹⁸ VISA 2010 Annual Report, at 43, *available at* http://phx.corporateir.net/External.File?item=UGFyZW50SUQ9NzM5MjV8Q2hpbGRJRD0tMXxUeXBlPTM=&t=1

¹⁹ MasterCard 2010 Annual Report, at 17, available at

http://investorrelations.mastercardintl.com/phoenix.zhtml?c=148835&p=irol-reportsannual

establish screen names for use within a site or service" "to identify users to each other" without the need to obtain prior parental consent.²⁰

Scholastic currently permits child users to register on certain of its Web sites by creating an anonymous user name comprised of un-editable common words selected by the child from a list or generated by an online spinning wheel, and may in some cases be combined with a randomly-generated number.²¹ The user cannot replace these elements with customized text. The user names generated by this system (such as "bluetuna5") enable children to communicate with other children about books, reading, authors and other subjects of interest through public profile pages with static artwork and pre-written, un-editable text provided by Scholastic, or postings that are screened by a moderator and stripped of personally identifiable information before they are posted. These profile pages and postings are not located in a password-protected area.

Scholastic believes that user names of this type and used in this manner do not fall under the FTC's proposed revision to the definition of personal information under COPPA because they are not as portable to other, unrelated Web sites as user names that allow children to include information that is identifiable with them, such as words related to hobbies, favorite celebrities, personal characteristics or favorite sayings. Such operator-driven (as opposed to user-driven) user names do not pose a risk to child users in the way that a user name freely created by the child, while still anonymous, may pose by making it more likely that the child will be tracked across or contacted through different services. If our interpretation of the proposal is incorrect and these types of user names <u>will</u> indeed require consent going forward, such limitations will likely reduce teachers' use (in the classroom setting) of many of the free online activities currently offered by Scholastic.

Scholastic requests that the FTC confirm our understanding that when i) the operator limits valid user names to those created through the use of an operator-established list of common words and/or a random generic word and/or a random number generator (in which the resulting user names are un-editable by the user), <u>and</u> ii) where no personal information (other than general information about the child or her family as described in Section 312.2(g) of the current COPPA rule) is either collected or paired with that user name, that those user names can be publicly displayed, and that users can identify each other (and post under such user names) within the Web site without obliging the operator to obtain prior parental consent.

²⁰ 76 Fed. Reg. 59,810.

²¹ For example, see Appendix D (THE STACKS — Registration Process). THE STACKS, the portion of Scholastic.com for kids ages 8-12 who love books and reading, sees 82 million monthly page views and 14 million monthly visits. <u>See also</u> Appendix C (Read 100,000 — Registration Process).

D. Clarification of Definition of "Online Service"

Scholastic also encourages the FTC to clarify the circumstances under which an operator constitutes an "online service" in the context of obtaining parental consent. The proposed rule suggests that the FTC's primary concern is — as it should be — its ability to monitor how any given operator is managing and safeguarding the personal information it receives. In practice, a single operator often operates a family of Web sites pursuant to a common personal information collection policy. For instance, Scholastic currently operates Read 100,000, Scholastic Summer Challenge, Be Big In Your Community, The 39 Clues, You Are What You Read and other interactive sites that require COPPA compliance, all of which have unique URLs.²²

Given this reality, Scholastic encourages the FTC to clarify that a single corporate entity operating a family of Web sites pursuant to a common personal information collection policy constitutes a single "online service" for COPPA purposes, and thus, for any given child's unique user name, is required to obtain only a single verification (i.e., one that that applies across all Web sites operated by that corporate entity and its business units and affiliates), rather than be required to collect multiple verifications (i.e., one for each individual Web site operated by that corporate entity and affiliates, even though they are all covered by the same privacy policy).

The alternative — requiring parental consent for each individual COPPA-compliant Web site operated by the same corporate entity or its affiliates — would in practice often lead to parents receiving multiple nearly-identical requests from the same entity or operator. This would likely cause significant unnecessary confusion (for instance, creating the erroneous presumption on the part of parents that subsequent consent requests were actually duplicates and could thus be ignored), and could have the inadvertent consequence of decreasing the ability of children to access online content.

We believe this is appropriate since, as the operator or co-operator of all of these related web sites, we have the same legal obligations and responsibilities, including those relating to the collection, use and security of personal information, in respect of each of them, as a collective whole.

E. Clarification of Definitions Relating to "Persistent Identifiers"

Scholastic notes that the proposed rule would expand the definition of personal information to include "persistent identifiers" when such identifiers are used for either "amassing data on a child's online activities" or "online profiling."²³ Scholastic encourages the FTC to provide further guidance in the final rule as to how it intends to interpret these otherwise vague terms, as Scholastic believes that it will be difficult (if not impossible) from the text of the

²² Several of these URLs are currently subdomains of www.scholastic.com, but could in future be identified under their own top-level domain names

²³ 76 Fed. Reg. 59,812.

proposed rule and the related comments for operators to determine with any certainty whether their existing technical data collection protocols require obtaining prior parental consent.

1. Clarification Relating to the Use of Analytics

In particular, Scholastic observes that many operators routinely retain information about IP addresses in order to develop analytics about which third-party Web sites generate traffic for their own Web sites (whether through advertising or otherwise), which advertisements located on their own Web sites (promoting the Web sites of third parties) attract the most interest, or which emails or newsletters are most relevant for their users. Operators use these types of analytics to improve the internal operations of their own Web sites, as such information enables them to determine which third party websites provide them with the most effective visibility, as well as educating the operator as to areas of topical coverage that it may wish to expand or contract.

To illustrate with a concrete example, Scholastic recently placed advertising on multiple third party Web sites for a single new book release. To evaluate the success of these paid campaigns, Scholastic reviewed the click-through rate of those ad touts and also how many pages users viewed on Scholastic's Web site after clicking through that tout, on average. If an ad tout has a high click-through rate but only leads to one additional page view from a user, then we may consider it less successful than an ad with a low click-through rate but which leads to ten additional page views from a user. In order to make this kind of evaluation, we do not need to track the user across multiple sessions, but we do need to be able to track the user's behavior from a third party Web site to our Web site and then across our Web site.

We also analyze what features on our Web site are of most interest to users who come from different external sources. That information often becomes apparent only over time and multiple visits. For example, we may learn that users who come to our site from banner ads on third-party sites are more likely to sign up for newsletters, but that those banner ad-sourced users do not actually open newsletters as frequently as users who reach our site from newsletter signup widgets placed on third party sites.

Moreover, many operators operate websites that, while not devoted solely to children under 13, nevertheless attract enough children under 13 to require COPPA compliance. To require operators to obtain prior verification before any analytic data could be collected from any user — child or adult — would not only be technologically complicated and excessively burdensome, but would constitute precisely the type of interference with "the ordinary operation of Web sites or online services" that the FTC has expressly sought to avoid.²⁴

As a result, Scholastic encourages the FTC to clarify that standard data analytics, even if they entail collecting information about a user as she moves from one website to another (provided they are not used for purposes of online behavioral advertising), neither constitute "amassing data on a child's online activities" or "online profiling," nor are governed by the

²⁴ 76 Fed. Reg. 59,812, & nn.80-81.

proposed definition of "an identifier that links the activities of a child across different Web sites or online services," but are instead permissible under the FTC's proposed express exception for "support for the internal operations of the Web site or online service."²⁵ Scholastic believes that the alternative — requiring prior parental consent before collecting information on each such click-through — would mean that operators would effectively be prohibited from collecting <u>any</u> meaningful analytical information about the nature or general interests of its users. The unavailability of this data (which is crucial to the internal operations of the Web site and our ability to keep our Web site relevant and useful for our audience), would have a significant and adverse impact on the ability of operators to provide exactly the type of "engaging, diverse, and appropriate online content for children" that the FTC encourages.

2. Clarification Relating to Single-Operator Integrated Cross-Platform Applications

In addition, Scholastic encourages the FTC to provide further clarification on how it intends to interpret the proposed subsection (h), which adds to the definition of personal information "an identifier that links the activities of a child across different websites or online services." Scholastic notes that, increasingly, operators are developing applications that permit a single user to integrate their online experience across multiple platforms, all of which are operated by the same operator (for instance, allowing a single unique user name to access the same personalized content whether via a website, iPad application, or a Kindle e-book). Scholastic encourages the FTC to clarify that, when a single operator operates such integrated cross-platform applications, the common identifier used by the operator in such circumstances does <u>not</u> constitute a link between "<u>different</u> Web sites or online services" for the purposes of the proposed subsection (h).

F. Any Changes to the Rule Should be Effective Prospectively, With Sufficient Time Afforded for Implementation

To the extent the FTC elects to proceed with changes outlined in the proposed rule, Scholastic encourages the FTC to confirm that such changes would be effective only prospectively. In particular, requiring operators to obtain new parental consents from every existing registered child user — over 3 million for Scholastic alone²⁶ — would create significant fiscal and logistical challenges. Such a requirement would also create serious practical disruptions for the thousands of students who participate in Scholastic's online programs on a daily basis.

²⁵ <u>76 Fed. Reg. 59,812.</u>

²⁶ Not all of these current users may actually be under the age of 13. However, because Scholastic's method of assigning user names (and those user names themselves) have not been considered subject to COPPA to date, and no other personal information was collected from those users, not all of those users were age-screened when they created accounts. Thus, Scholastic would be required to verify and, where necessary, re-register, all of its current users.

In addition, Scholastic requests that operators be afforded sufficient time for implementation following the finalization of any changes to the rule. Any change to the existing standards, particularly in relation to Email Plus, will require operators to develop, test, obtain legal review of, and implement new privacy policies, new parental notice forms, and new consent mechanisms, as well as the potential need to redesign both the front-end and back-end of websites in order to ensure compliance. Scholastic encourages the FTC to be cognizant of this practical reality in establishing the effective dates for any changes to the existing rule.

III. Conclusion

Scholastic acknowledges the significant time and effort that the FTC has committed to the process of revising the COPPA rule, and appreciates the opportunity to participate in this process by providing the FTC with the above comments. Scholastic is pleased to provide any additional information about our online programs and practices that may be of assistance, and would appreciate the opportunity to meet with FTC staff prior to the finalization of the rule to answer any questions you may have.

Scholastic looks forward to working with the FTC to continue implementing our shared goals: ensuring the safety of children online, while simultaneously ensuring that innovative online resources continue to be accessible and within reach of all children, regardless of their personal circumstances, who would benefit from them.

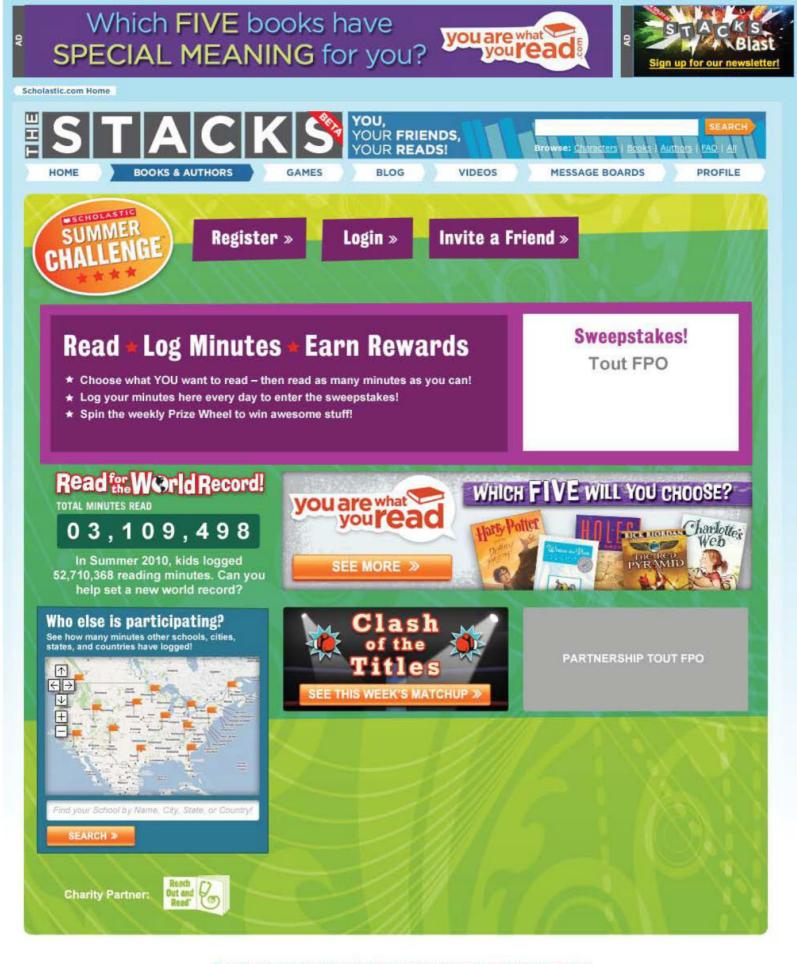
Sincerely,

Alexandra Aleskovsky Executive Vice President, Scholastic Inc. and President of eScholastic



Appendix A

Scholastic Summer Challenge – User View



This site contains information and advertising about Scholastic and third party products.

Read Every Day. Lead a Better Life.

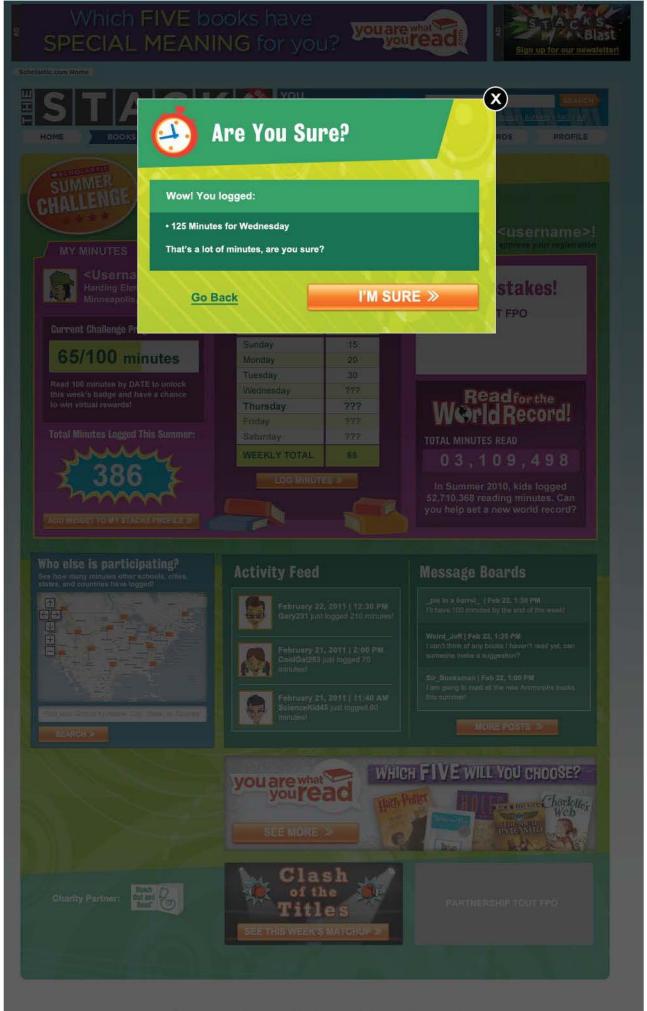


This site contains information and advertising about Scholastic and third party products.

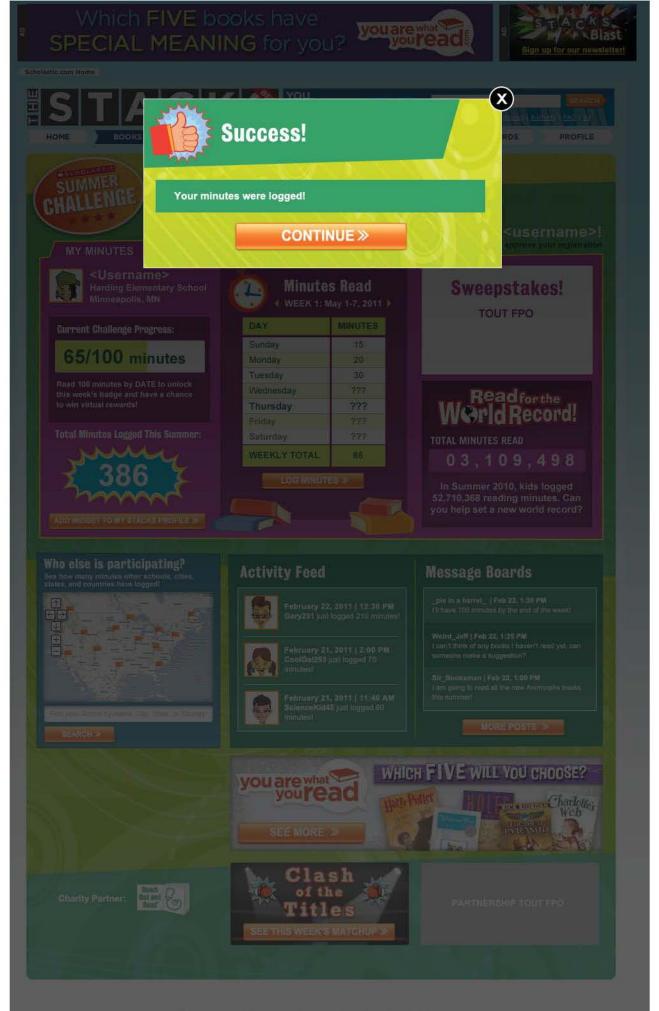
Bead Every Day Lead a Better Life



This see contains information and advertising about Schokastic and third party products



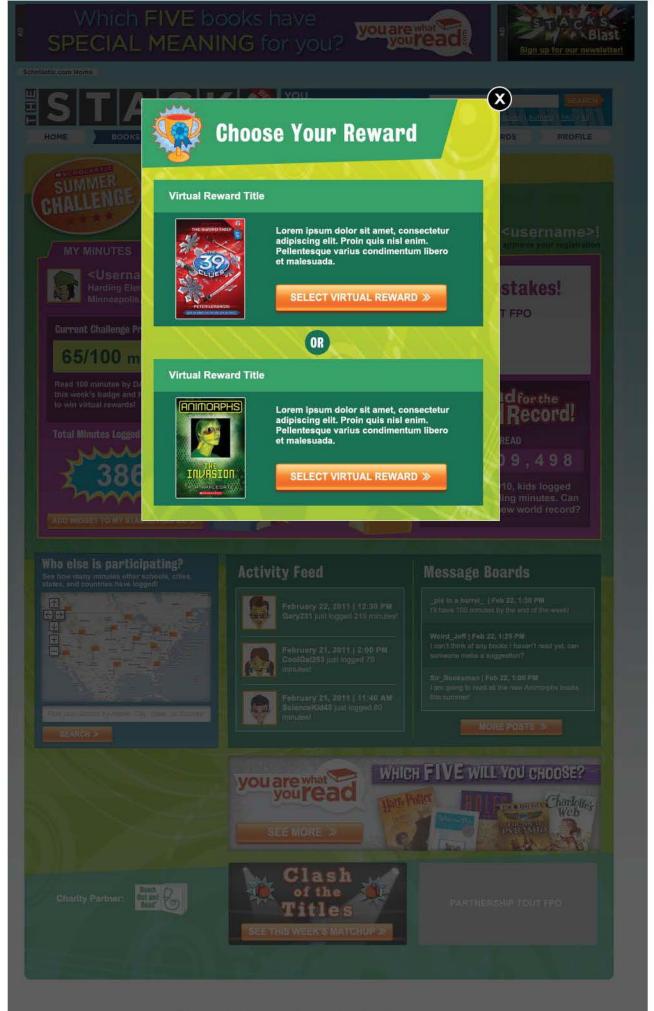
This site contains information and advertising about Scriptissic and third party products.



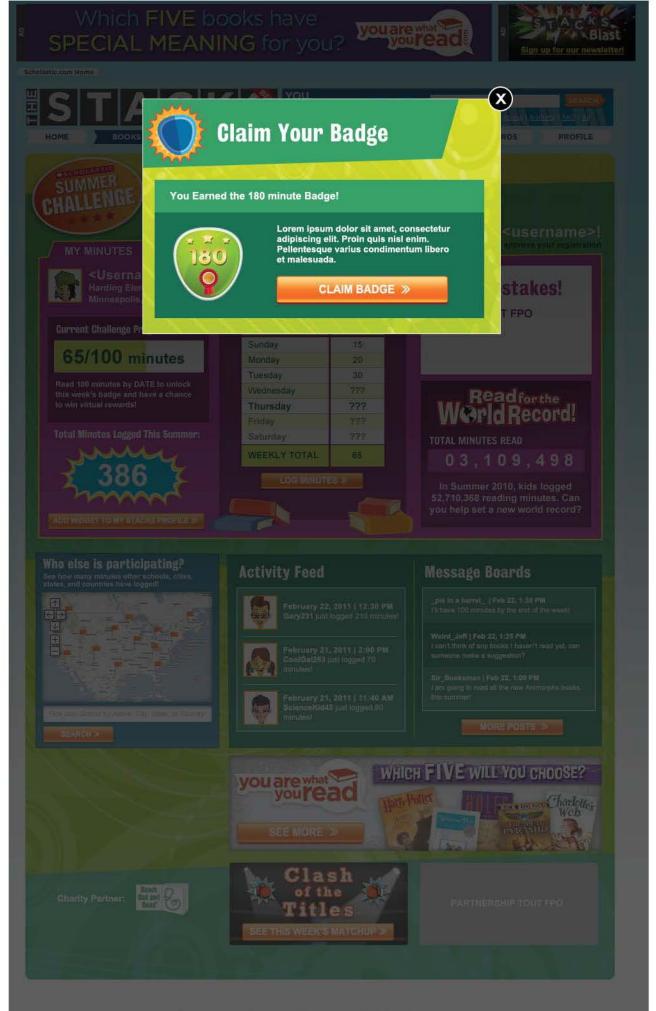
This see contains information and advertising about Scholastic and third party products.



This site contains information and advertising about Schokasic and third party products.



This stelcontains information and advertising about Scholastic and third party products



This site contains information and advertising about Scholastic and third party products.



This stellomitains information and advertising about Schokastic and third party products.



This site contains information and advertising about Scholastic and third party products.



This site contains information and advertising about Scholastic and third party products.



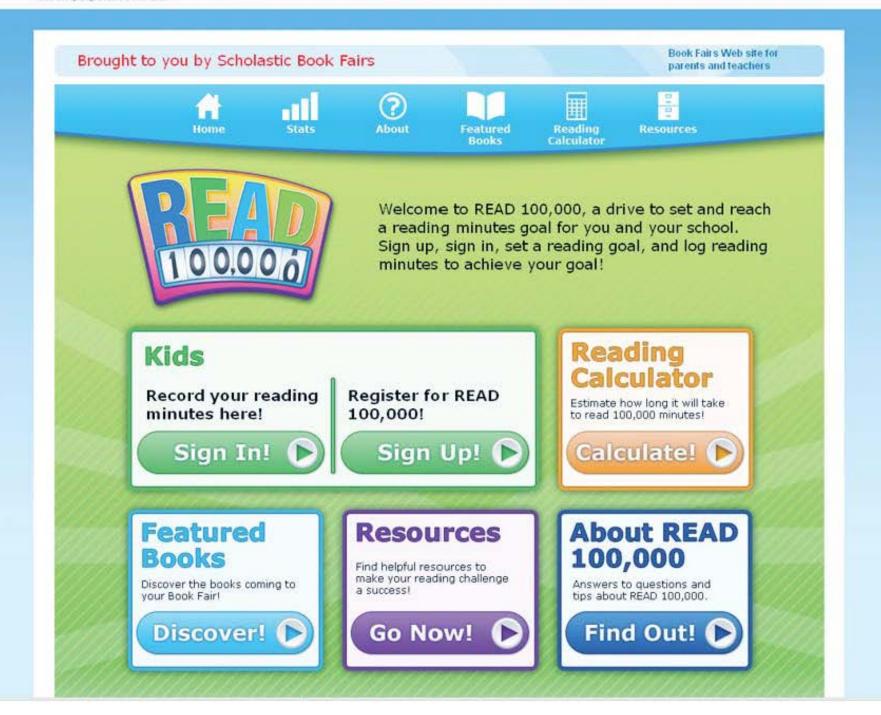
This site contains information and advertising about Schokastic and third party products.

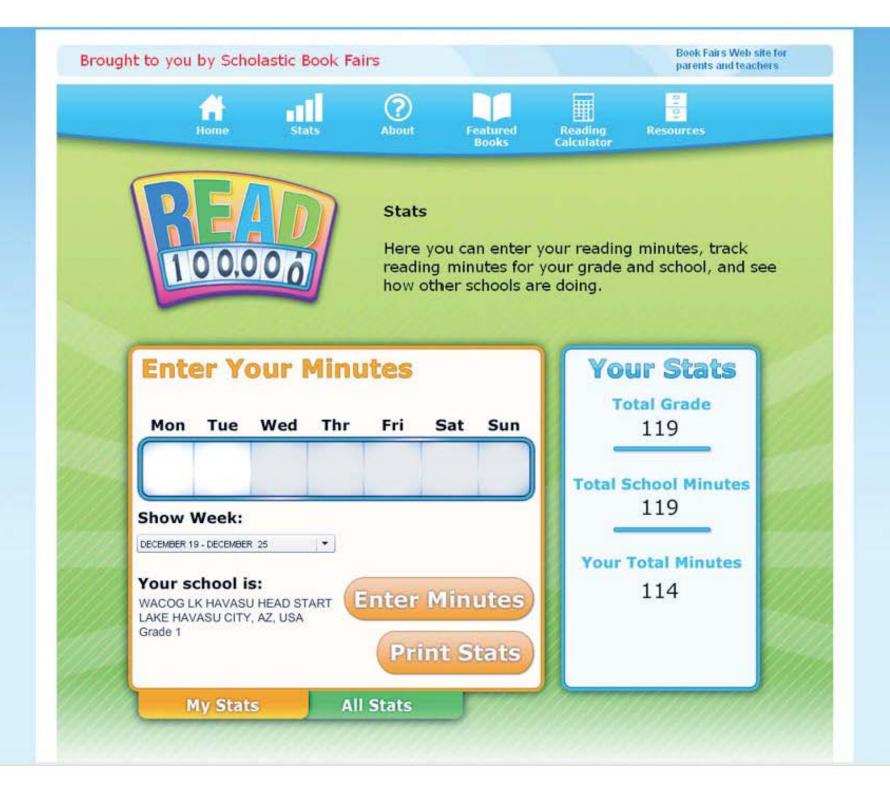
SCHOLASTIC

Appendix B

Read 100,000 — User View









My Stats

User Name: FUNNYMONSTERPRIZE School: WACOG LK HAVASU HEAD START Grade: 1

My Total Reading Minutes: 114 Grade Reading Minutes: 119 School Reading Minutes: 119

Reading Log	
Date	Reading Minutes
9/13/2010	50
9/6/2011	5
9/7/2011	5
9/8/2011	5 5 5
9/9/2011	5
9/10/2011	
9/11/2011	5
9/12/2011	23
9/13/2011	11







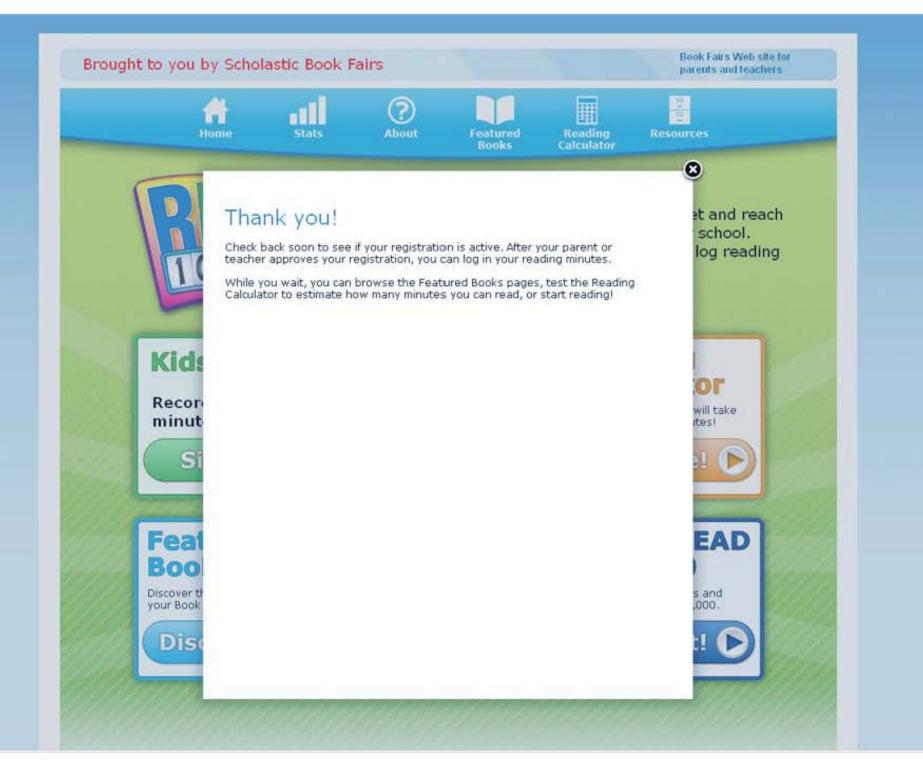
Appendix C

Read 100,000 — Registration Process





Hon	e Stats	(?) About	Featured Books	Reading Calculator	Resources	
Kid: Record minut	select your grade and gi address. We ask for your fir parent or teacher to give will ask your parent or tea minutes can be credited t Step 2: Select y Choose Your Grade S Step 3: Tell us y My First Name Step 4: Get per Tell us if you are sending box below. Then fill in the Teacher Email Parent Email	grade so that yo st name and pare permission for yo acher to give us to o your school. Pri our grade. elect a Grade your first na mission a parent or a teau	ur minutes can be ant or teacher em u to participate in he name of your s vacy Policy. ame.	s by checking one	log read	i de la compañía de l Esta de la compañía de
Disc		NEX	г 🕞	Privacy Poli	11	



Subject: Scholastic Read 100,000 approval needed

Dear Parent or Teacher,

Your child or student Rebecca, FUNNYMONSTERPRIZE has signed up for the Read 100,000 activity on www.scholastic.com/bookfairs/minutes.

Read 100,000 is a free program from Scholastic Book Fairs to motivate kids ages 6 and up to strengthen their reading skills as part of a school team. Through Read 100,000, kids read books and log minutes of reading time on http://www.scholastic.com/bookfairs/minutes. This year, we have set a goal for schools to read at least 100,000 minutes during the 2011-2012 school year. Your child or student wants to help! Your permission is required to allow us to your child or student's minutes to his or her school, and to use your email address to communicate with you about this program.

You should review the Read 100,000 Privacy Policy, which describes the information that has been collected from your child or student in connection with Read 100,000, what personally identifiable information we would like to collect from you regarding your child or student, how we may use it, how you can give consent and how you can access, change or delete your child/student's information.

For more information about activities available to students as part of Read 100,000, see our Frequently Asked Questions. To read the Scholastic.com Terms of Use, go to: http://www.scholastic.com/terms.htm

To consent to participation by your child or student in Read 100,000 and to provide us with school information regarding your child or student as described herein, you must visit the following link: <u>http://scholastic.com/bookfairs/minutes/index.asp?id=19671</u> If you have more than one child or student signing up for Read 100,000, all registrations associated with your email address in any 24-hour period will be aggregated and listed on one approval page, on a rolling basis.

If you do not give the requested permission within 14 days, we will delete your child's registration (including your email address, unless we have received it separately, such as in connection with a newsletter sign-up, email update sign-up, a transaction on one of our stores or otherwise).

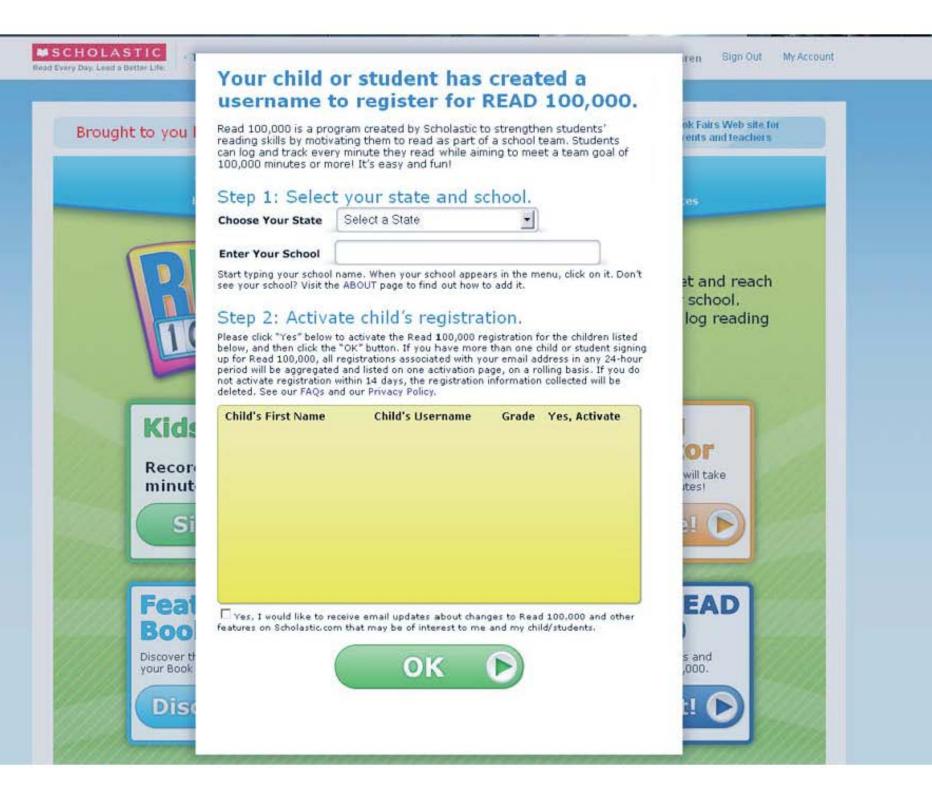
If you give permission and do not revoke it, we will retain your child's information (except the child's first name, which is deleted upon our receipt of permission) for the duration of the Read 100,000 program, which ends in Spring 2012, at which time it will be deleted (including the your email address, unless we have received it separately, such as in connection with a newsletter sign-up, email update sign-up, a transaction on one of our stores or otherwise).

Sincerely,

Scholastic Book Fairs Read 100,000 Scholastic Inc. 557 Broadway New York, New York 10012

Email: <u>custserv@scholastic.com</u> For information specific to Read 100,000: Email: <u>read100khelp@scholasticbookfairs.com</u> Call: 1-800-874-4809 ext. 8405

For general inquiries: Email: <u>custserv@scholastic.com</u> Call: 1-800-SCHOLASTIC Phone: 1-800-SCHOLASTIC



Subject: Confirmation Read 100,000

Dear Parent or Teacher,

Thank you for activating your child/student's registration for Read 100,000 on http://scholastic.com/bookfairs/minutes/index.asp

Scholastic is committed to protecting the privacy and security of its online visitors. Any personally identifiable information we collect from your child/student for the Scholastic Summer Challenge will be used solely by Scholastic Inc. and Scholastic Book Fairs, Inc. or their agents for internal purposes, and will not be sold or otherwise transferred to third parties.

For more information about Read 100,000, see the FAQs at http://scholastic.com/bookfairs/minutes/about.asp

To review the original notice and request for permission that was sent to you, go to: http://scholastic.com/bookfairs/minutes/permission.asp

To read the Read 100,000 Privacy Policy, go to: http://scholastic.com/bookfairs/minutes/privacy.asp

To read the Scholastic.com Terms of Use, go to: http://www.scholastic.com/terms.htm

If you give permission and later want to revoke it, you may do so at any time. To revoke Read 100,000 permission or to request to review or have deleted a child's or student's personally identifiable information from

Scholastic's records, and refuse to permit further use of a child's personally identifiable information, you may write to us at: e-Scholastic, 557 Broadway, New York, New York 10012, Re: Read 100,000 (to revoke permission for Read 100,000) or Re: Parent's Request for Information (general requests). We may ask for verification of identity to ensure that no personally identifiable information is provided to anyone other than the child's parent or teacher. To revoke Read 100,000 permission, you may also call Scholastic Book Fairs at 1-800-874-4809 ext. 8405.

Sincerely,

Scholastic Book Fairs Read 100,000 Scholastic Inc. 557 Broadway New York, New York 10012

For information specific to Read 100,000: Email: read100khelp@scholasticbookfairs.com Call: 1-800-874-4809 ext. 8405

For general inquiries: Email: custserv@scholastic.com Call: 1-800-SCHOLASTIC



Appendix D

THE STACKS — Registration Process

THE STACKS - Registration

THE STACKS - www.scholastic.com/kids

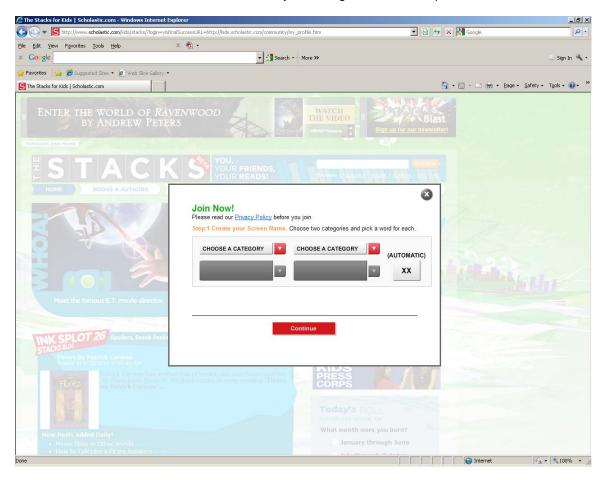
THE STACKS is Scholastic.com's website aimed at kids ages 8–12. The site allows kids to play games, take polls, watch videos, enter contests and get the latest news all about the books and celebs they care about most. Kids get access to exclusive "beyond-the-book" materials from authors and illustrators, such as first drafts, early sketches and multimedia messages. Plus, kids can stay up-to-date on hot happenings in the world of books and entertainment—such as sequel announcements, author tour dates, one-on-one actor and recording artist interviews and sneak peeks at upcoming releases. This free (advertising supported), kid-friendly site is a networking community to connect kids ages 8–12 through a shared love of books and reading.

Registration Flow

Because our site is aimed at kids under the age of 13, THE STACKS have a custom registration flow that is different from registration for adult visitors to Scholastic.com:

Step 1:

The user is asked to create a Screen Name by selecting from canned options.



ENTER THE WORLD OF RAVE BY ANDREW PETERS Chalastic cam home STACK	NWOOD	WATCH THE VIDEO	Sign up for our newsletter	
HOME BOOKS & AUTHORS Read dolphi stor Ni + We If you love dolph	Join Now! Please read our <u>Privacy Policy</u> before y Step:1 Create your Screen Name. C COLOR BLUE	CONTRACTOR STOR	a word for each.	
	otE of books, You may have need the dised Central, Ar Amay standing "Finnes	Today's Po elemented by Veloce, What month were January th		

Our system automatically assigns a number, once the user has put together her combination of words.

ARK'S TREETOP CITY IS IN DA CAN HE SAVE IT FROM THE AXES Scholanif.com Home	NGER. OF EVIL?	
	VOUR FRIENDS. VOUR READS: Weiewe Skielens Hiele TAristo (55) VOUR READS: Vour READS: Vour READS: Weiewe Skielens Hiele TAristo (55) Vour READS: Vour READ	
Meet the famous E.T. movie director,	COLOR ANIMALS (AUTOMATIC) BLUE TUNA 5 Your Screen Name is below. Don't like it? Do over! BLUETUNA5	and the second
THE OWNER DOOL STOR	Continue	
New Posts Added Daily/	Today's POLL fumitiel le vietne, aje What month were you born? January through June	

The user has the option to play with as many combinations as she'd like in order to create her Screen Name.

Step 2:

Once she is satisfied with her Screen Name, she enters a password, chooses a security question, and types in a security answer. The security question and answer are for retrieving a forgotten password.

The security question options are:

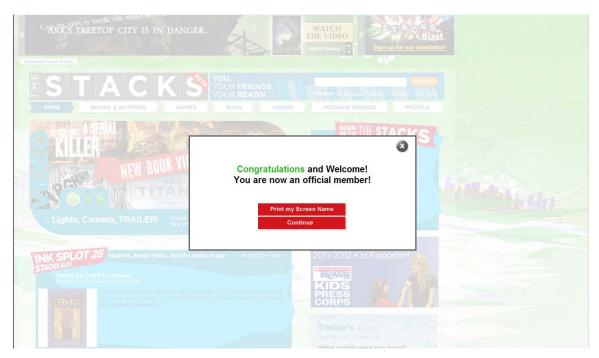
- What is your lucky charm?
- What was your first pet's name?
- What is your lucky number?

ENTER THE WORLD OF RAVE BY ANDREW PETERS	NWOOD		A C K S Blast or our newsletter!	
STACK	YOUR FRIENDS, YOUR READS!			
HOME BOOKS & AUTHORS	address, or your email address. Create a Password: Create a Password: Choose a security question and enter Password, you'll need to answer this qu Security Question: Select One	at least 3 characters long.) r password, such as your last name, your Re-type Password: 	0	
	What is your lucky charm? What was your first pet's name?	Continue PRESS CORPS Today's Politic Standards by Vetanic spe What month ware you born January through Ju		

Step 3: The data collected in this step is not tied to individual users, just collected in aggregate to give us a sense of our audience. We ask for gender, age, and country/state.

ENTER THE WORLD OF RAVE BY ANDREW PETERS		
HOME BOOKS & ALTHORS	<image/> <image/> <section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header>	and shallow
STACES BUS Internet My Particle Comment Internet Annual Comment Internet Comment	Today's POLL What month were you bern? January through June	

At this point, registration is complete. The user has the option to print his Screen Name and password for future reference.



If we do ask for personally identifiable information from our users, we keep that completely separate from our centralized database of member accounts and ensure there is no way to connect the PII to any member accounts. This is true of our <u>newsletter sign-up</u> and <u>contests/sweepstakes</u> (for which we use the multiple contact exception under COPPA to notify the child's parent that the child has signed up, and to give the parent the chance to opt the child out of the activity).

User Accounts

Users must register in order to:

- Post on our pre-moderated <u>message boards</u>
- Create and maintain a personalized profile page by choosing from canned options
- Create a customized avatar image by choosing from canned options
- Friend other users
- Participate in pre-moderated chat rooms
- Save the results of certain quizzes, games, and activities to their profile page





In this way, we make sure that the robust community experience on THE STACKS is kept safe and comfortable for children under the age of 13. Because all users go through a centralized registration flow (detailed above), we ensure that no personally identifiable information is collected from users and kept as part of their account.