Online privacy is evolving. Does it matter to you?

Anne Flaherty, Associated Press

WASHINGTON (AP) -- Online privacy rules are changing. The question now is how much you'll care.

America's tech industry is finalizing voluntary disclosure standards on the sensitive information being sucked from your smartphone like your location, surfing habits and contacts. Senate Democrats are pushing for a clearer opt-out button for all online tracking. And Microsoft is offering a new browser that encourages people to block the technology that enables tracking.

Industry officials say they understand some people want greater control. But they are betting that consumers don't really mind trading some basic information about themselves for free access.

"Consumers are very pragmatic people," Lou Mastria, managing director of the Digital Advertising Alliance, said in an interview this week. "They want free content. They understand there's a value exchange. And they're OK with it."

Mobile applications like Google Maps, Angry Birds and GasBuddy have become popular, inexpensive ways to personalize smartphones or tablets and improve their functionality. Often free or just 99 cents to download, apps can turn a phone into a sophisticated roaming office or game console with interactive maps and 24-7 connectivity.

But like all those websites that offer medical advice or parenting tips, there's a hitch: They want information from you like your birthdate or ZIP code. Developers say data collection is necessary for the software to work as promised and to reward the intellectual creativity behind it.

"There's no free lunch," said Adam Thierer, a senior research fellow at George Mason University's Mercatus Center. "It's essentially a quid pro quo. You'll trade a little bit of information for all that free content and great services."

The online privacy debate has stumped Congress and prompted limited input from the Obama administration, mindful of consumers' concerns but reluctant to crush a growing industry in a difficult economy.

Some lawmakers, mostly Democrats but some libertarian Republicans, say consumers should have the option of not being tracked at all. Sen. Jay Rockefeller, D-W.Va., chairman of the Senate Commerce, Science and Transportation Committee, planned a hearing Wednesday to press his proposal to subject companies to penalties by the Federal Trade Commission if they violate a consumer's "do not track" request.

Industry is pushing back. The Digital Advertising Alliance points to its web-based icon program that links consumers to an opt-out site of participating advertisers. They say some 20 million people have visited their site and only 1 million of those consumers chose to opt out of all ad tracking.

But privacy advocates, backed by the FTC, say the issue goes well beyond targeted advertising, particularly when it comes to a mobile device. Because a smartphone can divulge a person's location, the FTC warned in a recent report that detailed profiles of a person's movements can be collected over time and in surprising ways, revealing a person's habits and patterns and making them vulnerable to stalking or identity theft.

Some researchers also say they suspect retailers are engaging in "price discrimination" - the practice of setting a price based on personal data, such as the average home price in their area or a person's proximity to a competitor.

Marc Rotenberg, executive director of Electronic Privacy Information Center, said most consumers aren't even aware of the extent to which their information is being collected and how it's used. And as with any product on the market, companies should be required to take meaningful steps to make sure people don't get hurt, he said.

"You shouldn't be put at risk if a car is correctly designed when you go on the highway," Rotenberg said. "And that's our view of Internet-based services. People shouldn't have to lose their privacy to use Internet-based services."

FTC Commissioner Julie Brill says the biggest concerns are all the unknowns. The FTC has asked nine data brokers to disclose what information they collect on consumers and how they use it. Brill said she worries that companies might determine a person's eligibility for certain products and services based on information collected online, potentially violating credit reporting and fair lending laws, but without authorities knowing it.

"The industry is moving so quickly and changing so much that we need to make sure that the laws are keeping up with it," Brill said in a recent interview.

So far, the only solution to emerge has been voluntary industry standards. The Commerce Department's National Telecommunications and Information Administration has been coordinating among some 80 industry lobbyists to devise the new disclosure standards for mobile apps that would offer consumers a quick, easy-to-read snapshot of what information is collected and whether it's shared with third parties.

While the final agreement isn't expected until later this spring, the privacy disclosures are expected to look less like a legal manifesto and more like a nutrition label. Just as some snacks are labeled as high in fat or sodium, some mobile apps might have to fess up to being bigger data collectors than others.

In the end, Thierer isn't sure consumers will care that they've been labeled by a

marketing company as someone who, for example, likes to play "Angry Birds" and lives in Ohio.

"The problem is that a lot of these cases driving the debate are worst-case scenarios ... but in reality they are still hypothetical," Thierer said.

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