



Effective Age and ID Verification Online

Before the House Committee on the Judiciary

Statement of

**Michael Colopy
ARISTOTLE Inc.**

**"Establishing Consistent Enforcement Policies in the Context of Online
Wagers"**

November 14, 2007

Mr. Chairman and Members of the Committee, good morning.

I am here at the Chairman's request as the representative of Aristotle Inc., a leading provider of verification services for child protection online. Age and ID verification online first emerged several years ago as a solution of choice for many industries concerned about their social responsibilities to the broader society, especially where their marketing and sales efforts might reach underage teens or expose children to risk. Even three years is a generation in the lifecycle of technology. The Internet has brought an acceleration of technological remedies that are far more effective today than they were at the start of the last Congress: state-of-the-art online verification illustrates this pattern.

The Sixty Minutes report you just viewed is a relevant illustration of how in the instance of online gaming robust technology can be used by responsible private enterprise to perform a necessary social good. But the robust verification capability you witnessed is unfamiliar to those who do not follow these technological developments closely. As recently as last fall, some Members of this body professed to be unaware of the online age verification and ID methods the CBS report appropriately demonstrated, giving this as their reason to support the selective online gaming ban. Yet, the tech savvy son of the producer of Sixty Minutes could not enter the gaming site that uses an effective verification service but easily penetrated those that do not deploy it. That report first aired in November, 2005: the robust system that kept the youngster out of the gambling site is even more effective today and in vastly more widespread use across the United States and in other parts of the world.

I am here as a stand-in for John Phillips, the CEO of Aristotle Inc. whose age and ID verification system, INTEGRITY, is the backend of the effective system in the unscripted test you just saw. Commenting on what Aristotle does for its many clients is not our custom but we were persuaded to appear because of erroneous assumptions about age verification that should not be left uncorrected, particularly where they pertain to child protection.

America is a society guided by humane principles: we are also an economy built on free enterprise. In the context of today's hearing, therefore, there are two considerations that should guide this exploration: First, what is necessary to provide reasonable protection to society's most vulnerable members, reduce fraud and mitigate risk, and, second, how is the market choosing to do this?

Over the last ten years, law enforcement and consumer protection agencies as well as industry self-regulatory bodies have recognized the need for rapid online identity verification for Patriot Act and anti- money laundering compliance, fraud prevention and for risk mitigation involving age-restricted products such as tobacco, alcohol,

pharmaceuticals, video games and mature content from many sources.

Alongside the steep rise in public concern, online age and ID verification has matured as a needed solution such that any merchant may do online what is routinely done at stores every day across America. In fact, as ever more efficient technologies and databases have been developed, online transactions have become in many instances faster and less risky than the visual driver's license scans that suffice for alcohol or cigarette purchases in America's neighborhood convenience stores, restaurants and bars. And although it is certainly true that no manmade system is foolproof – whether it be a seatbelt, an airbag or an airplane, the verification methods now deployed justify a relatively high degree of confidence. Which is why they have earned broad adoption across American commerce.

Government agencies that monitor commerce have been notably slower than the market in recognizing what has been happening but that too is gradually changing. The Federal Trade Commission and other agencies have urged that reliable state-of-the-art methodologies available on the market be deployed to protect children from accessing promotions intended only for adults. In its 2003 report to Congress on the marketing of beverage alcohol products, the FTC pointed to the emergence of online methods, and Aristotle's service in particular, as addressing this public need. (*See FTC Report to Congress: Alcohol Marketing and Advertising September 2003*).

Aristotle's INTEGRITY verification technology is one logical response to the acute need of marketers for reliable, robust and commercially reasonable protective screening that also addresses important privacy and security concerns. Depending primarily on public records data rather than on personal financial information, INTEGRITY comprises several levels of authentication in a methodology that matches process to risk. The INTEGRITY system is now a major component of the private sector's accommodation of mounting public pressure for a technological solution that is both socially responsible and commerce friendly.

According to Forbes Magazine, Aristotle's INTEGRITY verification service is the market leader in online identity and age verification. INTEGRITY is utilized today by global Fortune 1000 enterprises that are required either by law or best-practices professional codes of conduct to identify individuals requesting permission to enter a facility, a website, open an account or conduct certain transactions online.

Institutions relying on INTEGRITY include more than 350 of the nation's largest financial services companies, government agencies and airport security authorities, wineries, distillers, makers of premium cigars, video game publishers and the major motion picture studios. In general, the firms with the greatest market share are the most assiduous users of INTEGRITY.

It is utilized to comply with the multi-state Tobacco Master Settlement Agreement provisions that prohibit marketing to minors. The service exceeds the strict standards of such laws for online age-verification as California's Business and Professions Code §22963, and Virginia Code §18.2-246.8, governing online tobacco sales. Aristotle's INTEGRITY service offers indemnification in the event of failure. Since adoption, not once has that happened. Blocking underage teens from purchasing tobacco online is believed by most citizens to be an important social value. (The Campaign for Tobacco-Free Kids

<http://tobaccofreekids.org/Script/DisplayPressRelease.php3?Display=425> presents the urgency of this issue on its website.)

Hollywood has also seen the wisdom of the new approach to marketing. The major motion picture studios use INTEGRITY to comply with the Motion Picture Association of America (MPAA) guidelines for restricting minors' online access to studio promotions with "R" rated content. In fact the overwhelming majority of visitors to studio sites with restricted ads are age verified through Integrity.

Vendors in the beverage alcohol business use INTEGRITY as well. In the new era of direct wine shipments, for example, online age verification has become an essential component for compliance and responsible marketing across the United States. Without a verification service such as INTEGRITY, Members of Congress and the

general public would not be able legally to purchase fine cigars, wines, lottery tickets or R-rated movies by mail, by telephone or online.

Another social mandate that relates to the question, online gaming, before the committee today, that INTEGRITY is designed to meet is in the area of problem gambling. In addition to the risk mitigation and child protection benefits of age and identity verification, this service benefits those individuals who acknowledge that they are problem gamblers and wish to avoid relapse. There are several components to effective therapy for this affliction but allowing an individual to establish a blocking mechanism is one part of such a program. A central self-exclusion list program (SEL) has been under development over the last several months and is now deployed. Through the SEL individuals will be able to put their own names on a confidential list of those who do not wish to be solicited or allowed to open an account with a casino. As with all data in the INTEGRITY system, the list is strictly confidential, and the names would not be disclosed to anyone. Individuals could remove their names from the list after a set minimum period.

In the United Kingdom, INTEGRITY is widely used by licensed casino operators to comply with the strict UK requirements for age verification online.

The question sometimes arises: in the web world, how can a governmental jurisdiction mandate the exclusion of persons entering online from outside its authority? The method is known as IP geo-location. It's true that some IP addresses can only be identified at a country level. And there are certain types of proxies and satellite IPs that prevent us from geo-locating and that the geolocation technology can't be applied to long-distance modem dialup calls (e.g., a user from California calls a dialup number in New York).

The good news is that we can identify these **types** of IP addresses. And these IP addresses are assigned low confidence scores.

Organizations like the New York Lottery and the BC Lottery only use IP addresses that are scored at near 100% confidence, meaning that we are nearly 100% certain that any given IP address correctly correlates with a location. Addresses not scoring very high are excluded.

Overall these exclusions represent only a very small percent.

The solution allows us to be 100% compliant. Because we are only delivering IP addresses that are scored virtually at the 100% confidence level, we are able to adhering to the lotteries' strict compliance requirements.

As a practical matter, everyone in this room at some time orders airline tickets or executes some similar transaction where the vendor needs to be fairly confident that the purchaser is who he says he is. This kind of real time vetting online is now routine.

In their determination to "do the right thing" and comply with the law while marketing responsibly under best practices standards, a large and growing number of enterprises across the broad spectrum of American commerce have adopted online age and ID verification. The market leaders have spoken and there is no ambiguity remaining. Simply put, they have opted for responsible child protection in the form of state-of-the-art online age and identity verification, making effective age and ID verification the norm. The substantial and growing danger, especially to the young, that unrestricted access over the Internet represents has stimulated technological solutions by the private sector such as INTEGRITY.

In its simplest terms, the case for deploying this child protection measure has never been more apparent or compelling. Age and ID verification is efficient, effective, reliable and available nearly everywhere.

Thank you. I look forward to responding to your questions.
