

Cloud-Based Privacy Law Compliance Services For Mobile App and Game Publishers



Roy Smith - CEO

About AgeCheq

AgeCheq is a leading provider of cloud-based privacy disclosure, compliance and management services for mobile app and game publishers. AgeCheq's COPPA service fulfills the industry's need for a single sign-on "common consent mechanism" that allows parents and publishers to comply with the law in a streamlined way. As the mobile industry's premier CaaS (compliance as a service) provider, AgeCheq offers app publishers a frictionless path to make their apps and games COPPA compliant, at no cost. For parents, AgeCheq provides a single point of contact where they can easily see, and approve or disapprove, of what is going on behind the scenes in the apps their children use.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: Mr. Smith, would you tell us the concept for AgeCheq?

Mr. Smith: AgeCheq has created a cloud-based technology system that assists mobile app and game developers who are required to comply with a privacy law, which is called COPPA (Children's Online Privacy Protection Act). Our system makes it much easier for them to comply with this law. COPPA was introduced originally by the federal government in 2000 and was updated in 2012 to include mobile apps. It requires app developers to contact parents, show them what private information the game will capture from their kids, and get parental approval before allowing the child to run the game. These are things that game developers are just not familiar with doing. When I thought out about this law, I saw an opportunity to build a system that would allow the entire industry to comply with the law and make it much more convenient for both the developer and the parents who have to be involved in curating their child's privacy.

CEOCFO: What has been the traditional way of doing so?

Mr. Smith: The law was updated in 2012, so there really is no traditional way. The FTC in writing the law put in some protections that were well intentioned. The way the law is written makes it extremely difficult for a game developer to comply. For example, a game developer like King.com, which has Candy Crush, it says that King has to actually contact every parent of a child who plays that game and show them a full disclosure of the information that the game is going to capture before the parents give their approval and then the child can play the game. You can imagine how tough that would be for a company if they have 500 million users and ten percent of them are kids under thirteen and their parents had to be individually shown what information the game is going to capture. The law was written by people who did not really understand how the mobile game and app market and the technology worked. When all the advertising networks and app development groups saw this coming they met with the FTC and essentially said, "Hey, we cannot possibly comply with this." The FTC made a few adjustments but they mostly passed the law as they originally intended. It is sort of like a rock and a hard place. The law is the law and has steep penalties of \$16 thousand dollars per kid that is affected, so a game developer with a million kids that are using their game are at risk for a huge fine.

CEOCFO: What have you figured out at AgeCheq?

Mr. Smith: My background is not in the governmental or privacy industry but the mobile app industry. We sold a big chunk of my previous company to Intel in 2013. When I saw this opportunity, I created a technology stack

or a platform that automates all of the notifications and the privacy policy deliveries that the law requires in a way that prevents a game developer like King.com from having to have 500 million individual relationships with 500 million parents. The analogy that I often use that people seem to get is when we want to buy something on the internet we use a thing called PayPal, which has all of our private information but it does not provide that information to the person I am buying from; it just says here is the money and here is where to ship it. Our system is analogous to PayPal but our function is to help parents curate their children's privacy.

CEOCFO: *What were the challenges in developing the system?*

Mr. Smith: From a technological standpoint we do not have any challenges. We have a good team and we knew exactly what we had to do. The difficulty for me was in dealing with a giant regulatory agency called the Federal Trade Commission that does whatever it wants to do, whenever it wants to do it. We were prepared for them to enforce this law when it went into effect in July of 2013 and they did not do any enforcement of the law for well over a year. Their first enforcement was just announced this week (September 16) in fact. We built a system that was ready to handle all the game developers who wanted to comply with the law, but because nobody was enforcing the law, we initially had a difficult time getting people to use the system. If there is no cop standing at the end of the alley, then the bad guys will do what they are going to do. The challenge for me has been to try not to get stepped on by the FTC and trying to be in the right place at the right time with no indication of where that should be.

“Privacy in general is a big issue and we have built a lot of technology that allows people to manage privacy on mobile devices... We are just being opportunistic and looking for places where we can apply our technology to help people understand and manage their privacy.”- Roy Smith

CEOCFO: *Now that things have changed, what is happening at AgeCheq?*

Mr. Smith: What we did with our time when we were waiting for this to happen is we made sure that all of the top 100 game publishers were well aware of what we were doing. What has happened since this enforcement has been announced is our business development people are calling everybody back and saying “OK, now COPPA is real, are you ready to sign up?” and in general they say yes. This week has been a wonderful week for us.

CEOCFO: *How could they resist?*

Mr. Smith: Imagine yourself to be a game company at the top of your form and your games are making \$30 million a month. This is a \$20 billion a year market: There are many game developers that are doing those kinds of revenues. In the top 100 there are many game developers that are making \$20 to \$100 million a month. Somebody comes to you and says there is this privacy law that, if you comply with it, you risk taking a 10% or 15% hit in the amount of money you make just because of the friction that the law puts into it. If I am making \$50 million and I put this compliance into my game, you might lose \$7.5 million a month. Compare that with the fine that you could get for not complying with the law, which (based on last week's examples) is probably only going to be \$400 or \$600 thousand; about 10% of the loss that I am going to have by complying with it. That is the problem we face because economically it is still a better decision for these guys to go on invading these kids privacy because it is working well for them because they regard this law as a “speeding ticket”.

CEOCFO: *How do you know you are in the right direction and that there will be adoption ultimately?*

Mr. Smith: Over time, new games are going to be created that will comply with this law and those people will use our technology. We are not going to flip the switch and get 80% of the industry compliant in one day. There will be people who are never compliant. My hope is that the FTC will begin to understand that the fines that they are giving these people just are not big enough. The law allows them to go up to \$16 thousand per kid, so in essence the FTC has a blank check; they can hit somebody with a \$20 million fine easily. I think that would begin to get the industry's attention. Many of these companies are public companies that cannot be seen over time to be breaking the law on a continual basis and privacy is a hot issue these days with the credit card theft as well as the NSA and all that stuff. I think the tide is running with us and people are generally going to be

moving the direction that respects privacy. The games that respect privacy will be marketed against games that do not so there will be bad guys and good guys.

CEOCFO: *How do you stay ahead of the new developers?*

Mr. Smith: We use the App Store top 100 charts as our method of knowing who is performing well. My goal would be to have 60% or 70% of the games that are in the top 100 games using our technology. If we can get to that point, we will be very successful.

CEOCFO: *What will you be doing in the next year or two?*

Mr. Smith: We just launched a related business that deals with the banking industry which is called PrivacyCheq, which was announced last week. Privacy in general is a big issue and we have built a lot of technology that allows people to manage privacy on mobile devices. We feel like we are in a wonderful place. Privacy and mobile devices are getting more and more interest. I think another one that is coming that we are working on is the connected car, which would be cars that have internet WiFi systems within and they have apps that run in them. There are a ton of privacy issues associated with that. We are just being opportunistic and looking for places where we can apply our technology to help people understand and manage their privacy.

CEOCFO: *Would you like to share the business plan?*

Mr. Smith: We just launched what I would call a subsidiary, which is called PrivacyCheq. It would not surprise me for us to do that again and again as we encounter these new opportunities. Regarding PrivacyCheq, if you have a bank account, every year you get a statement from your bank that says this is your privacy policy and we are required to mail this to you by law and there is a change to that law that says they no longer have to mail it, which they love because it is \$0.46 per user for customer per year but you have to deliver that stuff electronically. Because more and more people are using mobile devices and are not using desktop devices there is an opportunity for us to deliver good privacy notices for banks, so that is what PrivacyCheq does. I already know of some other opportunities so it would not surprise me in a couple of years for us to have three to five related businesses that all feed off our basic technology.

CEOCFO: *Why pay attention to AgeCheq?*

Mr. Smith: AgeCheq should be of interest to anybody who has an investment in a mobile app company or a game company because this COPPA law is not going to be repealed and it is not going away. Over time, everybody who makes apps is going to have to comply with it and we have the best system for doing that. It is extremely economical and it is free if your app has less than two million monthly users. For most apps, our system is free. They should pay attention to us because we are at the forefront of the two hottest issues that are happening in our world today, which is privacy and mobile.



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