

Prepared Testimony of
Laith P. Alsarraf
President and CEO of
Cybernet Ventures, Inc.

BEFORE THE COMMISSION ON ONLINE CHILD PROTECTION

INTRODUCTION

On behalf of Cybernet Ventures, Inc. I am pleased to have this opportunity to testify before the Commission on Online Child Protection. My name is Laith Alsarraf and I am the President, Chief Executive Officer and co-founder of Cybernet Ventures, Inc. By way of background and history, I was born in Ontario Canada in 1969. Both of my parents are doctors and following in the family tradition, I attended UCLA as a pre-med student. While in college, I also worked as a contract programmer and website designer. The success of these computer oriented ventures pushed my formal education to the sidelines and I formed a company that soon required my full time attention. I now have several corporations each providing technology and development services in a wide variety of areas. Our flagship company is Cybernet Ventures, Inc., which provides the age verification service Adult Check®.

In 1996 the Congress of the United States passed into law the Telecommunications Reform Act ("TRA"), which among other things addressed certain issues dealing with access to the internet by minors. The portion of the TRA, which dealt with internet content and access, was the Communications Decency Act ("CDA"). The original CDA created a 'safe harbor' from prosecution for those websites that provide content that might be considered indecent or harmful to minors provided that those websites took reasonable steps to prevent access by minors. In response to the first CDA, Cybernet Ventures, Inc. was formed to provide age verification services ("avs") to websites, which provide content that may be harmful to minors. Cybernet Ventures, Inc. provides avs through Adult Check®. Since its inception, Cybernet Ventures, Inc. has experienced unprecedented growth and success, and the Adult Check® age verification service is, by a significant margin, the largest and most widely used avs.

Currently the “avs” Adult Check® is used by over 200,000 websites. The number is growing steadily. Adult Check® has enjoyed widespread acceptance and recognition. Since I testified before the Subcommittee on Telecommunications, Trade and Consumer Protection in support of COPA, Adult Check® and Adult Check Gold® have received Federal service mark registration. In addition, we have made great strides in technology to provide more effective age verification services to address some of the concerns and objections raised by COPA opponents in CDAIL.

We have invested considerable resources in the development of new, comprehensive programs that have, and I am quite certain, will continue to keep Adult Check® on the forefront of the industry. Of course to keep our competitive advantage, we assiduously guard our intellectual property and, as such, many of our systems are proprietary. I am prepared to discuss, in general terms, the many breakthroughs that make Adult Check® the premier avs.

AGE VERIFICATION SERVICES

Age verification software is a script embedded into a webpage which can be implemented by a website owner in minutes. There is no charge for the service to the website owner. The script is free and to install it requires no programming or technical expertise beyond that required to put up a website. This script can be placed at the entrance or any other area of a site which may contain material harmful to minors preventing further access or exposure of the website's content by requiring a personal identification number ("PIN"), which is only available to adults. If a consumer does not have a PIN, a link is provided for them to obtain one from the avs associated with that site. Consumers may obtain a PIN instantly by submitting an application to an age verification system. The credit card and other information submitted by a consumer are verified by a proprietary fraud and age verification system to determine its validity and the actual age of the applicant. If the information is deemed to be valid and the applicant is at least 18 years of age, a working PIN is issued. The process of verifying the information submitted generally takes from 5 to 10 seconds.

Cybernet Ventures, Inc. does not sponsor or display any content. The services provided by Cybernet Ventures, Inc. are limited to age

verification and the assignment of personal identification numbers ("PIN"). A consumer applies for a PIN online or by fax. The application is encrypted, submitted and processed through a proprietary software system that determines the validity of the credit card and the age of the applicant. The software program is designed to also provide risk scoring, fraud and chargeback control. Once approved, the consumer can use his (or her) PIN to access over two hundred thousand websites. The website is assured that any visitor has been 'age verified' by Adult Check®. The consumer is charged a nominal fee of \$19.95 for a one year 'membership.'

Although an avs is not completely foolproof, since 1998 many technological innovations have made Adult Check® extremely effective. The two most common criticisms are: 1) once a PIN is issued it can be shared with thousands of potential users, many of whom may be minors by posting it on the internet; and 2) minors have access to credit cards, some with their parents permission, some without. Adult Check® now has the ability to verify the age of an applicant, even minors with a valid credit card. This technology makes it possible for the Adult Check® system to effectively screen out minors. PINs are not issued to anyone under the age of 18 on the date of the application.

Cybernet Ventures, Inc. has already developed several proprietary methods to detect password sharing. Velocity checks, relational database management, originating IP address verification and other fraud controls have been designed and are constantly being improved. For example, PINs that have been distributed and are being used by multiple individuals are invalidated within minutes by Cybernet Ventures' proprietary PIN protection software. Significant resources have been and will be dedicated to maintain, develop and implement more effective technologies and to develop new and better methods to prevent fraudulent use of PINs.

Adult Check® provides a high level of customer service accessible via a toll free telephone number or e-mail 24 hours a day, 7 days a week. If a parent contacts Adult Check® concerning an unauthorized use of their credit card, a credit is issued to their account, the password is invalidated and the card number is blocked.

Stolen credit cards, bogus card numbers, numbers posted on the internet and other fraudulent credit card transactions are detected by the use of several systems. Each transaction is authorized or declined 'scrubbed' through our proprietary age verification and fraud protection programs and then authorized by the credit card company (e.g. VISA®, Mastercard®, and American Express®). Even if the credit card is determined to be valid, the transaction is subjected to other checks to determine the validity of that particular transaction. These other checks are proprietary and the systems and programs are protected trade secrets with patents pending. All of these efforts are brought to bear on the issue of validity to protect consumers and prevent unauthorized use of credit cards. Most importantly, every effort is made to prevent minors from accessing websites that contain content that may not be suitable for them.

Currently Adult Check® is used by a significant percentage of adult content websites on the internet. In addition, Adult Check® is also used to restrict access to numerous sites that contain non-sexual content that may also be considered harmful to or inappropriate for minors. Even though the CDA was overturned and the enforcement of COPA was, at least temporarily, enjoined, many website owners continue to use Adult Check® as a responsible approach to content accessibility. Adult Check® is free to websites, extremely simple to implement and highly effective. Adult Check® is easy to use, and inexpensive for the customer. The avs model has been widely accepted among website owners and consumers because of its effectiveness, ease of implementation and use, and its nominal cost. The consumer pays a nominal fee of \$19.95 for access to over 200,000 websites for a year and the website owner pays nothing.

From a consumer standpoint, an avs is superior to direct credit card verification at each site. Because of Adult Check's® reputation for being secure, responsible, independent and easy to use, consumers have confidence in providing credit card information to Adult Check®. In addition, Adult Check® has no interest in the consumer beyond the service of age verification. We do not contact them, sell them additional services or trade in consumer information. The credit card information is strictly confidential and is not shared, sold or disseminated. All transactions are encrypted and stored behind an elaborate firewall.

Adult Check® is “age verification at website based on relationship established with a third party site.” At present, and as discussed above, it is an effective and successful means of keeping minors off of sites that are unsuitable to them on a voluntary basis. Adult Check® webmasters use a password screen and adult verification identifier to restrict access to adult content sections of a given site.

Adult Check® actually verifies the age of the consumer and determines, within a high degree of probability, the accuracy of the application information. If invalid information is detected, the system returns an invalid information message that requires further input. The system is dynamic and will ask the user to input information that is relevant to the specific inconsistencies detected. It is extremely difficult and in almost all cases impossible, for a minor or non-authorized ‘customer’ to guess all the required information within the time constraints of the system. In addition, the credit card companies have adopted CVV2 technology which makes it almost impossible to use a credit card number without having the actual credit card in hand. Adult Check® is fully CVV2 compliant.

The Adult Check® system is also dynamic. As technology changes, so does the system. The Adult Check® system is adaptable to many e-commerce applications and, in addition to basic age verification; it can be used, in a wide variety of web businesses.

The Adult Check® system is widely available, accepted and used by consumers and website owners. Because website owners place the Adult Check® script on their websites, end users encounter the system only when looking to obtain access to adult sites. The cost is minimal, starting at \$19.95 for a year for access to thousands of sites.

There is no cost to the website owner to become an Adult Check® webmaster. In fact, webmasters are incented to use the system. A webmaster receives a commission for every end user that signs up for a PIN through his or her site.

As discussed above, the Adult Check® system makes it very difficult for a minor to obtain an Adult Check PIN and because of the effectiveness of the Adult Check® system, its use by websites should be a defense to a COPA charge.

CONCLUSION

Age verification services generally and Adult Check® specifically provide an effective, content neutral method to protect minors from accessing harmful or indecent materials on the internet. Using current technology and a successful business model Adult Check® allows a free flow of ideas and constitutionally protected speech to course through the internet without censorship and unreasonable intrusion. Recent developments in technology have procedural safeguards to reasonably accomplish the intended goal of protecting children without an overly broad or over-reaching approach. The Adult Check® system is the least restrictive, least intrusive method of restricting access to content that requires minimal cost, and no parental technical expertise and intervention: it does not judge content; does not inhibit free speech; and, it does not prevent access to any ideas, word, thoughts or expressions. With the new technological developments, Adult Check® can verify the age of an applicant, even a minor who validly possesses a credit card. Adult Check® prevents minors from accessing materials on the internet not suitable and potentially harmful.

RESPECTFULLY SUBMITTED

Laith Alsarraf, President and CEO
Cybernet Ventures, Inc.
The Adult Check® System