



PART II: COMPREHENSIVE CASES

Case 3 Google's Orkut in Brazil: What's So Social about It?

Nicole Wong, Google Inc.'s Associate General Counsel made it quite clear that Google's position was to balance the interests of users with the request from the authorities in Brazil to cooperate in their criminal investigation.

I lose sleep thinking about the gold mine that Orkut could represent.”¹

—ALEXANDRE HOHAGEN,
Head of Google's Brazil Office.

Orkut, the social networking site of Google, the U.S.-based search engine company, had 51.7 million unique visitors in June 2011. This was greatly because Orkut was immensely popular in Latin America, particularly in Brazil—outranking even Google's own Brazilian search engine version (google.br).

But there was a darker side to this popularity. There were allegations that Orkut was being used for Internet trafficking, pedophilia, and child pornography. In 2007, advertisers had begun to withdraw their ads from Google sites following reports that the ads were appearing alongside illegal content on Orkut. Google's general director in Brazil, Alexandre Hohagen (Hohagen), was facing criminal contempt charges for refusing to turn over Orkut users' data to the police. Google was left grappling with how best to combine the interests of its users, advertisers, and the authorities, while making sure that the revenues kept flowing in.

SOCIAL NETWORKING PHENOMENON

ComScore Media Matrix's survey in July 2007 showed how fast the social networking phenomenon was catching on. All social networking sites had seen an increase in the number of visitors from the previous year. In all the cases, the increase was significant and the number of visitors to some sites had risen manifold (*Exhibit I*).

Social networking sites are web-based services that first ask users to register and then become members. Users do this by filling out online forms about their age, location, hobbies, etc. They can even upload their photos, change the way their profile appears, and add multimedia content. They can then connect with other users and stay in touch.

This case study was written by Shanul Jain, under the direction of R Muthukumar, IBSCDC. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. The case was compiled from published sources. © 2011, IBSCDC.

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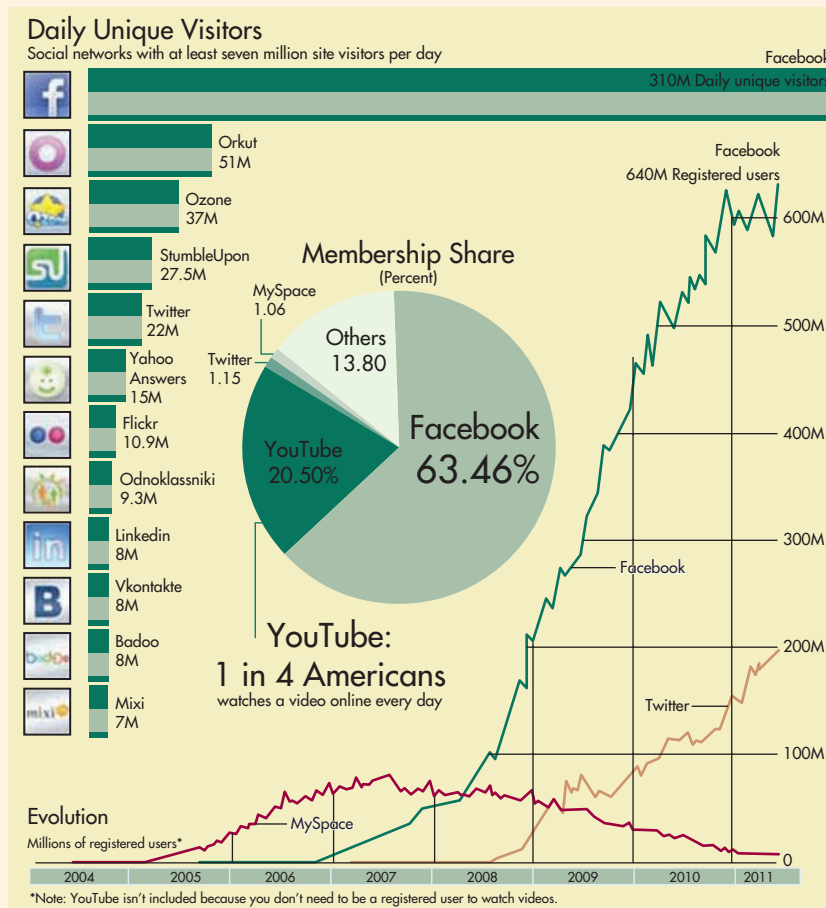
SixDegrees.com, launched in 1997, was the first site recognized as a social network. It initially allowed users to create profiles and list their friends and later allowed surfing of friends' lists. From 1997 to 2001, there were a number of sites that had some features of social networking (*Exhibit II*). The surge in social networking came with the launch of Friendster in 2002. Through word-of-mouth, the number of users on the site soon grew to 300,000. However, the site was ill-equipped to deal with its mounting popularity and it began encountering technical and social difficulties. Its servers proved inadequate to handle the upsurge in the number of users. To add to its woes, its credibility came under attack after a number of people were reported to have created fake profiles. Its popularity began to wane in the U.S., but it skyrocketed in the Philippines, Malaysia, and Indonesia.

Soon after, many social networking sites were launched. Most tried to replicate Friendster's early success or targeted specific demographics. As the social media and user-generated content phenomenon grew, websites focused on media sharing began implementing social networking features and became social networking sites themselves. These included Flickr, a photo-sharing site, and Last.FM, a music site.

MySpace, launched in 2003, sought to attract Friendster users after rumors began making the rounds that Friendster would soon adopt a fee-based system. MySpace grew rapidly, capitalizing on the rumor. It welcomed bands that had been shunned by Friendster. It created a symbiotic relationship between friends and bands. Bands wanted to contact fans, while fans desired attention from their favorite bands. It also differentiated itself by regularly adding features based on user demand and allowing users to personalize their pages. With more teenagers starting to join the site, it changed its policy to allow minors to become members. In 2005, News Corporation, owned by Rupert Murdoch, purchased MySpace.

In 2004, a Harvard student, Mark Zuckerberg, started Facebook as a Harvard-only social networking site. To join, a user had to have a harvard.edu e-mail address. In 2005, however, Facebook was thrown open to anyone above age 13. In May 2007, Facebook launched the Facebook Platform, which provided a framework for developers to create applications that would interact with core Facebook features. At the event called “F8,” companies such as Microsoft and the Washington Post Co. were among the 65 participants who launched 85 new

¹ Regalado, Antonio and Delaney, Kevin J., “Google Under Fire Over a Controversial Site,” *The Wall Street Journal*, October 19, 2007

EXHIBIT I Worldwide Growth of Selected Social Networking Sites (2004–2011)

Source: Jenise Uehara Henrikson, "The Growth of Social Media: An Infographic," <http://www.searchenginejournal.com/the-growth-of-social-media-an-infographic/32788/>, August 30, 2011.

Facebook applications. In October 2007, Microsoft bought a 1.6% stake in the company for \$240 million. Microsoft already had an agreement to place banner ads on Facebook in the U.S. through 2011; this deal allowed it to put up ads outside the U.S. as well.

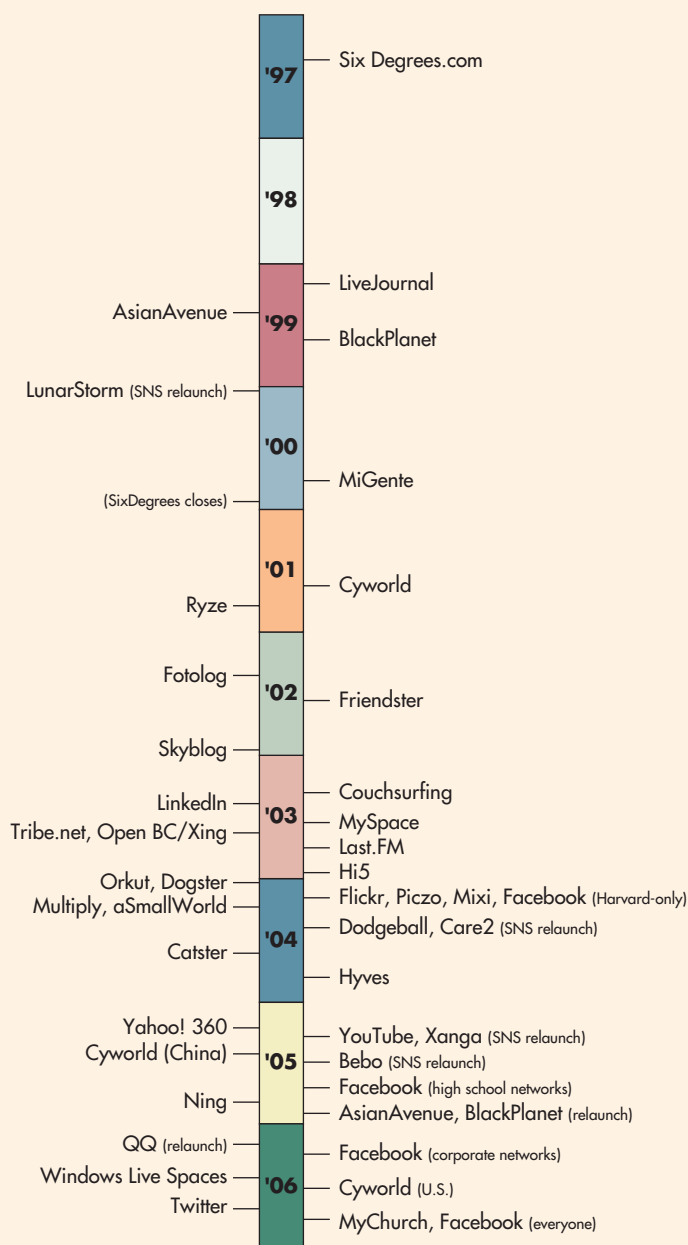
There were a number of social networking sites that sought narrower audiences. There were sites that restricted access to appear niche and selective. There were also activity-centered sites like CouchSurfing, as well as affiliation-focused ones such as MyChurch. They were limited by their target demographic and were smaller.

Start-up social networking sites, including SixDegrees.com, had buckled due to the lack of a sustainable model. However, the growth they had shown prompted many corporations to invest time and money in creating, purchasing, promoting and advertising. The Internet had three proven advertising categories. There were "display" or banner ads in the form of graphical boxes or embedded videos on web pages; classified ads that were postings on certain sites; and search advertising—which was the largest category. Search advertising was popular because it allowed marketers to target consumers who were searching for a product or service. With the popularity of

blogs and social networking sites, the marketers were looking at opportunities in user-generated content, and the idea of targeting caught on. Brands also started profile pages on social networks and accepted friend requests. Warner Bros., a Hollywood studio, for example, had a MySpace page for *300*, its film about Spartan warriors. It signed up some 200,000 friends, who watched trailers, talked the film up before its release, and counted down toward its DVD release.² A report by eMarketer, an Internet and emerging technologies research and analysis company, estimated that worldwide, social network advertising would reach nearly \$6 billion by 2011 (*Exhibit III*).

However, the nature and popularity of networking sites both enabled and encouraged illegal activities such as child pornography, pedophilia, etc. The social networking companies reacted with remedial measures. In 2006, Facebook, after being accused of being slow to respond to complaints, promised to answer user complaints about pornography or harassment within 24 hours. MySpace, after facing similar complaints, ensured that each of the 8 million pictures uploaded to its site

² "Word of Mouse," http://www.economist.com/business/displaystory.cfm?story_id=10102992, November 8, 2007.

EXHIBIT II Launch Dates of Major Social Networking Sites

Source: Boyd M. Danah and Ellison B. Nicole, "Social Network Sites: Definition, History, and Scholarship," <http://jcmc.indiana.edu/vol13/issue1/boyd.ellison.html>, 2007.

every day was reviewed at least once by someone. The program cost the company millions of dollars a year. MySpace also restricted access to minors and hired many specialists to monitor the site. Microsoft worked with the UK Child Exploitation and Online Protection Center to protect Windows Live Messenger's users who could report directly to authorities about pedophiles in chat rooms.

Google jumped into the social networking arena with the launch of its site Orkut, named after Google engineer and site creator Orkut Büyükkökten, in January 2004. The site was open to users at least 18 years old. Orkut allowed many features, the prime among them being that users could form communities based on shared and common interests.

The site did not find many takers in North America but it became a hit in Brazil, quickly winning millions of users. This big popularity in Brazil made Orkut rank among the top 8 popular websites, alongside heavyweights like MySpace and Facebook (*Exhibit IV*).

ORKUT IN BRAZIL

*"Orkut is part of the lives of more than half our Internet users, and an important part of our Internet history."*³

—DANIEL DUENDE,
A Brazilian tech blogger.

Orkut was such a hit in Brazil that, of the 35 million Brazilian Internet users, nearly 25 million visited the site. Later on, a surge in traffic from Asia-Pacific also fueled growth (*Exhibits V(a) and V(b)*). In February 2005, Google made a version of the site available in Portuguese, Brazil's official language. This was the second version to be launched after the English one. The same year in June, Google created a subsidiary in Brazil—Google Brazil Internet Ltd. Orkut's megahit in Brazil had its downside, with many English speakers complaining about Portuguese-language spam and also that English was not the dominant language on the site. So successful was the Orkut model, however, that local Brazilian portals also created their own versions.

³ Maderazo, Jennifer Woodard, "Orkut, Friendster Get Second Chance Overseas," http://www.pbs.org/mediashift/2007/06/try_try_againorkut_friendster.html, June 15th 2007

EXHIBIT III Worldwide Online Social Network Advertising Spending, 2008–2012 (millions)

	2008	2009	2010	2011	2012
U.S.	\$1.17	\$1.43	\$1.99	\$3.08	\$3.93
Worldwide	\$1.995	\$2.18	NA	\$5.97	NA

Note: Definition includes general social networking sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo!, and MSN; niche social networks devoted to a specific hobby or interest; and marketer-sponsored social networks that are either stand-alone sites or part of a larger marketer site; in all cases, figures include online advertising spending as well as site or profile page development costs.

Source: Compiled from various sources.

EXHIBIT IV Global Ranking of all Web Domains, by Number of Visitors (November 2011)

Rank	Site	Estimated Unique Monthly Visitors
1	Facebook.com	700,000,000
2	twitter.com	200,000,000
3	linkedin.com	100,000,000
4	myspace.com	80,500,000
5	Ning.com	60,000,000
6	Google Plus	32,000,000
7	Tagged	25,000,000
8	Orkut	15,500,000
9	Hi5	11,500,000
10	myyearbook	7,450,000

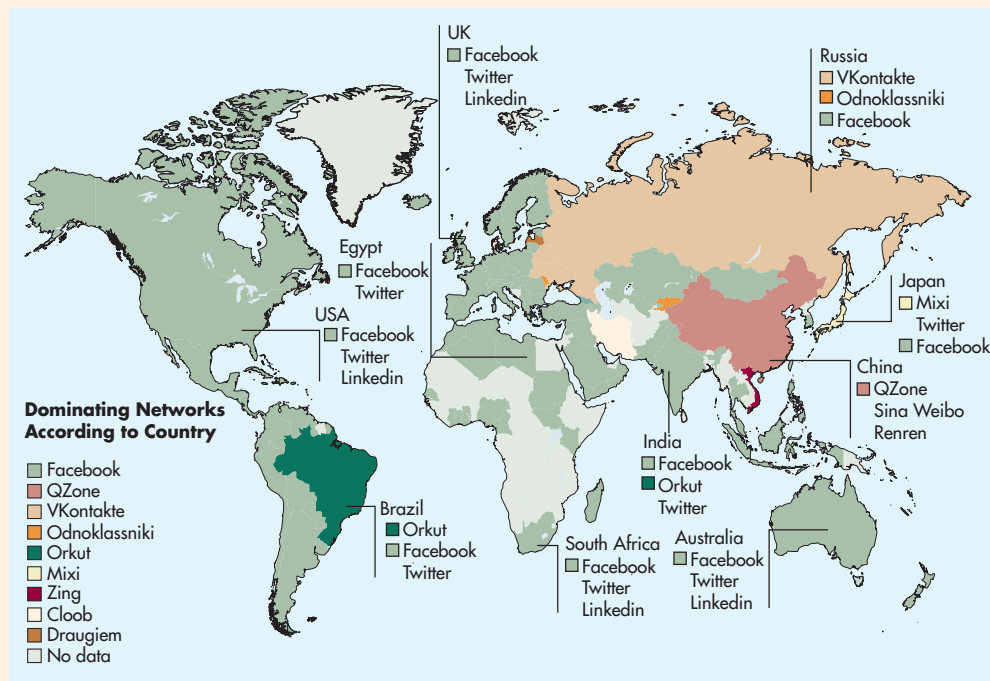
Source: "Top 15 Most Popular Social Networking Sites November 2011," <http://www.ebizmba.com/articles/social-networking-websites>, November 8, 2011.

EXHIBIT V(A) Visits to Selected Social Networking Sites by Worldwide Region (June 2007)

Total Worldwide Home/Work Locations among Internet Users (age above 15)						
Social Networking Site	Share (%) of Unique Visitors					
	Worldwide	North America	Latin America	Europe	Middle East-Africa	Asia-Pacific
MySpace	100.0%	62.1%	3.8%	24.7%	1.3%	8.1%
Facebook	100.0%	68.4%	2.0%	16.8%	5.7%	7.1%
Hi5	100.0%	15.3%	24.1%	31.0%	8.7%	20.8%
Friendster	100.0%	7.7%	0.4%	2.5%	0.8%	88.7%
Orkut	100.0%	2.9%	48.9%	4.6%	0.6%	43.0%
Bebo	100.0%	21.8%	0.5%	62.5%	1.3%	13.9%
Tagged	100.0%	22.7%	14.6%	23.4%	10.0%	29.2%

Source: "Social Networking Goes Global," <http://www.comscore.com/press/release.asp?press=1555>, July 31, 2007.

EXHIBIT V(B) Visits to Selected Social Networking Sites by Worldwide Region (2011)



Source: Jenise Uehara Henrikson, "The Growth of Social Media: An Infographic," <http://www.searchenginejournal.com/the-growth-of-social-media-an-infographic/32788/>, August 30, 2011.

Brazil, the biggest Latin American country, boasts of more than 50% of all Internet users in Latin America. The country, after almost 20 years of military dictatorship, saw the re-establishment of democracy in 1985. Brazil is home to a variety of cultures and ethnicities ranging from the Native Americans, Africans, to Europeans. It also has one of the world's highest levels of socio-economic inequality. More than 80% of Brazilians are concentrated in urban areas, where many live in *favelas* (shantytowns) with inadequate water supply, health facilities, and educational opportunities. These *favelas* are crime-rich, with armed conflicts between the police and different drug gangs being common. Brazil is beset with mayhem including police and prison violence, torture, and extra-judicial killings. Ethnic tensions and a wide gap between the wealthy and the poor have served to escalate crimes. The violence is the criminal underground's challenge to the Brazilian government. Over time, a virtual crime-lush *favela* has come up: the Internet.

Brazil started getting wired in 1988. In May 1995, the Department of Communications and the Department of Science and Technology published a decree creating private-access providers, thus allowing the commercial operation of the Internet. The privatization of telecommunications resulted in a rise in access to the Internet. The use of the Internet surged through Brazilian society and by 1999, it had the third highest number of Internet users in the Americas after the U.S. and Canada.

Brazilians were passionate about the Internet and all the social media applications that it made possible. They were also sensitive to American dominance of the Internet. In 2005, the country joined China in a bid to wrest control from the U.S. of the Internet's domain-name system—the management of suffixes such as “.com” and “.net” that help route Internet traffic. Though there was a surge in Internet activity in the country, there were few laws and limited resources to govern its rapid growth.

Internet laws were not well-defined or developed. With the crackdown in Eastern Europe and the U.S. on illegal activities over the Net, Latin America became a haven for crimes being committed online. The gaps in legislation in Latin American countries only encouraged their proliferation. On the lack of harmonization between the laws of different countries, Thiago Tavares Nunes de Oliveira (Tavares), founder of SaferNet, an NGO tracking Internet crime in Brazil, noted, “There's no co-operation network, policy integration, or strong social movement. No Latin American country has created a plan of action specifically to fight crimes like pedophilia and racism on the Internet.”⁴

According to the Brazilian Federal Police, out of every group of 10 hackers worldwide, 8 were probably from Brazil, and almost two-thirds of all pedophilia pages on the Internet originated in Brazil.⁵

A federal appeals court in Brazil ruled that Internet crimes were federal offenses.⁶ Finding criminals on the Internet, however, was not easy. Paulo Quintiliano, a criminal expert, commenting on what had caused the burgeoning of the problem, remarked, “Sometimes information can be stored abroad and we have to rely on international cooperation.”⁷

Like in Europe, the laws in Latin America permitted prosecution for hate speeches. Brazilian law did not offer Internet companies immunity for defamation-related claims. In 2005, the Brazilian Association of Internet Service Providers (ABRANET), representing 300 companies including Microsoft Brazil, signed an agreement to facilitate investigations into child pornography, racism, and hate mongering. This included willingness on the part of the Internet providers to hand over user information when requested by the police or the judiciary, as well as to store data on clients for a longer period of time.

Orkut came to Brazil at a time when blogs and photologs had proved hugely successful. It served as an answer to the question “What's next on the Internet?” Besides, it came from Google's stable, which had the broad approval of the Brazilians, and was “invite-only” like Gmail, another big hit at that time. Friendster was already there in Brazil, but was not so popular. Brazilians were known to be incredibly community-oriented and tended to associate with groups; they continuously referred to how they were Heavy Metal fans, Evangelical Christians, Sambistas, Macumberos, etc. Analysts put down Orkut's success in Brazil to reasons as wide-ranging as Orkut being easy to pronounce and sounding like *Yakult*, a popular Japanese yogurt drink that all kids in Brazil had, to Orkut's color scheme being the same as that of the Brazilian Football World Cup team. Orkut was so embedded in Brazilian culture that it even inspired a song called *I'm going to delete you from my Orkut*. The song composed by an Orkut user, quickly made its way through the Orkut communities, and soon across Brazil. The fact that Orkut lacked advertising only added to its appeal.

In Brazil, Orkut became a reflection of all the contrasts in Brazilian society. Communities were built around such themes as football, love, and overcoming injustice. It also became a paradise for anti-socials, who formed communities of Neo-Nazis, organized gangs, and pedophiles. Almost 1.3 million Internet users in Brazil were children or adolescents who surfed the Internet from their homes. Out of these, 53% visited social networking and discussion sites.⁸ News first started appearing about the violations of human rights on Orkut in September 2004. In 2005, Brazilian police arrested a gang of drug dealers who were using Orkut to sell Ecstasy and marijuana. The criminals had used Orkut to establish a members-only group dedicated to drug dealing, and then traded messages to pitch and purchase the goods. In July 2005, there was news reporting the distribution, in large scale, of pornographic images involving children and adolescents on Orkut.

⁴ “Latin America: Weak laws create cyber paradise for pedophiles,” <http://www.safernet.org.br/twiki/bin/view/SaferNet/Noticia20071116141115>, November 16, 2007.

⁵ “(ISN) 80% of World's Online Hackers and Pedophiles from Brazil,” <http://www.mail-archive.com/isn@attrition.org/msg03342.html>, September 14, 2004.

⁶ Brazil is a federal republic in which jurisdiction over safety matters is shared by federal, state, and local authorities.

⁷ “(ISN) 80% of World's Online Hackers and Pedophiles from Brazil,” op. cit.

⁸ “Latin America: Weak laws create cyber paradise for pedophiles,” op. cit.

THE BACKLASH

*"I don't think a single tribunal would be able to cope with the cultural diversity of the whole of humanity [that is] present on the Internet."*⁹

—THIAGO TAVARES,
a Professor and Founder of SaferNet.

The illegal content on Orkut drew the attention of Tavares, a professor at the Catholic University of Salvador. In 2004, he had been given a small grant to track human-rights violations on the Internet. The NGO—SaferNet—that he created in 2005 allowed users to report online crimes via its website. Soon complaints started flooding in and the count of accusations against Orkut kept increasing, reaching 1,582 by December 2005.

This prompted Tavares to request a meeting with Hohagen. Tavares claimed that his requests were repeatedly ignored. This led to his asking for the intervention of the Brazilian Association of Internet Service Providers. Attempts to make contact with Hohagen were again ignored.

As there was no response from Google's Brazil office till February 2006, civil and criminal proceedings were formalized against it. Brazil's Public Attorney's Office filed two lawsuits against Google: a civil one for loss of representativeness and compensation for collective moral damages; and a criminal one for protecting criminals and refusing to comply. Google was asked to give the Internet Protocol (IP) information, access logs, and registration details of users committing crimes of pedophilia and racism on Orkut.

However, the company refused to hand over the data, citing that since the data were stored on servers in the U.S., they were not directly subject to Brazilian law. The U.S. laws included strict protection of users' private data and Google could not reveal private communications without the express consent of the user. It could do so only in limited conditions and when ordered by a U.S. judge. Moreover, some crimes like racist speeches were not recognized as such in the U.S. The U.S. constitution allowed prosecution for hate crimes but not for hate speeches. Tavares claimed that Yahoo! and Microsoft had removed material that had been termed offensive and had even promised to hold copies for authorities. Google, however, resisted. Tavares remarked, "Google's future in Brazil is under threat. If they continue refusing to comply with Brazilian justice then they could be forced to leave the country. We don't want that to happen but we were given no choice. Instead of sitting down and trying to resolve the situation they opted for conflict. They need to start taking responsibility."¹⁰

Google, by entrusting its Brazilian legal crisis to an outside lawyer, Durval de Noronha Goyos Jr., only added fuel to the fire. The lawyer accused the prosecution of not presenting the demands to Google's California office, and stated that the company would not follow Brazilian but U.S. laws. Company officials were worried that if they handed over the data without demanding proper paperwork, they might face similar demands from less democratic governments elsewhere. Brazilian

authorities were told that if they rewrote the summons to Google Inc. rather than Google Brazil, they would take the appropriate action. Google's legal director Nicole Wong at one point threatened to even block the access of Brazilians to Orkut, based on the allegation that they were using the service unduly. However, Sergio Gardenghi Suíama (Suíama), the prosecutor handling the civil lawsuit against Google in Brazil, argued, "We argue that if the crimes were committed by Brazilians, as there is no doubt they were, it is Brazilian law that applies, and Google's subsidiary in Brazil must answer to the authorities here."¹¹ Human rights activists accused Google of double standards, saying the company had earlier handed over information to avoid paying damages to a São Paulo socialite, who sued Google after someone created a false profile in her name.

Google's stand on releasing data was reminiscent of its approach in China. There, on the grounds that its servers were not on Chinese soil and so it need not follow the censorship requirements, the company had resisted censoring the contents of its site. However, after facing continuing problems of delay in loading and sometimes even a total block, it had finally bowed and started operations in China with a censored version. Yahoo! in China, however, had handed over user information to the authorities; this had subsequently resulted in the jailing of two Chinese Internet dissidents.¹² Even Microsoft, on the demand by Chinese authorities, had deleted the writings of a blogger named Zhao Jing. Similarly, in the U.S., the Department of Justice had demanded that Google turn over a random sampling of 1 million URLs—web addresses—from its index and another 1 million search queries from a 1-week period. The agency hoped to use the data to help it make a case that filtering software was ineffective in fighting online porn. Internet companies like Yahoo!, Microsoft, and AOL had complied. Google, however, dug in its heels and agreed only when the demand was scaled back by authorities.

In 2006 alone, SaferNet passed on more than 100,000 complaints against Orkut to the police. Half of these concerned child pornography and thousands of others concerned hate crimes, violence, or the mistreatment of animals. After waiting two years for Google to comply, a police investigation was requested against Hohagen in August 2006, for disobeying judicial orders. There were also demands for the site to be shut down. Suíama stated, "If they want to do business in Brazil, they must obey the laws here."¹³ A court in Brazil gave Google 15 days to hand over the information or face a daily fine of \$900,000. The judge in his statement said, "It is peculiar the fact that Google Brazil did not follow the Brazilian Federal Justice orders, under the argument that it is just an office of marketing and sales."¹⁴ He added that Google's posture was

¹¹ "Latin America: Weak laws create cyber paradise for pedophiles," op. cit.

¹² Yahoo gave information to Chinese authorities that led to the jailing of two journalists, Shi Tao and Wang Xiaoning. In 2007, Yahoo! settled law suits brought on by their families and the company's CEO, Jerry Yang apologized.

¹³ "Google under Fire over a Controversial Site," op. cit.

¹⁴ "Crimes on Orkut: understand the chronological evolution of the case that defies the institutions of the Democratic Judicial State in Brazil," <http://www.safernet.com.br/twiki/pub/Colaborar/Traduzindo/CrimesOnOrkutEn.txt>, September 14, 2006

⁹ "Latin America: Weak laws create cyber paradise for pedophiles," op. cit.

¹⁰ "Google's Brazil Headache," op. cit.

EXHIBIT VI Google's Ad System

Google's initial business model was of licensing its search engine services to other websites. In the first quarter of 2000, it introduced its first advertising program—Premium Sponsorships. Through its direct sales force, it allowed advertisers to place text-based ads on its websites targeted at a user's search queries. Advertisers paid based on the number of times their ads were displayed on the user's search-results pages. It launched AdWords in the fourth quarter of 2000, which enabled advertisers to place targeted text-based ads on Google's sites. Here, advertisers paid on a cost-per-click basis—only when a user clicked on the ads. Then in the first quarter of 2002, Google released its AdSense service that distributed relevant ads from advertisers to be displayed alongside search results on the Google Network member's sites. The Google Network was a large group of websites and other products, such as email programs and blogs, that had partnered with Google to display AdWords ads.

Google's AdSense was powered by contextual advertising technology. This meant that the content on a site was first scanned. Based on that, the relevant ad was then displayed. Google used the same technology to target content in its other services such as Gmail, its electronic mail; YouTube, its video-sharing service; Orkut; and others. The technology was powered to understand the changes in content and ruled out the need for human intervention.

Source: Compiled by the author.

“comfortable and complacent” as “to sell services in Brazil, Google is present, but to collaborate with the elucidation of crimes, it is not.”¹⁵

Google did not make any money from Orkut. It had no ads, no subscriptions, and no other revenues. It was felt that if the bad publicity along with the fines continued, then officials could be tempted to cut their losses and shut Orkut down.

However, during the same time, Google changed its strategies. It shared data to help identify users accused of taking part in online communities that encouraged racism, pedophilia, and homophobia; and began expediting the removal of illegal content from the Web. Nicole Wong, Google associate general counsel, on Brazil's demand and Google's decision, said, “What they're asking for is not billions of pages. In most cases, it's relatively discrete—small and narrow.”¹⁶

However, legal experts believed that Google had had no choice but to comply with the court order. Marc Rotenberg, executive director of Washington-based Electronic Privacy Information Center, remarked, “From the law enforcement perspective, if the records are in the possession of the business, the business can be compelled to produce them.”¹⁷

FURTHER CHALLENGES

Internet companies like Google and Yahoo! offered search and other services free. Revenues were generated by allowing advertisers to place highly targeted ads on their web properties. Like most Google services, Orkut on inception was ad free. With the popularity of social networking sites, as well as Orkut's popularity, the company decided to monetize the site. The local subsidiary it had set up to sell online advertising in

Brazil included Orkut as part of the strategy. Google, after testing advertising on Orkut in India and the U.S., extended it to Brazil in 2007.

Soon though, critics in Brazil released a report showing ads on Orkut alongside pictures of naked children and abused animals. They stated that Google's ad system could not tell the difference between a site dedicated to pedophilia and one with ordinary content (*Exhibit VI*). So there were ads of a pet-store pitch on a community dedicated to stabbing animals with knives.

Tavares sent an 18-page complaint to Brazil's advertising watchdog, Conar. After an investigation was opened, Google suspended advertising worldwide on Orkut, describing it as part of a test-marketing program involving only 1% of Orkut pages. Google also offered to outfit nonprofits, including SaferNet, with special accounts, so that their complaints about content would receive top priority.

Google's troubles were blamed on the lack of proper control on the subscription process. Though Google specified the minimum age limit as 18, most users of social networks were children below that age.

However, the episode in Brazil had its repercussions. There were concerns that social networks were unreliable advertising vehicles. Advertisers such as liquor maker Diageo PLC of London stopped advertising on all Google properties, after finding out that the ads ran alongside pornographic images on the site. Ads for its brand had appeared on Orkut, where many users were below legal drinking age. Tavares added, “That (advertisers cancelling contracts) was one of the main reasons why Google changed its attitude toward cooperating with Brazilian prosecutors.”¹⁸

On the company's operations in Brazil, Hohagen admitted that Google had not spent enough resources to understand the

¹⁵ Ibid.

¹⁶ Nakashima Ellen, “Google to Give Data to Brazilian Court,” <http://www.washingtonpost.com/wp-dyn/content/article/2006/09/01/AR2006090100608.html>, September 2, 2006

¹⁷ Ibid.

¹⁸ “Latin America: Weak laws create cyber paradise for pedophiles,” op. cit.

culture and the country in which it operated and that “we’d do it differently today. The product grew faster than the support. That is a fact.”¹⁹

However, how Google could place ads on its various services was a vexing question. How could the company profit from Orkut and keep increasing revenue from outside the U.S.? How far should the company be willing to compromise with the authorities in handing over user’s personal data? How could the company save face from the fallout in Brazil? These were nagging questions that the company needed to answer.

ASSIGNMENT QUESTIONS

1. How do social networking sites work? What has contributed to their immense popularity?
2. Why was Orkut so successful in Brazil? What caused problems later?
3. Why did Google refuse to hand over Orkut user data? How should Internet companies and particularly those with social networking sites decide whether or not to share user information with the legal authorities?

¹⁹ “Google comes under fire in Brazil over its networking site’s content,” op. cit.