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NETFLIX CANCELS RECOMMENDATION CONTEST AFTER PRIVACY LAWSUIT

Netflix is canceling its second $1 million Netflix Prize to settle a legal challenge that it breached customer privacy as part of the first contest's race for a better movie-recommendation engine.

Friday's announcement came five months after Netflix had announced a successor to its algorithm-improvement contest. The company at the time said it intended to expand the amount of information it gave to researchers in hopes that its recommendation system – a key part of Netflix's customer retention strategy – would get even better. That was then followed with a warning by prominent data privacy lawyers that the new dataset was easily de-anonymized.

Those fears were highlighted in December, when an in-the-closet lesbian mother sued Netflix for privacy invasion, alleging the movie-rental company made it possible for her to be outed when it disclosed insufficiently anonymous information about nearly half-a-million customers as part of its $1 million contest.

The federal suit claimed Netflix violated fair-trade laws and a federal privacy law designed to protect video rental records when the Los Gatos, California, company launched the popular contest in 2006. The FTC also contacted Netflix about the first contest, which lasted three years, according to a Netflix blog post Friday.

"We have reached an understanding with the FTC and have settled the lawsuit with plaintiffs," wrote Neil Hunt, the company's chief product officer. "The resolution to both matters involves certain parameters for how we use Netflix data in any future research programs.

"In light of all this, we have decided to not pursue the Netflix Prize sequel that we announced on August 6, 2009."

Here's how the contest worked:

In order to get a better movie-recommendation algorithm, the online DVD rental company gave more than 50,000 Netflix Prize contestants two massive datasets. The first included 100 million movie ratings, along with the date of the rating, a unique ID number for the subscriber, and the movie info. Based on this data from 480,000 customers, contestants had

to come up with a recommendation algorithm that could predict 10 percent better than Netflix about how those same subscribers rated other movies.

The contest ended this summer when two different teams passed the 10-percent improvement mark, with the prize money going to a team led by AT&T researchers.

However, video-rental records are protected records in the United States — a reaction to a reporter getting Supreme Court–nominee Robert Bork's rental history from a video store. The lead attorney on the new suit, Joseph Malley, recently reached a [multimillion-dollar settlement with Facebook](#) over its failed Beacon program, which drew fire in part for sharing users' Blockbuster rentals with their friends.

The Netflix suit argued that the [rental information is personal data](#) (.pdf) protected by Netflix's privacy policy, and that NetFlix should have known that people would be able to identify users based on that data alone. In fact, just two months before NetFlix launched the contest, AOL released "anonymized" search-engine logs, which reporters quickly used to track down real people.

[The full terms of the Netflix settlement were not made public.](#)

https://www.wired.com/2010/03/netflix-cancels-contest/