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Storing customer's ZIP code violates California law, high court rules

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[Consumer advocates](#) were celebrating, and retailers were shocked Thursday, when the [California Supreme Court](#) declared that state law bars a merchant from asking for a customer's ZIP code and recording it as part of a [credit card](#) purchase.

As part of an address, a ZIP code qualifies as personal identification information, so when a merchant asks a customer for it and records it as part of a transaction, that violates [California's Credit Card](#) Act, the high court ruled.

The unanimous 17-page opinion outlaws the widespread practice and strikes down an appellate court's 2009 decision.

The defendant, high-end household goods giant [Williams-Sonoma Stores Inc.](#), offers no reason that would justify departing from the "statute's plain language, protective purpose and legislative history," the court concluded.

Through both its attorney and its marketing vice president, San Francisco-based Williams-Sonoma declined to comment.

[Richard Holober](#), executive director of the Consumer Federation of [California](#), hailed the ruling as "a great victory for [consumer protection](#) and common sense. It's nonsensical that a retailer can collect bits and pieces, turn them over to a data aggregation service and have a field day selling the information and otherwise using it for business purposes."

On the other hand, [Bill Dombrowski](#), president of the [California Retailers Association](#), called it "a terrible decision."

"It's just a very broad interpretation of the word 'address,' with which we strongly disagree," he said. "There's not much more I can say."

"We are totally surprised" by the opinion, and doubly surprised that it was unanimous, Dombrowski said.

The opinion was authored by Associate Justice [Carlos R. Moreno](#) and is the first one joined by new Chief Justice Tani Cantil-Sakauye.

ZIP codes are the kind of information that helps retailers measure the effectiveness of their advertising by knowing how well their products sell in specific neighborhoods, said [Jerry Cerasale](#), senior vice president of [government affairs](#) at the [Direct Marketing Association](#).

It also can tell them where there's enough demand to open a store, he said.

The loss of that kind of information could force retailers to spend more on advertising that may not reach its targeted audience, he added.

"What it will do is hamper the ability to get more relevant ads to people," Cerasale said. "It increases the cost for businesses, and potentially it increases the cost to consumers."

Cerasale also believes the decision will make it more difficult to police [credit card fraud](#). ZIP codes are one tool used to verify that a card is not stolen, he said.

Holober countered that, even if used in that manner, "there is no legitimate reason to retain that information."

[Beth Givens](#), director of the Privacy Rights Clearinghouse, called the opinion an important one because the seven justices "recognized the realities of today's technology where, with a database, you can turn a ZIP code and name into a full address."

That's what happened to [Jessica Pineda](#), according to her lawsuit filed in 2008 in San Diego [Superior Court](#).

Pineda alleges that while she was paying for a purchase with her [credit card](#), a Williams-Sonoma cashier asked for her ZIP code.

Believing it necessary to complete the transaction she provided the code and the cashier recorded it as part of the sale.

She further alleges that Williams-Sonoma used her name, ZIP code and a database to obtain her home address, and she subsequently was targeted for direct-mail marketing.

The company "preys on its [credit card](#) customers who are accustomed to providing their ZIP codes for legitimate verification purposes at gas stations during 'pay at pump' transactions and mistakenly assume that Williams-Sonoma is requesting their ZIP codes to process their [credit cards](#)," Pineda's lawyers said in a [Supreme Court](#) brief.

ZIP codes used for "pay at pump" sales are processed through the issuing bank and not shared with gas stations, the lawyers said in the brief.

A Superior Court judge tossed out Pineda's case and a San Diego-based Court of Appeal affirmed the trial court ruling, relying heavily on one of its own court's earlier decisions, which concluded that a ZIP code is not personal identification information.

The Court of Appeal found that a ZIP code applies to a group and thus is not the type of personal information covered by the Credit Card Act.

The Supreme Court disagreed, finding that "a ZIP code is readily understood to be part of an address," and like the rest of an address or a telephone number, is "information unnecessary to the sales transaction."

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