

111<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5777

To foster transparency about the commercial use of personal information, provide consumers with meaningful choice about the collection, use, and disclosure of such information, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 19, 2010

Mr. RUSH introduced the following bill; which was referred to the Committee on Energy and Commerce

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## A BILL

To foster transparency about the commercial use of personal information, provide consumers with meaningful choice about the collection, use, and disclosure of such information, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Building Effective Strategies To Promote Responsibility  
6       Accountability Choice Transparency Innovation Consumer  
7       Expectations and Safeguards Act” or the “BEST PRAC-  
8       TICES Act”.

1 (b) TABLE OF CONTENTS.—The table of contents for  
2 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Definitions.

TITLE I—TRANSPARENCY, NOTICE, AND INDIVIDUAL CHOICE

- Sec. 101. Information to be made available.
- Sec. 102. Provision of notice or notices.
- Sec. 103. Opt-out consent required for collection and use of covered information by a covered entity.
- Sec. 104. Express affirmative consent.
- Sec. 105. Material changes to privacy practices.
- Sec. 106. Exceptions.

TITLE II—ACCURACY, ACCESS, AND DISPUTE RESOLUTION

- Sec. 201. Accuracy.
- Sec. 202. Access and dispute resolution.

TITLE III—DATA SECURITY, DATA MINIMIZATION, AND ACCOUNTABILITY

- Sec. 301. Data security.
- Sec. 302. Accountability.
- Sec. 303. Data minimization obligations.

TITLE IV—SAFE HARBOR AND SELF-REGULATORY CHOICE PROGRAM

- Sec. 401. Safe harbor.
- Sec. 402. Approval by the Federal Trade Commission.
- Sec. 403. Requirements of self-regulatory program.
- Sec. 404. Rulemaking.

TITLE V—EXEMPTIONS

- Sec. 501. Use of aggregate or deidentified information.
- Sec. 502. Activities covered by other Federal privacy laws.

TITLE VI—APPLICATION AND ENFORCEMENT

- Sec. 601. General application.
- Sec. 602. Enforcement by the Federal Trade Commission.
- Sec. 603. Enforcement by State attorneys general.
- Sec. 604. Private right of action.
- Sec. 605. Effect on other laws.

TITLE VII—MISCELLANEOUS PROVISIONS

- Sec. 701. Review.
- Sec. 702. Consumer and business education campaign.
- Sec. 703. Effective date.
- Sec. 704. Severability.

1 **SEC. 2. DEFINITIONS.**

2 As used in this Act, the following definitions apply:

3 (1) AGGREGATE INFORMATION.—The term “ag-  
4 gregate information” means data that relates to a  
5 group or category of services or individuals, from  
6 which all information identifying an individual has  
7 been removed.

8 (2) COMMISSION.—The term “Commission”  
9 means the Federal Trade Commission.

10 (3) COVERED ENTITY.—The term “covered en-  
11 tity” means a person engaged in interstate com-  
12 merce that collects or stores data containing covered  
13 information or sensitive information. Such term does  
14 not include—

15 (A) the Federal Government or any instru-  
16 mentality of the Federal Government, nor the  
17 government of any State or political subdivision  
18 of a State; or

19 (B) any person that can demonstrate that  
20 such person—

21 (i) stores covered information from or  
22 about fewer than 15,000 individuals;

23 (ii) collects covered information from  
24 or about fewer than 10,000 individuals  
25 during any 12-month period;

1 (iii) does not collect or store sensitive  
2 information; and

3 (iv) does not use covered information  
4 to study, monitor, or analyze the behavior  
5 of individuals as the person's primary busi-  
6 ness.

7 (4) COVERED INFORMATION.—

8 (A) IN GENERAL.—The term “covered in-  
9 formation” means, with respect to an indi-  
10 vidual, any of the following:

11 (i) the first name or initial and last  
12 name;

13 (ii) a postal address;

14 (iii) an email address;

15 (iv) a telephone or fax number;

16 (v) a tax identification number, pass-  
17 port number, driver's license number, or  
18 any other unique government-issued identi-  
19 fication number;

20 (vi) a financial account number, or  
21 credit card or debit card number, or any  
22 required security code, access code, or  
23 password that is necessary to permit ac-  
24 cess to an individual's financial account;

1 (vii) any unique persistent identifier,  
2 such as a customer number, unique pseu-  
3 donym or user alias, IP address, or other  
4 unique identifier, where such identifier is  
5 used to collect, store or identify informa-  
6 tion about a specific individual or to create  
7 or maintain a preference profile; or

8 (viii) any other information that is  
9 collected, stored, used, or disclosed in con-  
10 nection with any covered information de-  
11 scribed in clauses (i) through (vii).

12 (B) EXCLUSION.—Such term shall not in-  
13 clude—

14 (i) the title, business address, business  
15 email address, business telephone number,  
16 or business fax number associated with an  
17 individual's status as an employee of an or-  
18 ganization, or an individual's name when  
19 collected, stored, used, or disclosed in con-  
20 nection with such employment status; or

21 (ii) any information collected from or  
22 about an employee by an employer, pro-  
23 spective employer, or former employer that  
24 directly relates to the employee-employer  
25 relationship.

## 1 (5) OPERATIONAL PURPOSE.—

2 (A) IN GENERAL.—The term “operational  
3 purpose” means a purpose reasonably necessary  
4 to facilitate, improve, or safeguard the logistical  
5 or technical ability of a covered entity to pro-  
6 vide goods or services, manage its operations,  
7 comply with legal obligations, or protect against  
8 risks and threats, including—

9 (i) providing, operating, or improving  
10 a product or service used, requested, or au-  
11 thorized by an individual, including the on-  
12 going provision of customer service and  
13 support;

14 (ii) analyzing data related to use of  
15 the product or service for purposes of im-  
16 proving the covered entity’s products, serv-  
17 ices, or operations;

18 (iii) basic business functions such as  
19 accounting, inventory and supply chain  
20 management, quality assurance, and inter-  
21 nal auditing;

22 (iv) protecting or defending the rights  
23 or property, including intellectual property,  
24 of the covered entity against actual or po-  
25 tential security threats, fraud, theft, unau-

1           thorized transactions, or other illegal ac-  
2           tivities;

3                   (v) preventing imminent danger to the  
4           personal safety of an individual or group of  
5           individuals;

6                   (vi) complying with a Federal, State,  
7           or local law, rule, or other applicable legal  
8           requirement, including disclosures pursu-  
9           ant to a court order, subpoena, summons,  
10          or other properly executed compulsory  
11          process; and

12                   (vii) any other category of operational  
13          use specified by the Commission by regula-  
14          tion that is consistent with the purposes of  
15          this Act.

16          (B) EXCLUSION.—Such term shall not in-  
17          clude—

18                   (i) the use of covered information for  
19          marketing or advertising purposes, or any  
20          use of or disclosure of covered information  
21          to a third party for such purposes; or

22                   (ii) the use of covered information for  
23          a purpose that an individual acting reason-  
24          ably under the circumstances would not ex-  
25          pect based on the product or service used,

1 requested, or authorized by the individual  
2 and, if known to the individual, would like-  
3 ly affect the individual’s conduct or deci-  
4 sions with respect to the covered entity’s  
5 products or services.

6 (6) PREFERENCE PROFILE.—The term “pref-  
7 erence profile” means a list of preferences, cat-  
8 egories of information, or interests—

9 (A) associated with an individual or with  
10 an individual’s computer or other device;

11 (B) inferred from the actual behavior of  
12 the individual, the actual use of the individual’s  
13 computer or other device, or information sup-  
14 plied directly by the individual or other user of  
15 a computer or other device; and

16 (C) compiled and maintained for the pur-  
17 pose of marketing or purposes related to mar-  
18 keting, advertising, or sales.

19 (7) PUBLICLY AVAILABLE INFORMATION.—

20 (A) IN GENERAL.—The term “publicly  
21 available information” means any covered infor-  
22 mation or sensitive information that a covered  
23 entity has a reasonable basis to believe is law-  
24 fully made available to the general public  
25 from—



1 (i) Federal, State, or local government  
2 records;

3 (ii) widely distributed media; or

4 (iii) disclosures to the general public  
5 that are required to be made by Federal,  
6 State, or local law.

7 (B) CONSTRUCTION.—A covered entity has  
8 a reasonable basis to believe that information is  
9 lawfully made available to the general public if  
10 the covered entity has taken steps to deter-  
11 mine—

12 (i) that the information is of a type  
13 that is available to the general public; and

14 (ii) whether an individual can direct  
15 that the information not be made available  
16 to the general public and, if so, that the  
17 individual has not done so.

18 (8) SENSITIVE INFORMATION.—

19 (A) DEFINITION.—The term “sensitive in-  
20 formation” means—

21 (i) any information that is associated  
22 with covered information of an individual  
23 and relates directly to that individual’s—

- 1 (I) medical history, physical or  
2 mental health, or the provision of  
3 health care to the individual;
- 4 (II) race or ethnicity;
- 5 (III) religious beliefs and affili-  
6 ation;
- 7 (IV) sexual orientation or sexual  
8 behavior;
- 9 (V) income, assets, liabilities, or  
10 financial records, and other financial  
11 information associated with a finan-  
12 cial account, including balances and  
13 other financial information, except  
14 when financial account information is  
15 provided by the individual and is used  
16 only to process an authorized credit or  
17 debit to the account; or
- 18 (VI) precise geolocation informa-  
19 tion and any information about the  
20 individual's activities and relationships  
21 associated with such geolocation; or
- 22 (ii) an individual's—
- 23 (I) unique biometric data, includ-  
24 ing a fingerprint or retina scan; or
- 25 (II) Social Security number.

1 (B) MODIFIED DEFINITION BY RULE-  
2 MAKING.—The Commission may, by regulations  
3 promulgated under section 553 of title 5,  
4 United States Code, modify the scope or appli-  
5 cation of the definition of “sensitive informa-  
6 tion” for purposes of this Act. In promulgating  
7 such regulations, the Commission shall con-  
8 sider—

9 (i) the purposes of the collection of  
10 the information and the context of the use  
11 of the information;

12 (ii) how easily the information can be  
13 used to identify a specific individual;

14 (iii) the nature and extent of author-  
15 ized access to the information;

16 (iv) an individual’s reasonable expect-  
17 tations under the circumstances; and

18 (v) adverse effects that may be experi-  
19 enced by an individual if the information is  
20 disclosed to an unauthorized person.

21 (9) SERVICE PROVIDER.—The term “service  
22 provider” means an entity that collects, maintains,  
23 processes, stores, or otherwise handles covered infor-  
24 mation or sensitive information on behalf of a cov-  
25 ered entity, including, for the purposes of serving as

1 a data processing center, distributing the informa-  
2 tion, providing customer support, maintaining the  
3 covered entity's records, information technology  
4 management, website or other hosting service, fraud  
5 detection, authentication, and other verification serv-  
6 ices, or performing other administrative support  
7 functions for the covered entity.

8 (10) THIRD PARTY.—

9 (A) IN GENERAL.—The term “third party”  
10 means, with respect to any covered entity, a  
11 person that—

12 (i) is not related to the covered entity  
13 by common ownership or corporate control;  
14 or

15 (ii) is a business unit or corporate en-  
16 tity that holds itself out to the public as  
17 separate from the covered entity, such that  
18 an individual acting reasonably under the  
19 circumstances would not expect it to be re-  
20 lated to the covered entity or to have ac-  
21 cess to covered information the individual  
22 provides to that covered entity.

23 (B) COLLECTION OF INFORMATION BY  
24 MULTIPLE SOURCES.—For the purpose of this  
25 definition, where multiple persons collect cov-

1           ered information or sensitive information from  
2           or about visitors to an online or mobile service,  
3           including a website, all such persons other than  
4           the operator or publisher of the online or mobile  
5           service or website shall be considered third par-  
6           ties unless—

7                   (i) the person meets the requirements  
8                   of the service provider exception in section  
9                   106(1); or

10                   (ii) the person otherwise does not sat-  
11                   isfy the requirements for a third party pur-  
12                   suant to the regulations implemented pur-  
13                   suant to subparagraph (C).

14           (C) RULEMAKING.—Not later than 18  
15           months after the date of the enactment of this  
16           Act, the Commission shall promulgate regula-  
17           tions under section 553 of title 5, United States  
18           Code, to clarify or modify the definition of third  
19           party for purposes of this Act. In promulgating  
20           such regulations, the Commission shall con-  
21           sider—

22                   (i) the brand or brands associated  
23                   with a covered entity;

24                   (ii) the scope and nature of the busi-  
25                   nesses engaged in by a covered entity and

1 a third party, including the nature of the  
2 products or services offered by the covered  
3 entity and third party; and

4 (iii) the relationship between a cov-  
5 ered entity and a third party, taking into  
6 account such factors as ownership and con-  
7 trol.

8 **TITLE I—TRANSPARENCY, NO-**  
9 **TICE, AND INDIVIDUAL**  
10 **CHOICE**

11 **SEC. 101. INFORMATION TO BE MADE AVAILABLE.**

12 A covered entity shall, in accordance with the regula-  
13 tions issued under section 102, make available to individ-  
14 uals whose covered information or sensitive information it  
15 collects or maintains the following information about its  
16 information privacy practices and an individual's options  
17 with regard to such practices:

18 (1) The identity of the covered entity.

19 (2) A description of any covered information or  
20 sensitive information collected or stored by the cov-  
21 ered entity.

22 (3) The specific purposes for which the covered  
23 entity collects and uses the covered information or  
24 sensitive information, including disclosure as to  
25 whether and how the covered entity customizes prod-

1       ucts or services or changes the prices of products or  
2       services based, in whole or in part, on covered infor-  
3       mation or sensitive information about individual cus-  
4       tomers or users.

5           (4) The specific purposes for which covered in-  
6       formation or sensitive information may be disclosed  
7       to a third party and the categories of third parties  
8       who may receive such information for each such pur-  
9       pose.

10          (5) The choice and means the covered entity of-  
11       fers individuals for limiting the collection, use, and  
12       disclosure of covered information or sensitive infor-  
13       mation, in accordance with sections 103 and 104.

14          (6) A description of the information for which  
15       an individual may request access and the means to  
16       request such access, in accordance with section 202.

17          (7) How the covered entity may merge, link, or  
18       combine covered information or sensitive information  
19       collected from the individual with other information  
20       about the individual that the covered entity may ac-  
21       quire from third parties.

22          (8) The retention schedule for covered informa-  
23       tion and sensitive information in days, months, or  
24       years, or a statement that the covered entity will re-  
25       tain such information indefinitely or permanently.

1           (9) Whether or not an individual has the right  
2           to direct the covered entity to delete information col-  
3           lected from or about the individual.

4           (10) A reasonable means by which an individual  
5           may contact the covered entity with any inquiries or  
6           complaints regarding the covered entity's practices  
7           concerning the collection, use, disclosure, or handling  
8           of the individual's covered information or sensitive  
9           information in accordance with section 302(a).

10          (11) The process by which the covered entity  
11          notifies individuals of material changes to its policies  
12          and practices.

13          (12) A hyperlink to or a listing of the Commis-  
14          sion's online consumer complaint form or the toll-  
15          free number for the Commission's Consumer Re-  
16          sponse Center.

17          (13) The effective date of the privacy notice.

18 **SEC. 102. PROVISION OF NOTICE OR NOTICES.**

19          (a) IN GENERAL.—It shall be unlawful for a covered  
20          entity to collect, use, or disclose covered information or  
21          sensitive information unless it provides the information set  
22          forth in section 101 in concise, meaningful, timely, promi-  
23          nent, and easy-to-understand notice or notices, in accord-  
24          ance with the regulations issued by the Commission under  
25          subsection (b).



1 (b) RULEMAKING.—Not later than 18 months after  
2 the date of the enactment of this Act, the Commission  
3 shall promulgate regulations under section 553 of title 5,  
4 United States Code, to implement this section. In promul-  
5 gating such regulations, the Commission—

6 (1) shall determine the means and timing of the  
7 notices required under this section, taking into ac-  
8 count the different media, devices, or methods  
9 through which the covered entity collects covered in-  
10 formation or sensitive information;

11 (2) shall have the authority to allow for, or re-  
12 quire, the provision of short notices or limited disclo-  
13 sures that do not include all of the information set  
14 forth in section 101, if the Commission by regula-  
15 tion—

16 (A) requires the information to be other-  
17 wise clearly and conspicuously disclosed or  
18 available to individuals; and

19 (B) determines that the provision of such  
20 short notices or limited disclosures will accom-  
21 plish the purposes of this Act to enhance trans-  
22 parency and provide individuals with meaning-  
23 ful choice regarding the collection, use, and dis-  
24 closure of their covered information or sensitive  
25 information;

1 (3) shall consider—

2 (A) whether the notice or notices provide  
3 individuals with timely, effective, and meaning-  
4 ful notice that will enable an individual to un-  
5 derstand relevant information and make in-  
6 formed choices;

7 (B) whether providing notice to individuals  
8 prior to or contemporaneously with the collec-  
9 tion of covered information is practical or rea-  
10 sonable under the circumstances;

11 (C) the costs of implementing the pre-  
12 scribed notice or notices;

13 (D) the different media and context  
14 through which covered information is collected;

15 (E) whether it is reasonable and appro-  
16 priate under the circumstances for a third party  
17 or a service provider to be responsible for pro-  
18 viding notice and obtaining consent as required  
19 by this title in lieu of a covered entity; and

20 (F) the risk to consumers and commerce of  
21 over-notification; and

22 (4) may issue model notices.

23 (c) EXCLUSION FROM NOTICE REQUIREMENTS.—

1           (1) TRADE SECRET INFORMATION.—Nothing in  
2 this section shall require a covered entity to reveal  
3 confidential, trade secret, or proprietary information.

4           (2) IN-PERSON TRANSACTIONS.—Notice under  
5 this section shall not be required for in-person collec-  
6 tion of covered information if—

7                   (A) the covered information is collected for  
8 an operational purpose; or

9                   (B) the covered entity only is collecting the  
10 name, address, email address, telephone or fax  
11 number of an individual and does not—

12                           (i) share the covered information with  
13 third parties; or

14                           (ii) use the covered information to ac-  
15 quire additional information about the in-  
16 dividual from third parties.

17           (d) RETENTION.—A covered entity shall retain copies  
18 of the notice or notices issued pursuant to this section for  
19 a period of 6 years after the date on which such notice  
20 was issued or the date when it was last in effect, whichever  
21 is later, unless the Commission determines pursuant to the  
22 rulemaking required under subsection (b) that such reten-  
23 tion is not practical under the circumstances.

1 **SEC. 103. OPT-OUT CONSENT REQUIRED FOR COLLECTION**  
2 **AND USE OF COVERED INFORMATION BY A**  
3 **COVERED ENTITY.**

4 (a) IN GENERAL.—Except as provided in subsections  
5 (e) and (f) and section 106, it shall be unlawful for a cov-  
6 ered entity to collect or use covered information about an  
7 individual without the consent of that individual, as set  
8 forth in this section. A covered entity shall be considered  
9 to have the consent of an individual for the collection and  
10 use of covered information about the individual if—

11 (1) the covered entity has provided to the indi-  
12 vidual notice required under section 102 and its im-  
13 plementing regulations;

14 (2) the covered entity provides the individual  
15 with a reasonable means to exercise an opt-out right  
16 and decline consent for such collection and use; and

17 (3) the individual either affirmatively grants  
18 consent for such collection and use or does not de-  
19 cline consent at the time notice is presented or made  
20 available to the individual.

21 (b) DURATION OF INDIVIDUAL’S OPT-OUT.—An indi-  
22 vidual’s direction to opt out under this section is effective  
23 permanently, unless otherwise directed by the individual.

24 (c) SUBSEQUENT OPT-OUT.—A covered entity shall  
25 provide an individual with a reasonable means to decline  
26 consent or revoke previously granted consent at any time.

1 (d) MORE DETAILED OPTIONS.—A covered entity  
2 may comply with this section by enabling an individual  
3 to decline consent for specific uses of his or her covered  
4 information, provided the individual has been given the op-  
5 portunity to decline consent for the collection and use of  
6 covered information for all purposes, other than for an  
7 operational purpose excepted by subsection (e), for which  
8 covered information may be collected and used by the cov-  
9 ered entity.

10 (e) EXCEPTION FOR OPERATIONAL PURPOSES.—  
11 This section shall not apply to the collection or use of cov-  
12 ered information for an operational purpose.

13 (f) COLLECTION AND USE AS A CONDITION OF SERV-  
14 ICE.—Nothing in this section shall prohibit a covered enti-  
15 ty from requiring, as a condition of an individual’s receipt  
16 of a service or other benefit, including the receipt of an  
17 enhanced or premium version of a product or service oth-  
18 erwise available, the reasonable collection and use of cov-  
19 ered information about the individual, provided that—

20 (1) the covered entity has a direct relationship  
21 with the individual;

22 (2) the covered information is not shared with  
23 any third party except with the express affirmative  
24 consent as set forth in section 104;

1           (3) the covered entity provides a clear, promi-  
2           nent, and specific statement describing the specific  
3           purpose or purposes for which covered information  
4           may be used pursuant to section 101;

5           (4) the individual provides consent by acknowl-  
6           edging the specific uses set forth in the clear and  
7           prominent statement required under paragraph (3)  
8           as part of receiving the service or other benefit from  
9           the covered entity; and

10          (5) the individual is able to later withdraw con-  
11          sent for the use by canceling the service or otherwise  
12          indicating that he or she no longer wishes to receive  
13          the service or other benefit.

14 **SEC. 104. EXPRESS AFFIRMATIVE CONSENT.**

15          (a) DISCLOSURE OF COVERED INFORMATION TO  
16          THIRD PARTIES.—

17               (1) DISCLOSURE PROHIBITED.—Except as pro-  
18               vided in section 106 and subject to title IV of this  
19               Act, it shall be unlawful for a covered entity to dis-  
20               close covered information about an individual to a  
21               third party unless the covered entity has received ex-  
22               press affirmative consent from the individual prior  
23               to the disclosure.

24               (2) EXCEPTION FOR JOINT MARKETING.—Ex-  
25               press affirmative consent shall not be required for

1 any disclosure related to the performance of joint  
2 marketing, if the covered entity and the third party  
3 enter into a contractual agreement prohibiting the  
4 third party from disclosing or using the covered in-  
5 formation except as necessary to carry out the joint  
6 marketing relationship.

7 (b) COLLECTION, USE, OR DISCLOSURE OF SEN-  
8 SITIVE INFORMATION.—Except as provided in section  
9 106, a covered entity may not collect, use, or disclose sen-  
10 sitive information from or about an individual for any pur-  
11 pose unless the covered entity obtains the express affirma-  
12 tive consent of the individual.

13 (c) COMPREHENSIVE ONLINE DATA COLLECTION.—  
14 A covered entity may not use hardware or software to  
15 monitor all or substantially all of the individual’s Internet  
16 browsing or other significant class of Internet or computer  
17 activity and collect, use, or disclose information concerning  
18 such activity, except—

19 (1) with the express affirmative consent of the  
20 individual;

21 (2) for the purpose of making such information  
22 accessible to the individual or for use by the indi-  
23 vidual; or

24 (3) as provided in section 106.

1 (d) LIMITATION.—A third party that receives covered  
2 information or sensitive information from a covered entity  
3 pursuant to this section shall only use such information  
4 for the specific purposes authorized by the individual when  
5 the individual granted express affirmative consent for the  
6 disclosure of the information to a third party.

7 (e) REVOCATION OF CONSENT.—A covered entity  
8 that has obtained the express affirmative consent of an  
9 individual pursuant to this section and section 105 shall  
10 provide the individual with a reasonable means, without  
11 charge, to withdraw consent at any time thereafter.

12 **SEC. 105. MATERIAL CHANGES TO PRIVACY PRACTICES.**

13 (a) RETROACTIVE APPLICATION.—A covered entity  
14 shall provide the notice required by section 102 and obtain  
15 the express affirmative consent of the individual prior to  
16 making a material change in privacy practices governing  
17 previously collected covered information or sensitive infor-  
18 mation from that individual.

19 (b) PROSPECTIVE APPLICATION.—A covered entity  
20 shall not make material changes to its privacy practices  
21 governing the collection, use, or disclosure of covered in-  
22 formation or sensitive information that has not been pre-  
23 viously collected unless, 30 days before the effective date  
24 of the material change—



1           (1) the covered entity provides individuals with  
2 notice of the material change in accordance with sec-  
3 tion 102; and

4           (2) if required by sections 103 and 104, obtains  
5 the individual's consent to the material change or al-  
6 lows the individual to terminate the individual's rela-  
7 tionship with the covered entity.

8 **SEC. 106. EXCEPTIONS.**

9           The consent requirements of sections 103 and 104  
10 shall not apply to the following:

11           (1) SERVICE PROVIDERS.—

12                   (A) When a covered entity discloses cov-  
13 ered information or sensitive information to a  
14 service provider performing services or func-  
15 tions on behalf of and under the instruction of  
16 the covered entity, provided—

17                           (i) the covered entity obtained the re-  
18 quired consent for the initial collection of  
19 such information and provided notice as  
20 required by section 102;

21                           (ii) the covered entity enters into a  
22 contractual agreement that prohibits the  
23 service provider from using or disclosing  
24 the information other than to carry out the

1 purposes for which the information was  
2 disclosed; and

3 (iii) in such cases, the covered entity  
4 remains responsible and liable for the pro-  
5 tection of covered information and sensitive  
6 information that has been transferred to a  
7 service provider for processing.

8 (B) When a service provider subsequently  
9 discloses the information to another service pro-  
10 vider in order to perform the same services or  
11 functions described in paragraph (1) on behalf  
12 of the covered entity.

13 (2) FRAUD DETECTION.—Collection, use, or  
14 disclosure necessary to protect or defend the rights  
15 or property, including intellectual property, of the  
16 covered entity against actual or potential security  
17 threats, fraud, theft, unauthorized transactions, or  
18 other illegal activities.

19 (3) IMMINENT DANGER.—Collection, use, or  
20 disclosure necessary to prevent imminent danger to  
21 the personal safety of an individual or group of indi-  
22 viduals.

23 (4) COMPLIANCE WITH LAW.—Collection, use,  
24 or disclosure required in order to comply with a Fed-  
25 eral, State, or local law, rule, or other applicable

1 legal requirement, including disclosures pursuant to  
2 subpoena, summons, or other properly executed com-  
3 pulsory process.

4 (5) PUBLICLY AVAILABLE INFORMATION.—Col-  
5 lection, use, or disclosure of publicly available infor-  
6 mation, except that a covered entity may not use  
7 publicly available information about an individual for  
8 marketing purposes if the individual has opted out  
9 of the use by such covered entity of covered informa-  
10 tion or sensitive information for marketing purposes.

## 11 **TITLE II—ACCURACY, ACCESS,** 12 **AND DISPUTE RESOLUTION**

### 13 **SEC. 201. ACCURACY.**

14 (a) REASONABLE PROCEDURES.—Each covered enti-  
15 ty shall establish reasonable procedures to assure the ac-  
16 curacy of the covered information or sensitive information  
17 it collects, assembles, or maintains. Not later than 18  
18 months after the date of the enactment of this Act, the  
19 Commission shall promulgate regulations under section  
20 553 of title 5, United States Code, to implement this sec-  
21 tion. In promulgating such regulations, the Commission  
22 shall consider—

23 (1) the costs and benefits of ensuring the accu-  
24 racy of the information;

25 (2) the sensitivity of the information;

1           (3) the purposes for which the information will  
2       be used; and

3           (4) the harms from misuse of the information.

4       (b) LIMITED EXCEPTION FOR FRAUD DATABASES.—

5       The requirement in subsection (a) shall not prevent the  
6       collection or maintenance of information that may be inac-  
7       curate with respect to a particular individual when that  
8       information is being collected or maintained solely—

9           (1) for the purpose of indicating whether there  
10       may be a discrepancy or irregularity in the covered  
11       information or sensitive information that is associ-  
12       ated with an individual; and

13           (2) to help identify, or authenticate the identity  
14       of, an individual, or to protect against or investigate  
15       fraud or other unlawful conduct.

16       (c) LIMITED EXCEPTION FOR PUBLICLY AVAILABLE

17       INFORMATION.—Subject to section 202, a covered entity  
18       shall not be required to verify the accuracy of publicly  
19       available information if the covered entity has reasonable  
20       procedures to ensure that the publicly available informa-  
21       tion assembled or maintained by the covered entity accu-  
22       rately reflects the information available to the general  
23       public.

1 **SEC. 202. ACCESS AND DISPUTE RESOLUTION.**

2 (a) ACCESS AND CORRECTION.—A covered entity  
3 shall, upon request, provide an individual with reasonable  
4 access to, and the ability to dispute the accuracy or com-  
5 pleteness of, covered information or sensitive information  
6 about that individual if such information may be used for  
7 purposes that could result in an adverse decision against  
8 the individual, including the denial of a right, benefit, or  
9 privilege.

10 (b) ACCESS TO PERSONAL PROFILES.—

11 (1) IN GENERAL.—Subject to title IV, a covered  
12 entity shall, upon request, provide an individual with  
13 reasonable access to any personal profile about that  
14 individual that the entity stores in a manner that  
15 makes it accessible in the normal course of business.

16 (2) SPECIAL RULE FOR PREFERENCE PRO-  
17 FILES.—With respect to a preference profile, the ob-  
18 ligation to provide access and correction under this  
19 section is met if the covered entity provides the abil-  
20 ity to review and change the preference information  
21 associated with a unique persistent identifier.

22 (3) PARTICIPATION IN CHOICE PROGRAM.—This  
23 subsection shall not apply to a covered entity that  
24 participates in a Choice Program under title IV.

25 (c) NOTICE IN LIEU OF ACCESS.—Subject to sub-  
26 section (b), in those instances in which covered informa-

1 tion or sensitive information is used only for purposes that  
2 could not reasonably result in an adverse decision against  
3 an individual, including the denial of a right, benefit, or  
4 privilege, a covered entity shall, upon request by an indi-  
5 vidual, provide the individual with a general notice or rep-  
6 resentative sample of the type or types of information the  
7 covered entity typically collects or stores for such pur-  
8 poses.

9 (d) EXCEPTIONS.—

10 (1) A covered entity may decline to provide an  
11 individual with access to covered information or sen-  
12 sitive information if the covered entity reasonably  
13 believes—

14 (A) the individual requesting access cannot  
15 reasonably verify his or her identity as the per-  
16 son to which the information relates;

17 (B) access by the individual to the infor-  
18 mation is limited by law or legally recognized  
19 privilege;

20 (C) the information is used for a legitimate  
21 governmental or fraud prevention purpose that  
22 would be compromised by such access;

23 (D) such request for access is frivolous or  
24 vexatious;

1 (E) the privacy or other rights of persons  
2 other than the individual would be violated; or

3 (F) proprietary or confidential information,  
4 technology, or business processes would be re-  
5 vealed as a result.

6 (2) Where an exception described in paragraph  
7 (1) applies only to a portion of the covered informa-  
8 tion or sensitive information maintained by the cov-  
9 ered entity, the covered entity shall provide access  
10 required under subsections (a) and (b) to the infor-  
11 mation to which the exception does not apply.

12 (3) A covered entity may decline an individual's  
13 request to correct or amend covered information or  
14 sensitive information pertaining to that individual  
15 where—

16 (A) a reason for denying access to the in-  
17 formation under paragraph (1) would also apply  
18 to the request to correct or amend the informa-  
19 tion; or

20 (B) doing so would be incompatible with a  
21 legal obligation, such as a requirement to retain  
22 certain information.

23 (e) FEES.—A covered entity may charge a reasonable  
24 fee, as determined by the Commission, for providing ac-  
25 cess in accordance with subsection (a) or (b).

1 (f) TIME LIMIT.—A covered entity shall respond to  
2 any access, correction, or amendment request within 30  
3 days of the receipt of the request. Such response must  
4 consist of one or more of the following:

5 (1) The requested information in accordance  
6 with subsection (a) or (b).

7 (2) The general notice in accordance with sub-  
8 section (c).

9 (3) Instructions for accessing, correcting, or  
10 amending the requested information through an  
11 automated mechanism.

12 (4) A confirmation that the requested correc-  
13 tions or amendments have been made.

14 (5) A notification that the covered entity is de-  
15 clining to correct or amend information pursuant to  
16 one of the exceptions described in subsection (d).  
17 Such notification shall include the reason or reasons  
18 for not making the suggested correction or amend-  
19 ment, unless one or more of such exceptions would  
20 also apply to the disclosure of the reason or reasons.

21 (6) A request to resubmit the access request  
22 and an explanation of why the original access re-  
23 quest was deficient in cases where—



1 (A) the scope or nature of the request is  
2 unclear or the entity needs more information in  
3 order to respond to the request;

4 (B) the entity charges a fee as permitted  
5 under subsection (e), and the fee has not been  
6 paid; or

7 (C) the entity provides interested members  
8 of the public other reasonable and accessible in-  
9 structions for submitting an access request and  
10 such instructions were not followed.

11 (7) A notification that additional time is needed  
12 where—

13 (A) the entity cannot reasonably provide a  
14 full response within 30 days of the receipt of  
15 the access; and

16 (B) the time extension needed for a full re-  
17 sponse is no greater than an additional 30 days.

18 (g) RULE OF CONSTRUCTION.—Nothing in this Act  
19 creates an obligation on a covered entity to provide an in-  
20 dividual with the right to delete information.

21 (h) ADDITIONAL REQUIREMENTS WHERE CORREC-  
22 TION OR AMENDMENT IS DECLINED.—If the covered enti-  
23 ty declines to correct or amend the information described  
24 in subsection (a), the covered entity shall—

1           (1) note that the information is disputed, in-  
2           cluding the individual’s statement disputing such in-  
3           formation, and take reasonable steps to verify such  
4           information under the procedures outlined in section  
5           201 if such information can be independently  
6           verified; and

7           (2) where the information was obtained from a  
8           third party or is publicly available information, in-  
9           form the individual of the source of the information,  
10          and if reasonably available, where a request for cor-  
11          rection may be directed, and, if the individual pro-  
12          vides proof that the information is incorrect, correct  
13          the inaccuracy in the covered entity’s records.

14          (i) OTHER LIMITATIONS.—The obligations under this  
15          section do not, by themselves, create any obligation on the  
16          covered entity to retain, maintain, reorganize, or restruc-  
17          ture covered information or sensitive information.

18          (j) DATA RETENTION EXCEPTION.—Covered infor-  
19          mation or sensitive information retained by the covered  
20          entity for under 30 days, or such other period of time as  
21          the Commission may determine, shall not be subject to  
22          this section.

23          (k) RULEMAKING.—Not later than 18 months after  
24          the date of the enactment of this Act, the Commission  
25          shall promulgate regulations under section 553 of title 5,

1 United States Code, to implement this section. In addi-  
2 tion, the Commission shall promulgate regulations, as nec-  
3 essary, on the application of the exceptions and limitations  
4 in subsection (d), including any additional circumstances  
5 in which a covered entity may limit access to information  
6 under such subsection that the Commission determines to  
7 be appropriate.

8 **TITLE III—DATA SECURITY,**  
9 **DATA MINIMIZATION, AND AC-**  
10 **COUNTABILITY**

11 **SEC. 301. DATA SECURITY.**

12 (a) IN GENERAL.—Each covered entity and service  
13 provider shall establish, implement, and maintain reason-  
14 able and appropriate administrative, technical, and phys-  
15 ical safeguards to—

16 (1) ensure the security, integrity, and confiden-  
17 tiality of the covered information or sensitive infor-  
18 mation it collects, assembles, or maintains;

19 (2) protect against any anticipated threats, rea-  
20 sonably foreseeable vulnerabilities, or hazards to the  
21 security or integrity of such information; and

22 (3) protect against unauthorized access to or  
23 use of such information and loss, misuse, alteration,  
24 or destruction of such information.

1 (b) FACTORS FOR APPROPRIATE SAFEGUARDS.—Not  
2 later than 18 months after the date of the enactment of  
3 this Act, the Commission shall promulgate regulations  
4 under section 553 of title 5, United States Code, to imple-  
5 ment this section. In promulgating such regulations, the  
6 Commission shall consider—

- 7 (1) the size and complexity of an entity;
- 8 (2) the nature and scope of the activities of an  
9 entity;
- 10 (3) the sensitivity of the information;
- 11 (4) the current state of the art in administra-  
12 tive, technical, and physical safeguards for pro-  
13 tecting information; and
- 14 (5) the cost of implementing such safeguards.

15 **SEC. 302. ACCOUNTABILITY.**

16 (a) COMPLAINTS TO THE COVERED ENTITY.—A cov-  
17 ered entity shall provide a process for individuals to make  
18 complaints concerning the covered entity’s policies and  
19 procedures required by this Act.

20 (b) PRIVACY RISK ASSESSMENT.—A covered entity  
21 shall conduct an assessment of the risks to individuals  
22 raised by the collection, use, and disclosure of covered in-  
23 formation or sensitive information prior to the implemen-  
24 tation of commercial projects, marketing initiatives, busi-  
25 ness models, applications, and other products or services

1 in which the covered entity intends to collect, or believes  
2 there is a reasonable likelihood it will collect, covered in-  
3 formation or sensitive information from or about more  
4 than 1,000,000 individuals.

5 (c) PERIODIC EVALUATION OF PRACTICES.—A cov-  
6 ered entity shall conduct periodic assessments to evalu-  
7 ate—

8 (1) whether the covered information or sensitive  
9 information the covered entity has collected is and  
10 remains necessary for the purposes disclosed at the  
11 time of collection pursuant to section 101 (c) and  
12 (d); and

13 (2) whether the covered entity’s ongoing collec-  
14 tion practices are and remain necessary for a legiti-  
15 mate business purpose.

16 **SEC. 303. DATA MINIMIZATION OBLIGATIONS.**

17 A covered entity that uses covered information or  
18 sensitive information for any purpose shall retain such  
19 data only as long as necessary to fulfill a legitimate busi-  
20 ness purpose or comply with a legal requirement.

1 **TITLE IV—SAFE HARBOR AND**  
2 **SELF-REGULATORY CHOICE**  
3 **PROGRAM**

4 **SEC. 401. SAFE HARBOR.**

5 A covered entity that participates in, and is in compli-  
6 ance with, 1 or more self-regulatory programs approved  
7 by the Commission under section 402 (in this title referred  
8 to as a “Choice Program”) shall not be subject to—

9 (1) the requirements for express affirmative  
10 consent required under subsection 104(a) for the  
11 specified uses of covered information addressed by  
12 the Choice Program as described in section  
13 403(1)(A);

14 (2) the requirement of access to information  
15 under section 202(b); or

16 (3) liability in a private right of action brought  
17 under section 604.

18 **SEC. 402. APPROVAL BY THE FEDERAL TRADE COMMIS-**  
19 **SION.**

20 (a) INITIAL APPROVAL.—Not later than 270 days  
21 after the submission of an application for approval of a  
22 Choice Program under this section, the Commission shall  
23 approve or decline to approve such program. The Commis-  
24 sion shall only approve such program if the Commission

1 finds, after notice and comment, that the program com-  
2 plies with the requirements of section 403.

3 (b) APPROVAL OF MODIFICATIONS.—The Commis-  
4 sion shall approve or decline to approve any material  
5 change in a Choice Program previously approved by the  
6 Commission within 120 days after submission of an appli-  
7 cation for approval by such program. The Commission  
8 shall only approve such material change if the Commission  
9 finds, after notice and comment, that the proposed change  
10 complies with the requirements of section 403.

11 (c) DURATION.—A Choice Program approved by the  
12 Commission under this section shall be approved for a pe-  
13 riod of 5 years.

14 (d) APPEALS.—Final action by the Commission on  
15 a request for approval, or the failure to act within 270  
16 days on a request for approval, submitted under this sec-  
17 tion may be appealed to a district court of the United  
18 States of appropriate jurisdiction as provided for in sec-  
19 tion 706 of title 5, United States Code.

20 **SEC. 403. REQUIREMENTS OF SELF-REGULATORY PRO-**  
21 **GRAM.**

22 To be approved as a Choice Program under this sec-  
23 tion, a program shall—

24 (1) provide individuals with—

1 (A) a clear and conspicuous opt-out mech-  
2 anism that, when selected by the individual,  
3 prohibits all covered entities participating in the  
4 Choice Program from disclosing covered infor-  
5 mation to a third party for 1 or more specified  
6 uses, and may offer individuals a preference  
7 management tool that will enable an individual  
8 to make more detailed choices about the trans-  
9 fer of covered information to a third party; and

10 (B) a clear and conspicuous mechanism to  
11 set communication preferences, online behav-  
12 ioral advertising preferences, and such other  
13 preferences as the Choice Program may deter-  
14 mine, subject to the approval of the Commis-  
15 sion, that when selected by the individual, ap-  
16 plies the individual's selected preferences to all  
17 covered entities participating in the Choice Pro-  
18 gram; and

19 (2) establish—

20 (A) guidelines and procedures requiring a  
21 participating covered entity to provide equiva-  
22 lent or greater protections for individuals and  
23 their covered information and sensitive informa-  
24 tion as are provided under titles I and II;



1 (B) procedures for reviewing applications  
2 by covered entities to participate in the Choice  
3 Program;

4 (C) procedures for periodic assessment of  
5 its procedures and for conducting periodic ran-  
6 dom compliance testing of covered entities par-  
7 ticipating in such Choice Program; and

8 (D) consequences for failure to comply  
9 with program requirements, such as public no-  
10 tice of the covered entity's noncompliance, sus-  
11 pension, or expulsion from the program, or re-  
12 ferral to the Commission for enforcement.

13 **SEC. 404. RULEMAKING.**

14 Not later than 18 months after the date of enactment  
15 of this Act, the Commission shall promulgate regulations  
16 under section 553 of title 5, United States Code, to imple-  
17 ment this section and to provide compliance guidance for  
18 entities seeking to be approved under this title, including  
19 regulations—

20 (1) establishing criteria for the submission of  
21 the application, including evidence of how the Choice  
22 Program will comply with the requirements of sec-  
23 tion 403;

24 (2) establishing criteria for opt-out mechanisms  
25 and communication preferences, online behavioral

1 advertising preferences, or other preferences meeting  
2 the requirements of this title;

3 (3) establishing consequences for failure to  
4 comply with the requirements of section 403, such  
5 as public notice of the Choice Program's noncompli-  
6 ance and suspension or revocation of the Commis-  
7 sion's approval of such Program as described in sec-  
8 tion 402;

9 (4) allowing for and promoting continued evo-  
10 lution and innovation in privacy protection, mean-  
11 ingful consumer control, simplified approaches to  
12 disclosure, and transparency; and

13 (5) providing additional incentives for self-regu-  
14 lation by covered entities to implement the protec-  
15 tions afforded individuals under titles I and II of  
16 this Act, including provisions for ensuring that a  
17 covered entity will be considered to be in compliance  
18 with the requirements of titles I and II and the reg-  
19 ulations issued under such titles if that covered enti-  
20 ty complies with guidelines or requirements of a  
21 Choice Program approved under section 402.

## **TITLE V—EXEMPTIONS**

### **SEC. 501. USE OF AGGREGATE OR DEIDENTIFIED INFORMATION.**

(a) GENERAL EXCLUSION.—Subject to subsections (b) and (c), nothing in this Act shall preclude a covered entity from collecting, using, or disclosing—

(1) aggregate information; or

(2) covered information or sensitive information from which identifying information has been obscured or removed using reasonable and appropriate methods such that the remaining information does not identify, and there is no reasonable basis to believe that the information can be used to identify—

(A) the specific individual to whom such covered information relates; or

(B) a computer or device owned or used by a specific individual.

(b) REASONABLE PROCEDURES FOR DISCLOSURE.—If a covered entity discloses the information described in paragraphs (1) and (2) of subsection (a) to a third party, the covered entity shall take reasonable steps to protect such information, including, in the case of the information described in such paragraph (2), not disclosing the algorithm or other mechanism used to obscure or remove the identifying information, and obtaining satisfactory written

1 assurance that the third party will not attempt to recon-  
2 struct the identifying information.

3 (c) PROHIBITION ON RECONSTRUCTING OR REVEAL-  
4 ING IDENTIFYING INFORMATION.—

5 (1) IN GENERAL.—It shall be unlawful for any  
6 person to reconstruct or reveal the identifying infor-  
7 mation that has been removed or obscured (as de-  
8 scribed in subsection (a)(2)) and for which a covered  
9 entity claims or has claimed the benefit of the gen-  
10 eral exemption in subsection (a).

11 (2) RULEMAKING.—Not later than 18 months  
12 after the date of the enactment of this Act, the  
13 Commission shall promulgate regulations under sec-  
14 tion 553 of title 5, United States Code, to establish  
15 exemptions to this subsection. In promulgating such  
16 regulations, the Commission shall consider—

17 (A) the purposes for which such identifying  
18 information may need to be reconstructed or re-  
19 vealed;

20 (B) the size and sensitivity of the data set;  
21 and

22 (C) public policy issues such as health,  
23 safety, and national security.

1 **SEC. 502. ACTIVITIES COVERED BY OTHER FEDERAL PRI-**  
2 **VACY LAWS.**

3 Except as provided expressly in this Act, this Act  
4 shall have no effect on activities covered by any of the  
5 following:

6 (1) Title V of the Gramm-Leach-Bliley Act (15  
7 U.S.C. 6801 et seq.).

8 (2) The Fair Credit Reporting Act (15 U.S.C.  
9 1681 et seq.).

10 (3) The Health Insurance Portability and Ac-  
11 countability Act of 1996 (Public Law 104–191).

12 (4) Part C of title XI of the Social Security Act  
13 (42 U.S.C. 1320d et seq.).

14 (5) Sections 222 and 631 of the Communica-  
15 tions Act of 1934 (47 U.S.C. 222 and 47 U.S.C.  
16 551).

17 (6) The Children’s Online Privacy Protection  
18 Act of 1998 (15 U.S.C. 6501 et seq.).

19 (7) The CAN–SPAM Act of 2003 (15 U.S.C.  
20 7701 et seq.).

21 (8) The Electronic Communications Privacy Act  
22 of 1986 (18 U.S.C. 2510 et seq.).

23 (9) The Video Privacy Protection Act (18  
24 U.S.C. 2710 et seq.).

1       **TITLE VI—APPLICATION AND**  
2                   **ENFORCEMENT**

3   **SEC. 601. GENERAL APPLICATION.**

4       The requirements of this Act shall only apply to those  
5 persons over which the Commission has authority pursu-  
6 ant to section 5(a)(2) of the Federal Trade Commission  
7 Act. Notwithstanding any provision of such Act or any  
8 other provision of law, common carriers subject to the  
9 Communications Act of 1934 (47 U.S.C. 151 et seq.) and  
10 any amendment thereto shall be subject to the jurisdiction  
11 of the Commission for purposes of this Act.

12   **SEC. 602. ENFORCEMENT BY THE FEDERAL TRADE COM-**  
13                   **MISSION.**

14       (a) UNFAIR OR DECEPTIVE ACTS OR PRACTICES.—  
15 A violation of titles I, II, or III shall be treated as an  
16 unfair and deceptive act or practice in violation of a regu-  
17 lation under section 18(a)(1)(B) of the Federal Trade  
18 Commission Act (15 U.S.C. 57a(a)(1)(B)) regarding un-  
19 fair or deceptive acts or practices.

20       (b) POWERS OF COMMISSION.—The Commission  
21 shall enforce this Act in the same manner, by the same  
22 means, and with the same jurisdiction, powers, and duties  
23 as though all applicable terms and provisions of the Fed-  
24 eral Trade Commission Act (15 U.S.C. 41 et seq.) were  
25 incorporated into and made a part of this Act. Any person

1 who violates this Act or the regulations issued under this  
2 Act shall be subject to the penalties and entitled to the  
3 privileges and immunities provided in that Act.

4 (c) RULEMAKING AUTHORITY.—

5 (1) RULEMAKING.—The Commission may, in  
6 accordance with section 553 of title 5, United States  
7 Code, issue such regulations it determines to be nec-  
8 essary to carry out this Act.

9 (2) AUTHORITY TO GRANT EXCEPTIONS.—The  
10 regulations prescribed under paragraph (1) may in-  
11 clude such additional exceptions to titles I, II, III,  
12 IV, and V of this Act as the Commission considers  
13 consistent with the purposes of this Act.

14 (3) LIMITATION.—In promulgating rules under  
15 this Act, the Commission shall not require the de-  
16 ployment or use of any specific products or tech-  
17 nologies, including any specific computer software or  
18 hardware.

19 **SEC. 603. ENFORCEMENT BY STATE ATTORNEYS GENERAL.**

20 (a) CIVIL ACTION.—In any case in which the Attor-  
21 ney General of a State, or an official or agency of a State,  
22 has reason to believe that an interest of the residents of  
23 that State has been or is threatened or adversely affected  
24 by any person who violates this Act, the attorney general,  
25 official, or agency of the State, as *parens patriae*, may

1 bring a civil action on behalf of the residents of the State  
2 in an appropriate district court of the United States—

3 (1) to enjoin further violation of this Act by the  
4 defendant;

5 (2) to compel compliance with this Act; or

6 (3) for violations of titles I, II, or III of this  
7 Act, to obtain civil penalties in the amount deter-  
8 mined under subsection (b).

9 (b) CIVIL PENALTIES.—

10 (1) CALCULATION.—For purposes of calculating  
11 the civil penalties that may be obtained under sub-  
12 section (a)(3)—

13 (A) with regard to a violation of title I, the  
14 amount determined under this paragraph is the  
15 amount calculated by multiplying the number of  
16 days that a covered entity is not in compliance  
17 with such title, or the number of individuals for  
18 whom the covered entity failed to obtain con-  
19 sent as required by such title, whichever is  
20 greater, by an amount not to exceed \$11,000;  
21 and

22 (B) with regard to a violation of title II or  
23 III, the amount determined under this para-  
24 graph is the amount calculated by multiplying  
25 the number of days that a covered entity is not



1           in compliance with such title or titles by an  
2           amount not to exceed \$11,000.

3           (2) ADJUSTMENT FOR INFLATION.—Beginning  
4           on the date that the Consumer Price Index for All  
5           Urban Consumers is first published by the Bureau  
6           of Labor Statistics that is after 1 year after the date  
7           of enactment of this Act, and each year thereafter,  
8           the amounts specified in subparagraphs (A) and (B)  
9           of paragraph (1) shall be increased by the percent-  
10          age increase in the Consumer Price Index published  
11          on that date from the Consumer Price Index pub-  
12          lished the previous year.

13          (3) MAXIMUM TOTAL LIABILITY.—Notwith-  
14          standing the number of actions which may be  
15          brought against a person under this section the  
16          maximum civil penalty for which any person may be  
17          liable under this section shall not exceed—

18                 (A) \$5,000,000 for any related series of  
19                 violations of title I; and

20                 (B) \$5,000,000 for any related series of  
21                 violations of title II and title III.

22          (4) EFFECT OF PARTICIPATION IN CHOICE PRO-  
23          GRAM.—If a covered entity participates in a Choice  
24          Program established under title IV and cures the al-  
25          leged violation of title I or II in a reasonable period

1 of time after receiving notice of the alleged violation,  
2 such conduct shall be taken into consideration by a  
3 State or a court in determining the amount of civil  
4 penalties under this subsection.

5 (c) INTERVENTION BY THE FTC.—

6 (1) NOTICE AND INTERVENTION.—The State  
7 shall provide prior written notice of any action under  
8 subsection (a) to the Commission and provide the  
9 Commission with a copy of its complaint, except in  
10 any case in which such prior notice is not feasible,  
11 in which case the State shall serve such notice im-  
12 mediately upon instituting such action. The Commis-  
13 sion shall have the right—

14 (A) to intervene in the action;

15 (B) upon so intervening, to be heard on all  
16 matters arising therein; and

17 (C) to file petitions for appeal.

18 (2) LIMITATION ON STATE ACTION WHILE FED-  
19 ERAL ACTION IS PENDING.—If the Commission has  
20 instituted a civil action for violation of this Act, no  
21 attorney general of a State, or official, or agency of  
22 a State, may bring an action under this section dur-  
23 ing the pendency of that action against any defend-  
24 ant named in the complaint of the Commission for  
25 any violation of this Act alleged in the complaint.

1 (d) CONSTRUCTION.—For purposes of bringing any  
2 civil action under subsection (a), nothing in this Act shall  
3 be construed to prevent an attorney general of a State  
4 from exercising the powers conferred on the attorney gen-  
5 eral by the laws of that State to—

6 (1) conduct investigations;

7 (2) administer oaths or affirmations; or

8 (3) compel the attendance of witnesses or the  
9 production of documentary and other evidence.

10 **SEC. 604. PRIVATE RIGHT OF ACTION.**

11 (a) IN GENERAL.—A covered entity, other than a  
12 covered entity that participates in and is in compliance  
13 with a Choice Program established under title IV, who  
14 willfully fails to comply with sections 103 or 104 of this  
15 Act with respect to any individual is liable to that indi-  
16 vidual in a civil action brought in a district court of the  
17 United States of appropriate jurisdiction in an amount  
18 equal to the sum of—

19 (1) the greater of any actual damages of not  
20 less than \$100 and not more than \$1,000;

21 (2) such amount of punitive damages as the  
22 court may allow; and

23 (3) in the case of any successful action under  
24 this section, the costs of the action together with

1 reasonable attorney's fees as determined by the  
2 court.

3 (b) LIMITATION.—A civil action under this section  
4 may not be commenced later than 2 years after the date  
5 upon which the claimant first discovered or had a reason-  
6 able opportunity to discover the violation.

7 **SEC. 605. EFFECT ON OTHER LAWS.**

8 (a) PREEMPTION OF STATE LAWS.—This Act super-  
9 sedes any provision of a statute, regulation, or rule of a  
10 State or political subdivision of a State, with respect to  
11 those entities covered by the regulations issued pursuant  
12 to this Act, that expressly requires covered entities to im-  
13 plement requirements with respect to the collection, use,  
14 or disclosure of covered information addressed in this Act.

15 (b) ADDITIONAL PREEMPTION.—

16 (1) IN GENERAL.—No person other than a per-  
17 son specified in section 603 or 604 may bring a civil  
18 action under the laws of any State if such action is  
19 premised in whole or in part upon the defendant vio-  
20 lating any provision of this Act.

21 (2) PROTECTION OF STATE CONSUMER PROTEC-  
22 TION LAWS.—This subsection shall not be construed  
23 to limit the enforcement of any State consumer pro-  
24 tection law by an attorney general or other official  
25 of a State.

1 (c) PROTECTION OF CERTAIN STATE LAWS.—This  
2 Act shall not be construed to preempt the applicability  
3 of—

4 (1) State laws that address the collection, use,  
5 or disclosure of health information or financial infor-  
6 mation;

7 (2) State laws that address notification require-  
8 ments in the event of a data breach;

9 (3) State trespass, contract, or tort law; or

10 (4) other State laws to the extent that those  
11 laws relate to acts of fraud.

12 (d) PRESERVATION OF FTC AUTHORITY.—Nothing  
13 in this Act may be construed in any way to limit or affect  
14 the Commission’s authority under any provision of law.

15 (e) RULE OF CONSTRUCTION RELATING TO RE-  
16 QUIRED DISCLOSURES TO GOVERNMENT ENTITIES.—  
17 This Act shall not be construed to expand or limit the  
18 duty or authority of a covered entity, service provider, or  
19 third party to disclose covered information or sensitive in-  
20 formation to a government entity under any provision of  
21 law.

1       **TITLE VII—MISCELLANEOUS**  
2                                   **PROVISIONS**

3   **SEC. 701. REVIEW.**

4       Not later than 5 years after the effective date of the  
5 regulations initially issued under this Act, the Commission  
6 shall—

7           (1) review the implementation of this Act, in-  
8 cluding the effect of the implementation of this Act  
9 on practices relating to the collection, use, and dis-  
10 closure of covered information and sensitive informa-  
11 tion; and

12           (2) prepare and submit to Congress a report on  
13 the results of the review under paragraph (1).

14   **SEC. 702. CONSUMER AND BUSINESS EDUCATION CAM-**  
15                                   **PAIGN.**

16       Beginning on the effective date of this Act as set  
17 forth in section 703, the Commission shall—

18           (1) conduct a consumer education campaign to  
19 inform individuals of the rights and protections af-  
20 farded by this Act and the steps that individuals can  
21 take to affirmatively consent or decline consent to  
22 the collection, use, and disclosure of information  
23 under this Act and the regulations issued pursuant  
24 to this Act; and

1           (2) provide guidance to businesses regarding  
2           their obligations under this Act, including guidance  
3           on how to participate in a Choice Program approved  
4           under title IV.

5 **SEC. 703. EFFECTIVE DATE.**

6           This Act shall take effect 2 years after the date of  
7           the enactment of this Act. The Commission may stay en-  
8           forcement of this Act for such period of time as the Com-  
9           mission determines necessary to allow for the establish-  
10          ment and Commission approval of a Choice Program  
11          under title IV and for covered entities to commence par-  
12          ticipation in such a program.

13 **SEC. 704. SEVERABILITY.**

14          If any provision of this Act, or the application thereof  
15          to any person or circumstance, is held unconstitutional or  
16          otherwise invalid, the validity of the remainder of the Act  
17          and the application of such provision to other persons and  
18          circumstances shall not be affected thereby.

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