

**[STAFF WORKING DRAFT]**

MARCH 11, 2011

112TH CONGRESS  
1ST SESSION

**S. \_\_\_\_\_**

To establish a regulatory framework for the comprehensive protection of personal data for individuals under the aegis of the Federal Trade Commission, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MARCH \_\_\_\_\_, 2011

Mr. KERRY (for himself and Mr. MCCAIN) introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To establish a regulatory framework for the comprehensive protection of personal data for individuals under the aegis of the Federal Trade Commission, 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 “Commercial Privacy Bill of Rights Act of 2011”.

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. Findings.
- Sec. 3. Definitions.

TITLE I—RIGHT TO SECURITY AND ACCOUNTABILITY

- Sec. 101. Security.
- Sec. 102. Accountability.

TITLE II—RIGHT TO NOTICE AND INDIVIDUAL PARTICIPATION

- Sec. 201. Transparent notice of practices.
- Sec. 202. Individual participation.

TITLE III—RIGHT TO PURPOSE SPECIFICATION; DATA MINIMIZA-  
TION; CONSTRAINTS ON DISTRIBUTION; DATA INTEGRITY

- Sec. 301. Purpose specification.
- Sec. 302. Data minimization.
- Sec. 303. Constraints on distribution of information.
- Sec. 304. Data Integrity.

TITLE IV—VOLUNTARY ENFORCEABLE CODES OF CONDUCT  
SAFE HARBOR PROGRAMS

- Sec. 401. General application.
- Sec. 402. Enforcement by the Federal Trade Commission.
- Sec. 403. Enforcement by State attorneys general.
- Sec. 404. Civil penalties.
- Sec. 405. Effect on other laws.
- Sec. 406. No private right of action.

TITLE V—CO-REGULATORY SAFE HARBOR PROGRAMS

- Sec. 501. Establishment of safe harbor programs.
- Sec. 502. Participation in safe harbor program.
- Sec. 503. FTC website support.

TITLE VI—APPLICATION WITH OTHER FEDERAL LAWS.

- Sec. 601. Application with other laws.

TITLE VII—DEVELOPMENT OF COMMERCE DATA PRIVACY  
POLICY IN THE DEPARTMENT OF COMMERCE

- Sec. 701. Direction to develop commercial data privacy policy.

3 **SEC. 2. FINDINGS.**

4 The Congress finds the following:

1           (1) Personal privacy is worthy of protection  
2 through appropriate legislation.

3           (2) Trust in the treatment of personally identi-  
4 fiable information collected on and off the Internet  
5 is essential for businesses to succeed.

6           (3) Persons interacting with others engaged in  
7 interstate commerce have a significant interest in  
8 their personal information, as well as a right to con-  
9 trol how that information is collected, used, stored,  
10 or transferred.

11           (4) Persons engaged in interstate commerce  
12 and collecting personally identifiable information on  
13 individuals have a responsibility to treat that infor-  
14 mation with respect and in accordance with common  
15 standards.

16           (5) To the extent that States regulate the treat-  
17 ment of personally identifiable information, their ef-  
18 forts to address Internet privacy could lead to a  
19 patchwork of inconsistent standards and protections.

20           (6) Existing State, local, and Federal laws pro-  
21 vide inadequate privacy protection for individuals en-  
22 gaging in and interacting with persons engaged in  
23 interstate commerce.

24           (7) With the exception of Federal Trade Com-  
25 mission enforcement of laws against unfair and de-

1       ceptive practices, the Federal Government thus far  
2       has eschewed general commercial privacy laws in  
3       favor of industry self-regulation, which has led to  
4       several self-policing schemes, some of which are en-  
5       forceable, and some of which provide insufficient pri-  
6       vacy protection to individuals.

7           (8) Many collectors of personally identifiable in-  
8       formation have yet to provide baseline fair informa-  
9       tion practice protections for individuals.

10          (9) The ease of gathering and compiling per-  
11       sonal information on the Internet and off, both  
12       overtly and surreptitiously, is becoming increasingly  
13       efficient and effortless due to advances in technology  
14       which have provided information gatherers the abil-  
15       ity to compile seamlessly highly detailed personal  
16       histories of individuals.

17          (10) Personal information requires greater pri-  
18       vacy protection than is currently available today.  
19       Vast amounts of personal information, including  
20       sensitive information, about individuals are collected  
21       on and off the Internet, often combined, and sold or  
22       otherwise transferred to third parties, for purposes  
23       unknown to an individual to whom the personally  
24       identifiable information pertains.

1           (11) Toward the close of the 20th Century, as  
2 individuals' personal information was increasingly  
3 collected, profiled, and shared for commercial pur-  
4 poses, and as technology advanced to facilitate these  
5 practices the Congress enacted numerous statutes to  
6 protect privacy.

7           (12) Those statutes apply to the government,  
8 telephones, cable television, e-mail, video tape rent-  
9 als, and the Internet (but only with respect to chil-  
10 dren).

11           (13) As in those instances, the Federal Govern-  
12 ment has a substantial interest in creating a level  
13 playing field of protection across all collectors of per-  
14 sonally identifiable information, both in the United  
15 States and abroad.

16           (14) Enhancing individual privacy protection in  
17 a balanced way that establishes clear, consistent  
18 rules, both domestically and internationally, will  
19 stimulate commerce by instilling greater consumer  
20 confidence at home and greater confidence abroad as  
21 more and more entities digitize personally identifi-  
22 able information, whether collected, stored, or used  
23 online or offline.

24 **SEC. 3. DEFINITIONS.**

25           In this Act:

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

3           (2) COVERED ENTITY.—The term “covered en-  
4 tity” means any person to whom this Act applies  
5 under section 401.

6           (3) COVERED INFORMATION.—The term “cov-  
7 ered information” means—

8                   (A) personally identifiable information;

9                   (B) unique identifier information; and

10                   (C) any information that is collected, used,  
11 or maintained in connection with personally  
12 identifiable information or unique identifier in-  
13 formation that may be used to identify an indi-  
14 vidual.

15           (4) PERSONALLY IDENTIFIABLE INFORMA-  
16 TION.—The term “personally identifiable informa-  
17 tion” includes the following:

18                   (A) Any of the following information about  
19 an individual:

20                           (i) The first name (or initial) and last  
21 name of an individual, whether given at  
22 birth or time of adoption, or resulting from  
23 a lawful change of name **【Note:** See  
24 clause (iii) for overlap and questions about  
25 “name” there.】.

1                   (ii) The geographical address of a  
2                   physical place of residence of such indi-  
3                   vidual.

4                   (iii) An e-mail address of such indi-  
5                   vidual if it contains the individual's name  
6                   【First name? Last name? Full name?  
7                   Legal name? Maiden name? Nickname?  
8                   Initials? Embedded with other letters or  
9                   characters, as in Danny123@xyz.com?】.

10                  (iv) A telephone number or mobile de-  
11                  vice number dedicated to contacting such  
12                  individual at any place other than the indi-  
13                  vidual's place of work.

14                  (v) A social security number or other  
15                  government issued identification number  
16                  issued to such individual.

17                  (vi) The account number of a credit  
18                  card issued to such individual.

19                  (vii) A unique persistent identifier as-  
20                  sociated with an individual or a networked  
21                  device used by such individual, including a  
22                  customer number held in a cookie, a user  
23                  ID, a processor serial number, or a device  
24                  serial number if used to identify a specific  
25                  individual.

1 (viii) Biometric data about such indi-  
2 vidual, including fingerprints and retina  
3 scans.

4 (B) If used, transferred, or maintained in  
5 connection with 1 or more of the items of infor-  
6 mation described in subparagraph (A)—

7 (i) a birth date, the number of a cer-  
8 tificate of birth or adoption, or a place of  
9 birth;

10 (ii) a unique persistent identifier asso-  
11 ciated with an individual or a networked  
12 device used by such individual, including a  
13 customer number held in a cookie, a user  
14 ID, a processor serial number, or a device  
15 serial number;

16 (iii) precise geographic location; or

17 (iv) any other information concerning  
18 an individual that may reasonably be used  
19 to identify that individual.

20 (5) SENSITIVE PERSONALLY IDENTIFIABLE IN-  
21 FORMATION.—The term “sensitive personally identi-  
22 fiable information” means personally identifiable in-  
23 formation which, if lost, compromised, or disclosed  
24 without authorization could result in harm to an in-  
25 dividual.

1           (6) SERVICE PROVIDER.—The term “service  
2           provider” means, with respect to a covered entity, a  
3           person that—

4                   (A) receives personally identifiable infor-  
5           mation or sensitive information from a covered  
6           entity as a service provider performing services  
7           or functions on behalf of and under the instruc-  
8           tion of the covered entity, provided—

9                           (i) the covered entity obtains the re-  
10                          quired consent for the initial collection of  
11                          such information and provides notice as re-  
12                          quired under this Act;

13                           (ii) the covered entity enters into a  
14                          contractual agreement that prohibits the  
15                          service provider from using or disclosing  
16                          the information other than to carry out the  
17                          purposes for which the information was  
18                          disclosed; and

19                           (iii) in such cases, the covered entity  
20                          remains responsible and liable for the pro-  
21                          tection of covered information and sensitive  
22                          information that has been transferred to a  
23                          service provider for processing; **[Note:**  
24                          This is a substantive rule applicable to cov-

1           ered entities, not part of the definition of  
2           “service provider”**】**; or

3           (B) discloses, as a service provider for a  
4           covered entity, the information to another serv-  
5           ice provider in order to perform the same serv-  
6           ice or functions described in subparagraph (C)  
7           **【Note:** There is no subparagraph (C).**】** on be-  
8           half of the covered entity **【Note:** Redundancy  
9           of using “as a service provider” as part of the  
10          definition of “service provider”. If a person is  
11          not a service provider under the subparagraph  
12          (A) definition, it cannot meet the “as a service  
13          provider” test of subparagraph (B).**】**.

14          (7) THIRD PARTY.—The term “third party”  
15          means, with respect to a covered entity, a person  
16          that is not related to the covered entity by common  
17          ownership or corporate control nor contractually re-  
18          quired to comply with the covered entity’s policies  
19          and controls related to privacy as well as with any  
20          applicable confidentiality agreement.

21          (8) UNAUTHORIZED USE.—The term “unau-  
22          thorized use” means the use of covered information  
23          by a covered entity or its service provider for any  
24          purpose not authorized by the individual to whom  
25          such information relates, other than use—

1 (A) to process a transaction or service re-  
2 quested by that individual;

3 (B) to operate the covered entity that is  
4 providing a transaction or service requested by  
5 that individual, such as inventory management,  
6 accounting, planning, product or service im-  
7 provement or forecasting;

8 (C) to prevent or detect fraud or to provide  
9 for a secure environment;

10 (D) to investigate a possible crime or that  
11 is required by law or legal process;

12 (E) to market or advertise to an individual  
13 from a covered entity if the personally identifi-  
14 able information used for such marketing or ad-  
15 vertising was collected directly by the covered  
16 entity;

17 (F) necessary for the improvement of the  
18 transaction or service through research and de-  
19 velopment; or

20 (G) necessary for internal operations, in-  
21 cluding collecting customer satisfaction surveys  
22 to improve customer service information, and  
23 website collection of information about visits  
24 and click-through rates to improve site naviga-  
25 tion.

1           (9) UNIQUE IDENTIFIER INFORMATION.—The  
2           term “unique identifier information” means a  
3           unique persistent identifier associated with an indi-  
4           vidual or a networked device used by such individual,  
5           including a customer number held in a cookie, a user  
6           ID, a processor serial number, or a device serial  
7           number, other than personally identifiable informa-  
8           tion.

9           **TITLE I—RIGHT TO SECURITY**  
10           **AND ACCOUNTABILITY**

11          **SEC. 101. SECURITY.**

12           Within 180 days after the date of enactment of this  
13          Act the Commission shall initiate a rulemaking proceeding  
14          to require each covered entity to impose reasonable secu-  
15          rity measures to protect the covered information it collects  
16          and maintains. In the rulemaking, the Commission may  
17          not require a specific technological means of meeting the  
18          requirement.

19          **SEC. 102. ACCOUNTABILITY.**

20           Each covered entity shall, in a manner proportional  
21          to the size, type, and nature of the covered information  
22          it collects—

23                   (1) have managerial accountability, proportional  
24                   to the size and structure of the covered entity, for

1 the adoption and implementation of policies con-  
2 sistent with this Act;

3 (2) have a process for being responsive to non-  
4 frivolous complaint from individuals regarding the  
5 collection, use, transfer, or maintenance of their cov-  
6 ered information; and

7 (3) describe its programmatic means of compli-  
8 ance with the requirements of this Act upon request  
9 from the Commission or an appropriate safe harbor  
10 program.

11 **TITLE II—RIGHT TO NOTICE AND**  
12 **INDIVIDUAL PARTICIPATION**

13 **SEC. 201. TRANSPARENT NOTICE OF PRACTICES.**

14 (a) IN GENERAL.—Within 18 months after the date  
15 of enactment of this Act, the Commission shall initiate a  
16 rulemaking proceeding to require each covered entity—

17 (1) to provide clear, concise, and timely notice  
18 to individuals regarding its collection, use, transfer,  
19 maintenance, and other practices related to covered  
20 information;

21 (2) to provide clear, concise, and timely notice  
22 to individuals before implementing a material change  
23 in its collection, use, transfer, maintenance, or other  
24 practices related to such information; and

1           (3) to maintain the notice required by para-  
2           graph (1) in a form that individuals can readily ac-  
3           cess.

4           (b) COMPLIANCE AND OTHER CONSIDERATIONS.—In  
5 the rulemaking, the Commission—

6           (1) shall consider the types of devices and  
7           methods individuals will use to access the required  
8           notice;

9           (2) may provide that a covered entity unable to  
10          provide the required notice when information is col-  
11          lected may comply with the requirement of sub-  
12          section (a)(1) by providing a mechanism for an indi-  
13          vidual to obtain the required notice promptly;

14          (3) may draft guidance for covered entities to  
15          use in designing their own notice, and may include  
16          a draft model template for covered entities to use in  
17          designing their own notice; and

18          (4) may provide guidance on how to construct  
19          computer-readable notices, or how to use other tech-  
20          nology to deliver the required notice.

21 **SEC. 202. INDIVIDUAL PARTICIPATION.**

22          (a) IN GENERAL.—Within 24 months after the date  
23 of enactment of this Act, the Commission shall initiate a  
24 rulemaking proceeding to require each covered entity—

1           (1) to offer individuals a clear and conspicuous  
2 mechanism for opt-out consent for any unauthorized  
3 use of their personally identifiable information ex-  
4 cept with respect to any use requiring opt-in consent  
5 under paragraph (2);

6           (2) to offer individuals a clear and conspicuous  
7 mechanism for opt-in consent for—

8                   (A) the collection, use, or transfer of sen-  
9 sitive personally identifiable information other  
10 than to process a transaction or service re-  
11 quested by that individual or for fraud preven-  
12 tion and detection or to provide for a secure en-  
13 vironment;

14                   (B) the use or transfer of previously col-  
15 lected personally identifiable information if  
16 there is a material change in the covered enti-  
17 ty's stated practices that requires notice under  
18 section 201(a)(2); and

19                   (C) the transfer of covered information to  
20 a third party for an unauthorized use or public  
21 display of such personal information;

22           (3) to provide any individual whose personally  
23 identifiable information the covered entity maintains  
24 appropriate and reasonable access or correction re-

1       garding its use of that individual's personally identi-  
2       fiable information; and

3           (4) to permit an individual to easily request  
4       that all of the personally identifiable information the  
5       covered entity maintains about that individual be  
6       rendered not personally identifiable, and where this  
7       is not possible, to cease its collection, use, transfer,  
8       or maintenance of such information if—

9           (A) the covered entity enters bankruptcy;

10          or

11           (B) the individual requests the termination  
12          of the service or other relationship with the cov-  
13          ered entity.

14       (b) UNAUTHORIZED USE TRANSFERS.—In the rule-  
15       making, the Commission shall provide that—

16           (1) with respect to transfers of covered infor-  
17          mation to a third party for which an individual pro-  
18          vides opt-in consent, the third party to which the in-  
19          formation is transferred may not use such informa-  
20          tion for any unauthorized use other than a use spec-  
21          ified pursuant to section 301 and authorized by the  
22          individual when the individual granted consent for  
23          the transfer of the information to the third party;  
24          and

1           (2) the collection of covered information by a  
2           third party through a covered entity’s website, mo-  
3           bile application, or other consumer interface con-  
4           stitutes a transfer of such information to the third  
5           party.

6           (c) ALTERNATIVE MEANS TO TERMINATE USE OF  
7           PERSONALLY IDENTIFIABLE INFORMATION.—In the rule-  
8           making required by subsection (a), the Commission may  
9           allow a covered entity to provide individuals an alternative  
10          means, in lieu of the access, consent, and correction re-  
11          quirements, of prohibiting a covered entity from use or  
12          transfer of that individual’s covered information.

13       **TITLE III—RIGHT TO PURPOSE**  
14       **SPECIFICATION; DATA MINI-**  
15       **MIZATION; CONSTRAINTS ON**  
16       **DISTRIBUTION; DATA INTEG-**  
17       **RITY**

18       **SEC. 301. PURPOSE SPECIFICATION.**

19           In each notice required under title II of this Act, each  
20          covered entity shall provide a clear and concise description  
21          of types of unauthorized uses for which it intends to trans-  
22          fer covered information to any third party.

23       **SEC. 302. DATA MINIMIZATION.**

24           Each covered entity shall seek—

1 (1) to collect only as much covered information  
2 as is reasonably necessary—

3 (A) to provide a transaction or service re-  
4 quested by, or consented to by, the individual to  
5 whom the information relates;

6 (B) for the prevention of fraud; or

7 (C) for the improvement of the transaction  
8 or service through research and development;  
9 and

10 (2) to retain the information only as long as  
11 necessary to provide the transaction or service or for  
12 a reasonable period of time if the service is ongoing.

13 **SEC. 303. CONSTRAINTS ON DISTRIBUTION OF INFORMA-**  
14 **TION.**

15 (a) IN GENERAL.—Each covered entity shall—

16 (1) require by contract that any third party to  
17 which it transfers covered information use the infor-  
18 mation only for purposes that are consistent with  
19 the purposes of this Act and as specified in the con-  
20 tract;

21 (2) require by contract that the third party will  
22 not combine information that is not personally iden-  
23 tifiable information that the covered entity has  
24 transferred to it with other information in order to  
25 identify individuals from that information; and

1           (3) assure before executing a contract with a  
2           third party, through due diligence, that the third  
3           party is a legitimate organization and take appro-  
4           priate action in the case of a material violation of  
5           the contract.

6           (b) TRANSFERS TO UNRELIABLE THIRD PARTIES  
7           PROHIBITED.—A covered entity may not transfer covered  
8           information to a third party that it knows has violated  
9           or is reasonably likely to violate the contract required by  
10          subsection (a).

11          (c) APPLICATION OF RULES TO THIRD PARTIES.—

12           (1) IN GENERAL.—Except as provided in para-  
13           graph (2), a third party that receives covered infor-  
14           mation from a covered entity shall be subject to the  
15           provisions of this Act as if it were a covered entity.

16           (2) EXEMPTION.—The Commission may, as it  
17           determines appropriate, exempt classes of third par-  
18           ties from liability under any provision of title II if  
19           it finds that such class of third parties cannot rea-  
20           sonably comply with such provision or that compli-  
21           ance with such provision would not sufficiently ben-  
22           efit the individual whose personally identifiable in-  
23           formation is being transferred to such class of third  
24           parties.

1 **SEC. 304. DATA INTEGRITY.**

2 Each covered entity shall attempt to establish and  
3 maintain reasonable procedures to ensure that personally  
4 identifiable information maintained by the covered entity  
5 is accurate, except for such information provided directly  
6 to the covered entity by the individual to whom it relates.

7 **TITLE IV—APPLICATION AND**  
8 **ENFORCEMENT**

9 **SEC. 401. GENERAL APPLICATION.**

10 The requirements of this Act shall apply to any per-  
11 son that—

12 (1) collects, uses, transfers, or maintains cov-  
13 ered information concerning more than 5,000 indi-  
14 viduals during any consecutive 12-month period; and

15 (2) is—

16 (A) a person over which the Commission  
17 has authority pursuant to section 5(a)(2) of the  
18 Federal Trade Commission Act (15 U.S.C.  
19 45(a)(2));

20 (B) a common carrier subject to the Com-  
21 munications Act of 1934 (47 U.S.C. 151 et  
22 seq.), notwithstanding the definition of the term  
23 “Acts to regulate commerce” in section 4 of the  
24 Federal Trade Commission Act (15 U.S.C. 44)  
25 and the exception provided by section 5(a)(2) of

1 the Federal Trade Commission Act (15 U.S.C.  
2 45(a)(2)) for such carriers; or

3 (C) a non-profit organization, including  
4 any organization described in section 501(e) of  
5 the Internal Revenue code of 1986 that is ex-  
6 empt from taxation under section 501(a) of  
7 such Code, notwithstanding the definition of the  
8 term “Acts to regulate commerce” in section 4  
9 of the Federal Trade Commission Act (15  
10 U.S.C. 44) and the exception provided by sec-  
11 tion 5(a)(2) of the Federal Trade Commission  
12 Act (15 U.S.C. 45(a)(2)) for such organiza-  
13 tions.

14 **SEC. 402. ENFORCEMENT BY THE FEDERAL TRADE COM-**  
15 **MISSION.**

16 (a) UNFAIR OR DECEPTIVE ACTS OR PRACTICES.—  
17 A violation of this Act or a regulation promulgated under  
18 this Act shall be treated as an unfair and deceptive act  
19 or practice in violation of a regulation under section  
20 18(a)(1)(B) of the Federal Trade Commission Act (15  
21 U.S.C. 57a(a)(1)(B)) regarding unfair or deceptive acts  
22 or practices.

23 (b) POWERS OF COMMISSION.—

24 (1) IN GENERAL.—The Commission shall en-  
25 force this Act in the same manner, by the same

1 means, and with the same jurisdiction, powers, and  
2 duties as though all applicable terms and provisions  
3 of the Federal Trade Commission Act (15 U.S.C. 41  
4 et seq.), were incorporated into and made a part of  
5 this Act. Any person who violates this Act or the  
6 regulations issued under this Act shall be subject to  
7 the penalties and entitled to the privileges and im-  
8 munities provided in that Act.

9 (2) SPECIAL RULE.—The Commission shall en-  
10 force this Act under paragraph (1) of this subsection  
11 with respect to common carriers and non-profit or-  
12 ganizations described in section 401 to the extent  
13 necessary to effectuate the purposes of this Act as  
14 if such carriers and non-profit organizations were  
15 persons over which the Commission has authority  
16 pursuant to section 5(a)(2) of the Federal Trade  
17 Commission Act (15 U.S.C. 45(a)(2)).

18 (c) RULEMAKING AUTHORITY.—

19 (1) LIMITATION.—In promulgating rules under  
20 this Act, the Commission may not require the de-  
21 ployment or use of any specific products or tech-  
22 nologies, including any specific computer software or  
23 hardware.

24 (2) ADMINISTRATIVE PROCEDURE.—The Com-  
25 mission shall promulgate regulations under this Act

1 in accordance with section 553 of title 5, United  
2 States Code.

3 **SEC. 403. ENFORCEMENT BY STATE ATTORNEYS GENERAL.**

4 (a) CIVIL ACTION.—In any case in which the attor-  
5 ney general of a State has reason to believe that an inter-  
6 est of the residents of that State has been or is threatened  
7 or adversely affected by a covered entity who violates any  
8 part of this Act that results in economic harm or engages  
9 in a pattern or practice that violates any part of this Act  
10 other than title III, the attorney general, as parens  
11 patriae, may bring a civil action on behalf of the residents  
12 of the State in an appropriate district court of the United  
13 States—

14 (1) to enjoin further violation of this Act or a  
15 regulation promulgated under this Act by the de-  
16 fendant;

17 (2) to compel compliance with this Act or a reg-  
18 ulation promulgated under this Act; or

19 (3) for violations of this Act or a regulation  
20 promulgated under this Act to obtain civil penalties  
21 in the amount determined under section 404.

22 (b) INTERVENTION BY THE FTC.—

23 (1) NOTICE AND INTERVENTION.—The State  
24 shall provide prior written notice of any action under  
25 subsection (a) to the Commission and provide the

1 Commission with a copy of its complaint, except in  
2 any case in which such prior notice is not feasible,  
3 in which case the State shall serve such notice im-  
4 mediately upon instituting such action. The Commis-  
5 sion shall have the right—

6 (A) to intervene in the action;

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

9 (C) to file petitions for appeal.

10 (2) LIMITATION ON STATE ACTION WHEN FED-  
11 ERAL ACTION IS FILED.—If the Commission has in-  
12 stituted a civil action for violation of this Act or a  
13 regulation promulgated under this Act no attorney  
14 general of a State may bring an action under this  
15 section for any violation of this Act or a regulation  
16 promulgated under this Act alleged in the complaint.

17 (c) CONSTRUCTION.—For purposes of bringing any  
18 civil action under subsection (a), nothing in this Act shall  
19 be construed to prevent an attorney general of a State  
20 from exercising the powers conferred on the attorney gen-  
21 eral by the laws of that State—

22 (1) to conduct investigations;

23 (2) to administer oaths or affirmations; or

24 (3) to compel the attendance of witnesses or the  
25 production of documentary and other evidence.

1 **SEC. 404. CIVIL PENALTIES.**

2 (a) IN GENERAL.—In an action brought under sec-  
3 tion 403, in addition to any other penalty otherwise appli-  
4 cable to a violation of this Act or any regulation promul-  
5 gated under this Act, the following civil penalties shall  
6 apply:

7 (1) TITLE II VIOLATIONS.—A covered entity  
8 that knowingly or repeatedly violates title II is liable  
9 for a civil penalty equal to the amount calculated by  
10 multiplying the number of days that such an entity  
11 is not in compliance with such title, or the number  
12 of individuals for whom the entity failed to obtain  
13 consent as required by such title, whichever is great-  
14 er, by an amount not to exceed \$16,500.

15 (2) TITLE I OR III VIOLATIONS.—A covered en-  
16 tity that knowingly or repeatedly violates title I or  
17 title III is liable for a civil penalty equal to the  
18 amount calculated by multiplying the number of  
19 days that the entity is not in compliance with such  
20 title by an amount not to exceed \$16,500.

21 (b) ADJUSTMENT FOR INFLATION.—Beginning on  
22 the date that the Consumer Price Index for All Urban  
23 Consumers is first published by the Bureau of Labor Sta-  
24 tistics that is after 1 year after the date of enactment of  
25 this Act, and each year thereafter, each of the amounts  
26 specified in subsection (a) shall be increased by the per-

1 centage increase in the Consumer Price Index published  
2 on that date from the Consumer Price Index published  
3 the previous year.

4 (c) MAXIMUM TOTAL LIABILITY.—Notwithstanding  
5 the number of actions which may be brought against a  
6 covered entity under section 403, the maximum civil pen-  
7 alty for which any covered entity may be liable under this  
8 section in such actions shall not exceed—

9 (1) \$3,000,000 for any related series of viola-  
10 tions of any rule promulgated under title I;

11 (2) \$3,000,000 for any related series of viola-  
12 tions of title II; and

13 (3) \$2,000,000 for any related series of viola-  
14 tions of title III.

15 **SEC. 405. EFFECT ON OTHER LAWS.**

16 (a) PREEMPTION OF STATE LAWS.—This Act super-  
17 sedes any provision of a statute, regulation, or rule of a  
18 State or political subdivision of a State, with respect to  
19 those entities covered by the regulations issued pursuant  
20 to this Act, to the extent that such statute, regulation,  
21 or rule relates to the collection, use, or disclosure of cov-  
22 ered information addressed in this Act.

23 (b) UNAUTHORIZED CIVIL ACTIONS; CERTAIN STATE  
24 LAWS.—

1           (1) UNAUTHORIZED ACTIONS.—No person  
2 other than a person specified in section 403 may  
3 bring a civil action under the laws of any State if  
4 such action is premised in whole or in part upon the  
5 defendant violating this Act or a regulation promul-  
6 gated under this Act.

7           (2) PROTECTION OF CERTAIN STATE LAWS.—This  
8 Act shall not be construed to preempt the applicability  
9 of—

10                   (A) State laws that address the collection,  
11 use, or disclosure of health information or fi-  
12 nancial information;

13                   (B) State laws that address notification re-  
14 quirements in the event of a data breach; or

15                   (C) other State laws to the extent that  
16 those laws relate to acts of fraud.

17           (c) RULE OF CONSTRUCTION RELATING TO RE-  
18 QUIRED DISCLOSURES TO GOVERNMENT ENTITIES.—  
19 This Act shall not be construed to expand or limit the  
20 duty or authority of a covered entity or third party to dis-  
21 close personally identifiable information to a government  
22 entity under any provision of law.

23 **SEC. 406. NO PRIVATE RIGHT OF ACTION.**

24           This Act may not be considered or construed to pro-  
25 vide any private right of action.

1 **TITLE V—CO-REGULATORY SAFE**  
2 **HARBOR PROGRAMS**

3 **SEC. 501. ESTABLISHMENT OF SAFE HARBOR PROGRAMS.**

4 (a) IN GENERAL.—The Commission shall initiate a  
5 rulemaking proceeding to establish requirements for the  
6 establishment and administration of safe harbor programs  
7 under which a non-governmental organization will admin-  
8 ister a program that—

9 (1) establishes a mechanism for participants to  
10 implement the requirements of this Act;

11 (2) offers consumers a clear, conspicuous, and  
12 effective means of opting out of the transfer of cov-  
13 ered information by a covered entity participating in  
14 the safe harbor program to a third party for any un-  
15 authorized use; and

16 (3) implements a comprehensive information  
17 privacy program by—

18 (A) incorporating necessary development  
19 processes and practices throughout the product  
20 life cycle, which are designed to safeguard the  
21 personal data of individuals based on their rea-  
22 sonable expectations of privacy and the relevant  
23 threats that need to be guarded against in  
24 meeting those expectations; and

1 (B) maintaining appropriate management  
2 processes and practices throughout the data life  
3 cycle, which are designed to ensure that infor-  
4 mation systems comply with this Act, the pri-  
5 vacy policies of a covered entity, and the pri-  
6 vacy preferences of individuals consistent with  
7 the consent choices and related mechanisms of  
8 individual participation as described in section  
9 202.

10 (b) SUBMISSION AND APPROVAL OF APPLICA-  
11 TIONS.—Upon completion of the rulemaking proceedings  
12 required by this Act, the Commission shall publish a notice  
13 in the Federal Register that it will receive applications for  
14 approval of safe harbor programs under this title. Within  
15 270 days after the date on which the Commission receives  
16 a completed application under this section, the Commis-  
17 sion shall grant or deny the application on the basis of  
18 its evaluation of the applicant’s capacity to provide protec-  
19 tion of individuals’ covered information that is substan-  
20 tially equivalent or superior to the protection otherwise  
21 provided under this Act, including implementing a com-  
22 prehensive information privacy program.

23 (c) SUPERVISION BY FTC.—The Commission shall  
24 exercise oversight and supervisory authority of an ap-  
25 proved safe harbor program through ongoing review of

1 practices, the imposition of civil penalties on non-compli-  
2 ant participants, and withdrawal of approval. An approved  
3 safe harbor program shall submit an annual report to the  
4 Commission on its activities during the preceding year, in-  
5 cluding data with respect to operations, and the results  
6 of a biennial survey of consumer satisfaction.

7 **SEC. 502. PARTICIPATION IN SAFE HARBOR PROGRAM.**

8 The Commission shall exempt any covered entity that  
9 participates in, and demonstrates compliance with, a safe  
10 harbor program approved by the Commission from compli-  
11 ance with any provision the safe harbor addresses of title  
12 II or title III if the Commission finds that the safe harbor  
13 program requires compliance with requirements that are  
14 the substantially the same as, or more protective of pri-  
15 vacy than, the requirements of the provision from which  
16 the exemption is granted.

17 **SEC. 503. FTC WEBSITE SUPPORT.**

18 (a) IN GENERAL.—The Commission may host an  
19 Internet website where consumers can access the opt-out  
20 tools offered by each approved safe harbor program for  
21 the transfer of covered information to third parties for un-  
22 authorized uses.

23 (b) PARTICIPATION BY SAFE HARBOR PROGRAMS.—  
24 Notwithstanding section 402(c)(3), the Commission may

1 require an approved safe harbor program to participate  
2 in the website.

3 **TITLE VI—APPLICATION WITH**  
4 **OTHER FEDERAL LAWS.**

5 **SEC. 601. APPLICATION WITH OTHER LAWS.**

6 This Act shall have no effect on activities covered by  
7 any of the following, except as provided expressly in this  
8 Act:

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

11 (2) The Fair Credit Reporting Act (15 U.S.C.  
12 1681 et seq.).

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

15 (4) Part C of title XI of the Social Security Act  
16 (42 U.S.C. 1320d et seq.).

17 (5) Sections 222 and 631 of the Communica-  
18 tions Act of 1934 (47 U.S.C. 222 and 47 U.S.C.  
19 551).

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

22 (7) The CAN–SPAM Act of 2003 (15 U.S.C.  
23 7701 et seq.).

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

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

3 **TITLE VII—DEVELOPMENT OF**  
4 **COMMERCE DATA PRIVACY**  
5 **POLICY IN THE DEPARTMENT**  
6 **OF COMMERCE**

7 **Sec. 701. DIRECTION TO DEVELOP COMMERCIAL DATA PRI-**  
8 **VACY POLICY.**

9 The Secretary of Commerce shall contribute to the  
10 development of commercial data privacy policy by—

11 (1) convening private sector stakeholders, in-  
12 cluding members of industry, civil society groups,  
13 academia, in open forums, to develop codes of con-  
14 duct in support of applications for safe harbor pro-  
15 grams under title V of this Act;

16 (2) expanding interoperability between the  
17 United States commercial data privacy framework  
18 and other national and regional privacy frameworks;  
19 and

20 (3) conducting research related to improving  
21 privacy protection under this Act.

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