

113TH CONGRESS
2D SESSION

H. R. 4400

To protect consumers by requiring reasonable security policies and procedures to protect data containing personal information, and to provide for nationwide notice in the event of a security breach.

IN THE HOUSE OF REPRESENTATIVES

APRIL 4, 2014

Mr. RUSH (for himself, Mr. BARTON, Mr. CICILLINE, Mr. LIPINSKI, Mr. MCNERNEY, and Ms. SCHAKOWSKY) introduced the following bill; which was referred to the Committee on Energy and Commerce

A BILL

To protect consumers by requiring reasonable security policies and procedures to protect data containing personal information, and to provide for nationwide notice in the event of a security breach.

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.**

4 This Act may be cited as the “Data Accountability
5 and Trust Act”.

6 **SEC. 2. REQUIREMENTS FOR INFORMATION SECURITY.**

7 (a) GENERAL SECURITY POLICIES AND PROCE-
8 DURES.—

1 (1) REGULATIONS.—Not later than 1 year after
2 the date of enactment of this Act, the Commission
3 shall promulgate regulations under section 553 of
4 title 5, United States Code, to require each person
5 engaged in interstate commerce that owns or pos-
6 sesses data containing personal information, or con-
7 tracts to have any third party entity maintain such
8 data for such person, to establish and implement
9 policies and procedures regarding information secu-
10 rity practices for the treatment and protection of
11 personal information taking into consideration—

12 (A) the size of, and the nature, scope, and
13 complexity of the activities engaged in by, such
14 person;

15 (B) the current state of the art in adminis-
16 trative, technical, and physical safeguards for
17 protecting such information; and

18 (C) the cost of implementing such safe-
19 guards.

20 (2) REQUIREMENTS.—Such regulations shall
21 require the policies and procedures to include the
22 following:

23 (A) A security policy with respect to the
24 collection, use, sale, other dissemination, and
25 maintenance of such personal information.

1 (B) The identification of an officer or
2 other individual as the point of contact with re-
3 sponsibility for the management of information
4 security.

5 (C) A process for identifying and assessing
6 any reasonably foreseeable vulnerabilities in the
7 system or systems maintained by such person
8 that contains such data, which shall include
9 regular monitoring for a breach of security of
10 such system or systems.

11 (D) A process for taking preventive and
12 corrective action to mitigate against any
13 vulnerabilities identified in the process required
14 by subparagraph (C), which may include imple-
15 menting any changes to security practices and
16 the architecture, installation, or implementation
17 of network or operating software.

18 (E) A process for disposing of data in elec-
19 tronic form containing personal information by
20 shredding, permanently erasing, or otherwise
21 modifying the personal information contained in
22 such data to make such personal information
23 permanently unreadable or undecipherable.

1 (F) A standard method or methods for the
2 destruction of paper documents and other non-
3 electronic data containing personal information.

4 (3) TREATMENT OF ENTITIES GOVERNED BY
5 OTHER LAW.—Any person who is in compliance with
6 any other Federal law that requires such person to
7 maintain standards and safeguards for information
8 security and protection of personal information that,
9 taken as a whole and as the Commission shall deter-
10 mine in the rulemaking required under paragraph
11 (1), provide protections substantially similar to, or
12 greater than, those required under this subsection,
13 shall be deemed to be in compliance with this sub-
14 section.

15 (b) SPECIAL REQUIREMENTS FOR INFORMATION
16 BROKERS.—

17 (1) SUBMISSION OF POLICIES TO THE FTC.—
18 The regulations promulgated under subsection (a)
19 shall require each information broker to submit its
20 security policies to the Commission in conjunction
21 with a notification of a breach of security under sec-
22 tion 3 or upon request of the Commission.

23 (2) POST-BREACH AUDIT.—For any information
24 broker required to provide notification under section
25 3, the Commission may conduct audits of the infor-

1 mation security practices of such information broker,
2 or require the information broker to conduct inde-
3 pendent audits of such practices (by an independent
4 auditor who has not audited such information bro-
5 ker's security practices during the preceding 5
6 years).

7 (3) ACCURACY OF AND INDIVIDUAL ACCESS TO
8 PERSONAL INFORMATION.—

9 (A) ACCURACY.—

10 (i) IN GENERAL.—Each information
11 broker shall establish reasonable proce-
12 dures to assure the maximum possible ac-
13 curacy of the personal information it col-
14 lects, assembles, or maintains, and any
15 other information it collects, assembles, or
16 maintains that specifically identifies an in-
17 dividual, other than information which
18 merely identifies an individual's name or
19 address.

20 (ii) LIMITED EXCEPTION FOR FRAUD
21 DATABASES.—The requirement in clause
22 (i) shall not prevent the collection or main-
23 tenance of information that may be inac-
24 curate with respect to a particular indi-

1 vidual when that information is being col-
2 lected or maintained solely—

3 (I) for the purpose of indicating
4 whether there may be a discrepancy
5 or irregularity in the personal infor-
6 mation that is associated with an indi-
7 vidual; and

8 (II) to help identify, or authen-
9 ticate the identity of, an individual, or
10 to protect against or investigate fraud
11 or other unlawful conduct.

12 (B) CONSUMER ACCESS TO INFORMA-
13 TION.—

14 (i) ACCESS.—Each information broker
15 shall—

16 (I) provide to each individual
17 whose personal information it main-
18 tains, at the individual's request at
19 least 1 time per year and at no cost
20 to the individual, and after verifying
21 the identity of such individual, a
22 means for the individual to review any
23 personal information regarding such
24 individual maintained by the informa-
25 tion broker and any other information

1 maintained by the information broker
2 that specifically identifies such indi-
3 vidual, other than information which
4 merely identifies an individual's name
5 or address; and

6 (II) place a conspicuous notice on
7 its Internet website (if the informa-
8 tion broker maintains such a website)
9 instructing individuals how to request
10 access to the information required to
11 be provided under subclause (I), and,
12 as applicable, how to express a pref-
13 erence with respect to the use of per-
14 sonal information for marketing pur-
15 poses under clause (iii).

16 (ii) DISPUTED INFORMATION.—When-
17 ever an individual whose information the
18 information broker maintains makes a
19 written request disputing the accuracy of
20 any such information, the information
21 broker, after verifying the identity of the
22 individual making such request and unless
23 there are reasonable grounds to believe
24 such request is frivolous or irrelevant,
25 shall—

1 (I) correct any inaccuracy; or

2 (II)(aa) in the case of informa-
3 tion that is public record information,
4 inform the individual of the source of
5 the information, and, if reasonably
6 available, where a request for correc-
7 tion may be directed and, if the indi-
8 vidual provides proof that the public
9 record has been corrected or that the
10 information broker was reporting the
11 information incorrectly, correct the in-
12 accuracy in the information broker's
13 records; or

14 (bb) in the case of information
15 that is non-public information, note
16 the information that is disputed, in-
17 cluding the individual's statement dis-
18 puting such information, and take
19 reasonable steps to independently
20 verify such information under the pro-
21 cedures outlined in subparagraph (A)
22 if such information can be independ-
23 ently verified.

24 (iii) ALTERNATIVE PROCEDURE FOR
25 CERTAIN MARKETING INFORMATION.—In

1 accordance with regulations issued under
2 clause (v), an information broker that
3 maintains any information described in
4 clause (i) which is used, shared, or sold by
5 such information broker for marketing
6 purposes, may, in lieu of complying with
7 the access and dispute requirements set
8 forth in clauses (i) and (ii), provide each
9 individual whose information it maintains
10 with a reasonable means of expressing a
11 preference not to have his or her informa-
12 tion used for such purposes. If the indi-
13 vidual expresses such a preference, the in-
14 formation broker may not use, share, or
15 sell the individual's information for mar-
16 keting purposes.

17 (iv) LIMITATIONS.—An information
18 broker may limit the access to information
19 required under clause (i)(I) and is not re-
20 quired to provide notice to individuals as
21 required under clause (i)(II) in the fol-
22 lowing circumstances:

23 (I) If access of the individual to
24 the information is limited by law or
25 legally recognized privilege.

1 (II) If the information is used for
2 a legitimate governmental or fraud
3 prevention purpose that would be
4 compromised by such access.

5 (III) If the information consists
6 of a published media record, unless
7 that record has been included in a re-
8 port about an individual shared with a
9 third party.

10 (v) RULEMAKING.—Not later than 1
11 year after the date of the enactment of this
12 Act, the Commission shall promulgate reg-
13 ulations under section 553 of title 5,
14 United States Code, to carry out this para-
15 graph and to facilitate the purposes of this
16 Act. In addition, the Commission shall
17 issue regulations, as necessary, under sec-
18 tion 553 of title 5, United States Code, on
19 the scope of the application of the limita-
20 tions in clause (iv), including any addi-
21 tional circumstances in which an informa-
22 tion broker may limit access to information
23 under such clause that the Commission de-
24 termines to be appropriate.

1 (C) FCRA REGULATED PERSONS.—Any
2 information broker who is engaged in activities
3 subject to the Fair Credit Reporting Act and
4 who is in compliance with sections 609, 610,
5 and 611 of such Act (15 U.S.C. 1681g; 1681h;
6 1681i) with respect to information subject to
7 such Act, shall be deemed to be in compliance
8 with this paragraph with respect to such infor-
9 mation.

10 (4) REQUIREMENT OF AUDIT LOG OF ACCESSED
11 AND TRANSMITTED INFORMATION.—Not later than
12 1 year after the date of the enactment of this Act,
13 the Commission shall promulgate regulations under
14 section 553 of title 5, United States Code, to require
15 information brokers to establish measures which fa-
16 cilitate the auditing or retracing of any internal or
17 external access to, or transmissions of, any data con-
18 taining personal information collected, assembled, or
19 maintained by such information broker.

20 (5) PROHIBITION ON PRETEXTING BY INFOR-
21 MATION BROKERS.—

22 (A) PROHIBITION ON OBTAINING PER-
23 SONAL INFORMATION BY FALSE PRETENSES.—

24 It shall be unlawful for an information broker
25 to obtain or attempt to obtain, or cause to be

1 disclosed or attempt to cause to be disclosed to
2 any person, personal information or any other
3 information relating to any person by—

4 (i) making a false, fictitious, or fraud-
5 ulent statement or representation to any
6 person; or

7 (ii) providing any document or other
8 information to any person that the infor-
9 mation broker knows or should know to be
10 forged, counterfeit, lost, stolen, or fraudu-
11 lently obtained, or to contain a false, ficti-
12 tious, or fraudulent statement or represen-
13 tation.

14 (B) PROHIBITION ON SOLICITATION TO
15 OBTAIN PERSONAL INFORMATION UNDER FALSE
16 PRETENSES.—It shall be unlawful for an infor-
17 mation broker to request a person to obtain
18 personal information or any other information
19 relating to any other person, if the information
20 broker knew or should have known that the per-
21 son to whom such a request is made will obtain
22 or attempt to obtain such information in the
23 manner described in subparagraph (A).

24 (c) EXEMPTION FOR CERTAIN SERVICE PRO-
25 VIDERS.—Nothing in this section shall apply to a service

1 provider for any electronic communication by a third party
2 that is transmitted, routed, or stored in intermediate or
3 transient storage by such service provider.

4 **SEC. 3. NOTIFICATION OF INFORMATION SECURITY**
5 **BREACH.**

6 (a) **NATIONWIDE NOTIFICATION.**—Any person en-
7 gaged in interstate commerce that owns or possesses data
8 in electronic form containing personal information shall,
9 following the discovery of a breach of security of the sys-
10 tem maintained by such person that contains such data—

11 (1) notify each individual who is a citizen or
12 resident of the United States whose personal infor-
13 mation was acquired or accessed as a result of such
14 a breach of security; and

15 (2) notify the Commission.

16 (b) **SPECIAL NOTIFICATION REQUIREMENTS.**—

17 (1) **THIRD PARTY AGENTS.**—In the event of a
18 breach of security by any third party entity that has
19 been contracted to maintain or process data in elec-
20 tronic form containing personal information on be-
21 half of any other person who owns or possesses such
22 data, such third party entity shall be required to no-
23 tify such person of the breach of security. Upon re-
24 ceiving such notification from such third party, such

1 person shall provide the notification required under
2 subsection (a).

3 (2) SERVICE PROVIDERS.—If a service provider
4 becomes aware of a breach of security of data in
5 electronic form containing personal information that
6 is owned or possessed by another person that con-
7 nects to or uses a system or network provided by the
8 service provider for the purpose of transmitting,
9 routing, or providing intermediate or transient stor-
10 age of such data, such service provider shall be re-
11 quired to notify of such a breach of security only the
12 person who initiated such connection, transmission,
13 routing, or storage if such person can be reasonably
14 identified. Upon receiving such notification from a
15 service provider, such person shall provide the notifi-
16 cation required under subsection (a).

17 (3) COORDINATION OF NOTIFICATION WITH
18 CONSUMER REPORTING AGENCIES.—If a person is
19 required to provide notification to more than 5,000
20 individuals under subsection (a)(1), the person shall
21 also notify the major consumer reporting agencies of
22 the timing and distribution of the notices. Such no-
23 tice shall be given to the consumer reporting agen-
24 cies without unreasonable delay and, if it will not

1 delay notice to the affected individuals, prior to the
2 distribution of notices to the affected individuals.

3 (c) TIMELINESS OF NOTIFICATION.—

4 (1) IN GENERAL.—Unless subject to a delay au-
5 thorized under paragraph (2), a notification required
6 under subsection (a) shall be made not later than 60
7 days following the discovery of a breach of security,
8 unless the person providing notice can show that
9 providing notice within such a time frame is not fea-
10 sible due to extraordinary circumstances necessary
11 to prevent further breach or unauthorized disclo-
12 sures, and reasonably restore the integrity of the
13 data system, in which case such notification shall be
14 made as promptly as possible.

15 (2) DELAY OF NOTIFICATION AUTHORIZED FOR
16 LAW ENFORCEMENT OR NATIONAL SECURITY PUR-
17 POSES.—

18 (A) LAW ENFORCEMENT.—If a Federal,
19 State, or local law enforcement agency deter-
20 mines that the notification required under this
21 section would impede a civil or criminal inves-
22 tigation, such notification shall be delayed upon
23 the written request of the law enforcement
24 agency for 30 days or such lesser period of time
25 which the law enforcement agency determines is

1 reasonably necessary and requests in writing. A
2 law enforcement agency may, by a subsequent
3 written request, revoke such delay or extend the
4 period of time set forth in the original request
5 made under this paragraph if further delay is
6 necessary.

7 (B) NATIONAL SECURITY.—If a Federal
8 national security agency or homeland security
9 agency determines that the notification required
10 under this section would threaten national or
11 homeland security, such notification may be de-
12 layed for a period of time which the national se-
13 curity agency or homeland security agency de-
14 termines is reasonably necessary and requests
15 in writing. A Federal national security agency
16 or homeland security agency may revoke such
17 delay or extend the period of time set forth in
18 the original request made under this paragraph
19 by a subsequent written request if further delay
20 is necessary.

21 (d) METHOD AND CONTENT OF NOTIFICATION.—

22 (1) DIRECT NOTIFICATION.—

23 (A) METHOD OF NOTIFICATION.—A person
24 required to provide notification to individuals
25 under subsection (a)(1) shall be in compliance

1 with such requirement if the person provides
2 conspicuous and clearly identified notification
3 by one of the following methods (provided the
4 selected method can reasonably be expected to
5 reach the intended individual):

6 (i) Written notification.

7 (ii) Notification by email or other
8 electronic means, if—

9 (I) the person's primary method
10 of communication with the individual
11 is by email or such other electronic
12 means; or

13 (II) the individual has consented
14 to receive such notification and the
15 notification is provided in a manner
16 that is consistent with the provisions
17 permitting electronic transmission of
18 notices under section 101 of the Elec-
19 tronic Signatures in Global and Na-
20 tional Commerce Act (15 U.S.C.
21 7001).

22 (B) CONTENT OF NOTIFICATION.—Regard-
23 less of the method by which notification is pro-
24 vided to an individual under subparagraph (A),
25 such notification shall include—

1 (i) a description of the personal infor-
2 mation that was acquired or accessed by
3 an unauthorized person;

4 (ii) a telephone number that the indi-
5 vidual may use, at no cost to such indi-
6 vidual, to contact the person to inquire
7 about the breach of security or the infor-
8 mation the person maintained about that
9 individual;

10 (iii) notice that the individual is enti-
11 tled to receive, at no cost to such indi-
12 vidual, consumer credit reports on a quar-
13 terly basis for a period of 2 years, or credit
14 monitoring or other service that enables
15 consumers to detect the misuse of their
16 personal information for a period of 2
17 years, and instructions to the individual on
18 requesting such reports or service from the
19 person, except when the only information
20 which has been the subject of the security
21 breach is the individual's first name or ini-
22 tial and last name, or address, or phone
23 number, in combination with a credit or
24 debit card number, and any required secu-
25 rity code;

1 (iv) the toll-free contact telephone
2 numbers and addresses for the major con-
3 sumer reporting agencies; and

4 (v) a toll-free telephone number and
5 Internet website address for the Commis-
6 sion whereby the individual may obtain in-
7 formation regarding identity theft.

8 (2) SUBSTITUTE NOTIFICATION.—

9 (A) CIRCUMSTANCES GIVING RISE TO SUB-
10 STITUTE NOTIFICATION.—A person required to
11 provide notification to individuals under sub-
12 section (a)(1) may provide substitute notifica-
13 tion in lieu of the direct notification required by
14 paragraph (1) if the person owns or possesses
15 data in electronic form containing personal in-
16 formation of fewer than 1,000 individuals and
17 such direct notification is not feasible due to—

18 (i) excessive cost to the person re-
19 quired to provide such notification relative
20 to the resources of such person, as deter-
21 mined in accordance with the regulations
22 issued by the Commission under paragraph
23 (3)(A); or

1 (ii) lack of sufficient contact informa-
2 tion for the individual required to be noti-
3 fied.

4 (B) FORM OF SUBSTITUTE NOTIFICA-
5 TION.—Such substitute notification shall in-
6 clude—

7 (i) email notification to the extent
8 that the person has email addresses of in-
9 dividuals to whom it is required to provide
10 notification under subsection (a)(1);

11 (ii) a conspicuous notice on the Inter-
12 net website of the person (if such person
13 maintains such a website); and

14 (iii) notification in print and to broad-
15 cast media, including major media in met-
16 ropolitan and rural areas where the indi-
17 viduals whose personal information was ac-
18 quired reside.

19 (C) CONTENT OF SUBSTITUTE NOTICE.—
20 Each form of substitute notice under this para-
21 graph shall include—

22 (i) notice that individuals whose per-
23 sonal information is included in the breach
24 of security are entitled to receive, at no
25 cost to the individuals, consumer credit re-

1 ports on a quarterly basis for a period of
2 2 years, or credit monitoring or other serv-
3 ice that enables consumers to detect the
4 misuse of their personal information for a
5 period of 2 years, and instructions on re-
6 questing such reports or service from the
7 person, except when the only information
8 which has been the subject of the security
9 breach is the individual's first name or ini-
10 tial and last name, or address, or phone
11 number, in combination with a credit or
12 debit card number, and any required secu-
13 rity code; and

14 (ii) a telephone number by which an
15 individual can, at no cost to such indi-
16 vidual, learn whether that individual's per-
17 sonal information is included in the breach
18 of security.

19 (3) REGULATIONS AND GUIDANCE.—

20 (A) REGULATIONS.—Not later than 1 year
21 after the date of enactment of this Act, the
22 Commission shall, by regulation under section
23 553 of title 5, United States Code, establish cri-
24 teria for determining circumstances under
25 which substitute notification may be provided

1 under paragraph (2), including criteria for de-
2 termining if notification under paragraph (1) is
3 not feasible due to excessive costs to the person
4 required to provided such notification relative to
5 the resources of such person. Such regulations
6 may also identify other circumstances where
7 substitute notification would be appropriate for
8 any person, including circumstances under
9 which the cost of providing notification exceeds
10 the benefits to consumers.

11 (B) GUIDANCE.—In addition, the Commis-
12 sion shall provide and publish general guidance
13 with respect to compliance with this subsection.
14 Such guidance shall include—

15 (i) a description of written or email
16 notification that complies with the require-
17 ments of paragraph (1); and

18 (ii) guidance on the content of sub-
19 stitute notification under paragraph (2),
20 including the extent of notification to print
21 and broadcast media that complies with
22 the requirements of such paragraph.

23 (e) OTHER OBLIGATIONS FOLLOWING BREACH.—

24 (1) IN GENERAL.—A person required to provide
25 notification under subsection (a) shall, upon request

1 of an individual whose personal information was in-
2 cluded in the breach of security, provide or arrange
3 for the provision of, to each such individual and at
4 no cost to such individual—

5 (A) consumer credit reports from at least
6 one of the major consumer reporting agencies
7 beginning not later than 60 days following the
8 individual's request and continuing on a quar-
9 terly basis for a period of 2 years thereafter; or

10 (B) a credit monitoring or other service
11 that enables consumers to detect the misuse of
12 their personal information, beginning not later
13 than 60 days following the individual's request
14 and continuing for a period of 2 years.

15 (2) LIMITATION.—This subsection shall not
16 apply if the only personal information which has
17 been the subject of the security breach is the individ-
18 ual's first name or initial and last name, or address,
19 or phone number, in combination with a credit or
20 debit card number, and any required security code.

21 (3) RULEMAKING.—As part of the Commis-
22 sion's rulemaking described in subsection (d)(3), the
23 Commission shall determine the circumstances under
24 which a person required to provide notification
25 under subsection (a)(1) shall provide or arrange for

1 the provision of free consumer credit reports or cred-
2 it monitoring or other service to affected individuals.

3 (f) EXEMPTION.—

4 (1) GENERAL EXEMPTION.—A person shall be
5 exempt from the requirements under this section if,
6 following a breach of security, such person deter-
7 mines that there is no reasonable risk of identity
8 theft, fraud, or other unlawful conduct.

9 (2) PRESUMPTION.—

10 (A) IN GENERAL.—If the data in electronic
11 form containing personal information is ren-
12 dered unusable, unreadable, or indecipherable
13 through encryption or other security technology
14 or methodology (if the method of encryption or
15 such other technology or methodology is gen-
16 erally accepted by experts in the information se-
17 curity field), there shall be a presumption that
18 no reasonable risk of identity theft, fraud, or
19 other unlawful conduct exists following a breach
20 of security of such data. Any such presumption
21 may be rebutted by facts demonstrating that
22 the encryption or other security technologies or
23 methodologies in a specific case, have been or
24 are reasonably likely to be compromised.

1 (B) METHODOLOGIES OR TECH-
2 NOLOGIES.—Not later than 1 year after the
3 date of the enactment of this Act and bian-
4 nually thereafter, the Commission shall issue
5 rules (pursuant to section 553 of title 5, United
6 States Code) or guidance to identify security
7 methodologies or technologies which render data
8 in electronic form unusable, unreadable, or in-
9 decipherable, that shall, if applied to such data,
10 establish a presumption that no reasonable risk
11 of identity theft, fraud, or other unlawful con-
12 duct exists following a breach of security of
13 such data. Any such presumption may be rebut-
14 ted by facts demonstrating that any such meth-
15 odology or technology in a specific case has
16 been or is reasonably likely to be compromised.
17 In issuing such rules or guidance, the Commis-
18 sion shall consult with relevant industries, con-
19 sumer organizations, and data security and
20 identity theft prevention experts and established
21 standards setting bodies.

22 (3) FTC GUIDANCE.—Not later than 1 year
23 after the date of the enactment of this Act the Com-
24 mission shall issue guidance regarding the applica-
25 tion of the exemption in paragraph (1).

1 (g) WEBSITE NOTICE OF FEDERAL TRADE COMMIS-
2 SION.—If the Commission, upon receiving notification of
3 any breach of security that is reported to the Commission
4 under subsection (a)(2), finds that notification of such a
5 breach of security via the Commission’s Internet website
6 would be in the public interest or for the protection of
7 consumers, the Commission shall place such a notice in
8 a clear and conspicuous location on its Internet website.

9 (h) FTC STUDY ON NOTIFICATION IN LANGUAGES
10 IN ADDITION TO ENGLISH.—Not later than 1 year after
11 the date of enactment of this Act, the Commission shall
12 conduct a study on the practicality and cost effectiveness
13 of requiring the notification required by subsection (d)(1)
14 to be provided in a language in addition to English to indi-
15 viduals known to speak only such other language.

16 (i) GENERAL RULEMAKING AUTHORITY.—The Com-
17 mission may promulgate regulations necessary under sec-
18 tion 553 of title 5, United States Code, to effectively en-
19 force the requirements of this section.

20 (j) TREATMENT OF PERSONS GOVERNED BY OTHER
21 LAW.—A person who is in compliance with any other Fed-
22 eral law that requires such person to provide notification
23 to individuals following a breach of security, and that,
24 taken as a whole, provides protections substantially similar
25 to, or greater than, those required under this section, as

1 the Commission shall determine by rule (under section
2 553 of title 5, United States Code), shall be deemed to
3 be in compliance with this section.

4 **SEC. 4. APPLICATION AND ENFORCEMENT.**

5 (a) GENERAL APPLICATION.—The requirements of
6 sections 2 and 3 shall only apply to those persons, partner-
7 ships, or corporations over which the Commission has au-
8 thority pursuant to section 5(a)(2) of the Federal Trade
9 Commission Act (15 U.S.C. 45(a)(2)).

10 (b) ENFORCEMENT BY THE FEDERAL TRADE COM-
11 MISSION.—

12 (1) UNFAIR OR DECEPTIVE ACTS OR PRAC-
13 TICES.—A violation of section 2 or 3 shall be treated
14 as an unfair and deceptive act or practice in viola-
15 tion of a regulation under section 18(a)(1)(B) of the
16 Federal Trade Commission Act (15 U.S.C.
17 57a(a)(1)(B)) regarding unfair or deceptive acts or
18 practices.

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

1 such regulations shall be subject to the penalties and
2 entitled to the privileges and immunities provided in
3 that Act.

4 (3) LIMITATION.—In promulgating rules under
5 this Act, the Commission shall not require the de-
6 ployment or use of any specific products or tech-
7 nologies, including any specific computer software or
8 hardware.

9 (c) ENFORCEMENT BY STATE ATTORNEYS GEN-
10 ERAL.—

11 (1) CIVIL ACTION.—In any case in which the
12 attorney general of a State, or an official or agency
13 of a State, has reason to believe that an interest of
14 the residents of that State has been or is threatened
15 or adversely affected by any person who violates sec-
16 tion 2 or 3 of this Act, the attorney general, official,
17 or agency of the State, as *parens patriae*, may bring
18 a civil action on behalf of the residents of the State
19 in a district court of the United States of appro-
20 priate jurisdiction—

21 (A) to enjoin further violation of such sec-
22 tion by the defendant;

23 (B) to compel compliance with such sec-
24 tion; or

1 (C) to obtain civil penalties in the amount
2 determined under paragraph (2).

3 (2) CIVIL PENALTIES.—

4 (A) CALCULATION.—

5 (i) TREATMENT OF VIOLATIONS OF
6 SECTION 2.—For purposes of paragraph
7 (1)(C) with regard to a violation of section
8 2, the amount determined under this para-
9 graph is the amount calculated by multi-
10 plying the number of days that a person is
11 not in compliance with such section by an
12 amount not greater than \$11,000.

13 (ii) TREATMENT OF VIOLATIONS OF
14 SECTION 3.—For purposes of paragraph
15 (1)(C) with regard to a violation of section
16 3, the amount determined under this para-
17 graph is the amount calculated by multi-
18 plying the number of violations of such
19 section by an amount not greater than
20 \$11,000. Each failure to send notification
21 as required under section 3 to a resident of
22 the State shall be treated as a separate
23 violation.

24 (B) ADJUSTMENT FOR INFLATION.—Be-
25 ginning on the date that the Consumer Price

1 Index is first published by the Bureau of Labor
2 Statistics that is after 1 year after the date of
3 enactment of this Act, and each year thereafter,
4 the amounts specified in clauses (i) and (ii) of
5 subparagraph (A) shall be increased by the per-
6 centage increase in the Consumer Price Index
7 published on that date from the Consumer
8 Price Index published the previous year.

9 (C) MAXIMUM TOTAL LIABILITY.—Not-
10 withstanding the number of actions which may
11 be brought against a person under this sub-
12 section, the maximum civil penalty for which
13 any person may be liable under this subsection
14 shall not exceed—

15 (i) \$5,000,000 for each violation of
16 section 2; and

17 (ii) \$5,000,000 for all violations of
18 section 3 resulting from a single breach of
19 security.

20 (3) INTERVENTION BY THE FTC.—

21 (A) NOTICE AND INTERVENTION.—The
22 State shall provide prior written notice of any
23 action under paragraph (1) to the Commission
24 and provide the Commission with a copy of its
25 complaint, except in any case in which such

1 prior notice is not feasible, in which case the
2 State shall serve such notice immediately upon
3 instituting such action. The Commission shall
4 have the right—

5 (i) to intervene in the action;

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

8 (iii) to file petitions for appeal.

9 (B) LIMITATION ON STATE ACTION WHILE
10 FEDERAL ACTION IS PENDING.—If the Commis-
11 sion has instituted a civil action for violation of
12 this Act, no State attorney general, or official
13 or agency of a State, may bring an action under
14 this subsection during the pendency of that ac-
15 tion against any defendant named in the com-
16 plaint of the Commission for any violation of
17 this Act alleged in the complaint.

18 (4) CONSTRUCTION.—For purposes of bringing
19 any civil action under paragraph (1), nothing in this
20 Act shall be construed to prevent an attorney gen-
21 eral of a State from exercising the powers conferred
22 on the attorney general by the laws of that State
23 to—

24 (A) conduct investigations;

25 (B) administer oaths or affirmations; or

1 (C) compel the attendance of witnesses or
2 the production of documentary and other evi-
3 dence.

4 (d) AFFIRMATIVE DEFENSE FOR A VIOLATION OF
5 SECTION 3.—

6 (1) IN GENERAL.—It shall be an affirmative de-
7 fense to an enforcement action brought under sub-
8 section (b), or a civil action brought under sub-
9 section (c), based on a violation of section 3, that all
10 of the personal information contained in the data in
11 electronic form that was acquired or accessed as a
12 result of a breach of security of the defendant is
13 public record information that is lawfully made
14 available to the general public from Federal, State,
15 or local government records and was acquired by the
16 defendant from such records.

17 (2) NO EFFECT ON OTHER REQUIREMENTS.—
18 Nothing in this subsection shall be construed to ex-
19 empt any person from the requirement to notify the
20 Commission of a breach of security as required
21 under section 3(a).

22 **SEC. 5. DEFINITIONS.**

23 In this Act, the following definitions apply:

24 (1) BREACH OF SECURITY.—The term “breach
25 of security” means the unauthorized acquisition of

1 data in electronic form containing personal informa-
2 tion.

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

5 (3) CONSUMER REPORTING AGENCY.—The term
6 “consumer reporting agency” has the meaning given
7 the term “consumer reporting agency that compiles
8 and maintains files on consumers on a nationwide
9 basis” in section 603(p) of the Fair Credit Report-
10 ing Act (15 U.S.C. 1681a(p)).

11 (4) DATA IN ELECTRONIC FORM.—The term
12 “data in electronic form” means any data stored
13 electronically or digitally on any computer system or
14 other database and includes recordable tapes and
15 other mass storage devices.

16 (5) ENCRYPTION.—The term “encryption”
17 means the protection of data in electronic form in
18 storage or in transit using an encryption technology
19 that has been adopted by an established standards
20 setting body which renders such data indecipherable
21 in the absence of associated cryptographic keys nec-
22 essary to enable decryption of such data. Such
23 encryption must include appropriate management
24 and safeguards of such keys to protect the integrity
25 of the encryption.

1 (6) IDENTITY THEFT.—The term “identity
2 theft” means the unauthorized use of another per-
3 son’s personal information for the purpose of engag-
4 ing in commercial transactions under the name of
5 such other person.

6 (7) INFORMATION BROKER.—The term “infor-
7 mation broker”—

8 (A) means a commercial entity whose busi-
9 ness is to collect, assemble, or maintain per-
10 sonal information concerning individuals who
11 are not current or former customers of such en-
12 tity in order to sell such information or provide
13 access to such information to any nonaffiliated
14 third party in exchange for consideration,
15 whether such collection, assembly, or mainte-
16 nance of personal information is performed by
17 the information broker directly, or by contract
18 or subcontract with any other entity; and

19 (B) does not include a commercial entity to
20 the extent that such entity processes informa-
21 tion collected by and received from a non-
22 affiliated third party concerning individuals who
23 are current or former customers or employees
24 of such third party to enable such third party

1 to (1) provide benefits for its employees or (2)
2 directly transact business with its customers.

3 (8) PERSONAL INFORMATION.—

4 (A) DEFINITION.—The term “personal in-
5 formation” means an individual’s first name or
6 initial and last name, or address, or phone
7 number, in combination with any 1 or more of
8 the following data elements for that individual:

9 (i) Social Security number.

10 (ii) Driver’s license number, passport
11 number, military identification number, or
12 other similar number issued on a govern-
13 ment document used to verify identity.

14 (iii) Financial account number, or
15 credit or debit card number, and any re-
16 quired security code, access code, or pass-
17 word that is necessary to permit access to
18 an individual’s financial account.

19 (B) MODIFIED DEFINITION BY RULE-
20 MAKING.—The Commission may, by rule pro-
21 mulgated under section 553 of title 5, United
22 States Code, modify the definition of “personal
23 information” under subparagraph (A)—

24 (i) for the purpose of section 2 to the
25 extent that such modification will not un-

1 reasonably impede interstate commerce,
2 and will accomplish the purposes of this
3 Act; or

4 (ii) for the purpose of section 3, to the
5 extent that such modification is necessary
6 to accommodate changes in technology or
7 practices, will not unreasonably impede
8 interstate commerce, and will accomplish
9 the purposes of this Act.

10 (9) PUBLIC RECORD INFORMATION.—The term
11 “public record information” means information
12 about an individual which has been obtained origi-
13 nally from records of a Federal, State, or local gov-
14 ernment entity that are available for public inspec-
15 tion.

16 (10) NON-PUBLIC INFORMATION.—The term
17 “non-public information” means information about
18 an individual that is of a private nature and neither
19 available to the general public nor obtained from a
20 public record.

21 (11) SERVICE PROVIDER.—The term “service
22 provider” means an entity that provides to a user
23 transmission, routing, intermediate and transient
24 storage, or connections to its system or network, for
25 electronic communications, between or among points

1 specified by such user of material of the user's
2 choosing, without modification to the content of the
3 material as sent or received. Any such entity shall
4 be treated as a service provider under this Act only
5 to the extent that it is engaged in the provision of
6 such transmission, routing, intermediate and tran-
7 sient storage or connections.

8 **SEC. 6. EFFECT ON OTHER LAWS.**

9 (a) **PREEMPTION OF STATE INFORMATION SECURITY**
10 **LAWS.**—This Act supersedes any provision of a statute,
11 regulation, or rule of a State or political subdivision of
12 a State, with respect to those entities covered by the regu-
13 lations issued pursuant to this Act, that expressly—

14 (1) requires information security practices and
15 treatment of data containing personal information
16 similar to any of those required under section 2; and

17 (2) requires notification to individuals of a
18 breach of security resulting in unauthorized access
19 to or acquisition of data in electronic form con-
20 taining personal information.

21 (b) **ADDITIONAL PREEMPTION.**—

22 (1) **IN GENERAL.**—No person other than a per-
23 son specified in section 4(c) may bring a civil action
24 under the laws of any State if such action is pre-

1 mised in whole or in part upon the defendant vio-
2 lating any provision of this Act.

3 (2) PROTECTION OF CONSUMER PROTECTION
4 LAWS.—This subsection shall not be construed to
5 limit the enforcement of any State consumer protec-
6 tion law by an attorney general of a State.

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

10 (1) State trespass, contract, or tort law; or

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

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

17 **SEC. 7. EFFECTIVE DATE.**

18 This Act shall take effect 1 year after the date of
19 enactment of this Act.

20 **SEC. 8. AUTHORIZATION OF APPROPRIATIONS.**

21 There is authorized to be appropriated to the Com-
22 mission \$1,000,000 for each of fiscal years 2011 through
23 2016 to carry out this Act.

○