## [DISCUSSION DRAFT]

March 12, 2015

114TH CONGRESS
1st Session

# H.R.

То	require certain entities who collect and maintain personal information of individuals to secure such information and to provide notice to such individuals in the case of a breach of security involving such information, and for other purposes.
	IN THE HOUSE OF REPRESENTATIVES
	introduced the following bill; which was referred to the

# A BILL

To require certain entities who collect and maintain personal information of individuals to secure such information and to provide notice to such individuals in the case of a breach of security involving 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; PURPOSES.

Committee on \_\_\_

- 4 (a) SHORT TITLE.—This Act may be cited as the
- 5 "Data Security and Breach Notification Act of 2015".

1	(b) Purposes.—The purposes of this Act are to—
2	(1) protect consumers from identity theft, eco-
3	nomic loss or economic harm, and financial fraud by
4	establishing strong and uniform national data secu-
5	rity and breach notification standards for electronic
6	data in interstate commerce while minimizing State
7	law burdens that may substantially affect interstate
8	commerce; and
9	(2) expressly preempt any related State laws
10	[and common law] to ensure uniformity of this
11	Act's standards and the consistency of their applica-
12	tion across jurisdictions.
13	SEC. 2. REQUIREMENTS FOR INFORMATION SECURITY.
14	A covered entity shall implement and maintain rea-
15	sonable security measures and practices to protect and se-
16	cure personal information in electronic form against unau-
17	thorized access as appropriate for the size and complexity
18	of such covered entity and the nature and scope of its ac-
19	tivities.
20	SEC. 3. NOTIFICATION OF INFORMATION SECURITY
21	BREACH.
22	(a) In General.—
23	(1) In general.—Except as otherwise pro-
24	vided by this section, a covered entity that uses, ac-
25	cesses, transmits, stores, disposes of, or collects per-

1	sonal information shall, following the discovery of a
2	breach of security, conduct in good faith a reason-
3	able and prompt investigation of the breach of secu-
4	rity to determine whether there is a reasonable risk
5	that the breach of security has resulted in, or will
6	result in, identity theft, economic loss or economic
7	harm, or financial fraud to the individuals whose
8	personal information was subject to the breach of se-
9	curity.
10	(2) Notice.—Unless there is no reasonable
11	risk that the breach of security has resulted in, or
12	will result in, identity theft, economic loss or eco-
13	nomic harm, or financial fraud to the individuals
14	whose personal information was subject to the
15	breach of security, the covered entity shall notify any
16	resident of the United States that has been affected
17	by, or is reasonably believed to have been affected
18	by, the breach of security within the time specified
19	in subsection (c).
20	(3) Law enforcement.—A covered entity
21	shall as expeditiously as possible notify the Commis-

(3) Law enforcement.—A covered entity shall as expeditiously as possible notify the Commission and the Secret Service or the Federal Bureau of Investigation of the fact that a breach of security has occurred if the number of individuals whose personal information was, or there is a reasonable basis

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1	to conclude was, accessed or acquired by an unau-
2	thorized person exceeds 10,000.
3	(b) Special Notification Requirements.—
4	(1) Third-party entities.—
5	(A) In General.—In the event of a
6	breach of security involving personal informa-
7	tion that is stored, processed, or maintained by
8	a third-party entity for a covered entity, such
9	third-party entity shall promptly notify such
10	covered entity of the personal information that
11	was breached. If a covered entity is acting sole-
12	ly as a third-party entity for purposes of this
13	paragraph, the third-party entity has no other
14	notification obligations under this section.
15	(B) COVERED ENTITIES WHO RECEIVE NO-
16	TICE FROM THIRD-PARTY ENTITIES.—Upon re-
17	ceiving notification from a third-party entity
18	under subparagraph (A), a covered entity shall
19	provide notification as required under sub-
20	section (a), unless it is agreed in writing that
21	the third-party entity will provide such notifica-
22	tion on behalf of the covered entity subject to
23	the requirements of subsection (d)(3).
24	(C) Exception for service pro-
25	VIDERS.—A service provider shall not be consid-

1	ered a third-party entity for purposes of this
2	paragraph.
3	(2) Non-profit organizations.—In the event
4	of a breach of security involving personal informa-
5	tion that would trigger notification under subsection
6	(a), a non-profit organization may complete such no-
7	tification according to the procedures set forth in
8	subsection $(d)(2)$ .
9	(3) Coordination of notification with
10	CONSUMER REPORTING AGENCIES.—If a covered en-
11	tity is required to provide notification to more than
12	10,000 individuals under subsection (a), such cov-
13	ered entity shall also notify a consumer reporting
14	agency that compiles and maintains files on con-
15	sumers on a nationwide basis, of the timing and dis-
16	tribution of the notices. Such notice shall be given
17	to such consumer reporting agencies without unrea-
18	sonable delay and, if it will not delay notice to the
19	affected individuals, prior to the distribution of no-
20	tices to the affected individuals.
21	(c) Timeliness of Notification.—
22	(1) In general.—Unless subject to a delay au-
23	thorized under paragraph (2), a covered entity shall
24	identify the individuals affected by a breach of secu-
25	rity and make the notification required under sub-

section (a) as expeditiously as possible and without
unreasonable delay, not later than 30 days after
such covered entity has taken the necessary meas-
ures to determine the scope of the breach of security
and restore the reasonable integrity, security, and
confidentiality of the data system. If a covered entity
has provided the notification to individuals required
under subsection (a) and after such notification dis-
covers additional individuals to whom notification is
required under such subsection with respect to the
same breach of security, the covered entity shall
make such notification to such individuals as expedi-
tiously as possible and without unreasonable delay.
(2) Delay of notification authorized for
LAW ENFORCEMENT OR NATIONAL SECURITY PUR-
Poses.—Notwithstanding paragraph (1), if a Fed-
eral, State, or local law enforcement agency deter-
mines that the notification to individuals required
under this section would impede a civil or criminal
investigation or a Federal agency determines that
such notification would threaten national security,
such notification shall be delayed upon written re-
quest of the law enforcement agency or Federal
agency which the law enforcement agency or Federal
agency determines is reasonably necessary and re-

quests in writing. A law enforcement agency or Fed-
eral agency may, by a subsequent written request,
revoke such delay or extend the period of time set
forth in the original request made under this para-
graph if further delay is necessary. If a law enforce-
ment agency or Federal agency requests a delay of
notification to individuals under this paragraph, the
Commission shall, upon written request of the law
enforcement agency or Federal agency, delay any
public disclosure of a notification received by the
Commission under this section relating to the same
breach of security until the delay of notification to
individuals is no longer in effect.
(d) METHOD AND CONTENT OF NOTIFICATION.—
(1) Direct notification.—
(A) METHOD OF NOTIFICATION.—A cov-
ered entity required to provide notification to
an individual under subsection (a) shall be in
compliance with such requirement if the covered
entity provides such notice by one of the fol-
lowing methods (if the selected method can rea-
sonably be expected to reach the intended indi-
vidual):
(i) Written notification by postal mail.

1	(ii) Notification by email or other
2	electronic means, if—
3	(I) the covered entity's primary
4	method of communication with the in-
5	dividual is by email or such other elec-
6	tronic means or the individual has
7	consented to receive such notification;
8	and
9	[(II) the email or other elec-
10	tronic means does not contain a
11	hyperlink.]
12	(B) CONTENT OF NOTIFICATION.—Regard-
13	less of the method by which notification is pro-
14	vided to an individual under subparagraph (A)
15	with respect to a breach of security, such notifi-
16	cation shall include each of the following:
17	(i) A description of the personal infor-
18	mation that was, or there is a reasonable
19	basis to conclude was, acquired or accessed
20	by an unauthorized person.
21	(ii) The date range of the breach of
22	security, or an approximate date range of
23	the breach of security if a specific date
24	range is unknown based on the information
25	available at the time of the notification.

1	(iii) A telephone number, or toll-free
2	telephone number for any covered entity
3	that does not meet the definition of a small
4	business concern or non-profit organiza-
5	tion, that the individual may use to contact
6	the covered entity to inquire about the
7	breach of security or the information the
8	covered entity maintained about that indi-
9	vidual.
10	(iv) The toll-free contact telephone
11	numbers and addresses for a consumer re-
12	porting agency that compiles and main-
13	tains files on consumers on a nationwide
14	basis.
15	(v) The toll-free telephone number
16	and Internet website address for the Com-
17	mission whereby the individual may obtain
18	information regarding identity theft.
19	(2) Substitute notification.—
20	(A) IN GENERAL.—If, after making rea-
21	sonable efforts to contact all individuals to
22	whom notice is required under subsection (a),
23	the covered entity finds that contact informa-
24	tion for 500 or more individuals is insufficient
25	or out-of-date, the covered entity shall also pro-

1	vide substitute notice to those individuals,
2	which shall be reasonably calculated to reach
3	the individuals affected by the breach of secu-
4	rity.
5	(B) Form of substitute notifica-
6	TION.—A covered entity may provide substitute
7	notification by—
8	(i) email or other electronic notifica-
9	tion to the extent that the covered entity
10	has contact information for individuals to
11	whom it is required to provide notification
12	under subsection (a) [and provided such
13	email or electronic means does not contain
14	a hyperlink]; and
15	(ii) a conspicuous notice on the cov-
16	ered entity's Internet website (if such cov-
17	ered entity maintains such a website) for
18	at least 90 days.
19	(C) CONTENT OF SUBSTITUTE NOTICE.—
20	Each form of substitute notice under clauses (i)
21	and (ii) of subparagraph (B) shall include the
22	information required under paragraph (1)(B).
23	(3) Direct notification by a third
24	PARTY.—Nothing in this Act shall be construed to
25	prevent a covered entity from contracting with a

1	third party to provide the notification required under
2	this section, provided such third party issues such
3	notification without unreasonable delay, in accord-
4	ance with the requirements of this section, and indi-
5	cates to all individuals in such notification that such
6	third party is sending such notification on behalf of
7	the covered entity.
8	(e) REQUIREMENTS OF SERVICE PROVIDERS.—
9	(1) In general.—If a service provider becomes
10	aware of a breach of security involving data in elec-
11	tronic form containing personal information that is
12	owned or licensed by a covered entity that connects
13	to or uses a system or network provided by the serv-
14	ice provider for the purpose of transmitting, routing,
15	or providing intermediate or transient storage of
16	such data, such service provider shall notify the cov-
17	ered entity who initiated such connection, trans-
18	mission, routing, or storage of the data containing
19	personal information breached, if such covered entity
20	can be reasonably identified. If a service provider is
21	acting solely as a service provider for purposes of
22	this subsection, the service provider has no other no-
23	tification obligations under this section.
24	(2) Covered entities who receive notice
25	FROM SERVICE PROVIDERS.—Upon receiving notifi-

1	cation from a service provider under paragraph (1),
2	a covered entity shall provide notification as required
3	under this section.
4	SEC. 4. ENFORCEMENT.
5	(a) Enforcement by the Federal Trade Com-
6	MISSION.—
7	(1) Unfair or deceptive acts or prac-
8	TICES.—A violation of section 2 or 3 shall be treated
9	as an unfair and deceptive act or practice in viola-
10	tion of a regulation under section $18(a)(1)(B)$ of the
11	Federal Trade Commission Act (15 U.S.C.
12	57a(a)(1)(B)) regarding unfair or deceptive acts or
13	practices.
14	(2) Powers of Commission.—The Commis-
15	sion shall enforce this Act in the same manner, by
16	the same means, and with the same jurisdiction,
17	powers, and duties as though all applicable terms
18	and provisions of the Federal Trade Commission Act
19	(15 U.S.C. 41 et seq.) were incorporated into and
20	made a part of this Act, and any covered entity who
21	violates this Act shall be subject to the penalties and
22	entitled to the privileges and immunities provided in
23	the Federal Trade Commission Act (15 U.S.C. 41 et
24	seq.), and as provided in clauses (ii) and (iii) of sec-
25	tion $5(4)(A)$ .

1	(b) Enforcement by State Attorneys Gen-
2	ERAL.—
3	(1) CIVIL ACTION.—In any case in which the
4	attorney general of a State has reason to believe
5	that an interest of the residents of that State has
6	been or is threatened or adversely affected by any
7	covered entity who violates section 2 or 3 of this
8	Act, the attorney general of the State, as parens
9	patriae, may bring a civil action on behalf of the
10	residents of the State in a district court of the
11	United States of appropriate jurisdiction to—
12	(A) enjoin further violation of such section
13	by the defendant;
14	(B) compel compliance with such section;
15	or
16	(C) obtain civil penalties in the amount de-
17	termined under paragraph (2).
18	(2) CIVIL PENALTIES.—
19	(A) CALCULATION.—
20	(i) Treatment of violations of
21	SECTION 2.—For purposes of paragraph
22	(1)(C) with regard to a violation of section
23	2, the amount determined under this para-
24	graph is the amount calculated by multi-
25	plying the number of days that a covered

1	entity is not in compliance with such sec-
2	tion by an amount not greater than
3	\$11,000.
4	(ii) Treatment of violations of
5	SECTION 3.—For purposes of paragraph
6	(1)(C) with regard to a violation of section
7	3, the amount determined under this para-
8	graph is the amount calculated by multi-
9	plying the number of violations of such
10	section by an amount not greater than
11	\$11,000. Each failure to send notification
12	as required under section 3 to a resident of
13	the State shall be treated as a separate
14	violation.
15	(B) MAXIMUM TOTAL LIABILITY.—Not-
16	withstanding the number of actions which may
17	be brought against a covered entity under this
18	subsection, the maximum civil penalty for which
19	any covered entity may be liable under this sub-
20	section shall not exceed—
21	(i) \$2,500,000 for each violation of
22	section 2; and
23	(ii) \$2,500,000 for all violations of
24	section 3 resulting from a single breach of
25	security.

1	(C) Adjustment for inflation.—Be-
2	ginning on the date that the Consumer Price
3	Index is first published by the Bureau of Labor
4	Statistics that is after one year after the date
5	of enactment of this Act, and each year there-
6	after, the amounts specified in clauses (i) and
7	(ii) of subparagraph (A) and clauses (i) and (ii)
8	of subparagraph (B) shall be increased by the
9	percentage increase in the Consumer Price
10	Index published on that date from the Con-
11	sumer Price Index published the previous year.
12	(D) PENALTY FACTORS.—In determining
13	the amount of such a civil penalty, the degree
14	of culpability, any history of prior such conduct,
15	ability to pay, effect on ability to continue to do
16	business, and such other matters as justice may
17	require shall be taken into account.
18	(3) Intervention by the federal trade
19	COMMISSION.—
20	(A) Notice and intervention.—In all
21	cases, the State shall provide prior written no-
22	tice of any action under paragraph (1) to the
23	Commission and provide the Commission with a
24	copy of its complaint, except in any case in
25	which such prior notice is not feasible, in which

1	case the State shall serve such notice imme-
2	diately upon instituting such action. The Com-
3	mission shall have the right—
4	(i) to intervene in the action;
5	(ii) upon so intervening, to be heard
6	on all matters arising therein; and
7	(iii) to file petitions for appeal.
8	(B) Pending Proceedings.—If the Fed-
9	eral Trade Commission initiates a Federal civil
10	action for a violation of this Act, no State at-
11	torney general may bring an action for a viola-
12	tion of this Act that resulted from the same or
13	related acts or omissions against a defendant
14	named in the civil action initiated by the Fed-
15	eral Trade Commission.
16	(4) Construction.—For purposes of bringing
17	any civil action under paragraph (1), nothing in this
18	Act shall be construed to prevent an attorney gen-
19	eral of a State from exercising the powers conferred
20	on the attorney general by the laws of that State
21	to—
22	(A) conduct investigations;
23	(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	(c) No Private Cause of Action.—Nothing in this
5	Act shall be construed to establish a private cause of ac-
6	tion against a person for a violation of this Act.
7	SEC. 5. DEFINITIONS.
8	In this Act:
9	(1) Breach of Security.—The term "breach
10	of security" means a compromise of the security,
11	confidentiality, or integrity of, or loss of, data in
12	electronic form that results in, or there is a reason-
13	able basis to conclude has resulted in, unauthorized
14	access to or acquisition of personal information from
15	a covered entity.
16	(2) Commission.—The term "Commission"
17	means the Federal Trade Commission.
18	(3) Consumer reporting agency that com-
19	PILES AND MAINTAINS FILES ON CONSUMERS ON A
20	NATIONWIDE BASIS.—The term "consumer reporting
21	agency that compiles and maintains files on con-
22	sumers on a nationwide basis" has the meaning
23	given that term in section 603(p) of the Fair Credit
24	Reporting Act (15 U.S.C. 1681a(p)).
25	(4) Covered entity.—

1	(A) In general.—The term "covered en-
2	tity'' means—
3	(i) a sole proprietorship, partnership,
4	corporation, trust, estate, cooperative, as-
5	sociation, or other entity in or affecting
6	commerce that acquires, maintains, stores,
7	sells, or otherwise uses data in electronic
8	form that includes personal information,
9	over which the Commission has authority
10	pursuant to section 5(a)(2) of the Federal
11	Trade Commission Act (15 U.S.C.
12	45(a)(2));
13	(ii) notwithstanding section 5(a)(2) of
14	the Federal Trade Commission Act (15
15	U.S.C. 45(a)(2)), common carriers subject
16	to the Communications Act of 1934 (47
17	U.S.C. 151 et seq.); and
18	(iii) notwithstanding any jurisdictional
19	limitation of the Federal Trade Commis-
20	sion Act (15 U.S.C. 41 et seq.), any non-
21	profit organization.
22	(B) Exceptions.—The term "covered en-
23	tity" does not include—

1	(i) a covered entity, as defined in sec-
2	tion 160.103 of title 45, Code of Federal
3	Regulations; or
4	(ii) a broker, dealer, investment com-
5	pany, investment adviser, or person en-
6	gaged in providing insurance that is sub-
7	ject to title V of Public Law 106–102 (15
8	U.S.C. 6801 et seq.).
9	(5) Data in electronic form.—The term
10	"data in electronic form" means any data stored
11	electronically or digitally on any computer system or
12	other database and includes recordable tapes and
13	other mass storage devices.
14	(6) Encryption.—The term "encryption"—
15	(A) means the protection of data in elec-
16	tronic form, in storage or in transit, using an
17	encryption technology that has been generally
18	accepted by experts in the field of information
19	security at the time the breach of security oc-
20	curred that renders such data indecipherable in
21	the absence of associated cryptographic keys
22	necessary to enable decryption of such data;
23	and

1	(B) includes appropriate management and
2	safeguards of such cryptographic keys in order
3	to protect the integrity of the encryption.
4	(7) Non-profit organization.—The term
5	"non-profit organization" means an organization
6	that is described in section $501(c)(3)$ of the Internal
7	Revenue Code of 1986 and exempt from tax under
8	section 501(a) of such Code.
9	(8) Personal information.—
10	(A) IN GENERAL.—The term "personal in-
11	formation" means any information or compila-
12	tion of information in electronic form that in-
13	cludes the following:
14	(i) An individual's first and last name
15	or first initial and last name in combina-
16	tion with any one of the following data ele-
17	ments:
18	(I) A driver's license number,
19	passport number, or alien registration
20	number or other government-issued
21	unique identification number.
22	(II) Any two of the following:
23	(aa) Home address or tele-
24	phone number.

1	(bb) Mother's maiden name,
2	if identified as such.
3	(cc) Month, day, and year of
4	birth.
5	(ii) A financial account number or
6	credit or debit card number or other iden-
7	tifier, in combination with any security
8	code, access code, or password that is re-
9	quired for an individual to obtain credit,
10	withdraw funds, or engage in a financial
11	transaction.
12	(iii) A unique account identifier (other
13	than for an account described in clause
14	(ii)), electronic identification number, bio-
15	metric data unique to an individual, user
16	name, or routing code in combination with
17	any associated security code, access code,
18	biometric data unique to an individual, or
19	password that is required for an individual
20	to obtain money, or purchase goods, serv-
21	ices, or any other thing of value.
22	(iv) A non-truncated social security
23	number.
24	(v) [For any telecommunications car-
25	rier or interconnected VoIP provider, the

1	location of, number from which and to
2	which a call is placed, and the time and
3	duration of such call.
4	(B) Exceptions.—The term "personal in-
5	formation" does not include—
6	(i) information that is encrypted or
7	rendered unusable, unreadable, or indeci-
8	pherable through data security technology
9	or methodology that is generally accepted
10	by experts in the field of information secu-
11	rity at the time the breach of security oc-
12	curred, such as redaction or access con-
13	trols; or
14	(ii) information obtained from a pub-
15	licly available source, including information
16	obtained from a news report, periodical, or
17	other widely distributed media, or from
18	Federal, State, or local government
19	records.
20	(9) Service Provider.—The term "service
21	provider" means a covered entity subject to the
22	Communications Act of 1934 (47 U.S.C. 151 et
23	seq.) that provides electronic data transmission,
24	routing, intermediate and transient storage, or con-
25	nection to its system or network, where such entity

I	providing such service does not select or modify the
2	content of the electronic data, is not the sender or
3	the intended recipient of the data, and does not dif-
4	ferentiate personal information from other informa-
5	tion that such entity transmits, routes, stores, or for
6	which such entity provides connections. Any such en-
7	tity shall be treated as a service provider under this
8	Act only to the extent that it is engaged in the pro-
9	vision of such transmission, routing, intermediate
10	and transient storage, or connections.
11	(10) SMALL BUSINESS CONCERN.—The term
12	"small business concern" has the meaning given
13	such term under section 3 of the Small Business Act
14	(15 U.S.C. 632).
15	(11) State.—The term "State" means each of
16	the several States, the District of Columbia, the
17	Commonwealth of Puerto Rico, Guam, American
18	Samoa, the Virgin Islands of the United States, the
19	Commonwealth of the Northern Mariana Islands,
20	any other territory or possession of the United
21	States, and each federally recognized Indian tribe.
22	SEC. 6. EFFECT ON OTHER LAWS.
23	(a) Preemption of State Information Security
24	Laws.—No State or political subdivision of a State shall,
25	with respect to a covered entity subject to this Act, adopt,

- 1 maintain, enforce, or impose or continue in effect any law,
- 2 rule, regulation, duty, requirement, standard, or other
- 3 provision having the force and effect of law relating to or
- 4 with respect to the security of data in electronic form or
- 5 notification following a breach of security.
- 6 [(b) COMMON LAW.—This section shall not exempt
- 7 a covered entity from liability under common law. [The
- 8 parties to this staff draft have not yet reached agreement
- 9 on the scope of preemption and continue to discuss the
- 10 *issue*.
- 11 (c) CERTAIN FTC ENFORCEMENT LIMITED TO DATA
- 12 SECURITY AND BREACH NOTIFICATION.—
- 13 (1) Data security and breach notifica-
- 14 TION.—Insofar as sections 201, 202, 222, 338, and
- 15 631 of the Communications Act of 1934 (47 U.S.C.
- 16 201, 202, 222, 338, and 551), and any regulations
- 17 promulgated thereunder, apply to covered entities
- with respect to securing information in electronic
- form from unauthorized access, including notifica-
- 20 tion of unauthorized access to data in electronic
- 21 form containing personal information, such sections
- and regulations promulgated thereunder shall have
- 23 no force or effect, unless such regulations pertain
- solely to 9-1-1 calls.

1	(2) Rule of construction.—[Nothing in
2	this subsection otherwise limits the Federal Commu-
3	nications Commission's authority with respect to
4	sections 201, 202, 222, 338, and 631 of the Com-
5	munications Act of 1934 (47 U.S.C. 201, 202, 222,
6	338, and 551).
7	(d) Preservation of Commission Authority.—
8	Nothing in this Act may be construed in any way to limit
9	or affect the Commission's authority under any other pro-
10	vision of law.
11	SEC. 7. EFFECTIVE DATE.
12	This Act shall take effect 1 year after the date of

- 1
- 1
- 13 enactment of this Act.