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.

IN THE HOUSE OF REPRESENTATIVES

Mrs. BLACKBURN (for herself, Mr. WELCH, Mr. BURGESS, and Mr. LOEBSACK) introduced the following bill; which was referred to the Committee on

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,
SECTION 1. SHORT TITLE; PURPOSES.

(a) SHORT TITLE.—This Act may be cited as the “Data Security and Breach Notification Act of 2015”.

(b) PURPOSES.—The purposes of this Act are to—

(1) protect consumers from identity theft, economic loss or economic harm, and financial fraud by establishing strong and uniform national data security and breach notification standards for electronic data in interstate commerce while minimizing State law burdens that may substantially affect interstate commerce; and

(2) expressly preempt any related State laws and common law to ensure uniformity of this Act’s standards and the consistency of their application across jurisdictions.

SEC. 2. REQUIREMENTS FOR INFORMATION SECURITY.

A covered entity shall implement and maintain reasonable security measures and practices to protect and secure personal information in electronic form against unauthorized access as appropriate for the size and complexity of such covered entity and the nature and scope of its activities.

SEC. 3. NOTIFICATION OF INFORMATION SECURITY BREACH.

(a) IN GENERAL.—
(1) **IN GENERAL.**—Except as otherwise provided by this section, a covered entity that uses, accesses, transmits, stores, disposes of, or collects personal information shall, following the discovery of a breach of security, conduct in good faith a reasonable and prompt investigation of the breach of security to determine whether there is a reasonable risk that the breach of security has resulted in, or will result in, identity theft, economic loss or economic harm, or financial fraud to the individuals whose personal information was subject to the breach of security.

(2) **NOTICE.**—Unless there is no reasonable risk that the breach of security has resulted in, or will result in, identity theft, economic loss or economic harm, or financial fraud to the individuals whose personal information was subject to the breach of security, the covered entity shall notify any resident of the United States that has been affected by, or is reasonably believed to have been affected by, the breach of security within the time specified in subsection (c).

(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 per-
sonal information was, or there is a reasonable basis
to conclude was, accessed or acquired by an unau-
thorized person exceeds 10,000.

(b) SPECIAL NOTIFICATION REQUIREMENTS.—

(1) THIRD-PARTY ENTITIES.—

(A) IN GENERAL.—In the event of a
breach of security involving personal informa-
tion that is stored, processed, or maintained by
a third-party entity for a covered entity, such
third-party entity shall promptly notify such
covered entity of the personal information that
was breached. If a covered entity is acting sole-
ly as a third-party entity for purposes of this
paragraph, the third-party entity has no other
notification obligations under this section.

(B) COVERED ENTITIES WHO RECEIVE NO-
TICE FROM THIRD-PARTY ENTITIES.—Upon re-
ceiving notification from a third-party entity
under subparagraph (A), a covered entity shall
provide notification as required under sub-
section (a), unless it is agreed in writing that
the third-party entity will provide such notifica-
tion on behalf of the covered entity subject to the requirements of subsection (d)(3).

(C) EXCEPTION FOR SERVICE PROVIDERS.—A service provider shall not be considered a third-party entity for purposes of this paragraph.

(2) NON-PROFIT ORGANIZATIONS.—In the event of a breach of security involving personal information that would trigger notification under subsection (a), a non-profit organization may complete such notification according to the procedures set forth in subsection (d)(2).

(3) COORDINATION OF NOTIFICATION WITH CONSUMER REPORTING AGENCIES.—If a covered entity is required to provide notification to more than 10,000 individuals under subsection (a), such covered entity shall also notify a consumer reporting agency that compiles and maintains files on consumers on a nationwide basis, of the timing and distribution of the notices. Such notice shall be given to such consumer reporting agencies without unreasonable delay and, if it will not delay notice to the affected individuals, prior to the distribution of notices to the affected individuals.

(e) TIMELINESS OF NOTIFICATION.—
(1) IN GENERAL.—Unless subject to a delay authorized under paragraph (2), a covered entity shall identify the individuals affected by a breach of security and make the notification required under subsection (a) as expeditiously as possible and without unreasonable delay, not later than 30 days after such covered entity has taken the necessary measures 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 discovers 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 expeditiously as possible and without unreasonable delay.

(2) DELAY OF NOTIFICATION AUTHORIZED FOR LAW ENFORCEMENT OR NATIONAL SECURITY PURPOSES.—Notwithstanding paragraph (1), if a Federal, State, or local law enforcement agency determines 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-
reasonably be expected to reach the intended individual):

(i) Written notification by postal mail.

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

(I) the covered entity’s primary method of communication with the individual is by email or such other electronic means or the individual has consented to receive such notification; and

(II) the email or other electronic means does not contain a hyperlink.

(B) CONTENT OF NOTIFICATION.—Regardless of the method by which notification is provided to an individual under subparagraph (A) with respect to a breach of security, such notification shall include each of the following:

(i) A description of the personal information that was, or there is a reasonable basis to conclude was, acquired or accessed by an unauthorized person.

(ii) The date range of the breach of security, or an approximate date range of
the breach of security if a specific date
range is unknown based on the information
available at the time of the notification.

(iii) A telephone number, or toll-free
telephone number for any covered entity
that does not meet the definition of a small
business concern or non-profit organiza-
tion, that the individual may use to contact
the covered entity to inquire about the
breach of security or the information the
covered entity maintained about that indi-
vidual.

(iv) The toll-free contact telephone
numbers and addresses for a consumer re-
porting agency that compiles and main-
tains files on consumers on a nationwide
basis.

(v) The toll-free telephone number
and Internet website address for the Com-
mission whereby the individual may obtain
information regarding identity theft.

(2) SUBSTITUTE NOTIFICATION.—

(A) IN GENERAL.—If, after making rea-
sonable efforts to contact all individuals to
whom notice is required under subsection (a),
the covered entity finds that contact informa-
tion for 500 or more individuals is insufficient
or out-of-date, the covered entity shall also pro-
vide substitute notice to those individuals,
which shall be reasonably calculated to reach
the individuals affected by the breach of secu-

(B) Form of substitute notification.—A covered entity may provide substitute
notification by—

(i) email or other electronic notifica-
tion to the extent that the covered entity
has contact information for individuals to
whom it is required to provide notification
under subsection (a) [and provided such
email or electronic means does not contain
a hyperlink]; and

(ii) a conspicuous notice on the cov-
ered entity’s Internet website (if such cov-
ered entity maintains such a website) for
at least 90 days.

(C) Content of substitute notice.—
Each form of substitute notice under clauses (i)
and (ii) of subparagraph (B) shall include the
information required under paragraph (1)(B).
(3) DIRECT NOTIFICATION BY A THIRD PARTY.—Nothing in this Act shall be construed to prevent a covered entity from contracting with a third party to provide the notification required under this section, provided such third party issues such notification without unreasonable delay, in accordance with the requirements of this section, and indicates to all individuals in such notification that such third party is sending such notification on behalf of the covered entity.

(c) REQUIREMENTS OF SERVICE PROVIDERS.—

(1) IN GENERAL.—If a service provider becomes aware of a breach of security involving data in electronic form containing personal information that is owned or licensed by a covered entity that connects to or uses a system or network provided by the service provider for the purpose of transmitting, routing, or providing intermediate or transient storage of such data, such service provider shall notify the covered entity who initiated such connection, transmission, routing, or storage of the data containing personal information breached, if such covered entity can be reasonably identified. If a service provider is acting solely as a service provider for purposes of
this subsection, the service provider has no other noti-
ification obligations under this section.

(2) COVERED ENTITIES WHO RECEIVE NOTICE
FROM SERVICE PROVIDERS.—Upon receiving notifi-
cation from a service provider under paragraph (1),
a covered entity shall provide notification as required
under this section.

SEC. 4. ENFORCEMENT.

(a) ENFORCEMENT BY THE FEDERAL TRADE COM-
MISSION.—

(1) UNFAIR OR DECEPTIVE ACTS OR PRACTICES.—A violation of section 2 or 3 shall be treated
as an unfair and deceptive act or practice in viola-
tion of a regulation under section 18(a)(1)(B) of the
57a(a)(1)(B)) regarding unfair or deceptive acts or
practices.

(2) POWERS OF COMMISSION.—The Commiss-
ion shall enforce this Act in the same manner, by
the same means, and with the same jurisdiction,
powers, and duties as though all applicable terms
and provisions of the Federal Trade Commission Act
(15 U.S.C. 41 et seq.) were incorporated into and
made a part of this Act, and any covered entity who
violates this Act shall be subject to the penalties and
entitled to the privileges and immunities provided in
seq.), and as provided in clauses (ii) and (iii) of sec-
tion 5(4)(A).
(b) ENFORCEMENT BY STATE ATTORNEYS GEN-
ERAL.—

(1) CIVIL ACTION.—In any case in which the
attorney general of a State has reason to believe
that an interest of the residents of that State has
been or is threatened or adversely affected by any
covered entity who violates section 2 or 3 of this
Act, the attorney general of the State, as parens
patriae, may bring a civil action on behalf of the
residents of the State in a district court of the
United States of appropriate jurisdiction to—

(A) enjoin further violation of such section
by the defendant;

(B) compel compliance with such section;

or

(C) obtain civil penalties in the amount de-
termined under paragraph (2).

(2) CIVIL PENALTIES.—

(A) CALCULATION.—

(i) TREATMENT OF VIOLATIONS OF

SECTION 2.—For purposes of paragraph
(1)(C) with regard to a violation of section 2, the amount determined under this para-
graph is the amount calculated by multi-
plying the number of days that a covered
entity is not in compliance with such sec-
tion by an amount not greater than
$11,000.

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

(B) MAXIMUM TOTAL LIABILITY.—Not-
withstanding the number of actions which may
be brought against a covered entity under this
subsection, the maximum civil penalty for which
any covered entity may be liable under this sub-
section shall not exceed—
(i) $2,500,000 for each violation of section 2; and

(ii) $2,500,000 for all violations of section 3 resulting from a single breach of security.

(C) ADJUSTMENT FOR INFLATION.—Beginning on the date that the Consumer Price Index is first published by the Bureau of Labor Statistics that is after one year after the date of enactment of this Act, and each year thereafter, the amounts specified in clauses (i) and (ii) of subparagraph (A) and clauses (i) and (ii) of subparagraph (B) shall be increased by the percentage increase in the Consumer Price Index published on that date from the Consumer Price Index published the previous year.

(D) PENALTY FACTORS.—In determining the amount of such a civil penalty, the degree of culpability, any history of prior such conduct, ability to pay, effect on ability to continue to do business, and such other matters as justice may require shall be taken into account.

(3) INTERVENTION BY THE FEDERAL TRADE COMMISSION.—
(A) **NOTICE AND INTERVENTION.**—In all cases, the State shall provide prior written notice of any action under paragraph (1) to the Commission and provide the Commission with a copy of its complaint, except in any case in which such prior notice is not feasible, in which case the State shall serve such notice immediately upon instituting such action. The Commission shall have the right—

(i) to intervene in the action;

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

(iii) to file petitions for appeal.

(B) **PENDING PROCEEDINGS.**—If the Federal Trade Commission initiates a Federal civil action for a violation of this Act, no State attorney general may bring an action for a violation of this Act that resulted from the same or related acts or omissions against a defendant named in the civil action initiated by the Federal Trade Commission.

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

(A) conduct investigations;
(B) administer oaths or affirmations; or
(C) compel the attendance of witnesses or
the production of documentary and other evi-
dence.

c) No Private Cause of Action.—Nothing in this
Act shall be construed to establish a private cause of ac-
tion against a person for a violation of this Act.

Sec. 5. Definitions.

In this Act:

(1) Breach of Security.—The term “breach
of security” means a compromise of the security,
confidentiality, or integrity of, or loss of, data in
electronic form that results in, or there is a reason-
able basis to conclude has resulted in, unauthorized
access to or acquisition of personal information from
a covered entity.

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

(3) Consumer Reporting Agency That Com-
piles and Maintains Files on Consumers on a
Nationwide Basis.—The term “consumer reporting
agency that compiles and maintains files on con-
sumers on a nationwide basis” has the meaning given that term in section 603(p) of the Fair Credit Reporting Act (15 U.S.C. 1681a(p)).

(4) COVERED ENTITY.—

(A) IN GENERAL.—The term “covered entity” means—

(i) a sole proprietorship, partnership, corporation, trust, estate, cooperative, association, or other entity in or affecting commerce that acquires, maintains, stores, sells, or otherwise uses data in electronic form that includes personal information, over which the Commission has authority pursuant to section 5(a)(2) of the Federal Trade Commission Act (15 U.S.C. 45(a)(2));

(ii) notwithstanding section 5(a)(2) of the Federal Trade Commission Act (15 U.S.C. 45(a)(2)), common carriers subject to the Communications Act of 1934 (47 U.S.C. 151 et seq.); and

(B) EXCEPTIONS.—The term “covered entity” does not include—

(i) a covered entity, as defined in section 160.103 of title 45, Code of Federal Regulations; or

(ii) a broker, dealer, investment company, investment adviser, or person engaged in providing insurance that is subject to title V of Public Law 106–102 (15 U.S.C. 6801 et seq.).

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

(6) ENCRYPTION.—The term “encryption”—

(A) means the protection of data in electronic form, in storage or in transit, using an encryption technology that has been generally accepted by experts in the field of information security at the time the breach of security occurred that renders such data indecipherable in the absence of associated cryptographic keys necessary to enable decryption of such data; and
(B) includes appropriate management and safeguards of such cryptographic keys in order to protect the integrity of the encryption.

(7) NON-PROFIT ORGANIZATION.—The term “non-profit organization” means an organization that is described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code.

(8) PERSONAL INFORMATION.—

(A) IN GENERAL.—The term “personal information” means any information or compilation of information in electronic form that includes the following:

(i) An individual’s first and last name or first initial and last name in combination with any one of the following data elements:

(I) A driver’s license number, passport number, or alien registration number or other government-issued unique identification number.

(II) Any two of the following:

(aa) Home address or telephone number.
(bb) Mother’s maiden name, if identified as such.

(cc) Month, day, and year of birth.

(ii) A financial account number or credit or debit card number or other identifier, in combination with any security code, access code, or password that is required for an individual to obtain credit, withdraw funds, or engage in a financial transaction.

(iii) A unique account identifier (other than for an account described in clause (ii)), electronic identification number, biometric data unique to an individual, user name, or routing code in combination with any associated security code, access code, biometric data unique to an individual, or password that is required for an individual to obtain money, or purchase goods, services, or any other thing of value.

(iv) A non-truncated social security number.

(v) For any telecommunications carrier or interconnected VoIP provider, the
location of, number from which and to which a call is placed, and the time and duration of such call.

(B) EXCEPTIONS.—The term “personal information” does not include—

(i) information that is encrypted or rendered unusable, unreadable, or indecipherable through data security technology or methodology that is generally accepted by experts in the field of information security at the time the breach of security occurred, such as redaction or access controls; or

(ii) information obtained from a publicly available source, including information obtained from a news report, periodical, or other widely distributed media, or from Federal, State, or local government records.

(9) SERVICE PROVIDER.—The term “service provider” means a covered entity subject to the Communications Act of 1934 (47 U.S.C. 151 et seq.) that provides electronic data transmission, routing, intermediate and transient storage, or connection to its system or network, where such entity
providing such service does not select or modify the
content of the electronic data, is not the sender or
the intended recipient of the data, and does not dif-
ferentiate personal information from other informa-
tion that such entity transmits, routes, stores, or for
which such entity provides connections. Any such en-
tity shall be treated as a service provider under this
Act only to the extent that it is engaged in the pro-
vision of such transmission, routing, intermediate
and transient storage, or connections.

(10) Small business concern.—The term
“small business concern” has the meaning given
such term under section 3 of the Small Business Act

(11) State.—The term “State” means each of
the several States, the District of Columbia, the
Commonwealth of Puerto Rico, Guam, American
Samoa, the Virgin Islands of the United States, the
Commonwealth of the Northern Mariana Islands,
any other territory or possession of the United
States, and each federally recognized Indian tribe.

SEC. 6. EFFECT ON OTHER LAWS.

(a) Preemption of State information security
laws.—No State or political subdivision of a State shall,
with respect to a covered entity subject to this Act, adopt,
maintain, enforce, or impose or continue in effect any law, rule, regulation, duty, requirement, standard, or other provision having the force and effect of law relating to or with respect to the security of data in electronic form or notification following a breach of security.

(b) COMMON LAW.—This section shall not exempt a covered entity from liability under common law. The parties to this staff draft have not yet reached agreement on the scope of preemption and continue to discuss the issue.]

(c) CERTAIN FTC ENFORCEMENT LIMITED TO DATA SECURITY AND BREACH NOTIFICATION.—

(1) DATA SECURITY AND BREACH NOTIFICATION.—Insofar as sections 201, 202, 222, 338, and 631 of the Communications Act of 1934 (47 U.S.C. 201, 202, 222, 338, and 551), and any regulations promulgated thereunder, apply to covered entities with respect to securing information in electronic form from unauthorized access, including notification of unauthorized access to data in electronic form containing personal information, such sections and regulations promulgated thereunder shall have no force or effect, unless such regulations pertain solely to 9-1-1 calls.

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

SEC. 7. EFFECTIVE DATE.

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