Lose a Laptop?
Practical Approaches to Navigating Breach Notification Laws

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The Breakdown

<table>
<thead>
<tr>
<th>Lost / Stolen Media</th>
<th>TOTAL 20.7%</th>
<th>HEALTH CARE 29.9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Theft</td>
<td>15.7%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Accidental Disclosure</td>
<td>14.5%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Hacking</td>
<td>13.9%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>10.4%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Other / Unknown</td>
<td>24.8%</td>
<td>22.7%</td>
</tr>
</tbody>
</table>

Laws and Regulations

- FTC
- Federal security breach notification law
- State security breach notification laws
  - Apply when a security breach occurs involving personal information
  - Set forth requirements for when, how and in what circumstances to notify affected individuals of the breach
Federal Security Breach Notification Law

Stimulus Package – Data Security Breach Notification
- So far, "just" one law – American Recovery and Reinvestment Act of 2009
- Data Security Breach Notification Requirements
- Unsecured Protected Health Information
- Timing for Data Security Breach Notices

Federal Security Breach Notification Law Continued
- Content of Data Security Breach Notices
- Methods for Giving Data Security Breach Notices
- Notice to DHHS

Federal Security Breach Notification Law Continued
- Enhanced Civil Penalties and Enforcement
  - Increased Amounts
  - Victim Compensation
  - States Attorneys General Enforcement
- Clarified Criminal Coverage
  - Knowing Violations
  - Exposure for Employees and Other Individuals
State Security Breach Notification Laws
Important Distinctions

- Who the laws apply to
- What constitutes a security breach
- What constitutes personal information
- Who must be notified
- What must be disclosed
- How and when the notification must be sent
- How the law is enforced
- How to qualify for a safe harbor

Who Do the Laws Apply To?

- Most states: only entities conducting business in the state
- Some states:
  - Entities who own or license information of state residents.
  - Only information brokers (Georgia and Maine)
  - Only state government (Oklahoma)
- Exemptions (in some states):
  - Compliance with federal or state regulations
  - Financial institutions
  - Government agencies
- All states: entities who own or license the personal data

  - Vendors who merely maintain the data are only obligated to notify the owner or licensee.

What Constitutes a Security Breach?

- **Most states**: unauthorized acquisition that compromises personal data
  - May include missing data
- **Some states**:
  - Mere unauthorized access is sufficient
  - Data must be *materi ally* compromised
  - The acquisition must create risk of loss or injury
What Triggers the Requirements?

- Half of the states: automatic notification upon discovery of breach
- Other half: after investigation to determine the likelihood of misuse or harm
  - Documentation / retention requirements

What Is Personal Information?

- Most states—name (last and first or first initial) with:
  - Social security number;
  - Driver’s license or ID card number; or
  - Information sufficient to get access to a financial account
- Some states:
  - Additional information also included
  - The name is not necessary
- Arkansas and California: medical information
- Exception: public information

Must the Data Be Computerized?

- Most states: yes
- Six states: the data can be in any form (written, spoken, printed, electronic, etc.)
Who Must Be Notified?

- **Most states**: affected residents of the state
- **Four states**: all affected individuals
- It is a good idea to notify all affected individuals, regardless of the law
- Could be employees (not just customers)
- Other agencies to notify (in some states):
  - Law enforcement
  - Consumer reporting agencies
  - Regulating state office
  - State attorney general’s office

What Must Be Disclosed?

- **Most states**: notice of the breach
- **Some states**: clear and conspicuous notice
- Best Practices
  - Be clear, direct and simple
  - Be honest and accept responsibility, but make it clear that you have control
  - Use an empathetic, but not apologetic, tone
  - Offer assistance and useful information
  - Use company (not attorney) letterhead

How May the Notification Be Sent?

- **Written**: all states
- **Electronic**: all states, if individual consented to receive electronic communications
  - Limited in 13 states
- **Other methods**: telephone, fax, publication
- **Substitute notice**: all states, if cost exceeds some dollar amount or affected class is high
  - Usually $250,000 or 500,000 individuals
  - E-mail, website and major media
When Must the Notification Be Sent?

- **Most States**: in the most expedient time and manner possible, without unreasonable delay
  - Unless law enforcement requests a delay
  - Entity given time to restore data and determine scope
- **Some States**: Specific time limit

How is the Law Enforced?

- **Most States**: Civil penalties
- **Some States**:
  - Private cause of action
  - Damages recoverable through Attorney General
  - Enjoinment and/or equitable relief

What Safe Harbors Are Available?

- Encryption: all states
- Security policy: 29 states
What to do if a Breach Occurs

- Secure the data from further breach
- Consider notifying the police
- Find out what data was accessed
- Conduct an investigation (documenting evidence)
- Provide all affected individuals with written, clear and conspicuous notification in the most expedient time possible.
- Notify other agencies, as required
- Consider offering free credit watch services
- Document all steps taken and people contacted

How to Protect Yourself Beforehand

- Encrypt personal information
- Implement security measures
- Destroy personal records not in use
- Assess whether you need the personal information you collect and store
- Create an information security or privacy policy

What to do if a Breach Occurs: Preservation of Evidence

- For evidence to be admissible, you must prove that it was not tampered
- Preserving digital evidence
  - Disconnect the system from the network, but do not shut it down
  - Don’t open log files
  - Don’t use the system (if possible)
Data Protection Laws
- Duty to Safeguard Personal Information
- Disposal
- Collection and Retention Limits
- Transfer Notification
- Encryption requirements
- Employee training / monitoring requirements
- Merchant Liability

The Security Policy
- Is it worth it?
  - Financial risk
  - Consumer trust and loyalty
- What to include
  - Collection / storage / disposal of information
  - Encryption / security requirements
  - Employee policies
  - Identification of “red flags”
  - Incident Response Plan

The Future?
- California laws effective January 1, 2009
- Medical Record Breach Notification Law
  - Applies to breach of medical information
  - Must notify affected patients and state Dept. of Public Health within five days
- State Duty to Safeguard Medical Information
  - Private cause of action and civil penalties for unauthorized negligent or willful access, use or disclosure
Questions

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