



February 10, 2023

Chair Jarrett Keohokalole
Vice Chair Carol Fukunaga
Committee on Commerce and Consumer Protection
Hawaii State Senate
415 South Beretania Street
Honolulu, HI 96817

Re: SB 974, Hawaii Consumer Privacy Legislation - SUPPORT IF AMENDED

Dear Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee on Commerce and Consumer Protection,

Consumer Reports¹ sincerely thanks you for your work to advance consumer privacy in Hawaii. SB 974 would extend to Hawaii consumers important new protections, including the right to know the information companies have collected about them, the right to access, correct, and delete that information, as well as the ability to require businesses to honor authorized agents' browser privacy signals as an opt out of sale, targeted advertising, and profiling.

Consumers currently possess very limited power to protect their personal information in the digital economy, while online businesses operate with virtually no limitations as to how they process that information (so long as they note their behavior somewhere in their privacy policy). As a result, consumers' every move is constantly tracked and often combined with offline activities to provide detailed insights into their most personal characteristics, including health conditions, political affiliations, and sexual preferences. This information is sold as a matter of course, is used to deliver targeted advertising, facilitates differential pricing, and enables opaque algorithmic scoring—all of which can lead to disparate outcomes along racial and ethnic lines.

At the same time, spending time online has become integral to modern life, with many individuals required to sign-up for accounts with tech companies because of school, work, or simply out of a desire to connect with distant family and friends. Consumers are offered the illusory "choice" to consent to company data processing activities, but in reality this is an all or

¹ Founded in 1936, Consumer Reports (CR) is an independent, nonprofit and nonpartisan organization that works with consumers to create a fair and just marketplace. Known for its rigorous testing and ratings of products, CR advocates for laws and company practices that put consumers first. CR is dedicated to amplifying the voices of consumers to promote safety, digital rights, financial fairness, and sustainability. The organization surveys millions of Americans every year, reports extensively on the challenges and opportunities for today's consumers, and provides ad-free content and tools to 6 million members across the U.S.

nothing decision; if you do not approve of any one of a company's practices, you can either forgo the service altogether or acquiesce completely.

While we prefer privacy legislation that limits companies' collection, use, and disclosure of data to what is reasonably necessary to operate the service (i.e. data minimization)² or that at least restricts certain types of processing (sales, targeted advertising, and profiling), we appreciate that SB 974 creates a framework for universal opt-out through universal controls and authorized agents. Strong data minimization provisions are our first choice because they prevent consumers from constantly operating from a defensive position where they must determine whether each company that they interact with performs processing activities they consider acceptable or not. However, privacy legislation with universal opt-outs also empowers consumers by making it easier to manage the otherwise untenably complicated ecosystem of privacy notices, opt-out requests, and verification.³ The goal of universal opt-out is to create an environment where consumers can set their preference once and feel confident that businesses will honor their choices as if they contacted each business individually.

Measures largely based on an opt-out model with no universal opt-out, like the original interpretation of the California Consumer Privacy Act (CCPA), would require consumers to contact hundreds, if not thousands, of different companies in order to fully protect their privacy. Making matters worse, Consumer Reports has documented that some CCPA opt-out processes are so onerous that they have the effect of preventing consumers from stopping the sale of their information.⁴

Sections 3(b) and 4 of the bill requires that covered businesses allow consumers or their authorized agents to opt-out from a controller's processing of personal data for the purpose of targeted advertising, sales, and profiling. Privacy researchers, advocates, and publishers have already created multiple technologies that would fit the bill for an authorized agent under this draft, including the Global Privacy Control (GPC)⁵ and Consumer Reports' own Permission Slip⁶, both of which could help make the opt-out model more workable for consumers.

Section 8 also provides key assurances that controllers truly deidentify data if they are to rely on the "deidentified data" exception to the definition of "personal data." The section requires that controllers commit to maintaining and using deidentified data without attempting to reidentify it

² Section 5(a)(1) of the bill ostensibly includes data minimization language; however, because data processing is limited to any purpose listed by a company in its privacy policy — instead of to what is reasonably necessary to fulfill a transaction — that language will in practice have little effect.

³ Aleecia M. McDonanld and Lorrie Faith Cranor, "The Cost of Reading Privacy Policies," *I/S: A Journal of Law and Policy for the Information Society*, vol. 4, no. 3 (2008), 543-568.

https://kb.osu.edu/bitstream/handle/1811/72839/ISJLP_V4N3_543.pdf?sequence=1&isAllowed=y

⁴ Maureen Mahoney, California Consumer Privacy Act: Are Consumers' Rights Protected, *CONSUMER REPORTS* (Oct. 1, 2020), https://advocacy.consumerreports.org/wp-content/uploads/2020/09/CR_CCPA-Are-ConsumersDigital-Rights-Protected_092020_vf.pdf.

⁵ Global Privacy Control, <https://globalprivacycontrol.org>.

⁶ Ginny Fahs, Introducing Permission Slip, the app to take back control of your data, *Consumer Reports* (Nov. 16, 2022), <https://digital-lab-wp.consumerreports.org/2022/11/16/introducing-permission-slip/>

later on and that the controller enter into and monitor contracts with any recipient of deidentified data so that the recipient is held to the controller's own obligations under the legislation. Privacy legislation too often allows controllers to shirk their responsibilities through weak definitions of deidentification that fail to truly protect consumer privacy by allowing the trivial reidentification of personal data.

However, the legislation still contains significant loopholes that would hinder its overall effectiveness. We offer several suggestions to strengthen the bill to provide the level of protection that Hawaiians deserve.

- *Broaden opt-out rights to include all data sharing and ensure targeted advertising is adequately covered.* SB 974's opt out should cover all data transfers to a third party for a commercial purpose (with narrowly tailored exceptions). In California, many companies have sought to avoid the CCPA's opt out requirements by claiming that much online data sharing is not technically a "sale" (appropriately, CPRA expands the scope of California's opt-out to include all data sharing and clarifies that targeted ads are clearly covered by this opt out).⁷ We recommend the following definition:

"Share" [or sell] means renting, releasing, disclosing, disseminating, making available, transferring, or otherwise communicating orally, in writing, or by electronic or other means, a consumer's personal information by the business to a third party for monetary or other valuable consideration, or otherwise for a commercial purpose.

While we appreciate that this measure has an opt out for targeted advertising, the current definition of targeted advertising is ambiguous, and could allow internet giants like Google, Facebook, and Amazon to serve targeted ads based on their own vast data stores on other websites. This loophole would undermine privacy interests and further entrench dominant players in the online advertising ecosystem. We recommend using the following definition:

"Targeted advertising" means the targeting of advertisements to a consumer based on the consumer's activities with one or more businesses, distinctly-branded websites, applications or services, other than the business, distinctly branded website, application, or service with which the consumer intentionally interacts. It does not include advertising: (a) Based on activities within a controller's own commonly-branded websites or online applications; (b) based on the context of a consumer's current search query or visit to a website or online application; or (c) to a consumer in response to the consumer's request for information or feedback.

⁷ Maureen Mahoney, *Many Companies Are Not Taking the California Consumer Privacy Act Seriously*, *supra* note 3, Medium (January 9, 2020), <https://medium.com/cr-digital-lab/companies-are-not-taking-the-california-consumer-privacy-act-seriously-dcb1d06128bb>.

- *Tighten the definition and interpretation of bona fide loyalty programs to eliminate loopholes.* We are concerned that the draft legislation’s exception to the anti-discrimination provision when a consumer voluntarily participates in a “bona fide reward, club card or loyalty program” is too vague and could offer companies wide loopholes to deny consumer rights by simply labeling any data sale or targeted advertising practice as part of the “bona fide loyalty program.” We urge the drafters to adopt a more precise definition and to provide clearer examples of prohibited behavior that does not fall under this exception. For example, it’s reasonable that consumers may be denied participation in a loyalty program if they have chosen to delete information or deny consent for processing functionally necessary to operate that loyalty program. That is, if you erase a record of having purchased nine cups of coffee from a vendor, you cannot expect to get the tenth cup for free. However, generally controllers do not need to sell data to others or to engage in cross-site targeted advertising in order to operate a bona fide loyalty program — such behaviors have nothing to do with the tracking of purchases to offer discounts or first-party advertising.
- *Limit authentication requirements to request to access, correct, and delete.* Section 3(a) allows controllers to authenticate consumer requests to exercise any of their rights under the act. This may be appropriate when consumers are requesting to access, delete, or correct their information, since fraudulent requests for these rights can pose real consumer harm. However, opt out rights do not carry similar risks to consumers and therefore should not be subjected to this heightened standard. In the past, businesses have used authentication clauses to stymie rights requests by insisting on receiving onerous documentation.⁸ For example, in Consumer Reports’s investigation into the usability of new privacy rights in California, we found examples of companies requiring consumers to fax in copies of their drivers’ license in order to verify residency and applicability of CCPA rights.
- *Apply authorized agent provisions to rights to access, correct, and delete.* SB 974 currently only allows authorized agents to send requests to opt out, meaning for all other rights requests consumers must go to each business they interact with one by one and navigate its bespoke system. This means requests to access, correct, and delete are impractical to use at scale, especially when the law allows businesses to ask for onerous documentation to complete the request. The purpose of authorized agents is to cut down on the amount of time that each consumer must spend haggling with individual businesses to accept their rights requests, ultimately making those rights much more usable for consumers. CPRA and Oregon’s SB 619 currently include a similar provision.⁹
- *Remove the right to cure from the Attorney General enforcement section.* The “right to cure” provisions from the administrative enforcement sections of the bill should be

⁸ Ibid.

⁹ See California Civil Code 1798.130 A(3)(a), <https://cpa.gtlaw.com/cpra-full-text/>

removed — as Proposition 24 removed similar provisions from the CCPA.¹⁰ In practice, the “right to cure” is little more than a “get-out-of-jail-free” card that makes it difficult for the AG to enforce the law by signaling that a company won’t be punished the first time it’s caught breaking the law.

- *Include strong civil rights protections.* A key harm observed in the digital marketplace today is the disparate impact that can occur through processing of personal data for the purpose of creating granularized profiles of individuals based off of data both collected and inferred about them. Therefore a crucial piece of strong privacy legislation is ensuring that a business’ processing of personal data does not discriminate against or otherwise makes opportunity or public accommodation unavailable on the basis of protected classes. A number of privacy bills introduced federally in recent years have included such civil rights protections, including the American Data Privacy and Protection Act which overwhelmingly passed the House Energy and Commerce Committee on a 53-2 bipartisan vote.¹¹ Consumer Reports’ Model State Privacy Legislation also contains specific language prohibiting the use of personal information to discriminate against consumers.¹²

Thank you again for your consideration, and for your work on this legislation. We look forward to working with you to ensure that Hawaii residents have the strongest possible privacy protections.

Sincerely,
Matt Schwartz
Policy Analyst

¹⁰ At the very least, the right to cure should sunset like it does under the Connecticut Data Privacy Act. See Public Act No. 22-15, Section 11(b), <https://www.cga.ct.gov/2022/act/Pa/pdf/2022PA-00015-R00SB-00006-PA.PDF>

¹¹ See Section 2076, Amendment in the Nature of a Substitute to the American Data Privacy and Protection Act, <https://docs.house.gov/meetings/IF/IF00/20220720/115041/BILLS-117-8152-P000034-Amdt-1.pdf>

¹² See Sections 125 and 126, Consumer Reports, Model State Privacy Act, (Feb. 2021) https://advocacy.consumerreports.org/wp-content/uploads/2021/02/CR_Model-State-Privacy-Act_022321_vf.pdf