



May 2, 2023

Chair Susan Sosnowski
Vice Chair Roger A. Picard
Commerce Committee
Rhode Island Senate
Rhode Island State House, Room 212
Providence, Rhode Island 02903

Re: S.B. 754 , Rhode Island Consumer Privacy Legislation - SUPPORT IF AMENDED

Dear Chair Sosnowski, Vice Chair Picard, and Members of the Senate Commerce Committee,

Consumer Reports¹ sincerely thanks you for your work to advance consumer privacy in Rhode Island. S.B. 754 would extend to Rhode Island 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' opt-out requests.

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 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.

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.

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 S.B. 754 creates a framework for universal opt-out through authorized agents. **We strongly encourage the drafters to go further and include provisions for universal opt-out through technological controls, as is provided in the Connecticut Data Privacy Act and other state privacy laws in California, Colorado and Montana.**³ Privacy researchers, advocates, and publishers have already created multiple technologies fit for such a purpose, including the Global Privacy Control (GPC)⁴, which could help make the opt-out model more workable for consumers.

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.⁵ 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 companies' opt-out processes are so onerous that they have the effect of preventing consumers from stopping the sale of their information.⁶

However, despite this legislation's strong first steps toward making the opt-out framework tenable for consumers, it 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 Rhode Islanders deserve.

² Section 6-48.1-4.(c) 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 See, e.g., Section 5, Public Act No. 22-15, Connecticut Data Privacy Act <https://www.cga.ct.gov/2022/act/Pa/pdf/2022PA-00015-R00SB-00006-PA.PDF>

⁴ Global Privacy Control, <https://globalprivacycontrol.org>.

⁵ 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

⁶ 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.

- *Broaden opt-out rights to include all data sharing and ensure targeted advertising is adequately covered.* S.B. 754'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.

- *Eliminate the loyalty program exemption.* Section 6-48.1-4.(d) seems to exempt from coverage any information collected for the purpose of operating a bona fide loyalty, rewards, premium features, discount or club card program. However, loyalty programs take advantage of the exact type of informational asymmetry that privacy law should strive to eliminate. While consumers typically view loyalty programs as a way to save money or get rewards based on their repeated patronage of a business, they rarely understand the amount of data tracking that can occur through such programs.⁸ For

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>.

⁸ Joe Keegan, *Forget Milk and Eggs: Supermarkets Are Having a Fire Sale on Data About You*, The Markup, (February 16, 2023),

example, many grocery store loyalty programs collect information that go far beyond mere purchasing habits, sometimes going as far as tracking consumer's precise movements within a physical store.⁹ This information is used to create detailed user profiles and is regularly sold to other retailers, social media companies, and data brokers, among others. Data sales are extremely profitable for such entities — Kroger estimates that its “alternative profit” business streams, including data sales, could earn it \$1 billion annually.¹⁰ At a minimum, businesses should be required to give consumers control over how their information is collected and processed pursuant to loyalty programs, including the ability to participate in the program without allowing the business to sell their personal information to the highest bidder.

- *Tighten the definition and interpretation of bona fide loyalty programs to eliminate loopholes.* Relatedly, we are also concerned that the legislation's exception to the anti-discrimination provision when a consumer voluntarily participates in a bona fide loyalty, rewards, 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 sponsors 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 requests to access, correct, and delete.* Section 6-48.1-7.(4) allows (though does not require for requests to opt out) 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.¹¹ For example, in Consumer Reports's investigation into the usability of new privacy rights in California, we found examples of companies requiring consumers

<https://themarkup.org/privacy/2023/02/16/forget-milk-and-eggs-supermarkets-are-having-a-fire-sale-on-data-about-you>

⁹ Ibid.

¹⁰ Ibid.

¹¹ 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>.

to fax in copies of their drivers' license in order to verify residency and applicability of CCPA rights. Controllers should be required to honor opt-out requests without any authentication.

- *Apply authorized agent provisions to rights to access, correct, and delete.* S.B. 754 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 includes a provision that extends authorized agent rights to all consumer rights under the act.¹²
- *Eliminate entity level carveouts.* The draft bill currently exempts from coverage any financial institution or an affiliate of a financial institution, as defined in the Gramm-Leach-Bliley Act, as well as covered entities and business associates under the Health Insurance Portability and Accountability Act. These carveouts arguably make it so that large tech companies (Apple, Amazon, Google, Facebook, and Microsoft) would be exempted from the entire bill if one arm of their business receives enough financial information from banks or crosses the threshold into providing traditional healthcare services, a line many of them are already currently skirting.¹³ The bill already carves out from coverage information that is collected pursuant to those laws, so the need to exempt entire entities is unnecessary.
- *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.¹⁴ Consumer Reports' Model State Privacy Legislation also contains

¹² See California Civil Code 1798.130 A(3)(a), <https://cpra.gtlaw.com/cpra-full-text/>

¹³ See e.g., The Economist, "Big Tech Pushes Further into Finance," (Dec. 15, 2022), <https://www.economist.com/business/2022/12/15/big-tech-pushes-further-into-finance>; Richard Waters, "Big Tech searches for a way back into healthcare," Financial Times, (May 17, 2020), <https://www.ft.com/content/74be707e-6848-11ea-a6ac-9122541af204>

¹⁴ 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>

specific language prohibiting the use of personal information to discriminate against consumers.¹⁵

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

Sincerely,
Matt Schwartz
Policy Analyst

¹⁵ 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