



January 30, 2025

Chairman Wm. Weston J. Newton
House Judiciary Committee
223 Blatt Building
1105 Pendleton Street
Columbia, SC 29201

Re: South Carolina H. 3401, Consumer Privacy Legislation— OPPOSE

Dear Chairman Newton,

Consumer Reports¹ writes in respectful opposition to H. 3401, consumer privacy legislation. The bill provides South Carolina consumers the right to know the information companies have collected about them, the right to access, correct, and delete that information, as well as the right to stop the disclosure of certain information to third parties. However, due to its applicability to only the very largest tech companies and other significant loopholes, it would leave South Carolina consumers' personal information unprotected in a wide variety of contexts. As such, the bill should be substantially strengthened before it is enacted and should not be approved in its current form.

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 collect and 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, religious beliefs, and even their precise geolocation. This information is sold as a matter of course, is used to deliver targeted advertising, facilitates differential pricing, and enables opaque algorithmic scoring. 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, your only choices are to either forgo the service altogether or acquiesce completely.

We therefore offer several suggestions to strengthen the bill to provide the level of protection that South Carolina consumers deserve:

- *Widen the applicability threshold.* H. 3401 only currently applies to entities that make over \$1 billion in gross revenues per year and satisfy certain other conditions. As a result, this bill would only apply to the very largest tech companies. In the modern digital marketplace, size and revenue are poor proxies for an entity's capacity to collect and process large amounts of consumer data, and, by extension, create significant privacy risks. Cambridge Analytica, which illegally harvested the personal information of 87 million people, only employed 107 people at the time its unscrupulous practices were revealed in 2018 and made around \$25 million in revenue the previous year.²

South Carolina would join Florida as the only states to include such a high threshold for coverage in an otherwise comprehensive privacy law. Even the relatively weak laws passed in states such as Iowa, Indiana, Kentucky, and Virginia apply to smaller entities who nonetheless process consumer data as a core business practice.³ We urge the drafters to remove this provision and instead include coverage thresholds pegged to the amount of personal data a company processes.

- *Include meaningful data minimization provisions, or at least require companies to honor browser privacy signals as opt outs.* Privacy laws should set strong default limits on the data that companies can collect and use so that consumers can use online services or apps safely without having to take any action, such as opting in or opting out. For this reason, we recommend that privacy laws include a strong data minimization requirement that limits data collection and use to what is reasonably necessary to provide the service requested by the consumer, as outlined in our model bill.⁴ A strong default prohibition on unwanted data sharing is preferable to an opt-out based regime which relies on users to hunt down and navigate divergent opt-out processes for potentially thousands of different companies.

² Peg Brickley, "Cambridge Analytica Revenue Fell as Questions About Data Tactics Surfaced," Wall Street Journal, (June 1, 2018)

<https://www.wsj.com/articles/cambridge-analytica-revenue-fell-as-questions-about-data-tactics-surfaced-1527883000>; Pitch Book, Cambridge Analytica Overview, (May 2018), <https://pitchbook.com/profiles/company/226886-68>

³ Julie Rubash, SourcePoint, The Always-Up-To-Date US State Privacy Law Comparison Chart, (July 1, 2024), <https://sourcepoint.com/blog/us-state-privacy-laws-comparison-chart/>

⁴ Consumer Reports and the Electronic Privacy Information Center unveil new model legislation to protect the privacy of American consumers, (September 24, 2024), https://advocacy.consumerreports.org/press_release/consumer-reports-and-the-electronic-privacy-information-center-unveil-new-model-legislation-to-protect-the-privacy-of-american-consumers/

However, if the drafters are intent on using an opt-out standard, consumers at least need tools, like universal opt out mechanisms (UOOMs), to ensure that they can exercise their rights in a meaningful way. UOOMs allow consumers to broadcast to businesses they interact with online their preference to opt out from their personal information being sold or shared with third parties through a simple toggle. Covered businesses are then expected to comply with the signal as if the consumer individually contacted them. The majority of state comprehensive privacy laws now include such a provision, including recently passed laws in Montana, Nebraska, and Texas.⁵

Privacy researchers, advocates, and publishers have already created a “do not sell” specification designed to work with such frameworks, the Global Privacy Control (GPC).⁶ This could help make the opt-out model more workable for consumers,⁷ but unless companies are required to comply, it is unlikely that consumers will benefit. We recommend using the following language:

Consumers or a consumer’s authorized agent may exercise the rights set forth in Section 37-31-140(B)(5) of this act by submitting a request, at any time, to a business specifying which rights the individual wishes to exercise. Consumers may exercise their rights under Section 37-31-140(B)(5) via user-enabled global privacy controls, such as a browser plug-in or privacy setting, device setting, or other mechanism that communicate or signal the consumer’s choice to opt out.

Notably, the “authorized agent” provision mentioned above would allow a consumer to designate a third party to perform requests on their behalf — allowing for another practical option for consumers to exercise their privacy rights in an opt-out framework. Consumer Reports has already submitted more than 4 million requests on consumers’ behalf, with their permission, through authorized agent provisions under numerous state laws.⁸ Authorized agent services are an important supplement to platform-level global opt outs. For example, an authorized agent could process offline opt-outs that are beyond the reach of a browser signal. An authorized agent could also perform access and deletion requests on behalf of consumers, for which there is not an analogous tool similar to the GPC.

- *Remove the pseudonymous data exception.* Section 37-31-230(C) currently stipulates that the consumer rights under the bill do not apply to so-called “pseudonymous data.” Yet the definition of pseudonymous data is broad enough to cover common identifiers, such as

⁵ Julie Rubash, SourcePoint, The Always-Up-To-Date US State Privacy Law Comparison Chart, (July 1, 2024), <https://sourcepoint.com/blog/us-state-privacy-laws-comparison-chart/>

⁶ Global Privacy Control, <https://globalprivacycontrol.org>.

⁷ Press release, Announcing Global Privacy Control: Making it Easy for Consumers to Exercise Their Privacy Rights, Global Privacy Control (Oct. 7, 2020), <https://globalprivacycontrol.org/press-release/20201007.html>.

⁸ Ginny Fahs, Putting the CCPA into Practice: Piloting a CR Authorized Agent, Digital Lab at Consumer Reports (Oct. 19, 2020), <https://medium.com/cr-digital-lab/putting-the-ccpa-into-practice-piloting-a-cr-authorized-agent-7301a72ca9f8>.

mobile advertising identifiers or cookies, that advertisers routinely use to track individuals' devices around the internet. These technologies allow businesses to collect extremely granular data about a user's search history, usage, personal characteristics, and interests in order to serve them targeted advertisements or to create a profile they can sell to other interested third-parties. The current language represents a major loophole that would essentially exempt the majority of the online advertising ecosystem from the most substantive aspects of this bill's coverage. Though this is precisely the type of online tracking this bill ostensibly seeks to grant consumers more control over, this exemption would allow vast swaths of it to continue unabated.

- *Expand opt-out rights to better cover the targeted advertising and sharing that consumers want to avoid.* We recommend refining the definition of “targeted advertising” to better match consumer expectations of the term. The drafted definition potentially opens a loophole for data collected on a single site; it only includes ads based on a “consumer’s activities over time and across nonaffiliated *websites*” (emphasis ours). This may exempt “retargeted” ads from the scope of the bill’s protections — ads based on one particular product you may have considered purchasing on another site. Such advertising — such as a pair of shoes that follows you all over the internet after you had left a merchant’s site — are the stereotypical example of targeted advertising; the law’s opt-out provisions should certainly apply to it. We suggest a shift toward the following definition:

“Targeted advertising” means displaying or presenting an online advertisement to a consumer or to a device identified by a unique persistent identifier (or to a group of consumers or devices identified by unique persistent identifiers), if the advertisement is selected based, in whole or in part, on known or predicted preferences, characteristics, behavior, or interests associated with the consumer or a device identified by a unique persistent identifier.

“Targeted advertising” includes displaying or presenting an online advertisement for a product or service based on the previous interaction of a consumer or a device identified by a unique persistent identifier with such product or service on a website or online service that does not share common branding with the website or online service displaying or presenting the advertisement, and marketing measurement related to such advertisements.

“Targeted advertising” does not include:
(A) first-party advertising; or
(B) contextual advertising.

- *Remove authentication requirements for opt-outs.* While authentication requirements may be appropriate when consumers are requesting to access, delete, or correct their information, controllers should not be allowed to authenticate requests to opt-out. Fraudulent access, deletion, or correction requests can pose real consumer harm, such as identity theft or stalking. 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. For example, in Consumer Reports’s investigation into the usability of then-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.⁹ Sections 37-31-140(B) and 37-31-230(B)(3) should be amended to clarify that controllers may only authenticate requests to confirm, access, obtain, delete, or correct personal data.
- *Non-discrimination.* Consumers should not be retaliated against for exercising their privacy rights—otherwise, those rights are functionally meaningless. Unfortunately, Section 37-31-190(C) of this bill could allow companies to deny service or charge consumers a different price if they exercise their opt-out rights under this bill. We urge you to adopt language from our model legislation that clarifies that consumers cannot be discriminated against for declining to sell their information, and limits the disclosure of information to third parties pursuant to loyalty programs:

(C) Nothing in Subsection (B)(3) of this subsection shall be construed to require a controller to provide a product or service that requires the personal data of a consumer which the controller does not collect or maintain, or prohibit a controller from offering a different price, rate, level, quality or selection of goods or services to a consumer, including offering goods or services for no fee, if the offering is in connection with a consumer's voluntary participation in a financial incentive program such as a bona fide loyalty, rewards, premium features, discounts or club card program, provided that the controller may not transfer personal data to a third party as part of such program unless: (1) The transfer is functionally necessary to enable the third party to provide a benefit to which the consumer is entitled; (2) the transfer of personal data to the third party is clearly disclosed in the terms of the program; and (3) the third party uses the personal data only for purposes of facilitating a benefit to which the consumer is entitled and does not process or transfer the personal data for any other purpose. The sale of personal data shall not be considered functionally necessary to provide a financial incentive program. A

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

controller shall not use financial incentive practices that are unjust, unreasonable, coercive or usurious in nature.

- *Eliminate entity-level carveouts.* The draft bill (Section 37-31-120(B)(2)-(3)) 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.¹⁰ The bill already carves out exemptions for *information* that is collected pursuant to those laws, so the need to exempt entire entities is unnecessary.
- *Strengthen enforcement.* While we appreciate that the civil penalties authorized in the bill are substantial and that the “right to cure” provision is currently discretionary, we recommend removing the ability to cure altogether to ensure that companies are incentivized to follow the law.¹¹ In practice, the “right to cure” is little more than a “get-out-of-jail-free” card that allows businesses to avoid punishment when they are caught breaking the law. In addition, consumers should be able to hold companies accountable in some way for violating their rights—there should be some form of a private right of action.

We look forward to working with you to ensure that South Carolina consumers have the strongest possible privacy protections.

Sincerely,

Matt Schwartz
Policy Analyst

cc: The Honorable Brandon Guffey
The Honorable Thomas E. Pope

¹⁰ 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>

¹¹ At the very least, the ability for the AG to offer a cure period 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>