

# STATE OF NEW YORK

8884

## IN ASSEMBLY

January 4, 2018

Introduced by M. of A. TITONE -- (at request of the Department of Law)  
-- read once and referred to the Committee on Consumer Affairs and  
Protection

AN ACT to amend the general business law and the state technology law,  
in relation to notification of a security breach

The People of the State of New York, represented in Senate and Assem-  
bly, do enact as follows:

1 Section 1. This act shall be known and may be cited as the "New York  
2 Data Security Act".

3 § 2. The article heading of article 39-F of the general business law,  
4 as added by chapter 442 of the laws of 2005, is amended to read as  
5 follows:

6 NOTIFICATION OF UNAUTHORIZED ACQUISITION OF PRIVATE  
7 INFORMATION; DATA SECURITY PROTECTIONS

8 § 3. Subdivisions 1, 2, 3, 5, 6, 7 and 8 of section 899-aa of the  
9 general business law, as added by chapter 442 of the laws of 2005, para-  
10 graph (c) of subdivision 1, paragraph (a) of subdivision 6 and subdivi-  
11 sion 8 as amended by chapter 491 of the laws of 2005 and paragraph (a)  
12 of subdivision 8 as amended by section 6 of part N of chapter 55 of the  
13 laws of 2013, are amended and a new subdivision 5-a is added to read as  
14 follows:

15 1. As used in this section, the following terms shall have the follow-  
16 ing meanings:

17 (a) "Personal information" shall mean any information concerning a  
18 natural person which, because of name, number, personal mark, or other  
19 identifier, can be used to identify such natural person;

20 (b) "Private information" shall mean either: (i) personal information  
21 consisting of any information in combination with any one or more of the  
22 following data elements, when either the personal information or the  
23 data element is not encrypted, or encrypted with an encryption key that  
24 has also been accessed or acquired:

25 (1) social security number;

26 (2) driver's license number or non-driver identification card number;

27 [~~ex~~]

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 (3) account number, credit or debit card number, in combination with  
2 any required security code, access code, [~~or~~] password or other informa-  
3 tion that would permit access to an individual's financial account;

4 (4) account number, credit or debit card number, if circumstances  
5 exist wherein such number could be used to access an individual's finan-  
6 cial account without additional identifying information, security code,  
7 access code, or password; or

8 (5) biometric information, meaning data generated by automatic meas-  
9 urements of an individual's physical characteristics, which are used to  
10 authenticate the individual's identity;

11 (ii) a user name or e-mail address in combination with a password or  
12 security question and answer that would permit access to an online  
13 account; or

14 (iii) any unsecured protected health information held by a "covered  
15 entity" as defined in the health insurance portability and accountabil-  
16 ity act of 1996 (45 C.F.R. pts. 160, 162, 164), as amended from time to  
17 time.

18 "Private information" does not include publicly available information  
19 which is lawfully made available to the general public from federal,  
20 state, or local government records.

21 (c) "Breach of the security of the system" shall mean unauthorized  
22 access to or acquisition of, or access to or acquisition without valid  
23 authorization, of computerized data that compromises the security,  
24 confidentiality, or integrity of [~~personal~~] private information main-  
25 tained by a business. Good faith access to, or acquisition of  
26 [~~personal~~], private information by an employee or agent of the business  
27 for the purposes of the business is not a breach of the security of the  
28 system, provided that the private information is not used or subject to  
29 unauthorized disclosure.

30 In determining whether information has been accessed, or is reasonably  
31 believed to have been accessed, by an unauthorized person or a person  
32 without valid authorization, such business may consider, among other  
33 factors, indications that the information was viewed, communicated with,  
34 used, or altered by a person without valid authorization or by an unau-  
35 thorized person.

36 In determining whether information has been acquired, or is reasonably  
37 believed to have been acquired, by an unauthorized person or a person  
38 without valid authorization, such business may consider the following  
39 factors, among others:

40 (1) indications that the information is in the physical possession and  
41 control of a person without valid authorization or by an unauthorized  
42 person, such as a lost or stolen computer or other device containing  
43 information; or

44 (2) indications that the information has been downloaded or copied; or

45 (3) indications that the information was used by a person without  
46 valid authorization or an unauthorized person, such as fraudulent  
47 accounts opened or instances of identity theft reported.

48 (d) "Consumer reporting agency" shall mean any person which, for mone-  
49 tary fees, dues, or on a cooperative nonprofit basis, regularly engages  
50 in whole or in part in the practice of assembling or evaluating consumer  
51 credit information or other information on consumers for the purpose of  
52 furnishing consumer reports to third parties, and which uses any means  
53 or facility of interstate commerce for the purpose of preparing or  
54 furnishing consumer reports. A list of consumer reporting agencies shall  
55 be compiled by the state attorney general and furnished upon request to

1 any person or business required to make a notification under subdivision  
2 two of this section.

3 (e) "Credit card" shall mean any card or other credit device issued by  
4 a financial institution to a consumer for the purpose of providing  
5 money, property, labor or services on credit.

6 (f) "Debit card" shall mean any card or other device issued by a  
7 financial institution to a consumer for use in initiating an electronic  
8 fund transfer from the account of the consumer at such financial insti-  
9 tution, for the purpose of transferring money between accounts or  
10 obtaining money, property, labor or services.

11 2. Any person or business which [~~conducts business in New York state,~~  
12 ~~and which~~] owns or licenses computerized data which includes private  
13 information shall disclose any breach of the security of the system  
14 following discovery or notification of the breach in the security of the  
15 system to any resident of New York state whose private information was,  
16 or is reasonably believed to have been, accessed or acquired by a person  
17 without valid authorization or by an unauthorized person. The disclo-  
18 sure shall be made in the most expedient time possible and without  
19 unreasonable delay, consistent with the legitimate needs of law enforce-  
20 ment, as provided in subdivision four of this section, or any measures  
21 necessary to determine the scope of the breach and restore the [~~reason-~~  
22 ~~able~~] integrity of the system.

23 3. Any person or business which maintains computerized data which  
24 includes private information which such person or business does not own  
25 shall notify the owner or licensee of the information of any breach of  
26 the security of the system immediately following discovery, if the  
27 private information was, or is reasonably believed to have been,  
28 acquired by a person without valid authorization or by an unauthorized  
29 person.

30 5. The notice required by this section shall be directly provided to  
31 the affected persons by one of the following methods:

32 (a) written notice;

33 (b) electronic notice, provided that the person to whom notice is  
34 required has expressly consented to receiving said notice in electronic  
35 form and a log of each such notification is kept by the person or busi-  
36 ness who notifies affected persons in such form; provided further,  
37 however, that in no case shall any person or business require a person  
38 to consent to accepting said notice in said form as a condition of  
39 establishing any business relationship or engaging in any transaction.

40 (c) telephone notification provided that a log of each such notifica-  
41 tion is kept by the person or business who notifies affected persons; or

42 (d) substitute notice, if a business demonstrates to the state attor-  
43 ney general that the cost of providing notice would exceed two hundred  
44 fifty thousand dollars, or that the affected class of subject persons to  
45 be notified exceeds five hundred thousand, or such business does not  
46 have sufficient contact information. Substitute notice shall consist of  
47 all of the following:

48 (1) e-mail notice when such business has an e-mail address for the  
49 subject persons, except if the breached information includes an e-mail  
50 address in combination with a password or security question and answer  
51 that would permit access to the online account, in which case the person  
52 or business shall instead provide clear and conspicuous notice delivered  
53 to the consumer online when the consumer is connected to the online  
54 account from an internet protocol address or from an online location  
55 which the person or business knows the consumer customarily uses to  
56 access the online account;

1 (2) conspicuous posting of the notice on such business's web site  
2 page, if such business maintains one; and

3 (3) notification to major statewide media.

4 5-a. Any credit or debit card issuer that issues a new credit or debit  
5 card as a result of a breach of the security of the system pursuant to  
6 paragraph (c) of subdivision one of this section, shall provide the  
7 consumer notice that the issuance of the replacement credit or debit  
8 card is due to a potential compromise of the prior card absent any  
9 evidence of actual or potential unauthorized use of such credit or debit  
10 card or other circumstances precipitating the issuance of a replacement  
11 card.

12 6. (a) whenever the attorney general shall believe from evidence  
13 satisfactory to him that there is a violation of this article he may  
14 bring an action in the name and on behalf of the people of the state of  
15 New York, in a court of justice having jurisdiction to issue an injunc-  
16 tion, to enjoin and restrain the continuation of such violation. In  
17 such action, preliminary relief may be granted under article sixty-three  
18 of the civil practice law and rules. In such action the court may award  
19 damages for actual costs or losses incurred by a person entitled to  
20 notice pursuant to this article, if notification was not provided to  
21 such person pursuant to this article, including consequential financial  
22 losses. Whenever the court shall determine in such action that a person  
23 or business violated this article knowingly or recklessly, the court may  
24 impose a civil penalty of the greater of five thousand dollars or up to  
25 [~~ten~~] twenty dollars per instance of failed notification, provided that  
26 the latter amount shall not exceed [~~one~~] two hundred fifty thousand  
27 dollars.

28 (b) the remedies provided by this section shall be in addition to any  
29 other lawful remedy available.

30 (c) no action may be brought under the provisions of this section  
31 unless such action is commenced within [~~two~~] three years [~~immediately~~]  
32 after either the date [~~of the act complained of or the date of discovery~~  
33 ~~of such act~~] on which the attorney general became aware of the  
34 violation, or the date of notice sent pursuant to paragraph (a) of  
35 subdivision eight of this section, whichever occurs first.

36 7. Regardless of the method by which notice is provided, such notice  
37 shall include contact information for the person or business making the  
38 notification, the telephone numbers and websites of the relevant state  
39 and federal agencies that provide information regarding security breach  
40 response and identity theft prevention and protection information, and a  
41 description of the categories of information that were, or are reason-  
42 ably believed to have been, accessed or acquired by a person without  
43 valid authorization or by an unauthorized person, including specifica-  
44 tion of which of the elements of personal information and private infor-  
45 mation were, or are reasonably believed to have been, so accessed or  
46 acquired.

47 8. (a) In the event that any New York residents are to be notified,  
48 the person or business shall notify the state attorney general, the  
49 department of state and the [~~division of state police~~] office of infor-  
50 mation technology services as to the timing, content and distribution of  
51 the notices and approximate number of affected persons and shall provide  
52 a copy of the template of the notice sent to affected persons. Such  
53 notice shall be made without delaying notice to affected New York resi-  
54 dents.

55 (b) In the event that more than five thousand New York residents are  
56 to be notified at one time, the person or business shall also notify

1 consumer reporting agencies as to the timing, content and distribution  
2 of the notices and approximate number of affected persons. Such notice  
3 shall be made without delaying notice to affected New York residents.

4 § 4. The general business law is amended by adding a new section 899-  
5 bb to read as follows:

6 § 899-bb. Data security protections. 1. Definitions. (a) "Compliant  
7 regulated entity" shall mean any person or business that is subject to,  
8 and in compliance with, any of the following data security requirements:

9 (i) regulations promulgated pursuant to Title V of the federal Gramm-  
10 Leach-Bliley Act (15 U.S.C. 6801 to 6809), as amended from time to time;

11 (ii) regulations implementing the Health Insurance Portability and  
12 Accountability Act of 1996 (45 C.F.R. parts 160 and 164), as amended  
13 from time to time, and the Health Information Technology for Economic  
14 and Clinical Health Act, as amended from time to time;

15 (iii) part five hundred of title twenty-three of the official compila-  
16 tion of codes, rules and regulations of the state of New York, as  
17 amended from time to time; or

18 (iv) any other data security rules and regulations of, and the stat-  
19 utes administered by, any official department, division, commission or  
20 agency of the federal or New York State government as such rules, regu-  
21 lations or statutes are interpreted by such department, division,  
22 commission or agency or by the federal or New York State courts.

23 (b) "Certified compliant entity" shall mean any person or business  
24 that:

25 (i) is compliant with any of the data security requirements in para-  
26 graph (a) of this subdivision or with the most up to date version of the  
27 International Standards Organization Standard 27002 or with the most up  
28 to date version of National Institute of Standards and Technology  
29 Special Publication 800-53, as it relates to the protection of electron-  
30 ic private information; and

31 (ii) has such compliance certified annually by an independent, third-  
32 party assessment organization that is authorized to provide such certifi-  
33 cations by the official department, division, commissioner or agency or  
34 standards body that promulgates the data security regulations or stand-  
35 ards being certified.

36 (c) "Private information" shall have the same meaning as defined in  
37 section eight hundred ninety-nine-aa of this article.

38 (d) "Small business" shall mean any person or business with (i) fewer  
39 than fifty employees, including any independent contractors, of the  
40 business; (ii) less than three million dollars in gross annual revenue  
41 in each of the last three fiscal years; or (iii) less than five million  
42 dollars in year-end total assets, calculated in accordance with general-  
43 ly accepted accounting principles.

44 2. Reasonable security. (a) Any person or business that owns or  
45 licenses computerized data which includes private information of a resi-  
46 dent of New York shall develop, implement and maintain reasonable safe-  
47 guards to protect the security, confidentiality and integrity of the  
48 private information including, but not limited to, disposal of data.

49 (b) Small businesses subject to the requirements of paragraph (a) of  
50 this subdivision shall be deemed to be in compliance with such require-  
51 ment if they implement and maintain reasonable safeguards that are  
52 appropriate to the size and complexity of the small business to protect  
53 the security, confidentiality and integrity of the private information  
54 including, but not limited to, disposal of data.

55 (c) A person or business shall be deemed to be in compliance with  
56 paragraphs (a) and (b) of this subdivision if it either:

1 (i) is a compliant regulated entity as defined in subdivision one of  
2 this section;

3 (ii) is a certified compliant entity as defined in subdivision one of  
4 this section; or

5 (iii) implements a data security program that includes the following:

6 (A) administrative safeguards such as the following, in which the  
7 person or business:

8 (1) designates one or more employees to coordinate the security  
9 program;

10 (2) identifies reasonably foreseeable internal and external risks;

11 (3) assesses the sufficiency of safeguards in place to control the  
12 identified risks;

13 (4) trains and manages employees in the security program practices and  
14 procedures;

15 (5) selects service providers capable of maintaining appropriate safe-  
16 guards, and requires those safeguards by contract; and

17 (6) adjusts the security program in light of business changes or new  
18 circumstances; and

19 (B) technical safeguards such as the following, in which the person or  
20 business:

21 (1) assesses risks in network and software design;

22 (2) assesses risks in information processing, transmission and stor-  
23 age;

24 (3) detects, prevents and responds to attacks or system failures; and

25 (4) regularly tests and monitors the effectiveness of key controls,  
26 systems and procedures; and

27 (C) physical safeguards such as the following, in which the person or  
28 business:

29 (1) assesses risks of information storage and disposal;

30 (2) detects, prevents and responds to intrusions;

31 (3) protects against unauthorized access to or use of private informa-  
32 tion during or after the collection, transportation and destruction or  
33 disposal of the information; and

34 (4) disposes of private information within a reasonable amount of time  
35 after it is no longer needed for business purposes by erasing electronic  
36 media so that the information cannot be read or reconstructed.

37 (d) Any person or business required to comply with paragraph (a) or  
38 (b) of this subdivision that fails to comply with such subdivisions  
39 shall be deemed to have violated section three hundred forty-nine of  
40 this chapter, and the attorney general may bring an action in the name  
41 and on behalf of the people of the state of New York to enjoin such  
42 violations and to obtain civil penalties under section three hundred  
43 fifty-d of this chapter.

44 (e) Nothing in this section shall create a private right of action.

45 3. Safe harbor for certified compliant entities. A certified compli-  
46 ant entity shall not be subject to an enforcement action by the attorney  
47 general pursuant to subdivision two of this section if:

48 (a) it provides copies of its certifications of compliance to the  
49 attorney general; and

50 (b) there is no evidence of willful misconduct, bad faith or gross  
51 negligence.

52 § 5. Paragraph (a) of subdivision 1 and subdivisions 2, 3, 6, 7 and 8  
53 of section 208 of the state technology law, paragraph (a) of subdivision  
54 1 and subdivisions 3 and 8 as added by chapter 442 of the laws of 2005,  
55 subdivision 2 and paragraph (a) of subdivision 7 as amended by section 5  
56 of part N of chapter 55 of the laws of 2013 and subdivisions 6 and 7 as

1 amended by chapter 491 of the laws of 2005, are amended to read as  
2 follows:

3 (a) "Private information" shall mean either: (i) personal information  
4 consisting of any information in combination with any one or more of the  
5 following data elements, when either the personal information or the  
6 data element is not encrypted or encrypted with an encryption key that  
7 has also been accessed or acquired:

8 (1) social security number;

9 (2) driver's license number or non-driver identification card number;  
10 [~~or~~]

11 (3) account number, or credit or debit card number, in combination  
12 with any required identifying information, security code, access code,  
13 or password which would permit access to an individual's financial  
14 account;

15 (4) account number, or credit or debit card number, if circumstances  
16 exist wherein such number could be used to access to an individual's  
17 financial account without additional identifying information, security  
18 code, access code, or password; or

19 (5) biometric information, meaning data generated by automatic meas-  
20 urements of an individual's physical characteristics, which are used to  
21 authenticate the individual's identity;

22 (ii) a user name or e-mail address in combination with a password or  
23 security question and answer that would permit access to an online  
24 account; or

25 (iii) any unsecured protected health information held by a "covered  
26 entity" as defined in the health insurance portability and accountabil-  
27 ity act of 1996 (45 C.F.R. pts. 160, 162, 164), as amended from time to  
28 time.

29 "Private information" does not include publicly available information  
30 that is lawfully made available to the general public from federal,  
31 state, or local government records.

32 2. Any state entity that owns or licenses computerized data that  
33 includes private information shall disclose any breach of the security  
34 of the system following discovery or notification of the breach in the  
35 security of the system to any resident of New York state whose private  
36 information was, or is reasonably believed to have been, accessed or  
37 acquired by a person without valid authorization or an unauthorized  
38 person. The disclosure shall be made in the most expedient time possi-  
39 ble and without unreasonable delay, consistent with the legitimate needs  
40 of law enforcement, as provided in subdivision four of this section, or  
41 any measures necessary to determine the scope of the breach and restore  
42 the [~~reasonable~~] integrity of the data system. The state entity shall  
43 consult with the state office of information technology services to  
44 determine the scope of the breach and restoration measures. Within nine-  
45 ty days of the notice of the breach, the office of information technolo-  
46 gy services shall deliver a report on the scope of the breach and recom-  
47 mendations to restore and improve the security of the system to the  
48 state entity.

49 3. Any state entity that maintains computerized data that includes  
50 private information which such agency does not own shall notify the  
51 owner or licensee of the information of any breach of the security of  
52 the system immediately following discovery, if the private information  
53 was, or is reasonably believed to have been, acquired by a person with-  
54 out valid authorization or an unauthorized person.

55 6. Regardless of the method by which notice is provided, such notice  
56 shall include contact information for the state entity making the

1 notification, the telephone numbers and websites of the relevant state  
2 and federal agencies that provide information regarding security breach  
3 response and identity theft prevention and protection information and a  
4 description of the categories of information that were, or are reason-  
5 ably believed to have been, accessed or acquired by a person without  
6 valid authorization or an unauthorized person, including specification  
7 of which of the elements of personal information and private information  
8 were, or are reasonably believed to have been, so accessed or acquired.

9 7. (a) In the event that any New York residents are to be notified,  
10 the state entity shall notify the state attorney general, the department  
11 of state and the state office of information technology services as to  
12 the timing, content and distribution of the notices and approximate  
13 number of affected persons and provide a copy of the template of the  
14 notice sent to affected persons. Such notice shall be made without  
15 delaying notice to affected New York residents.

16 (b) In the event that more than five thousand New York residents are  
17 to be notified at one time, the state entity shall also notify consumer  
18 reporting agencies as to the timing, content and distribution of the  
19 notices and approximate number of affected persons. Such notice shall be  
20 made without delaying notice to affected New York residents.

21 8. The state office of information technology services shall develop,  
22 update and provide regular training to all state entities relating to  
23 best practices for the prevention of a breach of the security of the  
24 system.

25 9. Any entity listed in subparagraph two of paragraph (c) of subdivi-  
26 sion one of this section shall adopt a notification policy no more than  
27 one hundred twenty days after the effective date of this section. Such  
28 entity may develop a notification policy which is consistent with this  
29 section or alternatively shall adopt a local law which is consistent  
30 with this section.

31 § 6. This act shall take effect January 1, 2018.