

# The California Consumer Privacy Act (CCPA)

Judith Shophet Sidkoff  
Los Angeles  
judith.sidkoff@dentons.com  
213.892.5130

Peter Stockburger  
San Diego  
peter.stockburger@dentons.com  
619.595.8018

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## The California Consumer Privacy Act (CCPA)

### Agenda

- How We Got Here, Where We Are & Where We're Going
- The Who, What & Why (Definitions, Consumer Rights, Business Obligations)
- What's Your Risk? A Closer Look At Enforcement & The Private Right of Action
- Update On AG Regulations
- Litigation Takeaways
- Not In Compliance? Quick Tips
- Questions Throughout

# *How We Got Here, Where We Are & Where We're Going*

## How We Got Here & Where We're Going

### How We Got Here

#### Federal

FTC Act

US Federal Financial Laws

US Federal Healthcare Laws

Child online  
protections /  
Red Flag  
Rules

Fair Credit  
Reporting Act

GLBA

HIPAA

HITECH

#### State

50 different  
data breach  
laws

New  
consumer  
privacy laws  
(CA, NV)

Shine the  
Light (CA, NY)

Cybersecurity  
specific (NY,  
CO)

Child online  
safety rules  
(CA)

Biometric  
Privacy Laws  
(IL)

Insurance  
privacy (CA,  
CT)

Financial  
information  
(CA)

## How We Got Here & Where We're Going

### Where We Are & Where We're Going



Passed, signed on  
**6/28/18**, amended  
**9/23/18**, effective  
**1/1/20**



Amendments final on  
**10/11/19**, AG draft  
regulations released  
**10/10/19**



AG took comment  
through **12/6/19**, now  
final



CCPA 2.0 looking at  
2020 ballot



Federal discussions  
on federal data privacy  
law



Copycat CCPA

***The Who, What & Why  
(Definitions, Consumer Rights,  
Business Obligations)***

## Key Definitions

### Who Must Comply - Business

#### Definition #1

- **For-profit entity** that: (1) collects or determines the “purposes and means of the processing of” a California resident’s personal information; (2) conducts business in California; and (3) satisfies one of the following three thresholds:
  - **Has an annual gross revenue** in excess of \$25m USD, as adjusted;
  - **Buys, receives, sells, or shares** the personal information of 50,000 or more California residents, households, or devices per year (e.g., approximately 137 unique visitors per day); or
  - **Derives 50 percent or more of annual revenue** from “selling” California resident personal information.

#### Definition #2

- Any entity that **controls or is controlled** by a “business” as defined in definition #1, and that “shares common branding with the business.”
- **Controls or is controlled** means: (1) ownership of, or the power to vote, more than 50 percent of the outstanding shares of any class of voting security of a business; (2) control in any manner over the election of a majority of the directors, or of individuals exercising similar function; or (3) the power to exercise a controlling influence over the management of a company.
- **“Common branding”** means a shared name, servicemark, or trademark.

## Key Definitions

### Who Is Protected - Consumers

#### Definition #1

- Any **natural person who is a California resident**, as defined in Section 17014 of Title 18 of the California Code of Regulations, “however identified.”
- **“However identified”** presents a potential strict liability standard.
- **Tip** - Consider putting burden on individual submitting request to confirm they are a California resident.
- **On face value includes** employees, competitors, B2B partners, owners, directors, officers, non-consumers, job applicants, and independent contractors.

#### Important Exemptions

- **Employee exemption until 2021**: The personal information of job applicants, employees, owners, directors, officers, and independent contractors is largely excluded from coverage under a majority of the CCPA (subject to notice and security standards).
- **Limited B2B exemption until 2021**: Personal information within the context of the “business conducting due diligence regarding, or providing or receiving a product or service” is exempted until 2021.
- **Tip**. Use opportunity to amend contracts, including with independent contractors to align with AB 5.

## Key Definitions

### What Is Covered - Personal Information

- **Information** that “identifies, relates to, describes, is **reasonably** capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer or household.”
- **Does not include** publicly available, aggregate, or deidentified information (all separately defined).
- **Extremely broad definition** that could include surveillance footage, IP address, technical information not otherwise considered personal under previous laws.
- **Includes**, but is not limited to, the following categories:

- **Identifiers** such as real name, alias, postal address, unique personal identifier, online identifier, IP address, email address, account name, social security number, driver's license number, passport number, or other similar identifiers;
- Any **categories of PI** described in Civ. Code § 1798.80(e);
- **Characteristics** of protected classifications under California or federal law;
- **Commercial information**, including records of personal property, products or services purchased, obtained, or considered, or other purchasing or consuming histories or tendencies;
- **Biometric** information;
- **Internet or other electronic network activity information**, including, but not limited to, browsing history, search history, and information regarding a consumer's interaction with an Internet Web site, application, or advertisement;
- **Geolocation** data;
- **Audio**, electronic, visual, thermal, olfactory, or similar information;
- **Professional** or employment-related information;
- **Education information**, defined as information that is not publicly available personally identifiable information as defined in the Family Educational Rights and Privacy Act (Civ. Code § 1798.140(o)(1)(A)-(K)); and
- **Inferences** drawn from any of the information identified in this subdivision to create a profile about a consumer reflecting the consumer's preferences, characteristics, psychological trends, predispositions, behavior, attitudes, intelligence, abilities, and aptitudes.

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## Key Definitions

### What Data Is Exempted

- **Employee data (2021).** Personal information of consumers in the course of the person acting as a job applicant, employee, contractor, officer, or director until 2021. Notice and security features still apply.
- **B2B communications (2021).** Personal information shared between a business within the context of the “business conducting due diligence regarding, or providing or receiving a product or service to or from such entity.”
- **Health information.** Medical information under the CMIA or protected health information (PHI) under HIPAA, including the Privacy and Security Rules.
- **Consumer reporting information.** The sale of personal information to or from a consumer reporting agency if reported in or used to generate a consumer report under the FCRA.
- **Financial Information:** Information collected, processed, sold, or disclosed pursuant to the GLBA or California equivalent.
- **Driver's Information:** Certain information collected, processed, sold, or disclosed pursuant to the Driver's Privacy Protection Act of 1994.

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## Consumer Rights & Obligations

### Right To Know

#### Consumer Rights

- The **right to know** the **categories** and **specific pieces of personal information** collected, sold, or disclosed for business purposes by a “business.”
- Request must be “**verifiable**” (subject to verification standards proposed by AG regs).
- **Right to receive notice** of the right in the privacy policy, and notice at or before the point of collection of categories and purposes of use.
- **12 month lookback** on requests.
- **Opt-in required** if use goes beyond what is originally disclosed in “just-in-time” notice.

#### Business Obligations

- **Notice at or before the point of collection** to inform consumers about the **categories** of personal information to be collected and the **purposes** for their use.
- **Make available** two or more designated methods for submitting a request, including “at a minimum” a toll-free telephone number and “interactive webform.” (AG regs / CCPA conflict).
- **Response.** Must confirm receipt within **10 days**, and respond within **45 days** subject to extensions.
- **Privacy Policy** disclosure requirements.
- **Reasonable security requirement** on transmitting specific pieces of personal information.

## Consumer Rights & Business Obligations

### Right To Delete

#### Consumer Rights

- **Right** to request that a business delete consumer personal information collected about the consumer (AG expanded).
- **Verification required** Request must be made by verifiable consumer request (AG standards).
- **Are you sure?** Consumer must verify twice the request to delete (AG standards).
- **Deletion obligations** extend to “service providers.” Double-edged sword. But what does “direct” mean?

#### Business Obligation

- **Privacy policy** must contain a description of the right to delete, including instructions for how to submit a verified request and links to an online form or portal to make the request (if offered).
- **Make available** two or more designated methods for submitting a request. No required minimum (compare against right to know).
- **Response.** Must confirm receipt within **10 days**, and respond within **45 days** subject to extensions.
- **Extensive exceptions**, including: (1) to complete the transaction with the consumer; (2) to comply with a legal obligation; or (3) to enable solely internal uses aligned with the consumer’s expectations.

## Consumer Rights & Business Obligations

### Right To Opt-Out

#### Consumer Rights

- Right to “**opt-out**” of the **sale** of personal information from a **business** to a **third party** (excluding service providers and non-third parties).
- **Notice required** of right and sale.
- **No verification required** (compare against right to know and right to delete).
- **No sale** under age of 16, unless under 13 with parental consent or between 13 and 16 with the minor’s consent (**opt-in**).
- **Respect** the decision to opt-out for at least 12 months before requesting another sale.

#### Business Obligation

- **Request methods.** Requires two or more designated methods for submitting requests, including at a minimum a “**clear and conspicuous**” link on the homepage / website or landing page of mobile application that says “Do Not Sell My Personal Information” or “Do Not Sell My Info.” Link must connect to “interactive webform.” Other methods include toll-free number, designated e-mail address, in-person or by mail forms, and “user-enabled privacy controls.”
- **Disclosure** must be on the privacy notice.
- **Formatting and substance requirements** for notices (AG regs).

## Consumer Rights & Business Obligations

### What Does It Mean To Sell Personal Information

#### Definition

- “**Sell**” or “**sale**” is defined broadly as selling, 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 another **business** or **third party** for **monetary** or **other valuable consideration**.
- What is “**other valuable consideration**”?
- **California contract law** may govern in the interim.
- **Common examples...**

#### Statutory Exceptions

- **Example #1** - When a consumer intentionally directs or uses a business to disclose the consumer’s personal information.
- **Example #2** - When a business uses or shares an “identifier” for the purpose of alerting a third party that a consumer has opted out of the sale of their personal information.
- **Example #3** - Personal information is disclosed to a “**service provider**.”
- **Example #4** - Business transfers personal information to a third party as an asset that is part of a “transaction in which the third party assumes control of all or part of the business” provided the information is “used or shared” consistent with law.

## Additional Rights & Obligations

### Right to Anti-Discrimination - General Overview

- **Business cannot discriminate** against a consumer for exercising rights under the CCPA, including but not limited to:
  - **Denying** goods or services to the consumer;
  - **Charging** different prices or rates for goods and services, including discounts, benefits, or penalties
  - **Providing** a different level or quality of goods or services; or
  - **Suggesting** the consumer will receive a different price or rate for goods or services or a different level or quality of goods or services.
- **Exceptions**
  - **Value Exception.** A business may charge a consumer a different price or rate or provide a different level of or quality of goods or services if the difference is “reasonably related” to the value provided to the consumer by the consumer’s data. (AG standards)
  - **Financial incentive exception.** A business may offer financial incentives, including payments to consumers as compensation, for the collection, sale, or deletion of personal information if it is “reasonably related” to the value provided to the business by the consumer’s data. (AG standards)

## Additional Business Obligations

### Record Keeping & Training

- **Limited record keeping.** Consumer requests, including how the business responded to requests for at least 24 months (2 years). The records may be maintained in a ticket or log format if the format includes certain information. There are data use restrictions for records maintained.
- **No requirement for broader record keeping.** No express data retention requirements otherwise.
- **4m metrics.** A business that alone or in combination annually buys, receives for a business purpose, sells, or shares for commercial purposes, the personal information of 4m or more consumers must prepare certain metrics and disclose such metrics on the privacy policy.
- **Training.** Any individual responsible for handling consumer inquiries about the business’s privacy practices or the business’s compliance with the CCPA must be trained on the requirements of the CCPA and how to direct consumers to exercise their rights under the CCPA and the AG’s regulations.



# *What's Your Risk? A Closer Look At Enforcement & The Private Right Of Action*

## Regulations, Enforcement & Private Right of Action

### AG Enforcement & Private Right of Action

#### AG Enforcement

- Any business or third party may **seek the opinion** of the AG.
- **Safe harbor** - ability to cure (30 days).
- **AG regulations** now final.
- **If business fails to cure** within 30 days after being notified of alleged noncompliance, AG enforcement:
  - Injunction;
  - **Liability for a civil penalty** of not more than \$2,500 for each violation or \$7,500 for each intentional violation (NO CAP);
  - Penalties shall be **exclusively** assessed and recovered in an a civil action brought by the AG.

#### Private Right of Action

- **Limited** to when personal information, as defined under Civ. Code 1798.81.5(d), is: (1) nonencrypted **and** nonredacted; (2) subject to a breach resulting from the business's "violation of the duty to implement and maintain **reasonable security procedures and practices** appropriate to the nature of the information to protect the personal information."
- **Relief includes** damages, injunctive relief, other "relief".
- **Statutory damages** not less than \$100 and not greater than \$750 per consumer per incident or "actual damages", whichever is higher.
- **Ability to cure** (30 days).

# *Litigation Takeaways*

## Litigation Takeaways

### What Does “Reasonable Security” Mean

#### Breaking Down The CCPA Standard

- **Only a private right of action** where personal information, as defined under Civil Code 1798.81.5(d), is: (1) nonencrypted and nonredacted; and (2) subject to “an unauthorized access and exfiltration, theft, or disclosure” as a result of the business’s violation of the duty to implement and maintain reasonable security procedures and practices appropriate to the nature of the information to protect the personal information.”
- **Ambiguity re:** “unauthorized access and exfiltration, theft, or disclosure[.]” Potential broad reading.
- **Duty** to implement and maintain reasonable security procedures and practices is derived from Civil Code 1798.81.5(b).

#### What Is Reasonable Security?

- **2016 California AG Report endorsed Center for Internet Security’s 20** controls as baseline minimum security under 1798.81.5(b).
- **CIS Controls 7.1** is most recent version. Contains hundreds of sub-controls.
- **Look at more heightened cybersecurity frameworks**, such as HITRUST (healthcare) to determine what would be reasonable in your industry.
- **Subject to expert opinions**, will not be easy to resolve in early pleading.

## Litigation Takeaways

### What Will Lawsuits Look Like?

#### CCPA Lawsuits

- Class or individual suits based on a negligent data breach.
- Lawsuits so far?
- Standing issues will largely be done away with (compare against Article III arguments).
- Statutory damages available, as well as injunctive relief.

#### Other Causes Of Action

- The CCPA precludes individuals from using it as a basis for a private right of action under any other statute. (See Civ. Code § 1798.150(c) (“Nothing in this title shall be interpreted to serve as the basis for a private right of action under any other law.”))
- How does this impact other claims?
  - **UCL**
  - **Breach of contract claims**
  - **CLRA**

## Litigation Trends & Takeaways

### Takeaways

#### Class Considerations

- **Narrowing the Class** The CCPA applies only to information about a “consumer” – so class will be limited to California residents.
- **Defining the Harm** Plaintiffs who have no actual injury to pursue a claim for relief will likely seek a claim. The CCPA creates a pathway to damages in cases where plaintiffs have typically struggled to establish and quantify damages.
- **Class Certification Defenses** The CCPA compromises or eliminates several arguments available to defendants opposing class certification, such as the argument that damages cannot be determined on a class-wide basis.

#### Mitigation Exposure

- **Arbitration Provisions** Unclear whether valid arbitration agreements can carve out CCPA liability. CCPA says no abrogation of rights allowed.
- **Voluntary Class Action Waivers** New Civil Code § 1798.192 purports to invalidate waivers of rights to obtain remedies under the CCPA. The FAA gives class action waivers the potential to be a very effective tool in addressing CCPA class action risk by eliminating a person’s ability to pursue class relief for violations, which provides disincentives to plaintiffs’ law firms from bringing suits in the first place.

## Litigation Trends & Takeaways

### Will UCL Claims Based On The CCPA Be Permitted?

- Even statutes that do not expressly provide private rights of action may support claims under the UCL.
- ***Moradi-Shalal v. Fireman's Fund Ins. Cos.*, 46 Cal. 3d 305, 313 (1988)** (holding that delegation of enforcement of the Unfair Insurance Practices Act only to the insurance commissioner was sufficient evidence that the legislature did not contemplate private enforcement; no private right of action).
- ***Zhang v. Super. Ct.*, 57 Cal. 4th 364, 368 (2013)** (holding that Unfair Insurance Practices Act's bar against private actions did not prevent UCL claim based on grounds independent from the underlying statute even when the purported conduct also happens to violate it).
- ***O'Donnell v. Bank of America, Nat. Ass'n*, 2013 WL 98554, at \*1 (9th Cir. Jan. 9, 2013)** (no private right of action under FTC Act because the Act provided only for enforcement by FTC).
- ***Rose v. Bank of America, N.A.*, 57 Cal. 4th 390, 393 (2013)** (allowing "unlawful" UCL claim for violations of the federal Truth in Savings Act despite no express private right of action because Congress intended for state laws to hold banks to equivalent standards).
- ***Webb v. Smart Document Solutions, LLC*, 499 F.3d 1078, 1082 (9th Cir. 2007)** (applying California law in diversity case and holding that absence of private right of action under HIPAA does not foreclose UCL claim based on HIPAA violation).

***Not Ready Yet? Tips For Compliance***

## Tips For Compliance

### Tip #1 - Know Thyself

- **Prepare data maps, inventories or other records** of all personal information pertaining to California residents, households and devices, as well as information sources, storage locations, usage and recipients. This process will help prepare for data subject requests, and will enhance the organization's ability to complete a vendor risk assessment.
- **Determine whether your organization sells data** to determine whether opt-out mechanisms need to be in place, including for minors.
- **Review and understand** all existing data privacy / information security processes, procedures, and protocols. How do they align with "reasonable" standards for the private right of action? How do they align with the record keeping requirements? Where are the gaps?
- **Build stakeholder teams** and start the discussion on preparing a data map that will engage and empower those impacted.

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## Tips For Compliance

### Tip #2 - Make Strategic Decisions

- **What is the business approach to privacy?** Will the organization take a one-size-fits all approach, and adopt CCPA related rights and obligations across the board to all individuals (i.e., non-California residents, employees, etc.) or limit California? What is the outlook 5, 10 years down the road? Compliance focused, or take an industry-leading approach?
- **How does the business want to use its data in the future?** Equally important to determining how to comply with the CCPA is determining how the organization will want to treat data in the future. If the organization doesn't sell data now, will it? What types of data segregation / database consolidation efforts can be undertaken now?
- **Align strategy and approach** throughout the organization to ensure a privacy and security-by-design culture is in place, and future changes in the law can be addressed in a systematic fashion.

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## Tips For Compliance

### Tip #3 - Negotiate Third Party Agreements

- **Inventory** current third-party agreements to determine whether the third party will be considered a service provider or a non-third party under the CCPA.
- **Develop and negotiate** third-party agreement riders / revisions / new agreements that will incorporate the required provisions of the CCPA to ensure carve-outs for service providers or non-third parties apply.
- **Tip** - Watch-out for sneaky provisions giving the recipient of the data the right to use the data beyond the terms of the contract.
- **Tip** - Use the opportunity to review data breach, indemnity, warranty provisions.
- **Ensure security protocols**, and best practices are implemented across the third party environment.
- **Develop** third-party auditing standards, if not already in place.

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## Tips For Compliance

### Tip #4 - Align Internal Processes

- **Inventory** current data privacy and information security policies, processes, and standards to leverage for CCPA compliant policies, processes, and standards.
- **Develop new** internal policies, processes, and standards for handling data subject act requests, verifying identity, tracking opt-out requests, record retention, and training.
- **Ensure HR and IT** coordinate with the notices to job applicants and employees, and information is adequately secure.
- **Prepare and implement new systems, templates and databases** to facilitate data subject access requests and record keeping requirements.
- **Implement training** to ensure policies, processes, and standards are well integrated.

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## Tips For Compliance

### Tip #5 - Update & Create External Notices

- **Update external privacy policy** to include descriptions of CCPA rights, appropriate disclosures on categories of personal information collected, sold, or disclosed for business purposes, and provide the required link and disclosures for the right to opt-out.
- **Tip** - Use this opportunity to revise and streamline external facing privacy policy more generally. Adopt best practices, simplify, and consider how California rights will be displayed.
- **Create “Just-In-Time” Notices** that comply with the “at or before the point of collection” requirement. These notices must not only appear on websites and applications, but they also need to appear in employee handbooks, and any location where job applications and/or employee information is collected. Consider user-friendly notices, and ensure they are readable, accessible, and available in multiple languages.

## Tips For Compliance

### Tip #6 - Don't Sleep On Cybersecurity

- **Biggest risk** for the private right of action is having protected data exposed in a data breach, and there not be reasonable security measures in place.
- **Measure security posture** against, at a minimum, the Center for Internet Security's Critical Security Controls (2016 AG) to determine “reasonable” security requirement. Consider additional frameworks and standards, such as NIST, HITRUST, or other industry standards that may better reflect reasonable security in 2019-2020.
- **Ensure California resident personal information is encrypted and/or redacted** at rest or in transit. Review current data sets to see what can be deidentified or aggregated to minimize exposure.
- **Ensure third parties are audited** to protect against flow-down liability.

## Getting Ready For The CCPA

### Tip #7 - Third Party Assessments

- **Gap / risk assessments** can help determine course of action for HR and Legal.
- **Vendors galore**, but not all created equal
- **Law firm advantage** - privileged report
- **Dentons advantage**
  - Leading in **data protection / privacy**
  - Leading in **cybersecurity**
  - Leading in **employment**
  - Leading in **contract negotiation**
  - Leading in **client service**



## Thank you

大成 DENTONS

Dentons US LLP  
4655 Executive Drive, Ste. 700  
San Diego, CA 92121  
United States

Dentons US LLP  
601 South Figueroa Street, Ste. 2500  
Los Angeles, CA 90017  
United States

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