

Complaint

IN THE MATTER OF

NAICS ASSOCIATION, LLCCONSENT ORDER, ETC. IN REGARD TO ALLEGED VIOLATION OF
SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-4548; File No. 152 3138**Complaint, September 29, 2015 – Decision, September 29, 2015*

This consent order addresses NAICS Association, LLC's misleading representation of their participation in the Safe Harbor privacy framework agreed upon by the U.S. and the European Union ("EU"). NAICS Association, LLC provides services to assist companies in working with or understanding NAICS ("North American Industry Classification System") and SIC ("Standard Industry Classification") system codes. The Commission's complaint alleges that NAICS Association, LLC falsely represented that it was a "current" participant in the Safe Harbor Frameworks when, in fact, from February 2014 until April 2015, NAICS Association, LLC was not a "current" participant in the Safe Harbor Frameworks. The Commission's complaint alleges that in February 2013, NAICS Association, LLC submitted its self-certification to the Safe Harbor Frameworks. NAICS Association, LLC did not renew its self-certification in February 2014 and Commerce subsequently updated NAICS Association, LLC's status to "not current" on its public website. The consent order prohibits NAICS Association, LLC from making misrepresentations about its membership in any privacy or security program sponsored by the government or any other self-regulatory or standard-setting organization, including, but not limited to, the U.S.-EU Safe Harbor Framework. As well as, requiring NAICS Association, LLC to supply and retain documents relating to their compliance with the Order for a five-year period. The proposed order mandates that NAICS Association, LLC submit an initial compliance report to the FTC, and make available to the FTC subsequent reports.

*Participants**For the Commission: Monique Einhorn**For the Respondent: Mitch Feldman, President; pro se***COMPLAINT**

The Federal Trade Commission, having reason to believe that NAICS Association, LLC, a limited liability company, has violated the Federal Trade Commission Act ("FTC Act"), and it appearing to the Commission that this proceeding is in the public interest, alleges:

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1. Respondent NAICS Association, LLC is a New Jersey limited liability company with its principal office or place of business at 129 Lake Shore Drive, Rockaway NJ 07866.

2. Respondent provides services to assist companies in working with or understanding NAICS (“North American Industry Classification System”) and SIC (“Standard Industry Classification”) system codes. NAICS and SIC codes are used by federal government statistical agencies to classify industry sectors or businesses entities for the purposes of collecting, analyzing, and publishing statistical data pertaining to the U.S. business economy.

3. The acts and practices of respondent as alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act.

4. Respondent has set forth on its website, <http://www.naics.com/privacy-policy/>, privacy policies and statements about its practices, including statements related to its participation in the Safe Harbor privacy frameworks agreed upon by the U.S. and the European Union (“U.S.-EU Safe Harbor Framework”) and the U.S. and Switzerland (“U.S.-Swiss Safe Harbor Framework”).

The Frameworks

5. The U.S.-EU Safe Harbor Framework provides a method for U.S. companies to transfer personal data outside of Europe that is consistent with the requirements of the European Union Directive on Data Protection (“Directive”). Enacted in 1995, the Directive sets forth European Union (“EU”) requirements for privacy and the protection of personal data. Among other things, it requires EU Member States to implement legislation that prohibits the transfer of personal data outside the EU, with exceptions, unless the European Commission (“EC”) has made a determination that the recipient jurisdiction’s laws ensure the protection of such personal data. This determination is referred to commonly as meeting the EU’s “adequacy” standard.

6. To satisfy the EU adequacy standard for certain commercial transfers, the U.S. Department of Commerce

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(“Commerce”) and the EC negotiated the U.S.-EU Safe Harbor Framework, which went into effect in 2000. The U.S.-EU Safe Harbor Framework allows U.S. companies to transfer personal data lawfully from the EU. To join the U.S.-EU Safe Harbor Framework, a company must self-certify to Commerce that it complies with seven principles and related requirements that have been deemed to meet the EU’s adequacy standard.

7. Companies under the jurisdiction of the U.S. Federal Trade Commission (“FTC”), as well as the U.S. Department of Transportation, are eligible to join the U.S.-EU Safe Harbor Framework. A company under the FTC’s jurisdiction that claims it has self-certified to the Safe Harbor principles, but failed to self-certify to Commerce, may be subject to an enforcement action based on the FTC’s deception authority under Section 5 of the FTC Act.

8. The U.S.-Swiss Safe Harbor Framework is identical to the U.S.-EU Safe Harbor Framework and is consistent with the requirements of the Swiss Federal Act on Data Protection.

9. Commerce maintains a public website, www.export.gov/safeharbor, where it posts the names of companies that have self-certified to the U.S.-EU Safe Harbor Framework and the U.S.-Swiss Safe Harbor Framework (“Safe Harbor Frameworks”). The listing of companies indicates whether their self-certification is “current” or “not current” and a date when recertification is due. Companies are required to recertify every year in order to retain their status as “current” members of the Safe Harbor Frameworks.

Violations of Section 5 of the FTC Act

10. In February 2013, respondent submitted to Commerce a self-certification of compliance with the Safe Harbor Frameworks.

11. In February 2014, respondent did not renew its self-certification to the Safe Harbor Frameworks, and Commerce subsequently updated respondent’s status to “not current” on its public website.

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12. Since at least February 2013, respondent has disseminated or caused to be disseminated privacy policies and statements on the <http://www.naics.com/privacy-policy/> website, including, but not limited to, the following statements:

NAICS Association, LLC comply [sic] with the requirements of the U.S.-EU Safe Harbor Framework and the U.S.-Swiss Safe Harbor Framework established by the U.S. Department of Commerce with respect to personally identifiable information (PII) within the scope of the NAICS Association's Safe Harbor certification that is transferred from the European Economic Area or Switzerland to the United States. The NAICS Association adheres to the Safe Harbor Privacy Principles of notice, choice, onward transfer, security, data integrity, access and enforcement with respect to such PII. . . For further information about the Safe Harbor Program, see the U.S. Department of Commerce website at <http://www.export.gov/safeharbor/>.

13. Through the means described in Paragraph 12, respondent represents, expressly or by implication, that it is a "current" participant in the U.S.-EU Safe Harbor and U.S.-Swiss Safe Harbor Frameworks.

14. In truth and in fact, from February 2014 through April 2015, respondent was not a "current" participant in the U.S.-EU Safe Harbor and U.S.-Swiss Safe Harbor Frameworks. Therefore, the representation set forth in Paragraph 13 was false and misleading.

15. The acts and practices of respondent as alleged in this complaint constitute deceptive acts or practices, in or affecting commerce, in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this twenty-ninth day of September 2015, has issued this complaint against respondent.

Decision and Order

By the Commission.

DECISION AND ORDER

The Federal Trade Commission (“Commission” or “FTC”), having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft complaint that the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violations of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 45 et seq.;

The respondent, and counsel for the Commission having thereafter executed an Agreement Containing Consent Order (“Consent Agreement”), which includes: a statement by respondent that it neither admits nor denies any of the allegations in the draft complaint, except as specifically stated in the Consent Agreement, and, only for purposes of this action, admits the facts necessary to establish jurisdiction; and waivers and other provisions as required by the Commission’s Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent violated the FTC Act, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed Consent Agreement and placed such agreement on the public record for a period of thirty (30) days for the receipt and consideration of public comments, now in further conformity with the procedure prescribed by Commission Rule 2.34, 16 C.F.R. § 2.34, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following Order:

1. Respondent NAICS Association, LLC is a New Jersey limited liability company with its principal office or

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place of business at 129 Lake Shore Drive,
Rockaway, New Jersey 07866.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER**DEFINITIONS**

For purposes of this Order, the following definitions shall apply:

- A. Unless otherwise specified, “respondent” shall mean NAICS Association, LLC and its successors and assigns.
- B. “Commerce” shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

I.

IT IS ORDERED that respondent and its officers, agents, representatives, and employees, whether acting directly or indirectly, in connection with the advertising, marketing, promotion, offering for sale, or sale of any product or service, in or affecting commerce, shall not misrepresent in any manner, expressly or by implication, the extent to which respondent is a member of, adheres to, complies with, is certified by, is endorsed by, or otherwise participates in any privacy or security program sponsored by the government or any other self-regulatory or standard-setting organization, including, but not limited to, the U.S.-EU Safe Harbor Framework and the U.S.-Swiss Safe Harbor Framework.

II.

IT IS FURTHER ORDERED that respondent shall maintain and upon request make available to the Federal Trade Commission for inspection and copying, a print or electronic copy of, for a period of five (5) years from the date of preparation or

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dissemination, whichever is later, all documents relating to compliance with this order, including but not limited to:

- A. all advertisements, promotional materials, and any other statements containing any representations covered by this order, with all materials relied upon in disseminating the representation; and
- B. any documents, whether prepared by or on behalf of respondent, that call into question respondent's compliance with this order.

III.

IT IS FURTHER ORDERED that respondent shall deliver a copy of this order to all current and future principals, officers, directors, and managers, and to all current and future employees, agents, and representatives having responsibilities relating to the subject matter of this order. Respondent shall deliver this order to such current personnel within thirty (30) days after service of this order, and to such future personnel within thirty (30) days after the person assumes such position or responsibilities. For any business entity resulting from any change in structure set forth in Part IV, delivery shall be at least ten (10) days prior to the change in structure. Respondent must secure a signed and dated statement acknowledging receipt of this order, within thirty (30) days of delivery, from all persons receiving a copy of the order pursuant to this section.

IV.

IT IS FURTHER ORDERED that respondent shall notify the Commission at least thirty (30) days prior to any change in the corporation(s) that may affect compliance obligations arising under this order, including, but not limited to: a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. *Provided, however,* that, with respect to any proposed change in the corporation(s) about which respondent learns fewer than thirty

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(30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. Unless otherwise directed by a representative of the Commission in writing, all notices required by this Part shall be emailed to Debrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate Director of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. The subject line must begin: *In re NAICS Association, LLC*, FTC File No. 1523138.

V.

IT IS FURTHER ORDERED that respondent, within sixty (60) days after the date of service of this order, shall file with the Commission a true and accurate report, in writing, setting forth in detail the manner and form of its compliance with this order. Within ten (10) days of receipt of written notice from a representative of the Commission, it shall submit an additional true and accurate written report.

VI.

This order will terminate on September 29, 2035, or twenty (20) years from the most recent date that the United States or the Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; *provided, however*, that the filing of such a complaint will not affect the duration of:

- A. any Part in this order that terminates in fewer than twenty (20) years;
- B. this order's application to any respondent that is not named as a defendant in such complaint; and
- C. this order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld

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on appeal, then the order as to such respondent will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

By the Commission.

ANALYSIS OF CONSENT ORDER TO AID PUBLIC COMMENT

The Federal Trade Commission ("FTC" or "Commission") has accepted, subject to final approval, a consent agreement applicable to NAICS Association, LLC. ("NAICS").

The proposed consent order has been placed on the public record for thirty (30) days for receipt of comments by interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will again review the agreement and the comments received, and will decide whether it should withdraw from the agreement and take appropriate action or make final the agreement's proposed order.

This matter concerns alleged false or misleading representations that NAICS made to consumers concerning its participation in the Safe Harbor privacy frameworks agreed upon by the U.S. and the European Union ("EU") and the U.S. and Switzerland (collectively, "Safe Harbor Frameworks"). The Safe Harbor Frameworks allow U.S. companies to transfer data outside the EU and Switzerland consistent with EU and Swiss law. To join the Safe Harbor Frameworks, a company must self-certify to the U.S. Department of Commerce ("Commerce") that it complies with a set of principles and related requirements that have been deemed by the European Commission and Switzerland as providing "adequate" privacy protection. These principles include notice, choice, onward transfer, security, data integrity, access,

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and enforcement. Commerce maintains a public website, www.export.gov/safeharbor, where it posts the names of companies that have self-certified to the Safe Harbor Frameworks. The listing of companies indicates whether their self-certification is "current" or "not current." Companies are required to re-certify every year in order to retain their status as "current" members of the Safe Harbor Frameworks.

NAICS provides services to assist companies in working with or understanding NAICS ("North American Industry Classification System") and SIC ("Standard Industry Classification") system codes. According to the Commission's complaint, NAICS has set forth on its website, <http://www.naics.com/privacy-policy/>, privacy policies and statements about its practices, including statements related to its participation in the Safe Harbor Frameworks.

The Commission's complaint alleges that NAICS falsely represented that it was a "current" participant in the Safe Harbor Frameworks when, in fact, from February 2014 until April 2015, NAICS was not a "current" participant in the Safe Harbor Frameworks. The Commission's complaint alleges that in February 2013, NAICS submitted its self-certification to the Safe Harbor Frameworks. NAICS did not renew its self-certification in February 2014 and Commerce subsequently updated NAICS's status to "not current" on its public website.

Part I of the proposed order prohibits NAICS from making misrepresentations about its membership in any privacy or security program sponsored by the government or any other self-regulatory or standard-setting organization, including, but not limited to, the U.S.-EU Safe Harbor Framework and the U.S.-Swiss Safe Harbor Framework.

Parts II through VI of the proposed order are reporting and compliance provisions. Part II requires NAICS to retain documents relating to its compliance with the order for a five-year period.

Part III requires dissemination of the order now and in the future to persons with responsibilities relating to the subject matter of the order. Part IV ensures notification to the FTC of

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changes in corporate status. Part V mandates that NAICS submit an initial compliance report to the FTC, and make available to the FTC subsequent reports. Part VI is a provision “sunsetting” the order after twenty (20) years, with certain exceptions.

The purpose of this analysis is to facilitate public comment on the proposed order. It is not intended to constitute an official interpretation of the proposed complaint or order or to modify the order’s terms in any way.

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IN THE MATTER OF

JUBILANT CLINSYS, INC.CONSENT ORDER, ETC. IN REGARD TO ALLEGED VIOLATION OF
SECTION 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-4549; File No. 152 3140**Complaint, September 29, 2015 – Decision, September 29, 2015*

This consent order addresses Jubilant Clinsys, Inc.'s misleading representation of their participation in the Safe Harbor privacy framework agreed upon by the U.S. and the European Union ("EU"). Jubilant Clinsys, Inc. is a research organization that provides pharmaceutical, biotechnology and medical device companies with services in support of drug and device development. The Commission's complaint alleges that Jubilant Clinsys, Inc. falsely represented that it was a "current" participant in the U.S.-EU Safe Harbor Framework when, in fact, from November 2012 through April 2015, Jubilant Clinsys, Inc. was not a "current" participant in the U.S.-EU Safe Harbor Framework. The Commission's complaint alleges that in November 2007, Jubilant Clinsys, Inc. submitted its self-certification to the U.S.-EU Safe Harbor Framework. Jubilant Clinsys, Inc. did not renew its self-certification in November 2012 and Commerce subsequently updated Jubilant Clinsys, Inc.'s status to "not current" on its public website. In May 2015, Jubilant Clinsys, Inc. removed its Safe Harbor representation from its website privacy policy. The consent order prohibits Jubilant Clinsys, Inc. from making misrepresentations about its membership in any privacy or security program sponsored by the government or any other self-regulatory or standard-setting organization, including, but not limited to, the U.S.-EU Safe Harbor Framework. As well as, requiring Jubilant Clinsys, Inc. to supply and retain documents relating to their compliance with the Order for a five-year period. The proposed order mandates that Jubilant Clinsys, Inc. submit an initial compliance report to the FTC, and make available to the FTC subsequent reports.

*Participants**For the Commission: Monique Einhorn**For the Respondent: Stanley Brener, LeClair Ryan***COMPLAINT**

The Federal Trade Commission, having reason to believe that Jubilant Clinsys, Inc., a corporation, has violated the Federal Trade Commission Act ("FTC Act"), and it appearing to the Commission that this proceeding is in the public interest, alleges: