THE EU-U.S. PRIVACY COLLISION:
A TURN TO INSTITUTIONS AND PROCEDURES

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I. INTRODUCTION

Internet scholarship in the United States generally concentrates on how decisions made in this country about copyright law, network neutrality, and other policy areas shape cyberspace. In one important aspect of the evolving Internet, however, a comparative focus is indispensable. Legal forces outside the United States have significantly shaped the governance of information privacy, a highly important aspect of cyberspace, and one involving central issues of civil liberties. The EU has played a major role in international decisions around information privacy, a role that has been bolstered by the authority of EU member states to block data transfers to third-party nations, including the United States.

The European Commission’s release in late January 2012 of its proposed “General Data Protection Regulation” (the Proposed Regulation) provides a perfect juncture to assess the ongoing EU-U.S. privacy collision. An intense debate is now occurring around critical areas of information policy, including the rules for lawfulness of personal processing, the “right to be forgotten,” and the conditions for data flows between the EU and the United States.

This Article begins by tracing the rise of the current EU-U.S. privacy status quo. The 1995 Data Protection Directive (the Directive) staked out a number of bold positions, including a limit on international data transfers to countries that lacked “adequate” legal protec-
tions for personal information.\textsuperscript{4} The impact of the Directive has been considerable. It has shaped the form of numerous laws, inside and outside of the EU, and contributed to the creation of a substantive EU model of data protection, which has also been highly influential.\textsuperscript{5}

This Article explores the path that the United States has taken in its information privacy law and explores the reasons for the relative lack of American influence on worldwide information privacy regulatory models. The United States proves an outlier to the story of international information privacy law. As an initial matter, the EU is skeptical regarding the level of protection that U.S. law actually provides. Moreover, despite the important role of the United States in early global information privacy debates, the rest of the world has followed the EU model and enacted EU-style “data protection” laws. At the same time, the aftermath of the Directive has seen ad hoc policy efforts between the United States and EU that have created numerous paths to satisfy the EU’s requirement of “adequacy” for data transfers from the EU to the United States.\textsuperscript{6} The policy instruments involved are the Safe Harbor; the two sets of Model Contractual Clauses; and the Binding Corporate Rules.\textsuperscript{7} These policy instruments provide key elements for an intense process of nonlegislative lawmaking, and one that has involved a large cast of characters, both governmental and nongovernmental. This Article argues that this policymaking has not been led exclusively by the EU, but has been a collaborative effort marked by accommodation and compromise. In discussing this process of nonlegislative lawmaking, this Article will build on and distinguish this policymaking around privacy from Professor Anu Bradford’s “Brussels Effect.”\textsuperscript{8} This resulting “lawmaking” is a productive outcome in line with the concept of “harmonization networks” that Professor Anne-Marie Slaughter has identified in her scholarship.\textsuperscript{9} This term refers to situations where regulators in different countries work together to harmonize or otherwise adjust different kinds of domestic law to achieve outcomes favorable to all parties.\textsuperscript{10}

The Article then analyzes the likely impact of the Proposed Regulation on Data Protection, which is slated to replace the Directive. For the future, however, the Proposed Regulation threatens to destabilize


\textsuperscript{5} See infra Part II.A.2.

\textsuperscript{6} Data Protection Directive, supra note 4, art. 25(2), at 45.

\textsuperscript{7} See infra Part II.B.


\textsuperscript{9} See generally ANNE-MARIE SLAUGHTER, A NEW WORLD ORDER 59–61 (2004).

\textsuperscript{10} Id. at 59.
the current privacy policy equilibrium and prevent the kind of decentralized global policymaking that has occurred in the past. The Proposed Regulation overturns the current equilibrium by heightening certain individual rights beyond levels that U.S. information privacy law recognizes.\(^{11}\) It also centralizes power in the European Commission in a way that destabilizes the policy equilibrium within the EU, and thereby threatens the current policy processes around harmonization networks.\(^{12}\) To avert the privacy collision ahead, this Article advocates modifications to the kinds of institutions and procedures that the Proposed Regulation would create.\(^{13}\) A “Revised Data Protection Regulation” should concentrate only on imposing uniformity on “field definitions,” that is, the critical terms that mark the scope of this regulatory field. The Revised Regulation should also be clear that member states can supplement areas that do not fall within its scope with national measures. This approach would leave room for further experiments in data protection by the member states. The Revised Regulation should also alter the currently proposed procedures to limit the Commission’s assertion of power as the final arbiter of information privacy law.

II. THE RISE OF THE EU-U.S. STATUS QUO

The EU has played a major role in the global privacy debate since the 1990s. Its Data Protection Directive\(^ {14}\) and, more recently, its proposed General Data Protection Regulation\(^ {15}\) have sought to establish de facto international benchmarks for corporate information processing. As the Wall Street Journal noted in 2003, EU privacy rules “are increasingly shaping the way businesses operate around the globe.”\(^ {16}\)

In this Part, I first trace the early history of EU-U.S. information privacy law. I then describe and analyze the elements of the EU-U.S. status quo that emerged in the wake of the Data Protection Directive. The Directive developed elements of an EU model of information privacy law, which has proven internationally influential, and which differs from the U.S. approach in important elements. Nonetheless, significant international “lawmaking” has taken place subsequent to the Directive, and the resulting policy instruments provide multiple ways that have harmonized the EU and U.S. models.

\(^{11}\) See infra Part III.A.1.

\(^{12}\) See infra Part III.A.2.

\(^{13}\) See infra Part III.C.

\(^{14}\) Data Protection Directive, supra note 4.

\(^{15}\) Proposed Regulation, supra note 3.

A. The Early History of EU Data Protection Law

The history of European data protection law did not start with the Directive. Rather, it begins within an individual country, and with a state-level law: the Hessian Parliament enacted the world’s first comprehensive information privacy statute in Wiesbaden, Germany on September 30, 1970.17 This law was followed by those of other German states,18 and in 1977 by a Federal German law.19 Other EU nations enacted data protection statutes as well: among the first wave of legislation were statutes in Sweden (1973), Austria (1978), Denmark (1978), France (1978), and Norway (1978).20

By the end of this period, there was a consensus that information privacy statutes were to be constructed around Fair Information Practices (FIPs). This approach, shared in the United States and Western Europe alike, defines core obligations for organizations, whether in the public or private sector, that process personal information.21 The U.S. government and American privacy experts played an important part in this early global privacy debate. For example, a White Paper from an Advisory Committee to the Secretary for Health, Education, and Welfare in the United States contained an influential, early formulation of FIPs.22

There were also important supranational privacy agreements that preceded the EU Data Protection Directive of 1995. The two most important are the Privacy Guidelines of the Organization for Economic Cooperation and Development (OECD) and the Convention on Privacy of the Council of Europe.23 The OECD is a group of lead-
ing industrial countries, including the United States, concerned with economic and democratic development. Its Privacy Guidelines were the first international statement of essential information privacy principles. Although the OECD principles are nonbinding, the Guidelines have influenced national legislation.24

The Council of Europe is an intergovernmental organization, established in 1949, that promotes unity among European nations.25 Throughout the 1980s, the Council’s Data Protection Convention was the most important European-wide agreement regarding the processing of personal information.26 Like the subsequently established Data Protection Directive, the Convention seeks to provide a central point of reference for national regulations.27

Persistent themes throughout the history of EU-U.S. privacy law were already manifest in this early period. First, there has long been a significant EU-U.S. policymaking interplay, which in this period included discussions of the policy instruments of FIPs and the development of the nonbinding OECD Guidelines.28 Indeed, the international debate has been influenced by the legal roots of privacy in the United States, including the famous essay on privacy by Samuel Warren and Louis Brandeis from 1890.29 The German Federal Constitutional Court and the German Federal Court of Justice have even referenced “das Recht, allein gelassen zu werden” (the right to be let alone) and, in some cases, cited to Warren and Brandeis.30 In 2012, a law review in


24 Simitis, supra note 17, at 151–54.
25 COLIN J. BENNETT, REGULATING PRIVACY 133–36 (1992)
26 This European treaty was opened for signature in 1981; it is a non-self-executing treaty, which means that it requires signatory nations to establish domestic data protection legislation that give effect to its principles and provide a common core of safeguards. Id. at 135–36 (1992).
27 Simitis, supra note 17, at 138–51.
28 See Bennett, supra note 25, at 138 (noting how the OECD and its Guidelines “provided a unique opportunity for both Americans and Europeans to debate the safeguarding of human rights in the computer age”). Professor Colin Bennett also finds a process of incorporation of FIPs that over time was built around a “policy community” and “international organizations.” Id. at 222.
Germany published a complete German translation of the article over one hundred and twenty years after its first publication. In an introduction to the publication, Thilo Weichert, the data protection commissioner of Schleswig-Holstein, noted the “amazing timeliness” of the Warren and Brandeis article for current discussions of information privacy. The European Court of Human Rights has also made reference to this important concept from American law.

Second, the international debate about information privacy has never been confined to human rights or data trade. It has been about both. The OECD Guidelines and the Council’s Convention both pay careful attention to individual privacy rights. The OECD’s rationale for the Guidelines mentions the dangers of “violations of fundamental human rights” through the processing of personal data. At the same time, it also talks about the “danger that disparities in national legislations could hamper the free flow of personal data across frontiers.” At a 2010 roundtable in Paris on the thirtieth anniversary of the OECD Guidelines, Michael Kirby, the Chairman of the OECD’s expert group on privacy from 1978 to 1980, noted that the initial impetus for the OECD’s work was “to contribute to (and defend) free flows deemed suitable to market information economies.” Finally, the Council’s Convention on Privacy speaks in its Preamble of the goal of “reconcili[ing] the fundamental values of the respect for privacy and the free flow of information between peoples.”

B. The Data Protection Directive

We now move from the early history of EU information privacy law to the Data Protection Directive. A popular tool of EU lawmaki-
ing, directives are generally not immediately binding but are “harmonizing” instruments; they require member states to enact national legislation that reflect their principles.38 The Data Protection Directive established common rules for information privacy among EU member states and set these states a three-year deadline to enact conforming legislation.39 The Directive built on existing national legislation and modeled many of its aspects on such statutes, which meant that some member states merely had to enact amendments to existing law. As Professor Spiros Simitis, a leading international data protection law expert, observes, the Commission “sought to combine the guiding principles of national data protection laws” in the Directive.40 The result, according to Simitis, was not a “simple reproduction,”41 but a “patchwork” in the Directive that reflects corrections and modifications of these national elements as well as various compromises.42

1. Elements of the Data Protection Directive. — The chief goals of the Directive are: (1) to facilitate the free flow of personal data within the EU, and (2) to ensure an equally high level of protection within all countries in the EU for “the fundamental rights and freedoms of natural persons, and in particular their right to privacy.”43 Within the EU, the 1990s were a period of increased economic activity and of heightened demands for personal information. In the absence of EU-wide standards, data transfers within the EU had the potential to undermine the efforts, dating back to the 1970s, of individual member states to protect the personal information of their citizens.44

The resulting regulatory approach combined economic liberalization of trade involving personal data with harmonized policies to protect civil liberties.45 The Directive’s protection also extends outside of the EU; the Directive contains important provisions concerning international data transfers.46 This extraterritorial approach is a common feature of EU regulation.47 The Commission’s concern for certain pol-

40 Simitis, supra note 17, at 166.
41 Id. at 166.
42 Id. at 167 (quoting COMMISSION NATIONALE DE L'INFORMATIQUE ET DES LIBERTÉS [NATIONAL COMMISSION ON INFORMATION TECHNOLOGY AND LIBERTIES], 11ÈME RAPPORT D’ACTIVITÉ 1990 [11TH ACTIVITY REPORT 1990] 35 (1991)).
43 Data Protection Directive, supra note 4, art. 1, at 38.
47 Bradford, supra note 8, at 38–39.
icy matters, such as antitrust or the environment, can require attention to the activities of non-EU nations or entities located outside the EU. Globalization of world data flows called for EU action with just such an international reach. Simitis summarizes this aspect of EU law: “Data protection does not stop at national borders. Transfers of information must be bound to conditions that attempt in a targeted fashion to protect the affected parties.”

In its Article 25, the Directive permits transfers to “third” countries, that is, countries outside of the EU, only if these nations have “an adequate level of protection.” This restriction on transfers to third countries reflects an underlying belief that personal information of EU citizens merits protection throughout the world and not merely within the EU. Prior to the Directive, some data protection laws in member states had placed similar restrictions on transfers to third countries that provided an insufficient level of legal privacy protection.

Under the Directive, a decision as to adequacy is generally made at the member state level, although the European Commission may “enter into negotiations” with countries with inadequate data protection “with a view to remedying the situation.” The Directive also provides limited exceptions to its adequacy standard and details the approach for determining the level of protection provided by countries outside the EU. It calls for an evaluation of adequacy “in the light of all the circumstances surrounding a data transfer operation or set of data transfer operations.” Hence, it requires a contextual analysis of the protections in place in the non-EU country. Article 25 of the Directive further specifies that “particular consideration shall be given to the nature of the data, the purpose and duration of the proposed processing operation or operations, . . . the rules of law . . . in force in the third country in question and the professional rules and security measures . . . in that country.”

2. The Impact of the Directive: The Form and Substance of an EU Model. — The impact of the Directive has been significant. First, it shaped the form of numerous laws, inside and outside the EU. Second, it contributed to the development of a substantive EU model of data protection, which has been highly influential. Regarding each of these two elements, the United States has proved to be an outlier.

48 See id., at 21–22.
49 Simitis, supra note 17, at 125.
50 Data Protection Directive, supra note 4, art. 25(1), at 45.
51 Schwartz, supra note 44, at 488–92.
52 Id., supra note 4, art. 25(3), at 46.
53 Id. art. 25(2), at 45.
54 Id. at 45–46.
As for the form of data protection law, the Directive has encouraged the rise of omnibus legislation throughout the EU and most of the world. “Omnibus” privacy laws establish regulatory standards with a broad scope. Under the omnibus approach, sectoral laws are a backup that are used to increase the specificity of regulatory norms stemming from the initial statutory framework. As Professor David Flaherty already observed in 1989, sectoral laws respond to “a particular type of problem” and “grant specific enforceable rights to individuals.” By requiring EU member states to transpose its requirements into national law, the Directive created strong incentives for omnibus legislation within the EU. Enactment of such legislation requires attention to only a relatively limited set of benchmarks, and ones that a single statute can express. An omnibus law also provides a relatively clear target for the assessment of “adequacy.” Finally, privacy pioneers among EU member states had already anchored their information privacy statutes in omnibus legislation, which encouraged other countries to follow this path.

The Directive’s requirements have followed the EU in its eastward expansion. From fifteen member states in 1995, the EU has now expanded to twenty-seven as of 2012. The new members of the EU have all enacted omnibus laws. As discussed below, the omnibus privacy model has also been highly influential on the shape of legislation outside of the EU.

The United States has been the great exception regarding the international preference for omnibus legislation. It regulates information privacy on a sector-by-sector basis. The United States has different statutes for the public and private sectors. Within the private sector, it concentrates on the data holder and, in some instances, on the type of data. As an example, the applicable laws do not provide medical information as a category with a uniform level of protection. If the personal information is held by a “covered entity” under the Health Information Portability and Accountability Act of 1996 (HIPAA), it is

55 Solove & Schwartz, supra note 21, at 1110.
58 Id. at 923.
59 Id. at 914–16.
62 See infra TAN 88–90.
protected by one set of rules. If a school regulated by Family Educational Rights and Privacy Act of 1974 (FERPA) holds medical information, it will likely be subject to a different set of rules or, perhaps, additional rules. If it does not fall into either category, or is not covered by any of the other various substantive information privacy regimes, then it might not be protected at all.

In some U.S. privacy statutes, a further distinction relates to the form in which the data is held, or the content of the information. FERPA regulates only information that is found in “educational records”; the Video Privacy Protection Act of 1988 only covers “prerecorded video cassette tapes or similar audio visual materials”; and the Fair Credit Reporting Act reaches only credit reports. By contrast, under the EU’s omnibus approach, the law protects data regardless of the entity that holds it, or the type of information in a record. Further regulatory distinctions are drawn when a sectoral law is in place, but even here, omnibus laws fill in gaps in the sectoral statute.

Shifting from form to substance, there are substantive similarities and dissimilarities between the EU and U.S. models of information privacy. As I noted in section II.A, both legal systems share an approach centered around FIPs for personal information. Due to the shared focus on these regulatory norms, some observers in the 1990s argued that a convergence of global regulatory approaches had occurred. For example, Professor Colin Bennett concluded, “[t]he process of policy making in the data protection area is clearly one where broad transnational forces for convergence have transcended variations in national characteristics.” No single privacy statute contains

66 One critical factor will be whether the Educational Institution is also a “covered entity” in the sense of HIPAA. See 45 C.F.R. § 160.103. For a discussion of the types of health care plans and health care providers that fall into this category, see WILLIAM H. ROACH, JR., ET AL., MEDICAL RECORDS AND THE LAW 141–45 (4th ed. 2006). Another will be whether the data is stored in a form that constitutes an “education record” under FERPA. See, e.g., 20 U.S.C. § 1232g(b)(2). For a discussion, see Paul M. Schwartz & Daniel J. Solove, The PII Problem: Privacy and a New Concept of Personally Identifiable Information, 86 N.Y.U. L. REV. 1814, 1823 (2011).
67 20 U.S.C. § 1232g.
71 See, e.g., id. §§ 1681a–1681b.
72 This relationship of the different regulatory levels is made explicit in the German Federal Data Protection Law. See BDSG, supra note 16, Jan. 14, 2003, BUNDESGESETZBLATT, Teil I [BGBl. I] at 66, Art. 1, § 1(3).
73 BENNETT, supra note 25, at 150.
all the FIPs in the same fashion or form, but Bennett’s idea was that
international agreement had been reached on privacy regulation’s fun-
damental elements.74

Bennett was correct that some agreement exists worldwide regard-
ing the basic regulatory principles of information privacy. This under-
lying consensus exists despite the fact that Europe has opted for omni-
bus privacy statutes, while the United States prefers sectoral ones. Yet
the dissimilarities resulting from this policy divide are significant.
Some are a matter of degree, and some are a matter of kind. In the
former category are certain interests that exist in both legal systems,
but are more heavily emphasized in EU law. In particular, the EU
places greater emphasis on the following FIPs: (1) limits on data collec-
tion, also termed data minimization; (2) the data quality principle; and
(3) notice, access, and correction rights for the individual. In the Unit-
ed States, by contrast, there has been only a limited reliance on a
stripped-down concept of notice of data processing practices. A strong
reliance on the affected party’s consent to data processing accompanies
the emphasis on notice in the United States; the EU’s FIPs discuss
consent, but place much less weight on it.75

Some FIPs are found exclusively in the EU regime. These EU el-
ements are: (4) a processing of personal data made only pursuant to a
legal basis; (5) regulatory oversight by an independent data protection
authority; (6) enforcement mechanisms, including restrictions on data
exports to countries that lack sufficient privacy protection; (7) limits on
automated decisionmaking; and (8) additional protection for sensitive
data.76 As an initial example of such a distinction between the two le-
gal systems, the United States does not rely on a notion that personal
information cannot be processed in the absence of a legal authoriza-
tion. Rather, it permits information collection and processing unless a
law specifically forbids the activity. U.S. law accepts “regulatory par-
simony”: without need for the U.S. legal system to act, the lawmaker
will wait for strong evidence that demonstrates the need for a regula-
tory measure.77

The First Amendment’s protections for freedom of expression also
help define the U.S. orientation to privacy regulation. The First
Amendment can bolster privacy — one way that it does so is through

74 See id. at 152.
75 For a critique of using a market-based consent model, such as the one seen in the United
States, see Paul M. Schwartz, Privacy and Democracy in Cyberspace, 52 VAND. L. REV. 1609,
76 For a description of the EU model of FIPs, see generally CHRISTOPHER KUNER,
EUROPEAN DATA PROTECTION LAW 63–108 (2d ed. 2007).
77 See Schwartz, supra note 57, at 913–14 (contrasting an EU approach to information privacy
based on the prevention of harm with a U.S. orientation based, in part, on “regulatory parsimony”
and, in particular, avoiding the unnecessary regulation of information flows).
its protection of freedom of association.\textsuperscript{78} More to the point, however, the First Amendment can also restrict information privacy: statutes that limit information sharing on privacy grounds are subject to constitutional scrutiny of whether they unduly limit the speech of the data processor. In \textit{Sorrell v. IMS Health Inc.},\textsuperscript{79} for example, the Supreme Court reaffirmed this commitment to the First Amendment as a force that prevents certain privacy protective measures. It struck down a Vermont law that prohibited the sale, disclosure, and use of pharmacy records by “detailers,” who used the information to help target doctors for the sale of prescription pharmaceuticals.\textsuperscript{80} The Supreme Court stated that “[s]peech in aid of pharmaceutical marketing . . . is a form of expression protected by the Free Speech Clause of the First Amendment.”\textsuperscript{81}

Another dramatic distinction between U.S. and EU information privacy law is that the United States does not limit data exports to third countries and has not created a national data protection commission. Despite occasional proposals in Congress to restrict the “outsourcing” of data processing to India and other countries, U.S. law currently places no limits on a company’s exports of information to a third country.\textsuperscript{82} Ironically enough, given the EU’s restrictions in this area, Congress considered, and failed to adopt such a limit on data exports from the United States in the 1970s when considering one of its first privacy statutes.\textsuperscript{83}

As for oversight, the closest that the United States comes to a national data protection agency is the Federal Trade Commission (FTC). During the last two decades, the FTC has played an increased role in protecting privacy in the United States, and this development represents a highly significant change for privacy regulation on this side of the Atlantic.\textsuperscript{84} Established in 1914, the FTC is an independent federal agency dedicated to consumer protection and the establishment of fair practices in business. By its own account, the FTC has engaged in over three hundred enforcement actions concerning privacy since

\textsuperscript{78} See, e.g., NAACP v. Alabama, 357 U.S. 449, 462–66 (1958) (holding that the First Amendment protects group membership lists against state disclosure laws to protect individual members against “exposure of their beliefs shown through their associations,” \textit{id.} at 463).
\textsuperscript{79} 131 S. Ct. 2653 (2011).
\textsuperscript{80} See \textit{id.} at 2659–60.
\textsuperscript{81} \textit{Id.} at 2659.
\textsuperscript{82} SOLOVE & SCHWARTZ, \textit{supra} note 21, at 1161–63.
At the same time, there are significant limits on the scope of the FTC’s activities as protector of information privacy. The FTC does not have jurisdiction over all companies, and its enforcement has not extended to even the narrow range of FIPs used in the United States, but concentrates primarily on “notice and choice.”

Finally, U.S. law contains only limited, sector-specific protections for sensitive information. It also does not generally restrict automated processing. In contrast, the Directive requires additional attention to certain types of information and additional restrictions on certain processing practices. These elements were incorporated from the French national data protection law of 1978. The Directive forbids the processing of personal data that reveals “racial or ethnic origin, political opinions, religious or philosophical beliefs, trade-union membership, and the processing of data concerning health or sex life.” It also contains derogations, or exceptions, from this rule. As for “automated processing,” the Directive articulates a suspicion of computer data processing when humans are absent from the ultimate stages of decision-making. It requires member states to grant “the right to every person not to be subject to a decision which produces legal effects concerning him or significantly affects him and which is based solely on automated processing of data intended to evaluate certain personal aspects relating to him . . .”

At the level of form and substance, then, the United States has taken a different path than the EU in regulating information privacy law. The U.S. approach also gives relatively free rein to companies to try new kinds of data processing. In particular, enterprises in new business areas are largely free of regulation under a sectoral regime and thereby are able, depending on one’s perspective, to test innovative
new practices or find new ways to violate privacy. Another consequence of this approach is to place heavier data privacy restrictions on established enterprises in sectors regulated by privacy laws than on new companies. For example, new tech companies can make use of personal information to mine data and send tailored ads through the Internet in a way that statutes would prevent cable companies and telephone companies from doing within their respective domains. The result of the sectoral approach in the United States makes newer technology companies a powerful voice in favor of the regulatory status quo.

The rest of the world has not followed the U.S. approach. In almost two decades since the enactment of the Directive, it is the EU’s privacy model that has proven highly influential. According to Professor Graham Greenleaf, “something reasonably described as ‘European standard’ data privacy laws are becoming the norm in most parts of the world with data privacy laws.” He also sees the influence of these EU-style laws as having increased in recent years. Other experts also have pointed to the influence of EU privacy laws internationally.

Nonetheless, there is a deeper process underway, and it is not the unilateral imposition of EU standards on the rest of the world. Rather, mutual accommodation around shared lawmaking has occurred. The U.S. government has successfully engaged in shaping the form and meaning of EU data protection law. U.S. companies have taken a similar path of involvement with EU regulators. Some of the highlights of this phenomenon include the development of a EU-U.S. Safe Harbor Program (2000), Model Contractual Clauses (2001, 2003), and Binding Corporate Rules (2008). This Article’s next section explores the results of this policy process.

C. International “Lawmaking” under the Directive: Paths to Adequacy

Since the enactment of the 1995 Directive, there have been a number of successful negotiations involving national regulators, supranational organizations, and private entities. The key issue has concerned international transfers of data. As discussed in this Article, the Directive permits such activity only when the third-party country


95 Id.

96 See, e.g., ABRAHAM L. NEWMAN, PROTECTORS OF PRIVACY 3 (2008); Bradford, supra note 8.

97 For a concise and practitioner-oriented overview of all these compliance mechanisms, see generally LOTHAR DETERMANN, DETERMANN’S FIELD GUIDE TO INTERNATIONAL DATA PRIVACY LAW COMPLIANCE 25–47 (2012).
would provide adequate protection, and the EU’s consensus has been that U.S. privacy law does not, at least as a general matter, meet this requirement. The EU has never officially found that the United States was either adequate or inadequate, and the United States has never requested an adequacy determination. Nonetheless, the general EU consensus is that the United States lacks an adequate level of protection. The closest to an official determination on that issue is a 1999 Opinion from the Article 29 Working Party. In the opinion, this influential group of European data protection officials states, “[T]he Working Party takes the view that the current patchwork of narrowly-focussed sectoral laws and voluntary self-regulation cannot at present be relied upon to provide adequate protection in all cases for personal data transferred from the European Union.”

The Safe Harbor, Model Contractual Clauses, and Binding Corporate Rules are three policy responses that share the goal of finding a way for U.S. companies to meet the “adequacy” requirement of the Directive’s Article 25. At present, however, scant attention has been paid to the underlying significance of this collaborative “lawmaking.” After setting out these EU-U.S. policy encounters and exploring the policy responses, I wish to draw on two existing academic models. These are the “Brussels Effect” concept of Anu Bradford and the “harmonization networks” of Anne-Marie Slaughter.

1. “Lawmaking” in the Shadow of the Directive. — A period of intense international activity followed the enactment of the Directive and the harmonizing legislation of member states. The result has been a multifaceted response to the privacy agenda of the EU. It has produced the following policy instruments: an EU-U.S. Safe Harbor agreement, the Model Contractual Clauses, and Binding Corporate Rules.

(a) The Safe Harbor. — The origins of the Safe Harbor agreement date to 1998 and the start of negotiations between the U.S. Department of Commerce and the European Commission. At the start of July 2000, the Commission released the final text of the “Safe Harbor Arrangement” and a series of supporting documents.
month, the EU Parliament rejected the agreement in a nonbinding resolution before the Commission approved it on July 25, 2000.103 The resulting framework creates a voluntary self-certification program for U.S. firms. It is a negotiated mixture of EU-U.S. standards, and one that ends somewhat closer to the EU version of privacy norms.104 Compliance with these standards is overseen by U.S. federal agencies, most notably the FTC.105 Pursuant to the Safe Harbor Agreement, the FTC has found violations of this international agreement in 2011 and 2012 against Google106 and Facebook.107 On the positive side for U.S. companies, most claims brought by European citizens against U.S. companies will be brought in the United States and pursuant to U.S. legal principles.108 Finally, and most significantly, companies participating in the Safe Harbor are deemed to provide adequate protections, and EU data flows to them can continue.109 There is no need for a member state to make a prior approval of a data transfer to the United States.

(b) Model Contractual Clauses. — As another part of the response to the adequacy requirement, the EU has approved two sets of Model Contractual Clauses. The Directive provides a framework for this process in Article 26(2), which allows transfers to companies in third countries where there are “appropriate contractual clauses.”110 A contract is a way to tailor a response to the issue of adequacy; the party


108 See DETERMANN, supra note 97, at 38.

109 In addition to participating in a safe harbor program, companies must also comply with local data collection rules, have a legitimate basis for the data transfer, and ensure that recipient companies afford an adequate level of data protection. See id. at 26–32.

110 Data Protection Directive, supra note 4, art. 26(2), at 46.
transferring the personal information and the one receiving it can pledge to provide protections that will be adequate.

Model, pre-approved contractual clauses simplify the process of crafting data transfer agreements. Rather than use attorneys to draft contracts from scratch, a company can use the model contractual clauses and their “off-the-rack” language. Moreover, model declarations streamline the recognition by data protection commissions of internal privacy programs. Rather than having government agencies review and assess new contractual terms and conditions, companies can use terms and conditions that the EU already has found to provide adequate data protection. Large multinational entities had the most to gain both from the acceptance of Model Contractual Clauses and Binding Corporate Rules, and in both policy areas, they played an important role in the discussions with the EU. A key part in the development of the second set of Model Contractual Clauses was played by the International Chamber of Commerce, a pro-business organization, founded in 1919 with a secretariat located in Paris.  

The first set of Model Contractual Clauses was approved by the European Commission in 2001, and the second in 2004. In the view of the Article 29 Working Party, contractual provisions are permissible only if they offer “satisfactory” compensation for the absence of adequate data protection in the third country “by including the essential elements of protection which are missing in any particular situation.” Overall, these elements comprise reasonable compliance, redress, support, and other help to affected individuals. The first set of model contractual clauses also contained a requirement of joint and several liability between the data exporter and data importer vis-


115 Id. at 4–11.
à-vis the person whose personal data was transferred internationally.¹¹⁶

Due to the skepticism of international businesses toward these liability provisions, there was interest in development of another set of Model Contractual Clauses. The second framework makes each party liable for the damages that it causes.¹¹⁷ The second Model Clauses contain a due diligence clause, however, that requires the exporter to guarantee that it will use “reasonable efforts” to determine the importer would be able to satisfy all the contractual elements.¹¹⁸ Both sets of Model Contractual Clauses are available for adoption by organizations.

(c) Binding Corporate Rules. — The EU has also permitted the use of Binding Corporate Rules as another way to meet the Directive’s “adequacy” test. A basic aspect of Binding Corporate Rules is that they are available only when international data transfers occur within a single company or a group of affiliated companies.¹¹⁹ These rules must allow enforcement by the affected individual (termed the “data subject” in EU privacy law), promise the corporation’s cooperation with EU data protection authorities, and receive the approval of a data protection authority.

The Article 29 Working Party and national data protection commissioners played the key roles in the development of this policy instrument. In June 2003, the Article 29 Working Party declared Binding Corporate Rules to be an acceptable way to transfer data internationally within a corporate entity or group.¹²⁰ At that time, Binding Corporate Rules had to be approved by each local EU data protection authority whose country was implicated by the transfer.¹²¹ This requirement meant that a company that intended to transfer personal information among its entities in France, Spain, Germany, and Poland would need the supervisory authorities in each of these countries to approve the identical corporate policy.

In January 2007, the Article 29 Working Party released a recommendation that streamlined this process.¹²² It developed a standard application, a single form, intended to simplify the process of obtaining

¹¹⁶ Model Contractual Clauses 2001, supra note 112 annex, cl. 6(2), at 26.
¹¹⁷ Model Contractual Clauses 2004, supra note 113, annex, cl. III(a), at 79.
¹¹⁸ Id. annex, cl. III(b), at 79.
¹¹⁹ DETERMANN, supra note 97, at 33.
¹²¹ See KUNER, supra note 76, at 221.
the approval of a data protection authority. Only a single copy of the form must be filled out, and this form can be submitted exclusively to a “lead” data protection authority. The recommendation proposes a multi-factor test for deciding which Member State’s data protection authority is to be the lead one. In June 2008, the Working Party released additional details regarding the preferred content and structure of Binding Corporate Rules.

Even after the Working Party’s release of these policy papers, the national data protection authorities continue to play the key role in approval of a Binding Corporate Rule — and some variations in approach remain at the national level. As Christopher Kuner notes, “most of the details of approval are determined” by the national authorities and each authority “has its own procedural rules for the approval of [Binding Corporate Rules].” Companies that have gone through the approval process for these instruments include Accenture, BP, e-Bay, General Electric, HP, and Michelin.

2. The Privacy Collision Averted. — These three policy instruments represent an impressive achievement; together, they provide multiple means of avoiding a seemingly intractable difficulty. Recall that the Directive declared that personal data flows could only pass to third countries with adequate data protection, and that the EU was skeptical about the United States’s level of privacy. In 1995, the combination of the adequacy standard and a data embargo power granted to national data protection commissioners in the EU created a risk of impeded global data exchanges. As Professor Joel Reidenberg pointed out during this period, “[i]f data protection is taken seriously, then systemic legal conflicts should cause disruption of international data flows.”

Representative of the EU perspective on this potential conflict, in 1994 a leading European data protection expert stated: “[D]ata protection may be a subject on which you can have different answers to the various problems, but it is not a subject you can bargain about.” As Professor Gregory Shaffer observed in 2000, more-

123 Id. at 2–3 (General Instructions).
124 Id. at 7 (Common Application Part 1.3).
126 KUNER, supra note 76, at 221.
130 Fred H. Cate, The EU Data Protection Directive, Information Privacy, and the Public Interest, 80 IOWA L. REV. 431, 439 (1995) (quoting Professor Spiros Simitis, former Chair of the
over, through the Directive, the EU member states were “pooling their sovereignty and acting collectively” in a fashion that “increased their influence” over information privacy policies throughout the world. Yet, something like bargaining did occur, and a privacy collision was averted.

Today, the Safe Harbor, Model Contractual Clauses, and Binding Corporate Rules permit international data transfers. Lothar Determann, a leading international privacy lawyer, concludes of these various compliance possibilities that “[a]lthough no one size fits all, most companies should be able to find a fitting size for each particular situation and development phase they are in.” Moreover, multinational companies have adopted these instruments as compliance benchmarks. These organizations use them to build EU-approved data protection standards and practices into their internal data processing operations.

Two academic models regarding international policymaking provide a rich perspective on these negotiations in the shadow of the Directive. These are Anu Bradford’s “Brussels Effect” and Anne-Marie Slaughter’s “harmonization networks.” This Article finds that the Brussels Effect has not occurred in this context. Two factors prove significant in preventing such an effect: the existence of EU policies that sometimes conflict with information privacy and limits on the EU’s power in the global information economy. In contrast, Slaughter’s harmonization networks prove well represented in the context of global privacy policymaking and her scholarship permits a richer understanding of this process. Slaughter also develops a series of normative elements that help identify a future productive role for this disaggregated global web of policymakers.

(a) The Limits of the “Brussels Effect”: Collaboration and Accommodation. — Bradford’s “Brussels Effect” seeks to explain a widely observed phenomenon: the EU’s ability to impose its rules throughout the world. Looking at the global power that the EU exercises through its institutions and laws, Bradford finds that the EU has successfully exported its standards in many legal and regulatory domains through de facto unilateralism. Bradford uses the term “de facto” because states outside the EU remain formally bound only by their own legisla-
In the context of information privacy, however, only the “de facto” part of Bradford’s de facto unilateralism seems accurate: the United States never enacted EU-style privacy legislation nor created EU-style institutions.

The examples that this Article has discussed of international “law-making” in the shadow of the Directive do not demonstrate the Brussels Effect. Rather, an EU-U.S. privacy collision was averted through a collaborative approach instead of through European unilateralism. This result is initially puzzling because the general conditions for the Brussels Effect appear to be present for information privacy. The absence of such an effect, and the legal paths that result from EU-U.S. cooperation, reveal important competing EU policy interests as well as the limits on the EU’s power in a global information economy.

Bradford identifies a number of necessary prerequisites that must be met before the Brussels Effect can occur in a given area of regulatory activity. For information privacy law, three such requirements are especially significant: there must be market power possessed by EU nations; a specific regulatory capacity of the EU; and “nondivisibility of standards,” circumstances in which the objects of a regulation cannot easily use one set of standards inside the EU and another outside.136

These conditions for the Brussels effect appear to exist for the processing of personal information. First, the EU is a rich consumer market that multinational companies cannot afford to avoid. As an affluent economic zone, it is also an important target for the kinds of consumer services and products that are at the cutting edge of the collection and processing of personal data.137 Second, national data protection commissioners and EU government officials have a strong regulatory capacity for data protection.138 The Directive itself heightened

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135 See id.
136 Id. at 17; see id. at 5, 10–19.
137 On the central role of Europe for American companies due to its sophisticated customers, see generally Why Eurozone Woes are Creating Headwinds for Global Firms, KNOWLEDGE@WHARTON (Apr. 25, 2012), http://http://knowledge.wharton.upenn.edu/article.cfm?articleid=2986. As an example of the deep penetration of modern internet services in the EU, consider the great success of Facebook in Sweden (53.62% penetration, measured as the percent of the population in the last month that uses Facebook), the UK (51.61%), Belgium (47.33%), the Netherlands (45.16%), and France (39.07%). In the U.S., Facebook is at 52.56% penetration. Facebook Statistics by Country, SOCIALBAKERS, http://www.socialbakers.com/facebook-statistics/ (last visited Mar. 31, 2012).
138 The Directive establishes the Article 29 Working Party, which consists of representatives of member states’ national data protection authorities. Data Privacy Directive, supra note 4, art. 29, at 48. Further regulatory capacity is provided by the Directive’s establishment of a European Data Protection Supervisor (EDPS), an oversight authority for the EU’s internal data processing operations. Beyond its formal mandate regarding the EU, the EDPS has taken a significant role in the global privacy debate. For an overview of the EDPS’s many activities, see its homepage,
the regulatory capacity of the EU in this area: it requires harmonizing legislation and the establishment in each Member state of national “supervisory authorities,” more commonly termed national data protection commissioners.139

Third, corporations’ data privacy standards are likely to be nondivisible. Standards are nondivisible when a regulated entity prefers to adopt a single global standard rather than adopt a different standard for each jurisdiction in which it operates. Bradford writes, “global standards emerge only when corporations voluntarily opt to comply with a single standard determined by the most stringent regulator, making other regulators obsolete in the process.”140 For example, as Bradford notes, U.S. companies face difficulties in isolating their databases exclusively for EU operations, and, hence, have adjusted “global operations to the most demanding EU standard.”141 This aspect of global database technology contrasts with labor markets, which are easily divisible.142

Yet, the global policymaking process for information privacy has been more collaborative than unitary. It has been marked by negotiations among a wide variety of actors, and concessions, sometimes considerable, from the EU. As the preceding section on post-Directive “lawmaking” has shown, there have been intermediate solutions negotiated between the United States and the EU, and in some cases, as in the second set of Model Contractual Clauses, between third parties and the EU. Moreover, legal inputs from the United States have made a difference in the negotiations and “lawmaking.” There have been widespread contacts and discussions at all levels in which governmental officials and private parties from the United States have sought to depict the ways in which U.S. information privacy proceeds.143 In light of the Directive’s strong assertion of EU authority over information flows, and in particular, in light of its grant to the EU’s data protection commissioners of data embargo power, why did the EU engage in these multi-party negotiations? Why make concessions rather

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139 See Data Privacy Directive, supra note 4, art. 28, at 47–48.
140 Bradford, supra note 8, at 17.
141 Id. at 18. Bradford specifically points to a “technical nondivisibility” in the area of information privacy. Id.
142 To illustrate this point, Bradford notes that U.S. companies will not choose to use EU labor rules anywhere other than within EU member states. Id. at 18–19.
143 For a recent example, a German-American Data Protection Day took place in May 2012 in Munich and featured Julie Brill, an FTC commissioner, as one of the speakers. Thomas Kranig, Editorial, Ein angemessenes Datenschutzniveau – wer hat das wirklich? [An Adequate Level of Data Protection – Who Really Has It?] 2012 ZEITSCHRIFT FÜR DATENSCHUTZ 245, 245–46 (2012).
than uphold its requirements without compromise and rely on the market’s Brussels Effect to export its rules? The answer, in short, is that the EU negotiated due to its own competing policy goals and because of the limits on its power in a global information economy.

The Directive itself embodies these competing policy goals. It seeks to protect information privacy as a human right, but it also endeavors to promote trade and to permit a free flow of personal information. As this Article has discussed, one of the Directive’s explicit goals is to facilitate the free flow of personal data within the EU. The Directive’s Recital 56 states, “cross-border flows of personal data are necessary to the expansion of international trade.” Thus, the free flow of information, conditioned on adequate global data protection, was a key goal of the Directive.

At a deeper level, the EU has long been interested in the free flow of personal information and the trade in such data as part of the development of a vibrant internal market. The initial aim of the European Community’s founding treaty was a common market, and in pursuit of this goal the EU has sought to protect free movement of goods, freedom to provide commercial and professional services, and free movement of capital. The free flow of personal information is instrumental in achieving all of these tasks.

At the point where the internal market intersects with the global market, moreover, the EU faces a choice between liberalization and protectionism. This conflict has occurred in other areas of EU law; in the context of privacy, it is noteworthy that the Directive itself requires “equivalent” standards of protection within the EU, but only “an adequate level of protection” from third party nations. There is a long-standing and unresolved debate about the relationship between these standards. Nonetheless, the choice of a mere adequacy standard for non-member states acknowledges the benefits of a liberalized global trade in information. International transmissions of personal information lead to regulatory externalities and policy puzzles that are more complex than those transmissions that occur when information is shared between member states.

In 1993, Jacques Fauvet, the influential President of the French data protection commission, asked, “Do we want a Europe of merchants,

\[144\] Data Protection Directive, supra note 4, recital 56, at 36.

\[145\] BERMAN ET AL, supra note 38, at 417.

\[146\] See, e.g., Bradford, supra note 8, at 55 (discussing the conflict between liberalization and protectionism in the area of food safety). See generally PAUL CRAIG & GRÁINNE DE BÚRCA, EU LAW 637–65 (4th ed. 2008).

\[147\] Data Protection Directive, supra note 4, recital 8, at 32; id. art. 25(1), at 45.

\[148\] Simitis, supra note 17, at 165.
or one of human rights?" The answer to his rhetorical question is that the EU wants to have both. Indeed, as the earlier section of this Article on the pre-Directive history notes, Europe has long sought both data trade and privacy protection. Here, I differ with Professor Joel Reidenberg, who, in a pathbreaking 2000 article, posited a crisp dichotomy between the U.S. privacy approach and that in the EU. According to Reidenberg, U.S. information privacy regulation was based on liberal norms and market forces, while the EU’s information privacy regulations were based on “social-protection norms,” where “data privacy is a political imperative anchored in fundamental human rights protection.”

The lack of a Brussels Effect for data privacy, the resulting willingness to negotiate on the part of the EU, and the ensuing compromises point to a liberal, market-oriented approach within the EU.

A second explanation for the EU’s use of a collaborative policymaking approach instead of relying on the Brussels Effect for regulation of personal information has been the strong desire to access the global information economy on the part of EU companies and consumers. In this regard, one is reminded of a classic concept from legal positivism, the “normative power of the factual” (normative Kraft des Faktischen). Cross-border flows have only become a more important part of international trade in the decades since the enactment of the Directive. Indeed, the large multinational companies involved in data trade, even if often founded outside the EU-zone, have quickly developed significant economic ties within the EU. In recognition of the importance of the information economy, Johannes Masing, a law professor and Justice on the Federal Constitutional Court of Germany, has noted the need for reasonable EU rules for international Internet companies and observed that “unhindered economic transactions are of the greatest importance for the future of Europe.”

Services and products flowing from the information age have also proved highly popular among EU citizens. The release of the iPhone provoked the same lines and excitement on September 21, 2012 in Munich, London, and Paris as it did in Berkeley, New York, and Chi-

150 See Reidenberg, supra note 129, at 1342–46.
151 Id. at 1347.
153 Johannes Masing, Herausforderungen des Datenschutzes [Challenges in Data Protection], 2012 NEUE JURISTISCHE WOCHENSCHRIFT [NJW] 2305, 2310.
Facebook provides a further example in this regard with an astonishingly high participation in many EU countries. A political skirmish about Facebook’s privacy policy in the German state of Schleswig-Holstein also illustrates the centrality of information age services.

In the fall of 2011, the Independent State Center for Data Protection of Schleswig-Holstein published an expert opinion finding that Facebook’s fan pages and its social plug-ins, such as the “like button,” violated various German data protection statutes, including the Telemedia Law (Telemediengesetz, TMG). Thilo Weichert, the Director of the center and Schleswig-Holstein’s Data Protection Commissioner, requested that all private sector organizations and public organizations in Schleswig-Holstein take down their Facebook fan pages and threatened to levy fines if no such action occurred. Weichert also called upon the government of Schleswig-Holstein to remove its own Facebook fan page by October 31, 2011. The government refused to do so — it chose Facebook over the stern recommendation of the data protection commissioner. A life without social media was as unthinkable for this state government as it is for millions of EU citizens.


155 See supra note 137.


159 It merely added a warning to its page that clicking on the “like button” on the fan page would lead to information being shared with Facebook. Id.
In sum, there has not been a “unilateral regulatory globalization” of Brussels’s privacy standards. Rather, the EU proved open to negotiated solutions in this area. In the next section, I consider the nature of these negotiations and the entities that engaged in this process.

(b) “Harmonization Networks.” — Anne-Marie Slaughter’s scholarship presents an insightful perspective on global privacy policymaking. In contrast to Bradford’s focus on the EU’s unitary power, Slaughter’s interest in *A New World Order* is on global governance through networks. She argues that the emerging “new world order” is “an intricate three-dimensional web of links between disaggregated state institutions.”\(^{160}\) In Slaughter’s estimation, states now relate to each other through their parts and not their whole. States are “disaggregated,” that is, they interact not only through their foreign offices and state departments, but also through a variety of regulatory, judicial, and legislative channels.\(^{161}\)

An important part of these disaggregated interactions occur through “harmonization networks.”\(^{162}\) These networks emerge from the actions of regulators working “within the framework of a trade agreement, often with a specific legislative mandate . . . to harmonize regulatory standards . . . with the overt aim of achieving efficiency.”\(^{163}\) In this sense, “harmonization” is the process by which these ad hoc groups adjust the regulatory standards of multiple countries to achieve a mutually acceptable outcome. As Slaughter writes, “The more that international commitments require the harmonization or other adjustment of domestic law, the coordination of domestic policy, or cooperation in domestic enforcement efforts, the more they will require government networks to make them work.”\(^{164}\) Harmonization networks can also generate distinct mechanisms for compliance within each nation.

Slaughter’s scholarship helps explain the nature of the cooperative lawmaking that occurred in the shadow of the EU Data Protection Directive. Notably, a wide variety of ad hoc networks emerged after 1995 to adjust and develop EU and U.S. law and make possible compliance with the Directive. Indeed, this harmonization took place in an even more ad hoc fashion than Slaughter foresees. It did not occur within the formal framework of an EU-U.S. trade or treaty agreement, but as a series of policy improvisations following the EU’s enactment of the Directive.

\(^{160}\) Slaughter, supra note 9, at 15.
\(^{161}\) Id. at 5.
\(^{162}\) Id. at 20.
\(^{163}\) Id. at 59.
\(^{164}\) Id. at 162.
The “harmonization networks” of data protection law have also involved a disparate group of participants. In the EU, important roles have been played by the Commission, Council of Ministers, Parliament, Article 29 Working Group, European Data Protection Supervisor, the Berlin Group on Telecommunications and Data Protection, and national and state data protection supervisors. Non-EU parties involved in the “lawmaking” have included the U.S. Commerce Department and the FTC, which now has full member status at the annual meeting of the world’s data protection commissioners and its own high level contacts about privacy with the EU. As noted earlier, the FTC has enforced the Safe Harbor Agreement with the EU against Facebook and Google. Here is a fascinating example of collaborative lawmaking between the EU and the United States with the content of norms developed by the two legal systems and then enforced by one side. U.S. privacy advocacy groups, such as the Electronic Privacy Information Center, have participated in hearings at the European Parliament and in discussions at the Organization for Economic Cooperation and Development’s Working Party on Information Security and Privacy.

Finally, when building blocks for policymaking are disaggregated parts of states, there are possible dangers. The risk is “an end run around the formal constraints — representation rules, voting rules, and elaborate negotiating procedures — imposed on global governance by traditional international organizations.” Slaughter warns, “Existing networks breed suspicion and opposition in many quarters, leading to charges of technocracy, distortion of global and national political processes, elitism and inequality.” In response to these risks, Slaughter points to a need for a transformation of harmonization networks through attention to a handful of important norms and pro-

165 To provide an example of these networks in action, the national data protection commissioners issue regular policy statements at the conclusion of each annual Data Protection Conference. The 2012 Conference was held in Uruguay and led to declarations about cloud computing, “the future of privacy,” and profiling. Resolutions and Declaration Adopted, 34TH INTERNATIONAL CONFERENCE OF DATA PROTECTION AND PRIVACY COMMISSIONERS (2012), http://www.privacyconference2012.org/english/sobre-la-conferencia/noticias/Resoluciones+y+declaraciones+adoptadas.


167 See supra notes 99–100 and accompanying text.

168 For an example of testimony by Marc Rotenberg, President of the Electronic Privacy Information Center, before the European Parliament, see EPIC Urges Support for New European Privacy Framework, ELEC. PRIVACY INFO. CTR. (Oct. 9, 2012), http://epic.org/2012/10/epic-urges-support-for-new-eur.html.

169 SLAUGHTER, supra note 9, at 28.

170 Id. at 266.
posed elements.\textsuperscript{171} Perhaps the three most promising for the future of global privacy policymaking are subsidiarity, checks and balances, and enhancements to the accountability of government networks. I return to these proposals later in this Article when I consider necessary modifications to the EU’s Proposed Regulation.

III. THE EU PROPOSED DATA PROTECTION REGULATION

In January 2012, the EU released its Proposed General Data Protection Regulation.\textsuperscript{172} This document marks an important policy shift from directives to regulations. In EU law, while a directive requires harmonizing legislation, a regulation establishes directly enforceable standards. As Kuner explains, “a regulation leads to a greater degree of harmonization, since it immediately becomes part of a national legal system, without the need for adoption of separate national legislation; has legal effect independent of national law; and overrides contrary national laws.”\textsuperscript{173}

Two developments are responsible for this shift in policy. First, in 2010, the Commission had already pointed to the “new challenges for the protection of personal data” created by “rapid technological developments and globalisation.”\textsuperscript{174} Technology allowed “ways of collecting personal data [to] become increasingly elaborated and less easily detectable.”\textsuperscript{175} Second, technology made more personal information “publicly and globally available on an unprecedented scale.”\textsuperscript{176}

In light of these two challenges, the Directive fell short, and the Commission did not mince words in noting the lack of sufficient harmonization for data protection throughout the EU. For example, member states were interpreting the rules for consent differently,\textsuperscript{177} and the Directive’s grant of a “room for manoeuvre in certain areas” and its permitting member states to issue “particular rules for specific situations,” had created “additional cost[s] and administrative burden[s]” for private stakeholders.\textsuperscript{178} Due to this absence of uniformity under the Directive, a regulation was needed to create legal certainty.

\begin{footnotes}
\item[171] Id. at 29–30.
\item[172] Proposed Regulation, supra note 3.
\item[175] Id. (emphasis omitted).
\item[176] Id.
\item[177] Id. at 8.
\item[178] Id. at 10.
\end{footnotes}
within the internal market and to assure a continuing role for the EU “in promoting high data protection standards worldwide.”179

The resulting policy instrument, the Proposed Data Protection Regulation, has contradictory tendencies. To express its spirit, one might quote Walt Whitman: “I contradict myself; / I am large . . . . I contain multitudes.”180 The Proposed Data Protection Regulation offers varied possibilities: it has the potential both to destabilize the current status quo between the EU and United States and to build on the current approach by creating new paths for accommodation between the two systems.

A. Destabilization of the Equilibrium

To begin with the potential for destabilization, the Proposed Regulation adds additional protections for individual rights that go beyond those in the Directive. These protections strengthen existing requirements for data minimization and for a legal basis before an organization may process personal information. The Proposed Regulation also develops a controversial “right to be forgotten”181 and elaborates stricter requirements before “consent” can be used as a justification for data processing.182 There is also a further emphasis on the unique EU categories of protection from automated processing183 and from use of sensitive data.184 These aspects of the Regulation create greater distance between the EU and U.S. systems for information privacy law and cast the current status quo into doubt. The Proposed Regulation also destabilizes institutional relations within the EU. It significantly increases the power of the Commission and takes power away from the member states and national data protection commissions.185

1. Heightened Individual Rights. — As an initial step in strengthening individual rights, the Proposed Regulation heightens existing EU requirements for a legal basis before an organization engages in data processing. Its Article 5 states that personal data “shall only be processed if, and as long as, the purposes could not be fulfilled by pro-

179 Id. at 5; see also id. at 16. The lack of uniformity under a Directive is a larger phenomenon of EU law, and has been identified in other regulatory contexts. Katerina Linos, How Can International Organizations Shape National Welfare States? Evidence from Compliance with European Union Directives, 40 COMP POL STUD 547, 562 (2007).
180 WALT WHITMAN, LEAVES OF GRASS 55 (1855).
181 Proposed Regulation, supra note 3, art. 17, at 51.
182 Id. art. 7, at 45.
183 Id. art. 2, at 40–41.
184 Id. art. 9, at 45–46.
185 In fact, the “Legislative Financial Statement” at the end of the Proposed Regulation classifies the “Management Mode” of the regulation as “Centralised direct management by the Commission.” Id. at 101–07.
cessing information that does not involve personal data.” As Recital 30 states more broadly, “[p]ersonal data should only be processed if the purpose of the processing could not be fulfilled by other means.”

Even if such a general basis for data processing exists, there is a further requirement of data minimization. Article 5 requires personal data to be “adequate, relevant, and limited to the minimum necessary in relation to the purposes for which they are processed.” Firms also may not process data “in a way incompatible” with their original collection, which is to be “for specified, explicit and legitimate purposes.”

The Proposed Regulation thus only allows organizations to process personal data for limited and specified purposes. Moreover, it also imposes temporal limits on data use. As part of this approach, the Proposed Regulation creates the newfound “right to be forgotten.”

Within the academy, Professor Viktor Mayer-Schönberger has been a leading proponent of the deletion of personal information to protect privacy. The Proposed Regulation dedicates an article to this interest, which it links to a right “to erasure.” Of the right to be forgotten, the Proposed Regulation states, “The data subject shall have the right to obtain from the controller the erasure of personal data relating to them and the abstention from further dissemination of such data” should a number of conditions apply.

The “right to be forgotten” has a significant potential for creating conflict with the United States. Indeed, within the EU, this interest also raises difficulties regarding the necessary balance of privacy against the freedom of expression and historical research. For example, the Proposed Regulation places the responsibility on the “controller” of the information to inform third parties of the duty to erase data. Consistent with long-established EU data protection law, the Proposed Regulation defines a controller as the person or entity who “determines the purposes, conditions and means of the processing of personal data.” Complex questions are raised by the right to be for-

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186 Id. art. 5(c), at 43.
187 Id. recital 30, at 22.
188 Id. art. 5(c), at 43.
189 Id. art. 5(h), at 42.
190 Id. at art. 17.
192 Proposed Regulation, supra note 3, art. 17(1), at 51.
193 Id. These conditions include: “the data are no longer necessary in relation to the purposes for which they were collected or otherwise processed”; consent for the processing has been withdrawn; the authorized storage period has expired; or the concerned individual has objected to the processing of the information. Id. art. 17(1)(a)–(d), at 51.
194 Id. art. 17(2), at 51.
195 Id. art. 4(3), at 41.
gotten regarding the precise obligations of the controller and downstream third parties, such as search engines and advertising networks, who have many innovative ways of collecting, tracking, and, in some cases, reidentifying data.\textsuperscript{196}

The Proposed Regulation strengthens individual rights in other ways. Among the most important of these measures are those that heighten existing consent requirements. As Kuner observes, consent is an especially important concept in the EU because it is in “widespread use . . . as a legal basis for data processing.”\textsuperscript{197} The Proposed Regulation reinforces the Directive’s concept of consent by placing “the burden of proof” on a “controller” to show that individuals agree to the processing of their personal data.\textsuperscript{198} The Proposed Regulation also declares that “[c]onsent shall not provide a legal basis for [data] processing, where there is a significant imbalance between the position of the data subject and the controller.”\textsuperscript{199} These provisions consolidate certain existing skeptical opinions regarding how volitional consent truly is in the EU.\textsuperscript{200}

The Proposed Regulation also heightens the protections of the Directive for sensitive data and strengthens existing restrictions on automated decisionmaking. Article 9 provides a list of kinds of sensitive data, which it terms “special categories of personal data.”\textsuperscript{201} Following the Directive’s approach, Article 9 flatly forbids the processing of “special categories” unless one of its specific exceptions is applicable.\textsuperscript{202} The EU’s attention to its “special categories” does not focus on risks from specific data processing operations, but singles out areas as ex ante problematic for data processing. The Information Commissioner’s Office in the United Kingdom has already criticized the Proposed Regulation’s provisions for sensitive data due to “the inflexible nature of the grounds on which such data can be processed.”\textsuperscript{203} In addition,  

\textsuperscript{196} On these processes, see Jennifer Valentino-DeVries & Jeremy Singer-Vine, They Know What You’re Shopping For, WALL ST. J., Dec. 8, 2012, at C1.  
\textsuperscript{197} Kuner, supra note 173, at 220.  
\textsuperscript{198} Proposed Regulation, supra note 3, art. 7(1), at 45.  
\textsuperscript{199} Id. art. 7(4), at 45.  
\textsuperscript{200} See Article 29 Working Party, Opinion 15/2011 on the definition of consent, at 2, 01107/11/EN, WP 187 (July 13, 2011) (warning that if consent is “incorrectly used, the data subject’s control becomes illusory and consent constitutes an inappropriate basis for processing”); see also Spiros Simitis, § 4a — Einwilligung in KOMMENTAR ZUM BUNDESDATENSCHUTZGESETZ, supra note 17, at 432, 435 (warning that “consent” becomes a mere fiction if the affected party does not have a real possibility of influencing how his or her personal information is used).  
\textsuperscript{201} Id. art. 9, at 45.  
\textsuperscript{202} Id. art. 9(1)–(2), at 45–46.  
\textsuperscript{203} Initial Response from the ICO on the European Commission’s Proposal for a New General Data Protection Regulation, INFO. COMMISSIONER’S OFFICE (Jan. 25, 2012),
the Proposed Regulation’s exceptions to its general ban on processing are drafted in a narrow fashion that may prove unworkable. As for automated processing, the Proposed Regulation ties this concept to more contemporary concerns about profiling. Article 20 is worth quoting at length:

Every natural person shall have the right not to be subject to a measure . . . which is based solely on automated processing intended to evaluate certain personal aspects relating to this natural person or to analyse or predict in particular the natural person’s performance at work, economic situation, location, health, personal preferences, reliability or behaviour.204

By increasing the Directive’s protections for personal data, the Proposed Regulation threatens certain contemporary forms of “automated processing,” most notably analytics. I return to this topic in section III.C.1.

2. A Centralization of Regulatory Power. — Although I have begun my discussion of the Proposed Regulation with its protection of rights, much of this document concerns the organization and practice of data protection within the EU. As Professor Gerrit Hornung has noted, “Institutional and organizational arrangements make up a significant part of the draft.”205 Some of these measures have been received with general approval, such as the steps that the Proposed Regulation takes to guarantee the independence of data protection commissions within their member states.206 Yet the Proposed Regulation also contains controversial measures that destabilize the organizational status quo: first it creates a “consistency mechanism,”207 and second it grants power to the Commission to create a wide range of “delegated” and “implementing” acts.208 One analysis of the Proposed Regulation has found that it identifies forty-five different areas that can be regulated


204 Proposed Regulation, supra note 3, art. 20(1), at 54.


207 Proposed Regulation, supra note 3, art. 57, at 82.

208 Id. art. 86, at 97–98; id. recitals 129–32, at 37–38.
through such acts. The result centralizes data protection decisionmaking in the Commission.

The impact of these steps on privacy subsidiarity within the EU are significant, and the reaction within the EU regarding these aspects of the Proposed Regulation has been strongly negative. In Germany, the Bundesrat, or Federal Council, which represents the sixteen states of Germany in the federal legislative process, issued a resolution objecting to the Proposed Regulation. It declared that the Proposed Regulation engages in an “almost complete displacement of the data protection rules in member states.” In France, the National Commission on Information Technology and Liberties objected to the regulation as “a centralization of the regulation of private life for the benefit of a limited number of authorities, and equally for the benefit of the Commission, which will gain an important normative power.” It also pointed to aspects of the Regulation that would reinforce the “bureaucratic and distant image of community institutions” and reduce the status of data protection commissioners to that of a “mailbox” for passing on complaints to other authorities.

Commentators have also wondered whether the Regulation violates “subsidiarity,” a key tenet of EU law. Alexander Dix, the Berlin Data Protection Commissioner, argues that “the powers that the Commission grants itself in this process go far beyond the permissible.” A long-standing advocate of the “modernization” of EU data protection, Professor Alexander Roßnagel finds the Proposed Regulation to represent the wrong kind of reform. He criticizes it as a “highly radical solution” that is based on a “centralized and monopolized regulation.” Relatedly, commentators have also found that the Proposed Regulation violates the EU principle of subsidiarity and proportionality, which is a means-end test.

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210 BUNDES RAT DRUCKSACHEN [BR] 52/1/12 (Ger.).
211 Id. at 2.
213 Id.
214 Dix, supra note 209, at 321.
The first step the Proposed Regulation takes to centralize power at the EU is its “consistency mechanism.” The Proposed Regulation creates a new institution, the European Data Protection Board (EDPB). In so doing, the Proposed Regulation upgrades the status of the Article 29 Working Party, the panel of national supervisory authorities. The EDPB provides a useful forum in which national supervisory authorities can reach a consensus about important issues. As Professor Abraham Newman argues, governmental officials in individual countries with data protection legislation, in particular France, Germany, and the United Kingdom, played a central role throughout the 1980s and 1990s in the creation of supranational privacy protection in Europe. Drawing on their important “vertical ties,” data protection commissioners in EU nations with existing legislation acted as “transgovernmental policy entrepreneurs” through the drafting of the Directive and afterwards.

The EDPB offers a new institutional framework for drawing on these important ties. While the EDPB permits each national data protection commission to make final regulatory choices, it requires a draft proposal to be filed with it and the European Commission before a commission can adopt a measure relating to certain kinds of matters. The prefiling requirement extends to matters affecting information processing in several member states, international data transfers, or a variety of other topics. The EDPB’s subsequent nonbinding recommendations will be valuable to the process of developing consensus about important transnational privacy issues among all member states. The EDPB would offer an opinion on the matter by simple majority.

More controversially, the Proposed Regulation grants great power to the Commission. It gives the Commission the authority under


217 Proposed Regulation, supra note 3, arts. 64–72, at 86–89.
218 See id. art. 64, at 86 (providing that the EDPB will be composed of “the head of one supervisory authority of each Member State and of the European Data Protection Supervisor”).
219 NEWMAN, supra note 96, at 88–89.
220 Id. at 92.
221 Id. at 98.
222 See Proposed Regulation, supra note 3, art. 58(1)–(2), at 82–83.
223 Id. art. 58(7), at 83.
224 Id. art. 58(8), at 83.
consistency process to issue opinions to “ensure correct and consistent application” of the Regulation.225 At an initial stage, the national data protection authority must “take utmost account of the Commission’s opinion.”226 Additionally, the Commission may require national data protection authorities “to suspend the adoption” of a contested draft measure.227 Thus, through the “consistency process,” the Proposed Regulation grants the Commission the final word on a wide range of matters concerning the interpretation and application of the Proposed Regulation throughout the EU and beyond.

The Proposed Regulation also assigns the Commission the power to adopt “implementing acts” and “delegated acts” under a wide range of circumstances. Delegated acts supplement or amend nonessential elements of EU legislation, and implementing acts enact procedures to put the legislation into effect. The Proposed Regulation contains numerous grants of power to adopt both kinds of acts, plus a general grant in Article 62(1) to issue implementing acts to decide “on the correct application” of the Regulation under almost limitless circumstances.228 As Kuner concludes, the result is “a substantial shifting of power regarding data protection policymaking from the EU member states and the [data protection authorities] to the Commission.”229 There has been an outcry against delegated and implementing acts as demonstrated by leaked comments dated July 18, 2012 from member states to the Council of the EU.230 The national delegations of France, Germany, Italy, Luxembourg, Norway, Sweden, Poland, and the United Kingdom all objected to this aspect of the Proposed Regulation.231

B. Paths to Accommodation

At the same time that the Proposed Regulation destabilizes the current policy equilibrium, it offers paths toward a new balance. This new direction begins with international collaboration. The Proposed Regulation also consolidates the results of previous negotiations about

225 Id. art. 58(4), at 83.
226 Id. art. 59(2), at 84. If the national supervisory authority neglects to follow the opinion of the Commission, it is required to “inform the Commission and the European Data Protection Board . . . and provide a justification.” Id. art. 59(4), at 84.
227 Id. art. 60(1), at 84.
228 Id. art. 62(1), at 85; see id.
229 Kuner, supra note 173, at 227.
231 For these objections to the delegated and implementing acts in the Note from General Secretariat, see id. at 54 (France); id. at 25 (Germany); id. at 73 (Italy); id. at 90 (Luxembourg); id. at 166 (Norway); id. at 101 (Poland); id. at 130 (Sweden); and id. at 138 (United Kingdom).
international data flows and introduces privacy and security innovations from around the world into EU law. Thus, the Proposed Regulation builds on the Directive’s achievements and points the way forward to continuing international policymaking.

First, Article 45 of the Proposed Regulation sets out an aspirational call for collaboration in data protection among European officials, national regulators, and nongovernmental organizations. This work is to include development of “effective international co-operation mechanisms”; provision of “international mutual assistance in the enforcement of legislation”; engagement of “relevant stakeholders in discussion and activities”; and promotion of “the exchange and documentation of personal data protection legislation and practice.”

Through these provisions, the Proposed Regulation envisions a world of cross-fertilization of ideas, mutual assistance, and, through its idea of “co-operation mechanisms,” the possibility of new forms of institutional relations.

Second, the Proposed Regulation consolidates many of the policies negotiated post-Directive. In particular, the Proposed Regulation acknowledges the validity of the Safe Harbor Agreement, Binding Corporate Rules, and contractual clauses. Its Articles 41(8) and 42(5) confirm that decisions of the Commission and the data protection authorities of member states will remain in force once the Directive is repealed.

As a result, the Safe Harbor Agreement will be valid under the Proposed Regulation. As for Binding Corporate Rules, the Proposed Regulation sets out the means for their approval in Article 43. This proposal largely adopts the requirements that the Article 29 Working Party has established for these policy instruments. Moreover, the Proposed Regulation permits international transfers of data through model contractual clauses, now termed “standard data protection clauses,” as well as contractual clauses for specific transfers that have been approved by a data protection authority.

Third, the Proposed Regulation incorporates a number of privacy policy innovations, some of which have roots outside of the EU. In 1995, the Directive had demonstrated a willingness to absorb policy innovations made within the EU. The Proposed Regulation proves similarly willing to absorb recent information privacy policy innovations. Some of these recent innovations are found in the laws of mem-

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232. Proposed Regulation, supra note 3, art. 45(1)(a)–(d), at 74. The Proposed Regulation also requires the European Data Protection Board to encourage “the exchange of knowledge and documentation on data protection legislation and practice with data protection supervisory authorities worldwide.” Id. art. 66(1)(g), at 87.

233. See id. arts. 41(8), 42(5), at 70–71.

234. See id. art. 43, at 71–73.

235. Id. art. 42(2)(b)–(d), at 70–71.
ber states, and some are found in laws outside of the EU. By incorporating these innovations, the Regulation demonstrates its openness to the work of global policy entrepreneurs. Among the privacy regulatory innovations that the Commission incorporated into the Proposed Regulation are data breach notifications, data protection impact assessments, data protection by design, and the concept of “responsibility,” which has more typically been termed “accountability.” The last concept provides an especially interesting example of privacy policy entrepreneurship.

The OECD’s Privacy Guidelines contain an early, if underdeveloped, mention of accountability. The OECD Guidelines require the “data controller” to “be accountable for complying with” its principles. More recently, a joint policymaking effort has sought to create standards of accountability for the twenty-first century. This project has been facilitated by a U.S.-based organization, the Centre for Information Policy Leadership, and began with the Irish Data Protection Commissioner’s multi-year “Galway Project.” These initial steps have been followed by accountability projects led by the French data protection commissioner and a resolution on the topic issued in 2009 by EU data protection commissioners in Madrid.

As a policy idea, the accountability principle focuses on whether a data processing entity has created internal processes that are commensurate to potential data threats. It represents an effort to move away from the creation of formalistic, top-down obligations for data processors, such as a requirement to file declarations with national data protection commissioners. The Proposed Regulation’s Article 22 offers a positive response to the revival of this concept. It places an obligation on the “controller” to demonstrate compliance with the Proposed Regulation by adopting both internal policies and “mechanisms

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236 Id. arts. 31, 32, at 60–62 (data breach notifications); art. 33, at 62–63 (Privacy Impact Assessments); art. 23, at 56 (Privacy by Design); art. 22, at 55–56 (accountability).
239 See id. at 3.
242 See Proposed Regulation, supra note 238, at 8–9.
243 See Proposed Regulation, supra note 3, art. 22, at 55–56.
to ensure the verification of the effectiveness of the resulting measures.244

C. Averting the Privacy Collision Ahead:
A Turn to Procedures and Institutions

What then is the prognosis for life under the Proposed Regulation? In 1995, with the Directive staking out positions that permitted data embargoes and pointed to future international conflict, Professor Fred Cate noted, “all of the affected parties recognize the important opportunity presented by the Directive for meaningful consultations between U.S. and European business and government leaders.”245 These consultations occurred; even more so, creative “lawmaking” took place through networks of government officials and private citizens engaged in policy entrepreneurship. Here is Slaughter’s EU as a “vibrant laboratory” — and a laboratory open to participation by a wide cast.246

In assessing the potential privacy collision under the Proposed Regulation, this Article considers the kinds of institutions and procedures that can make future collaborative “lawmaking” possible in the shadow of a new EU policy instrument. Here, I wish also to assess the value of subsidiarity, checks and balances, and the accountability and transparency of government networks. These ideas, found among Slaughter’s normative suggestions for harmonization networks, reflect important concepts in EU law.

1. Subsidiarity. — Subsidiarity is a cornerstone of EU law. Jean Monnet, one of the intellectual founders of the EU, emphasized the value of locating governmental power at the lowest level practicable. The idea is enshrined in the Treaty on European Union’s Article 5, which also includes a concept of proportionality.247 The Lisbon Treaty of 2007 strengthens subsidiarity by giving national parliaments a direct role in enforcing it.248 In her theory of harmonization networks, Slaughter also points to this concept as an important element in the success of a disaggregated policy process.249

244 Id. art. 22(1), at 55 (directing the adoption of internal policies); id. art 22(3), at 55 (verification mechanisms).
245 Cate, supra note 130, at 442. Cate also noted that the Directive “threatens U.S. leadership in the information economy and is heightening U.S. concern over protecting that so-called dominance.” Id. at 440.
246 SLAUGHTER, supra note 9, at 264.
249 SLAUGHTER, supra note 9, at 259.
What are the lessons of subsidiarity for life under the Proposed Data Protection Regulation? An optimal outcome to the consultation process now underway at the EU would reduce the scope of the Proposed Regulation. The Proposed Regulation creates binding law for member states in a way that occupies too many areas, sweeps too broadly, and leaves too little room for future policy experiments. Regarding the scope of the resulting revised regulation, the EU should limit it to key definitional concepts, or “field definitions.” Such definitions are basic conceptual categories that mark a regulatory field.250 The field definitions in a revised regulation would develop EU-wide concepts for the term “personal information,” the elements of consent, the jurisdictional bases for transnational application of EU privacy standards, and the formal requirements for data protection commissions. As a final definitional matter, a revised regulation should set out the requirements for an EU Data Protection Commission, a topic which I will address in the next section.

By marking the scope of these regulatory “fields,” a revised regulation would encourage uniformity in basic elements of EU data protection law and reduce regulatory transaction costs on an international scope. It would also permit room for further experiments, which is a key benefit of subsidiarity. For example, consider the heightened individual rights under the Proposed Regulation. The need is for harmonization networks to develop innovative ways to interpret and apply these interests consistent with an international free flow of information. These loosely aggregated networks of government officials and private individuals can lead to a cross-fertilization of policy models and can help devise ways to comply with the Proposed Regulation’s new rules for cross-border data flows.

The principle of subsidiarity also suggests that innovative responses to regulation of analytics are most likely to emerge from a bottom-up discussion among different participants in diverse harmonization networks. Through analytics, organizations take information that they have or to which they can gain access and convert it to actionable knowledge.251 Among nonconsumer uses of this technology, analytics play an important role in health care research, data security, and fraud prevention. Yet, the EU appears to regulate and limit analytics even at those initial stages when data are collected, integrated, and analyzed. Under EU law, these steps are likely to constitute a processing

250 For an earlier use of this term, see Schwartz, supra note 57, at 942.

of data that has a “legal effect” on a person under EU law.\footnote{Indeed, as Kuner notes, “the requirements for collecting and processing data in the EU will become much stricter under the Proposed Regulation.” Kuner, supra note 173, at 224.} In this fashion, the Proposed Regulation creates a potential threat to socially productive uses of analytics — and ones that may not raise significant risks of individual privacy harms. There is a need for the kind of innovative, multistakeholder discussions around accountability to puzzle out regulatory solutions for analytics.

Finally, a revised regulation should respect subsidiarity by reducing the scope for implementing and delegated acts, which should be limited to the topics of a revised regulation, namely, those concerning field definitions and the workings of the EU Data Protection Commission. This step will leave adequate room for further policy experiments at the national level.

2. Checks and Balances. — In a revised regulation, the EU should also alter its proposed new structures to reflect the significance of checks and balances. Here, I wish to shift from a normative analysis of process to one looking into the proper form of institutions. EU law has long been attentive to checks and balances. Here, too, the Lisbon Treaty is illustrative. In his analysis of it, Jean-Claude Piris, the Legal Counsel of the Council of the EU, finds the Treaty following in the tradition of “successive modifications of the founding Treaties” in demonstrating a decision “not to establish any single EU institution as politically too powerful.”\footnote{JEAN-CLAUDE PIRIS, THE LISBON TREATY 237 (2010).} As Slaughter points out, moreover, power in the transgovernmental realm should reflect “the guarantee of continual limitation of power through competition and overlapping jurisdiction.”\footnote{SLAUGHTER, supra note 9, at 259.} The balance of power should distribute privacy policy-making power among different EU and international institutions.

In this light, the Proposed Regulation grants the Commission a highly problematic exclusive power over the national data protection authorities. The crux of the difficulty is the Commission’s veto power, which is part of the consistency process. This aspect of the Proposed Regulation reduces the ability of harmonization networks to develop policy and to innovate around past policy instruments now consolidated in the Proposed Regulation. This veto power also raises important questions about the Proposed Regulation’s guarantee of independence for data protection commissions. Finally, this decision raises questions about the “democracy deficit” in the EU, which has been a longstanding matter of concern.\footnote{For a discussion, see CRAIG & DE BURCA, supra note 146, at 133–38.}
information about different policy innovations and to prevent national regulatory efforts that are likely to impose high costs with scant privacy benefits. In their work on American federalism, Professors Malcolm Feeley and Edward Rubin note that regulatory experiments are “desirable, presumably . . . not because of an abiding national commitment to pure research but because the variations may ultimately provide information about a range of alternative governmental policies and enable the nation to choose the most desirable one.” Hence, whether in the United States or the EU, the need is for institutions to observe policy experiments and then adopt those with positive results and stop those with negative outcomes. These mechanisms should also be consistent with the notion of checks and balances.

Instead of recourse to the Commission, a revised regulation should create a new body, the EU Data Protection Authority. This new entity should be located within the EU Parliament, which is the sole elected branch of the EU government. The EU Data Protection Authority should consist of representatives from the Parliament; the European Data Protection Board, which is the Proposed Regulation’s forum of national data protection commissioners; and the already existing European Data Protection Supervisor, an independent EU office. The EU Data Protection Commission should have the power to suspend decisions of the national authorities by a majority vote. This institution would further the establishment of checks and balances by dividing the ultimate power of the controversial new consistency process.

3. Accountability and Transparency. — For Slaughter, government officials are now becoming “enmeshed in networks of personal and institutional relations.” In an age where “[g]overnment networks pop up everywhere,” the need is for government regulators to be “accountable to their national constituents” for “both domestic and international activity.” This accountability must be to both national and global norms, which is not possible if government networks do not make their activities “as visible as possible.” Building on this theme of accountability through transparency, Slaughter looks to judicious use of third parties to watch the governmental officials in their networked roles. The EU has also been highly interested in furthering

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257 SLAUGHTER, supra note 9, at 7.
258 Id. at 13.
259 Id. at 258.
260 See id. at 231–35.
261 Id. at 231; see also id. at 235–37.
262 See id. at 238–59 (proposing that the new world order “use government networks to mobilize a wide range of nongovernmental actors, either as parallel networks or as monitors and interlocutors for specific government networks”).
accountability and transparency. It has been leading a multipronged transparency initiative to make the Union “open to public scrutiny and accountable for its work.”263 The 2001 Laeken Declaration stressed the role of increasing the “transparency of the present institutions” as a core part of the democratic legitimacy of the EU.264 Finally, the Lisbon Treaty has a number of articles that “insist on openness, transparency and information to the citizens.”265

How is EU data protection policymaking to be made accountable and transparent under a revised regulation? The need here is to fulfill the aspirations of the Proposed Regulation’s Article 45, which calls for collaboration in data protection on a global basis.266 The Proposed Regulation also adopts the policies negotiated in the shadow of the Directive as well as additional global privacy policy innovations.

One way forward concerns the accountability project. As this Article has discussed, the accountability principle, now found in the Proposed Regulation, focuses on whether a data processing entity has created internal processes that are commensurate to potential data threats. A reduction in externally imposed, formalistic bureaucratic obligations is to be offset by an organization’s own risk assessments and contextual analysis. As the Article 29 Working Party acknowledges, the accountability principle leads to a “result-focused” approach.267 One of the additional benefits of the use of accountability mechanisms in data protection regulations should be, in turn, to make the oversight of regulators more transparent. The use of certification schemes and other measures permits oversight bodies to provide information to the regulated organizations, and to the public at large, regarding the internal policies that do and do not effectively safeguard personal information. It should also make regulatory standards more open.

Finally, there is also a need to consider accountability and transparency in the United States. The FTC is now engaged in ongoing contacts with the EU and plays an increasingly important international role. As this Article has indicated, the FTC has found violations of the safe harbor by Google and Facebook and enforced this international agreement against these two companies. In the future, should EU-U.S. contacts lead to the coordination of privacy enforcement in a fashion that is adjudicative in nature, there will be a need to consider the extent to which these international contacts among regulators

265 PIRIS, supra note 253, at 135.
266 See Proposed Regulation, supra note 3, art. 45, at 74–75.
should be made more transparent. In this regard, the Government in the Sunshine Act\textsuperscript{268} in the United States as well as the EU’s own regulations regarding transparency for governmental decisionmaking provide only incomplete models.\textsuperscript{269} It should be noted, moreover, that there will be costs in regulatory efficiency if such international contacts occur with full public scrutiny and in real time.

IV. CONCLUSION

New conflicts in information privacy loom ahead for the United States and the EU because of the EU’s Proposed Data Protection Regulation of the EU. This document, which creates directly binding law for all EU member states, alters the current equilibrium achieved under the Data Protection Directive of 1995. The Directive stimulated a process of EU-U.S. “lawmaking” through multiparty ad hoc networks and led to multiple ways of accommodating the Directive’s rules for international data transfers. In contrast, the Proposed Regulation creates risks for the established processes and institutions.

In response, this Article has drawn on lessons from policymaking under the Directive. It advocates for a revised regulation that concentrates only on a limited set of nonuniform aspects of EU privacy law while also preserving future opportunities for creative global policymaking experimentation. Such a regulation should do so by focusing attention solely on the key conceptual definitions of data protection law. In addition, the revised regulation should not grant the Commission the power to act as a final arbiter of data protection standards through an ability to strike down the decisions of national data protection authorities. The revised regulation should also limit the Commission’s expansive power to issue implementing and delegated acts over virtually any matter.
