The European Union Data Privacy Directive and International Relations

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INTRODUCTION

Recently, the European Union passed its Data Privacy Directive (Directive), under which Member States are now required to enact implementing legislation. The Directive is the world’s most ambitious, far-reaching data privacy initiative of the high-technology era. Its global pervasiveness, and therefore its extraterritorial effects, raise interesting questions regarding tensions between the goal of uniform Internet policies and the importance of respecting sovereignty and national autonomy. How these tensions ultimately are resolved may affect international relations in the new century.

This article examines these dynamics. Section I is a primer on contemporary data privacy issues, which are the foundation upon which the EU Directive is built. Section II briefly discusses differences between U.S. and European approaches to these privacy issues, highlighting a present lack of global uniformity, even among two Western, developed regional economies. Section III analyzes the EU Directive, and includes some critical observations highlighting potential pitfalls and shortcomings. Section IV looks at the relationship between the EU approach and international relations, examining possible effects on the furtherance or hindrance of a harmonious and cohesive world community.
I. A PRIMER ON CONTEMPORARY DATA PRIVACY ISSUES

Privacy is a concern that obviously predates modern technology. It is also easily taken for granted. As one scholar observes, privacy is a lot like freedom: we don’t appreciate its value and importance until it is threatened, or until we lose it. In an era of burgeoning information technology, privacy also can become an afterthought, a secondary consideration in the race to find and exploit the next cutting-edge development.

Since the 1980s—i.e., prior to public diffusion of developing Internet technology—legal scholars have recognized how seriously computers can threaten privacy. The advantages of technology come at a price: one person’s enhanced information can be the invasion of another person’s privacy. This double-edged sword naturally creates conflict, based on both self-interest and ideology.

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2 See Andrew J. Frackman & Rebecca C. Martin, Surfing the Wave of On-Line Privacy Litigation, N.Y.L.J., Mar. 14, 2000, at 1 (observing that privacy concerns and fears of government and corporate collection of data pre-date the Internet).


4 See Jerry Kang, Information Privacy in Cyberspace Transactions, 50 STAN. L. REV. 1193, 1286 (1998)(noting privacy issues historically were afterthoughts, and that as technology drives us to continue making rapid advances, we react only “after the fact” to technology’s social consequences).

5 See, e.g., Jonathan P. Graham, Privacy, Computers, and the Commercial Dissemination of Personal Information, 65 TEX. L. REV. 1395 (1997)(recognizing that computer technology creates threats to privacy that were unimaginable shortly before the technology’s development, and discussing these threats in detail).

6 See, e.g., Elizabeth deGrazia Blumenfeld, Survey: Privacy Please: Will the Internet Industry Act to Protect Consumer Privacy Before the Government Steps In?, 54 BUS. LAW. 349, 351-52 (1998) (observing that the Internet’s great promise is accompanied by great risk, in the form of potential privacy invasions).

7 The conflict of self-interest is as follows: companies marketing their own products or the products of others have reason to be wary of losing the capabilities created by Internet technology to legal or regulatory constraints. On the other hand, many data subjects will be interested in constraining marketing efforts in order to protect their personal privacy. For discussion of the conflicting ideologies, see infra notes – and accompanying text.
Reasons for concern have escalated, and they continue to grow. Our privacy is becoming increasingly susceptible in the world of ever more sophisticated technologies. Electronic identification cards, wiretaps, biometrics, and video surveillance cameras all have the potential to erode our privacy. Digital interactive television technology soon may tell advertisers exactly which programs we view in our homes, refining target advertising in ways that are potentially both beneficial and frightening.

No modern technology poses a greater threat to privacy than the Internet. Interactive computer technology allows us to collect data more cheaply and efficiently. Conversion of data into binary form has enabled the common person to store, use, and misuse data in powerful new ways. Computer technology also allows commercial and other entities to accomplish

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9 See Tom Foremski, Digital Interactive Television, FIN. TIMES, July 5, 2000, at 11 (describing new technologies being pursued by companies such as Microsoft, DirectTV, and AOL, through which the fusion of television and computers will enable two-way communications between programmers and viewers).


The potential benefit to consumers is improvement in the utility of the advertising we see. While some may see this as a positive change, it may be frightening to others, who dislike becoming increasingly vulnerable to what they see as marketing and advertising wiles. Moreover, the very notion that programmers and advertisers are collecting information about us as we watch television in our homes is disturbing.

11 See Marilyn Larkin, Web Privacy Worries Won’t Go Away, 355 LANCET 1471 (2000) (observing that, in the U.S., internet privacy breaches are reported daily in the news).

12 See Edmund Sanders, For Sale: Your Personal Data—Cheap, Easy, OnLine, L.A. TIMES, June 24, 2000, at A1 (observing that personal information is increasingly available to everyone, and not just to specialty marketers and brokers able to pay steep prices).

13 See Michael W. Heydrich, Note, A Brave New World: Complying with the European Union Directive on Personal Privacy Through the Power of Contract, 25 Brooklyn J. Int’l L. 407, 408-09 (1999) (“With the capacity to convert data into binary form, the ability to store and use personal data has increased significantly, thus making the individual’s personal information more susceptible to misuse.”).

14 The threat to privacy is posed not only by commercial firms, but also by other entities and organizations. Government agencies are an obvious example. Recently, the FBI has come under scrutiny and criticism for the data
data collection tasks more quickly and inexpensively than ever.\footnote{Sanders, supra note 12.} What once took days of manual labor now can be accomplished with a keystroke; what once required substantial capital now can be achieved by anyone with a computer and a modem.\footnote{Id.}

By the late 1990s, the potential had become reality, as a Federal Trade Commission (FTC) survey concluded that 92% of 1,402 websites analyzed collected personal data, and that the majority did so without posting privacy disclosure statements.\footnote{See Karl D. Belgum, Who Leads at Half-Time: Three Conflicting Visions of Internet Privacy Policy, 6 RICH. J.L. & TECH. 1 Paragraph 11 (1999), http://www.richmond.edu/jolt/v6i1/belgum.html, visited July 23, 2000 (citing Federal Trade Commission, Privacy Online: A Report to Congress, June 1998, at http://www.ftc.gov/reports/privacy3/toc.htm).} More anecdotally, Professor Sovern describes modern media as “filled with horror stories about the use of personal information.”\footnote{See Jeff Sovern, Opting In, Opting Out, or No Options at All: The Fight for Control of Personal Information, 74 WASH. L. REV. 1033, 1035 (1999)(detailing examples of the amounts and varieties of information that can be accessed inexpensively by anyone, including a reporter identifying himself with the name of a man on trial for kidnapping and murder).}

Lack of disclosure is a serious problem. Internet-enhanced invasion of privacy can be especially insidious because the technology facilitates the collection of personal data without the knowledge of the subject.\footnote{See Lawrence Lessig, Commentary, The Law of the Horse: What Cyberlaw Might Teach, 113 HARV. L. REV. 501, 505 (1999)(observing that data collection in cyberspace is invisible—i.e., occurs without the knowledge of the person about whom data are being collected).} Among the more disturbing concerns is the collection of information surveillance system that it, perhaps imprudently, called “Carnivore.” FBI surveillance via Carnivore has raised search and seizure concerns, in addition to more generic privacy concerns. See John Baumgarten, FBI’s E-Mail “Wiretap” Under Scrutiny, 5 CYBERSPACE LAW. 28 (Sept. 2000).
identifying or tied to the subject of the information, such as address, social security number, medical information, financial information, and credit card information.20

Some critics of non-consensual flow of personal information posit property arguments in support of the e-privacy movement.21 They contend that the subjects of personal information have the right to control its use, including the right to sell it.22 Some property-based discussions appear to be based in conceptions of fairness.23 Others have focused around purported externalities pertaining to uncompensated use of private data.24 Still others have discussed property-related policy approaches to privacy issues, such as the possibility of licensing private information.25 In a world where companies pay or otherwise compensate consumers for personal information with increasing frequency,26 expectations regarding rights in information are likely to shift.


22 Bartow observes, “[I]f information about us is to be bought and sold, the initial purchase should be from us, since we are the ultimate content providers. If intangible property rights are rewards for the effort expended in creating the thing to be protected, we are entitled to ownership of our personal information.” Id. at 687.

23 See Karl D. Belgum, Who Leads at Half-Time?: Three Conflicting Visions of Internet Privacy Policy, 6 RICH. J.L. & TECH. 1, IV(3)(B) (1999) (“Privacy market opportunists begin with the assumption that, even though privacy may be a ‘fundamental human right,’ that does not mean that individuals should not have the ability to decide for themselves how much that right is worth to them personally, and whether to sell, trade or give away their private information in their own self-interest.”).

24 Steven A. Hetcher, The Emergence of Website Privacy Norms, 7 MICH. TELECOMM. TECH. L. REV. 97 (2001) (“[W]ebsites have benefitted through the largely unrestricted collection of personal data while consumers suffered injury due to the degradation of their personal privacy from this data collection. In other words, degradation of consumer privacy resulted as a third-party externality of free-market data-collection norms of the website industry.”). (pincite before note 26—don’t seem to be pages in this journal, at least LEXIS version.)


26 See Eric J. Sinrod et al., The New Wave of Speech and Privacy Developments in Cyberspace, 21 Hastings Comm. & Ent. L.J. 583, 592 (1999)(discussing programs in which online marketers provide free personal computers to consumers in exchange for monitoring rights and demographic data).
The “property rights” approach is appealing because it both recognizes and accommodates different preferences and priorities among consumers. Those consumers who value their privacy very highly need not sell the rights to personal data and information; those who place a lower value on privacy are free to sell their data and information.27

There are also good arguments in favor of the freest flow of information, even personal information. Society benefits from vastly facilitated access to information.28 Some commentators suggest that the free collection and use of information benefits not only businesses, but also consumers and society at large,29 and that current pro-privacy trends may therefore more accurately be classified as “privacy panic.”30 Consumers ostensibly benefit by receiving more pertinent information, as companies better target their advertising to our personal interests;31 society ostensibly benefits as better, more efficient marketing supports e-commerce and a thriving economy.32 In addition, all users benefit from free Internet services that are sponsored by advertisers. If Internet advertising fails to be effective, advertiser sponsorship will

27 See Eve M. Caudill & Patrick E. Murphy, Consumer Online Privacy: Legal and Ethical Issues, 19 J. PUB. POL’Y & MARKETING 7, 8 (2000)(“A continuum suggests that consumers have varying degrees of concern with privacy and place different values on their personal information; therefore, some consumers may be willing to trade away information for a more valued incentive.”).

28 See Blumenfeld, supra note 6, at 350 (recognizing the Internet’s potential to serve society as the next commercial marketplace).

29 See James M. Assey, Jr. and Demetrios A. Eleftheriou, The EU-U.S. Privacy Safe Harbor: Smooth Sailing or Troubled Waters?, 9 COMMLAW CONSPECTUS 145, 150 (2001)(“[T]he open flow of information not only comports with the U.S. system of self-governance, it also assists in promoting commerce, and providing citizens with significant economic and social benefits.”).


31 See Robert O’Harrow, Jr., Private or Not?, WASH. POST, May 17, 2000, at G22 (comparing e-commerce profiling with businesses’ historic use of memory to serve customers by knowing their personal preferences).

32 See Wendy Muller, The High Cost of Net Privacy, STRATEGY, May 8, 2000, at 20 (providing social and economic reasons why a free Internet needs to protect business’s ability to deliver effective advertisements).
decline and the public could lose many useful sites. Any means of improving advertising
effectiveness is also a means of supporting a robust web of services, available without charge.

Skeptics counter that, unless we are careful, these benefits will come at a serious cost to
personal privacy. The threat comes from the government as well as the private sector. Although technology can be used to circumvent the privacy of consumer information, policies can be established to protect these rights. Companies can be required to notify people of their intent to collect, use, or distribute personal information, and to provide consumers with meaningful control over whether—and if so, how—these processes occur.

33 Id.
34 Along these lines, DoubleClick’s director of public policy, Josh Isay, states, “In order to keep the Internet free, Web sites need to be profitable. And in order to be profitable, they need targeted ads that work.” O’Harrow, supra note 31.
37 This emphasis on consumers’ “own information” suggests questions regarding whether consumer information can be owned, and if so, how property interests in consumer information are to be determined. For one sample discussion of information ownership, see John Caher, Privacy Initiative Aims for Consumer Protection, N.Y. L.J., Jan. 24, 2000, at 1 (quoting New York Attorney General Eliot Spitzer, “‘Everybody—on the left politically, in the middle politically, on the right politically—has come to an understanding that with technological changes the capacity of an individual to maintain ownership of information about himself or herself is being diminished in a very significant way.’’’). See Jonathan Cox, Senate, House Plan to Address Net Privacy, CHI. SUN-TIMES, July 12, 2001, at Fin. 54 (noting companies are creating policies and practices to ensure privacy protections for users of the Internet).
38 “Personal information” usually refers to information that can be associated with a particular individual—i.e., information that is tied with a person’s name—rather than to information that would be considered of a highly confidential nature. This means that information that might be obvious, such as gender, would be considered personal, and that information not ordinarily considered sensitive is also included.
Specifically, both “opt-in” and “opt-out” policies provide a measure of consumer privacy protection, although the former are stronger than the latter.\footnote{While opt-in policies provide stronger protection to consumers, they do come with potential disadvantages, including costliness and impracticality for businesses. Stephen R. Bergerson, \textit{Electronic Commerce in the 21st Century: E-Commerce Privacy and the Black Hole of Cyberspace}, 27 WM. MITCHELL L. REV. 1527, 1554-55 (2001).} Opt-in policies prohibit businesses from collecting, using, and/or sharing\footnote{Opt-in policies and opt-in legal requirements can be fashioned to prohibit any or all of these activities. A weaker opt-in policy or law might prohibit only sharing prior to opt-in, whereas a stronger opt-in policy might prohibit all the enumerated activities.} personal information unless the subject of that information has expressly agreed to these activities.\footnote{See Keith Rodgers, \textit{Telecoms Media Technology: Out of the Valley—The Battle Is On For Consumer Privacy}, INDEPENDENT (London), Sept. 2, 2001, at Bus. 8 (describing opt-in policies as placing the onus on companies to get consumers’ authorization before sharing data).} Under an opt-in policy, the default assumption is that any given consumer expects privacy.\footnote{See Scott Kilingsworth, \textit{Minding Your Own Business: Privacy Policies in Principle and Practice}, 7 J. INTELL. PROP. L. 57, 69 (1999)(observing that opt-in policies provide greater protection than opt-out policies because opt-in adopts non-use and non-disclosure as the default assumptions).} The assumption can be rebutted only through voluntary and affirmative consumer consent. Opt-out policies prohibit businesses from collecting, using, and/or sharing\footnote{See supra note 41.} personal information only after a consumer has taken the initiative to inform the appropriate person or entity that she objects to the relevant activities.\footnote{See Privacy Policies: Financial Information Shouldn’t Be Shared, MILWAUKEE J. SENTINEL, June 16, 2001, at 12A (“People have been receiving customer privacy notices from the financial companies they deal with, and the notices state that customers must notify the companies if they do not want their personal information shared with other companies.”).} In contrast to opt-in policies, the default assumption in opt-out policies is that a given consumer does not have privacy expectations regarding the relevant activity—i.e., collecting, using, or
sharing the data. To trigger the privacy protections that are automatic under an opt-in policy, a consumer must take initiative and follow prescribed steps under an opt-out policy.

In many instances, companies collecting data do not conspicuously inform individuals of their opt-out rights, or provide them with instructions and contact information for exercising the rights. In these cases, the consumer must be willing to investigate the procedure and the details of implementation in order to exercise the rights. It is likely that these dynamics impede the assertion of opt-out privileges in many cases. While consumers most concerned with privacy are more likely to go to the trouble, those who are moderately concerned are less likely to expend the resources necessary to exercise their opt-out rights. Even among those with high privacy-concern levels, some will be too busy or distracted to pursue an interest that they consider very important.

Some commercial interests and opponents of privacy advocates counter that opt-in and other aggressive policies add unnecessary or even prohibitive costs to doing business. Anti-regulation arguments are bolstered by data suggesting that theoretical privacy concerns may not be very important to real consumers. For example, when New York Telephone enabled

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47 See Mike Hatch, *The Privatization of Big Brother: Protecting Sensitive Personal Information from Commercial Interests in the 21st Century*, 27 WM. MITCHELL L. REV. 1457, 1497 (2001)(“The amount of time, inconvenience, and cost of exercising an opt-out right is substantial.”).

48 See Hatch, *supra* note 47, at 1496-97 (explaining that many U.S. consumers are unaware of their opt-out rights, and that there are few incentives for companies to provide conspicuous notice of rights, or other forms of opt-out-related disclosure).

49 See Dale E. Ramsey, Letter to the Editor, KAN. CITY STAR, July 22, 2001, at B8 (“When Congress attempted to deal with privacy and financial institutions, the “opt-in” approach—where individuals would initiate giving permission for use of their private information—was discarded under pressure from business. The argument? Too costly for business.”).
customers to opt out of a mailing list it intended to share with direct marketers, only 800,000 of 6.3 million customers exercised the option.\textsuperscript{50}

Of course, privacy advocates can challenge the significance of this information on at least four grounds. First, 800,000 is a large number in absolute terms, and even as a proportion it is not a trivial percentage of offerees. Second, some of those who didn’t opt out in this case might do so in another case. For example, they might have considered the particular terms of the marketing practices proposed by New York Telephone to be either personally desirable or innocuous, and would opt out under other circumstances. Third, the distribution of opt-out decisions may be a poor proxy for whether consumers consider the choice itself to be important. One may decide in a particular case not to opt out, but still view the right to make the decision as a fundamental one. Finally, privacy rights cannot be measured strictly quantitatively. A minority can consider their privacy to be a very precious thing. The possibility that some do not share the minority’s concern should not detract from the legitimacy of the minority’s very strong concern.

In short, then, there are privacy advocates and there are opponents of privacy advocates—not surprising, given the tradeoffs between use of information and abuse of information. Privacy advocates emphasize the price of information sharing; their opponents emphasize the benefits of information sharing.

The “benefit-at-a-price” model of information processing applies to any number of Internet innovations. For example, on-line medical data can be an enormous boon to individuals, who now can provide doctors around the world with instant access to their medical histories in the

\textsuperscript{50} See ANNE W. BRANSCOMB, WHO OWNS INFORMATION? 15 (1994).
event of an emergency.\footnote{51} Globe-traveling patients also can communicate quickly and inexpensively via e-mail with their own doctors.\footnote{52} In the words of the M.D. Anderson Center’s Chief Information Officer, “‘The Internet will fundamentally transform the way we conduct health care in this country and the world.’”\footnote{53}

When on-line personal medical information gets into the wrong hands, the intended beneficiary of data processing can become a casualty—for example, of employment or insurance discrimination.\footnote{54} On-line financial data bear similar benefits and risks, as desirable facilitation of financial transactions is countered by possible undesirable flow of information to unauthorized recipients.\footnote{55}

The down-side of the information revolution is troublesome both in its own right and because of its broader implications. Potential privacy violations are obviously disturbing in both their intrusiveness and their ability to harm individuals.\footnote{56} Moreover, the prospect of privacy

\footnote{51} See Jane E. Allen, \textit{ER Doctors Often Face a Shortage—of Patient Info}, L.A. TIMES, May 15, 2000, at S1 (noting the ability of information systems to improve emergency health care by giving providers important treatment information regarding the patients they serve).

\footnote{52} For discussion of this phenomenon and the privacy challenges it poses, see Allisa R. Spielberg, \textit{Online Without a Net: Physician-Patient Communication by Electronic Mail}, 25 AM. J.L. & MED. 267 (1999).


\footnote{54} See Allen, \textit{supra} note 51, at S1 (“High-tech solutions that link personal medical histories to the Internet or scannable cards that reveal sensitive data could compromise careers or insurance if the information fell into the wrong hands.”).


\footnote{56} See generally Protecting One’s Privacy, E-COMMERCE REP., \url{http://www.e-commerce.ca.gov/1e_privacy.html}, visited Mar. 16, 2001 (discussing an array of consumer privacy interests in the context of the Internet).
violations can have negative economic effects, impeding the development of e-commerce if consumer mistrust undermines adoption of the Internet for commercial transactions.\footnote{\textit{See} Chris Tolhurst, \textit{Big Brother Fears Fuel Net Reluctance}, AUSTRALIAN FIN. REV., Sept. 20, 1999, at 40 (calling privacy-related consumer mistrust the greatest drawback for e-commerce businesses).}

Like many other policy challenges posed by the Internet,\footnote{\textit{See} Yochai Benkler, \textit{Net Regulation: Taking Stock and Looking Forward}, 71 U. COLO. R. REV. 1203, 1205 (2000)(observing that the idea of Internet regulation in general began only in the 1990s, once the technology began to serve as a society-wide medium for communications).} today’s privacy concerns were not as compelling a decade ago, because the technology is so new and so powerful, and is changing so quickly.\footnote{\textit{See} Construct Politics with an Eye to the Future, DAILY YOMIURI (Tokyo), Jan. 10, 2001, at 6 (“The nation and its people are confronted by a host of great changes due to the accelerated pace of globalization, rapid progress in the information technology revolution and the development of new technologies.”).} More than ever, the speed of innovation and attendant social change\footnote{\textit{See} Julia M. Fromholz, \textit{The European Data Privacy Directive}, 15 BERKELEY TECH. L.J. 461, 461 (2000)(tying growing concern about protection of personal data to the rapid spread of computers and computer networks and the unprecedented capacity to collect, analyze, and disseminate data, inexpensively and easily).} deprive lawmakers and regulators around the world of time for careful, deliberate consideration of the implications of new technology, and the best ways to address those implications. This pressure is exacerbated by the international character of globe-spanning technologies, which increase the number of stakeholders and the complexity of policy-making.\footnote{\textit{See} Leon A. Kappelman, \textit{The Big Picture: Working in the Global Village: Because the Internet Blurs Boundaries, Doing E-Business Subjects You to a Host of Unfamiliar Jurisdictions, Laws, Taxes, Cultures, and Even Technologies}, INFORMATIONWEEK ONLINE, Mar. 20, 2000, \textbf{http://www.informationweek.com/778/78uw1k.htm} (observing that each additional political boundary adds legal and other complexities to global information technology management).} Despite these sub-optimal conditions for creating rules of the game, the modern proliferation of the media, largely fueled by Internet technology, heightens the pressures placed on lawmakers to respond, perhaps more quickly than ever before.\footnote{\textit{See} Eric M. Reis Schneider, Book Note, \textit{The Electronic Media and the Transformation of Law By M. Ethan Katsh}, 3 HARV. J. L. & TECH. 253, 254 (1990)(discussing this relationship between modern media, law, and social change).}
No one has responded more quickly or more vigorously to modern privacy challenges than the European Union (EU). The Section that follows describes the philosophical differences between the European and U.S. approaches to contemporary privacy challenges.

II. EUROPEAN VERSUS U.S. PHILOSOPHIES AND APPROACHES TO PRIVACY

Of course, protection of personal data is an issue throughout the world, and all nations face similar challenges to one degree or another. The drama that has played out in Europe and the United States, while the most prominent example of the struggle between commercial interests and privacy interests, is far from the only one. In addition to nations grappling with legislative responses, non-governmental organizations such as the OECD also have addressed data privacy issues. What follows is a discussion of the most highly publicized international engagement with data privacy issues to date—discussions and negotiations between Europe and the United States.

Privacy is considered a fundamental right in both Europe and the United States. Beyond this generalization, however, European and U.S. approaches to privacy have differed historically. According to policy analyst Ari Schwartz, European nations have a “vision”

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regarding privacy rights that is absent in the United States. Privacy considerations that may be considered negligible here are taken very seriously by the European Union.

Europe’s emphasis on personal privacy rights may be attributable in part to Third Reich abuses in tracking its target groups with invasive data-collection methods. Today, European nations are more likely to erect broad, prophylactic legislative protections, whereas the U.S. tends to protect privacy by reacting, after the fact, to crises. The statutory privacy protections that do exist in the U.S. historically have focused on the public sector, while the EU’s Data Privacy Directive extends to both public and private sectors alike.

Much of the modern debate over data privacy has focused on self-regulation and technological solutions, versus legal and regulatory responses. Where the U.S. has favored self-regulation by business, Europe has preferred strict consumer-protection legislation, capable

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67 The difference is notable not only in comparing the EU’s Data Privacy Directive to less stringent U.S. protections, but also in other areas of privacy. Most recently, for example, the EU has begun moving toward a unified “opt-in” policy in regard to Spam, which would replace the less rigorous “opt-out” policies presently in place in a number of Member States. See Elizabeth De Bony, EU Puts Brakes on Spam, INFOWORLD DAILY NEWS, July 20, 2000, available in LEXIS, News Library, Allnws File.

68 The European emphasis on privacy rights is not, of course, impervious to gaps and omissions. For example, one study recently found U.S. Internet businesses are more likely to post privacy policies than European Internet businesses. Specifically, 10 percent of European sites examined posted privacy policies, whereas 66 percent of U.S. sites examined posted privacy policies. For discussion, see Tech Watch: Data Protection—For Your Eyes Only: Privacy on the Web, TIME, Dec. 13, 1999, at 18.

69 See Monahan, supra note 36, at 283.

70 See Fromholz, supra note 60, at 462 n.1.

71 This is not to suggest that the private sector is never subject to privacy laws, but rather indicates a general trend, which may be changing as the U.S. begins to take privacy interests more seriously.

72 See Heydrich, supra note 13, at 426 (observing that the EU Data Privacy Directive, which applies to both public and private sectors, provides greater protection than U.S. statutes, which generally apply only to the public sector).

73 See Peronet Despeignes, Exorcising the Ghost in the Internet Machine, Fin. Times, Feb. 28, 2001, at 14 (“On one hand are high-technology companies promoting self-regulation and innovations that protect people’s privacy; on the other, lawmakers determined to ‘do something.’”).
of guarding privacy rights across international borders. Not surprisingly, U.S. commentators are also more likely than European commentators to recommend market-based alternatives to legislation and regulation. When the U.S. does decide to address privacy through laws, it usually applies a “sectoral approach,” passing laws to cover particular industries or areas such as credit reporting, education, financial privacy, telephony, cable, and video. In contrast, Europe and nations such as Canada, Australia, and New Zealand have enacted omnibus data privacy laws, “covering the full spectrum of uses of personally identifiable information.” The legislation is broad and comprehensive, applying to both public and private sectors. And

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75 See, e.g., Paul Rose, Comment, A Market Response to the European Union Directive on Privacy, 4 UCLA J. INT’L L. & FOR. AFF. 445, 450 (1999-2000)(“[B]ecause of the deep U.S. commitment to self-regulation and to the Safe Harbor Principles, comprehensive privacy legislation is unlikely, and, as I argue, unnecessary. Although the data market has failed consumers, privacy concerns can still be resolved through market forces—through the creation of a privacy market.”).


82 Video Privacy Protection Act, 18 U.S.C § 2701 et seq.

83 See Givens, supra note 76, at 348-49.

Unlike the United States, some European countries expressly guarantee privacy in their constitutions.85

Because Europe has taken the lead in the formation of ambitious, serious privacy legislation, EU law in this field is a fascinating subject for examination and analysis. The following Section looks at the centerpiece of modern European privacy controls: the European Union Data Privacy Directive.

III. THE EUROPEAN UNION DATA PRIVACY DIRECTIVE

The European Union Data Privacy Directive is built on a tradition of serious privacy protections. Comprehensive European data privacy legislation dates at least as far back as 1973, when Sweden passed early, groundbreaking legislation.86 Trans-European initiatives began as early as 1981, when the Council of Europe solicited signatories to the Convention for the Protection of Individuals with Regard to Automatic Processing of Personal Data.87 Because this Convention was not self-executing, signature and subsequent ratification varied among European nations, so that privacy assurances varied from one country to another.88

85 See Monahan, supra note 36, at – (pincites immediately before fn 62)(stating that privacy rights appear in the constitutions of “many” European nations, and referring to Germany’s constitution as one example).


87 See Council of Europe, European Treaties Series, No. 108.

The EU set a high global standard in data privacy protection when it forged its Data Privacy Directive,⁸⁹ which became effective in October of 1998⁹⁰ and is a global model of a rigorous legislative approach to privacy.⁹¹ More specifically, it has been described as “a top-down, mandated . . . approach to the issue of data privacy,” in contrast to the U.S. “mix of legislation, regulation, and self-regulation.”⁹² Like all EU Directives, it is not in itself a law; rather, it directs each of the 15 members of the European Union to enact its own implementing legislation, which need not be identical across nations in many of its specifics.⁹³

The Directive’s origins may seem ironic today, considering the threat it poses to the flow of information from the EU to nations deemed as non-conforming.⁹⁴ According to its preamble, the Directive was born in part out of a desire to preserve rather than to inhibit data flows.⁹⁵ Specifically, the EU was concerned that data flows within Europe could be hindered if the rules were not standardized across member states.⁹⁶ If all EU nations must adopt the same protections,

⁸⁹ See supra note 1.


⁹¹ See, e.g., Dana James & Kathleen V. Schmidt, Brazil Net: Growing Demand Tempered by Privacy Regulations, MARKETING NEWS, Sept. 27, 1999, at 40 (reporting a privacy law proposal in Brazil similar to the EU’s Data Privacy Directive).

⁹² Kelley Drye et al., The Threat to U.S. Companies Created by the EU Data Privacy Directive, Metropolitan Corp. Counsel (N.Y.), Nov. 1999, at 00, available in LEXIS Academic Universe.

⁹³ See Jeffrey B. Ritter et al., Emerging Trends in International Privacy Law, 15 EMORY INT’L L. REV. 87, 94-95 (2001)(explaining that the Privacy Directive creates minimum standards, and national laws are allowed to vary, provided they meet these minimum standards).


⁹⁵ See EU Directive, supra note 1, preamble.

⁹⁶ See id. Article 7 (suggesting that different levels of privacy protection across EU nations regarding personal data processing might “prevent the transmission of such data from the territory of one Member State to that of another Member State . . . ”).
then no Member State can “inhibit the free movement between them of personal data on grounds relating to protection of the rights and freedom of individuals, and in particular the right of privacy . . . .”\textsuperscript{97}

Europe recognized early that nations serious about protecting data privacy could not achieve their goals, given the global nature of the Internet, without controlling data use outside the legislating sovereignties. Europe also understood the price of extraterritorial control: if the privacy rights of Europeans were to be meaningful rather than symbolic, any region or nation unable to ensure adequate privacy protections could not be guaranteed access to data flows. If serious regulatory privacy protections and free data flow are both of fundamental importance, regulatory uniformity is a natural solution, and perhaps the only one. By adopting the Directive, the EU essentially shifted the privacy challenge from a European level to a global one.

This Section briefly explains some of the more important components of the Directive. Because the Directive is a lengthy and detailed document, the discussion is intended not to be a comprehensive analysis, but rather to highlight the European approach to the management of data privacy.

A. \textit{Restrictions on Collection and Use of Data}. The Directive protects only “personal data,” defined as “any information relating to an identified or identifiable natural person.”\textsuperscript{98} The Directive then defines an identified/identifiable person as “one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors

\begin{itemize}
  \item \textsuperscript{97} \textit{Id.} Article 9.
  \item \textsuperscript{98} \textit{Id.} Article 2(a).
\end{itemize}
specific to his physical, physiological, mental, economic, cultural or social identity.” 99 This limitation means that European companies can freely develop and share demographic databases as in the United States, when they contain only abstract trends and information, and when no data can be associated with a particular person.

The Directive’s restrictions apply to collectors who engage in personal data “processing,” which is defined as operations or sets of operations that are performed on personal data, automatically or otherwise. 100 It includes, but is not limited to, “collection, recording, organization, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, blocking, erasure or destruction.” 101 Processors of personal data are required to inform data subjects of the their identities, as well as the identities or categories of recipients of the data. 102 They are required as well to explain the purposes for which the information is being collected. 103

In instances where the data are not obtained from the data subject, these disclosure requirements may be inapplicable under the terms of a hardship provision, depending on the purposes for which the data are being used. 104 This potential disclosure exception applies “where, in particular for processing for statistical purposes or for the purposes of historical or scientific research, the provision of such information proves impossible or would involve a

99 Id.
100 Id. Article 2(b).
101 Id. Article 2(b).
102 Id. Articles 10, 11.
103 Id.
104 Id. Article 11.
disproportionate effort or if recording or disclosure is expressly laid down by law." When the disclosure exception applies, the Directive mandates Member States to provide “appropriate safeguards.”

A consumer who has been notified of personal data collection is protected in two important ways: she has “opt-in” rights, and she has objection rights. These two important areas are addressed in Subsections below.

1. Opt-in Rights. The Directive’s highly touted opt-in provisions are more limited than a casual observer might realize. This is because the pertinent Article of the Directive contains what are effectively exceptions. The opt-in provision states the rule: “Member states shall provide that personal data may be processed only if: (a) the data subject has unambiguously given his consent . . . .” The rule is immediately followed by the crucial word “or,” and five classes of exceptions, where consent is not required. These areas of exception protect a data collector’s ability to serve either the data subject herself or the public interest at large.

Exceptions that protect the data subject include data processing necessary to perform a contract with the data subject or the pre-contractual requests of the data subject, and processing

\[105\text{Id.}
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\[106\text{Id.}
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\[107\text{Id. Article 7.}
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\[108\text{Id. Articles 14-15.}
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\[109\text{See, e.g., Steve Jarvis, Opt-In Can’t be Stressed Enough Online, MARKETING NEWS, May 21, 2001, at 6; Donna Gillin, Opt in or Opt Out?, MARKETING RESEARCH, Summer 2001, at 6}
\]
\[110\text{Directive, supra note 1, Article 7.}
\]
\[111\text{Id. Article 7(b).}
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necessary to protect the data subject’s vital interests.\footnote{Id. Article 7(d).} Exceptions that protect the public interest include data processing necessary to meet a legal requirement,\footnote{Id. Article 7(c).} and data processing “necessary for the performance of a task carried out in the public interest.”\footnote{Id. Article 7(e).}

These are open-textured categories that seriously undercut the strength of the Directive’s opt-in approach. They pale, however, in comparison with the final category, which dispenses with the data-subject consent requirement when “processing is necessary for the purposes of the legitimate interests pursued by the controller or by the third party or parties to whom the data are disclosed, except where such interests are overridden by the interests for fundamental rights and freedoms of the data subject which require protection under Article 1 (1).”\footnote{Id. Article 7(f).} For numerous reasons, this final exception is likely to remove some forcefulness from the Directive’s opt-in approach. The standard of “legitimate interests”\footnote{Id.} is a low one, and presumably easily met. The standard is also broad in its application, referring to both the interests of the data collector and third persons. Perhaps most importantly, the standard is a very vague one, which self-interested data collectors might easily interpret in own their favor in a wide array of situations.


\footnote{Id. Article 7(d).}
\footnote{Id. Article 7(c).}
\footnote{Id. Article 7(e).}
\footnote{Id. Article 7(f).}
\footnote{Id.}
a. Access Rights. Article 12 of the Directive provides a set of guarantees to every data subject. Member states must assure that data subjects have a right of access to data being collected by data controllers. It refers to data subjects’ “right to obtain” the pertinent data “without constraint at reasonable intervals and without excessive delay or expense.” A right to obtain suggests that tendering need not be automatic—i.e., that data controllers can require subjects to request the data in order to receive it.

What are the items to which data subjects must be guaranteed access? They have the right to be told whether their personal data are being processed, and if so, for what purposes. The also have the right to receive the data that are being processed, “in an intelligible form,” as well as “any available information” regarding the source of the data. If the processing of personal data is automated—and the Directive limits the conditions under which automated data processing is permitted—the data subject has, at least at times, the right to know “the logic involved” in the automated processing.

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117 Id. Article 12.
118 Id. Article 12(a).
119 Id.
120 Id.
121 Article 15(1) on “Automated Individual Decisions” provides:

Member states shall 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, such as his performance at work, creditworthiness, reliability, conduct, etc.

Id. Article 15 (1).

122 The Directive is unclear regarding the comprehensiveness of this right to access. The exact language of the provision guarantees data subjects’ right to obtain “knowledge of the logic involved in any automatic processing of data concerning him at least in the case of the automated decisions referred to in Article 15(1).” Id. Article 12(a). One way to interpret the “at least” proviso in this language is as creating a statutory threshold for EU Member State legislation. A less satisfactory interpretation is that the “at least” provision is to be part of the Member State
Data subjects also have the right to erasure or blocking of any data processing not in compliance with the Directive, especially if noncompliance is a function of incompleteness or inaccuracy of data.\textsuperscript{124} If third parties have received the data prior to such erasure or blocking, the data subject is guaranteed notification of the rectification to the third parties.\textsuperscript{125}

One important point, alluded to earlier in this Subsection, bears elaboration. Because Article 12 is couched in terms of Member States guaranteeing certain rights to data subjects, implementing legislation arguably may not place automatic burdens on data controllers. For example, there are at least two ways to guarantee \textit{access} to information: more strictly, for data controllers to send data subjects information automatically; more leniently, for data controllers to send information only upon request of the data subjects. The more lenient approach would be in compliance with a strict, literal interpretation of a right to obtain.

Similarly, implementing legislation technically could guarantee rights to rectification either by requiring automatic rectification of errors in all cases, or by requiring rectification only upon data subject request. In both of these examples, it is the data subject’s \textit{rights} to obtain the stated relief from the data controller that technically are guaranteed. This leaves room for an interpretation whereby the data subject must act in some substantial way to trigger those rights. Requiring data subject action could create complex and time-consuming procedures. Indeed, given the complex nature of much legislation and regulation, we might expect complexity of

\textsuperscript{123} Directive, \textit{supra} note 1, Article 12(a).

\textsuperscript{124} \textit{Id.} Article 12(b).

\textsuperscript{125} \textit{Id.} Article 12(c).
procedures. Complicated processes are likely to undermine the consumer interests they are ostensibly created to protect.

b. *Objection Rights.* The Directive also creates a data subject “right to object.”\(^{126}\) Like the rights previously discussed in this Subsection, the right to object is not always clearly delineated within the Directive. Article 14(a), for example, requires Member States to grant data subjects the right “at least in the cases referred to in Article 7 (e) and (f), to object at any time on compelling legitimate grounds relating to his particular situation to the processing of data relating to him, save where otherwise provided by national legislation. Where there is a justified objection, the processing instigated by the controller may no longer involve those data . . . .”\(^{127}\) What remains most uncertain here is where the boundaries would or should be drawn regarding “compelling legitimate grounds relating to [the data subject’s] particular situation to the processing of data relating to him.”\(^{128}\)

The other curious aspect of Article 14(a) is its mandate to grant data subjects objection rights “at least in the cases referred to in Article 7 (e) and (f).”\(^{129}\) Referring back to Article 7, this suggests that Member States *must* confer objection rights when “processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the controller or in a third party to whom the data are disclosed,”\(^{130}\) and when “processing is necessary for the purposes of the legitimate interests pursued by the controller or

\(^{126}\) *Id.* Article 14.

\(^{127}\) *Id.* Article 14(a).

\(^{128}\) *Id.*

\(^{129}\) *Id.*

\(^{130}\) *Id.* Article 7(e).
by the third party or parties to whom the data are disclosed, except where such interests are overridden by the interests for fundamental rights and freedoms of the data subject which require protection under Article 1.\textsuperscript{131} In contrast, then, Article 14(a) suggests that Member States needn’t provide objection rights when data are being processed for any of the other authorized reasons. The logic behind this distinction is obvious in terms of the first basis for data processing: where “the data subject has unambiguously given his consent.”\textsuperscript{132} Unambiguous consent logically vitiates the value of and the need for objection rights—we can safely assume that the data subject does not object to that to which he has expressly consented.

The logic in distinguishing the remaining categories of data processing is less clear: why needn’t Member States allow data subjects to object when data are being processed because “necessary for the performance of a contract to which the data subject is party or in order to take steps at the request of the data subject prior to entering into a contract”?\textsuperscript{133} This is clearly a class of cases that is defined by the data processor by employing an element of discretion and judgment, with which the data subject may well disagree. Likewise, data subjects may well have problems with processing justified as “necessary for compliance with a legal obligation to which the controller is subject,”\textsuperscript{134} or “necessary in order to protect the vital interests of the data subject.”\textsuperscript{135} In each case, the processor’s assessment could easily be a contestable stretch. It is

\textsuperscript{131} Id. Article 7(f).

\textsuperscript{132} Id. Article 7(a).

\textsuperscript{133} Id. Article 7(b).

\textsuperscript{134} Id. Article 7(c).

\textsuperscript{135} Id. Article 7(d).
difficult to see why Member States must provide objection rights in some instances, but not in these.

The second provision for data subject objection is more straightforward and less troublesome. It requires Member States to grant data subjects the right “to object, on request and free of charge, to the processing of personal data relating to him which the controller anticipates being processed for the purposes of direct marketing, or to be informed before personal data are disclosed for the first time to third parties or used on their behalf for the purposes of direct marketing, and to be expressly offered the right to object free of charge to such disclosures or uses.” This language is relatively clear, makes no counterintuitive or curious distinctions among what appear to be like situations, and addresses one of the primary contemporary concerns regarding data privacy—its use and distribution by direct marketers.

B. Restrictions on Data Flows to Countries Lacking Adequate Privacy Protections. Among the most controversial aspects of the Directive is its potential effect on other nations that interact with or do business in Europe. Under the Directive, EU nations are to block the flow of information from Europe to nations lacking acceptable privacy protections. Specifically, Article 25, Section 1 of the Directive states,

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136 Id. Article 14(b).

137 See Stephen R. Bergerson, E-Commerce Privacy and the Black Hole of Cyberspace, 27 WM. MITCHELL L. REV. 1527, 1528 (2001)(citing recent Harris poll results showing a dramatic increase, from the 1970s to the 1990s, in consumer concern regarding use of personal information).

138 In today’s global market, entities in all nations are likely to interact or do business with Europe. Accordingly, the Directive’s provisions restricting data flows are likely to have worldwide impact.

Member states shall provide that the transfer to a third country of personal data which are undergoing processing or are intended for processing after transfer may take place only if, without prejudice to compliance with national provisions adopted pursuant to the other provisions of this Directive, the third country in question ensures an adequate level of protection. (Emphasis added).  

Article 25’s limitation to “personal data which are undergoing processing or are intended for processing” may seem to mitigate the provision’s potential severity. Yet in reality, Article 25 would affect virtually all personal data transmissions. This is because the definitions section indicates that “processing of personal data” includes a very broad array of activities, including “collection, recording, organization, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, blocking, erasure, or destruction.”

Article 25, Section 2 provides guidance in interpreting what exactly qualifies as “an adequate level of protection.” Adequacy is to be assessed by looking at all the circumstances that surround data transfer operations, with particular attention to

the nature of the data, the purpose and duration of the proposed processing operation or operations, the country of origin and country of final destination, the rules of law, both general and sectoral, in force in the third country in question, and the professional rules and security measures which are complied with in those countries.

Article 26 of the Directive does provide some potential relief from the severity of Article 25’s data flow restrictions. Under Article 26, countries not ensuring adequate protection under the provisions of Article 25 may still receive personal data transfers under a disjunctive list of

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140 Directive, supra note 1, Article 25(1).

141 Id.

142 Id. Article 2(b).

143 Id. Article 25(2).
circumstances. These circumstances are very similar to those listed in Article 7, circumscribing when personal data may be processed in Member States. The specific language of Article 26 is as follows:

Derogations
1. By way of derogation from Article 25 and save where otherwise provided by domestic law governing particular cases, Member States shall provide that a transfer or a set of transfers of personal data to a third country which does not ensure an adequate level of protection within the meaning of Article 25 (2) may take place on condition that:
   (a) the data subject has given his consent unambiguously to the proposed transfer; or
   (b) the transfer is necessary for the performance of a contract between the data subject and the controller or the implementation of precontractual measures taken in response to the data subject’s request; or
   (c) the transfer is necessary for the conclusion or performance of a contract concluded in the interest of the data subject between the controller and a third party; or
   (d) the transfer is necessary or legally required on important public interest grounds, or
   (e) the transfer is necessary in order to protect the vital interests of the data subject; or
   (f) the transfer is made from a register which according to laws or regulations is intended to provide information to the public and which is open to consultation either by the public in general or by any person who can demonstrate legitimate interest, to the extent that the conditions laid down in law for consultation are fulfilled in the particular case.
2. Without prejudice to paragraph 1, a Member State may authorize a transfer or a set of transfers of personal data to a third country which does not ensure an adequate level of protection within the meaning of Article 25 (2), where the controller adduces adequate safeguards with respect to the protection of the privacy and fundamental rights and freedoms of individuals and as regards the exercise of the corresponding rights; such safeguards may in particular result from appropriate contractual clauses.
3. The Member State shall inform the Commission and the other Member States of the authorizations it grants pursuant to paragraph 2.
   If a Member State or the Commission objects on justified grounds involving the protection of the privacy and fundamental rights and freedoms of individuals, the Commission shall take appropriate measures in accordance with the procedure laid down in Article 31 (2).
   Member States shall take the necessary measures to comply with the Commission’s decision.
4. Where the Commission decides, in accordance with the procedure referred to in Article 31 (2), that certain standard contractual clauses offer sufficient safeguards as required by

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144 Id. Article 26.
145 See supra notes 111-15 and accompanying text.
paragraph 2, Member States shall take the necessary measures to comply with the Commission's decision.\footnote{146}

Because these exemptions mimic the vague exemptions of Article 7, they share some that Article’s ambiguities.\footnote{147} These ambiguities could create wiggle-room for U.S. and other non-EU businesses, potentially jeopardizing the Directive’s efficacy.\footnote{148} Apart from potential ambiguities, the apparent intent here is to ensure that, even if a non-EU nation hasn’t passed rigorous privacy protection laws, data flows are not restricted in particular instances where Europe’s own rigorous requirements would have been met.

The Directive’s data flow restrictions respond to a valid concern: that the European legislation will be substantially undermined if it fails to account for use of personal data once it goes beyond EU borders.\footnote{149} This concern over international spillover effects\footnote{150} was recognized as early as 1980, when the Organisation for Economic Cooperation and Development (OECD) issued its Guidelines.\footnote{151} The Guidelines established principles for companies around the world to apply in

\footnote{146} Directive, \textit{supra} note 1, Article 26.

\footnote{147} \textit{See supra} notes 111-15 and accompanying text.


\footnote{149} \textit{See} Sean D. Murphy, \textit{Contemporary Practice of the United States Relating to International Law}, 95 AM. J. INT’L L. 132, 156 (2001)(“[I]n recognition of the ease with which personal data on Europeans can be transferred electronically outside the EU, the directive sought to prohibit transfers to non-EU states unless those states provide an ‘adequate’ level of data protection.”).


\footnote{151} \textit{See supra} note 63.
the fair collection and use of personal information. Unlike the OECD Guidelines, however, the EU Directive creates a palpable threat: that nations with lax privacy protections will lose access to European data flows.

If non-European nations are to avoid losing access to European data under the Directive, they will have to qualify by creating acceptable “Safe Harbor” provisions. These are the provisions that will specify what non-EU nations must do to qualify as adequately protecting privacy. During 1999 and 2000, the EU and the United States negotiated a Safe Harbor agreement, and other nations are likely to follow suit to ensure that data flows from Europe remain unimpeded. The Subsections below discuss the development and negotiation of the U.S. Safe Harbor provisions.

1. History of U.S. Safe Harbor Provisions Development and Negotiation. In April of 1999, the U.S. Commerce Department submitted to the EU a draft of a proposed Safe Harbor agreement, called the International Safe Harbor Privacy Principles. A purported goal of these Principles was to develop compliance standards that were predictable and unambiguous. Although the

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153 See Deborah Hargreaves, Experts Back Brussels and US Data Protection Deal, FIN. TIMES, June 1, 2000, at 13 (discussing Directive’s potential threat to flow of information to countries lacking adequate privacy protections).

154 See No Peeping Toms, Please, ECON. TIMES, Apr. 22, 2000, available in Dow Jones Interactive Publications Library (reporting and describing the Safe Harbor provisions proposed by the U.S., and suggesting that other nations will need to follow suit to maintain the flow of data coming from European Union states).


156 See E-Commerce Developments of Note: U.S. Reaches Privacy Accord with EU on Data Protection, ECCOMMERCE, Apr. 2000, at 8 (identifying provision of “‘clear and predictable guidance’” as a goal in drafting the ultimate Safe Harbor proposal).
EU did not accept the original proposals, its Article 31 Committee on Data Privacy eventually approved a subsequent version.\footnote{157}

By March of 2000, the EU and the U.S. Commerce Department had forged a tentative Safe Harbor agreement,\footnote{158} subject to EU Parliamentary Comment and final EU approval.\footnote{159} Initial reports suggested that final approval of the pact would be a formality,\footnote{160} despite protests by consumer groups that the agreement failed to provide sufficient protection to European privacy interests.\footnote{161} According to a consumers’ forum called Transatlantic Consumer Dialogue, “‘the safe harbor system would not provide European citizens with the adequate level of protection that they are guaranteed under EU law.’”\footnote{162}

A majority of the European Parliament objected to the U.S proposal.\footnote{163} The vote was close: in July of 2000, the EU Parliament rejected the proposed Safe Harbor provisions by a vote of 279 to 259, with 20 abstentions.\footnote{164} Italian member Elena Ornella Paciott suggested that present U.S. privacy policy was not sufficiently developed to support current adoption of the negotiated safe

\footnote{157 Elizabeth de Bony, \textit{EU. Overwhelmingly Approves U.S. Data-Privacy Regulations}, COMPUTER WORLD, June 5, 2000, at 28.}

\footnote{158 \textit{U.S. and Europe Agree on Privacy}, N.Y. TIMES, June 2, 2000, at C4.}

\footnote{159 \textit{See Data Protection: Commission Adopts Decisions Recognising Adequacy of Regimes in US, Switzerland and Hungary}, COMMISSION OF THE EUROPEAN COMMUNITIES RAPID, July 27, 2000, IP 00/865 (discussing EU Parliamentary comment and EU approval)[hereafter \textit{Adequacy of Regimes}].}

\footnote{160 \textit{See, e.g., Enterprise Systems}, COMPUTING, June 15, 2000, at 6 (indicating that the pact was expected to be “rubber stamped” by the Commission in late July of 2000).}

\footnote{161 \textit{EU Backs Data Privacy Act}, CHI. SUN-TIMES, June 5, 2000, at 57.}

\footnote{162 \textit{No Safe Harbor For Data}, INTELLIGENT ENTERPRISE, June 5, 2000, at 11.}

\footnote{163 \textit{See Why Privacy Matters—European Director General to Speak Out Next Week (March 23-24) at Privacy Open Seminar in Brussels}, M2 PRESSWIRE, Mar. 16, 2000, available in Dow Jones Interactive Publications Library.}

\footnote{164 \textit{See Jennifer DiSabatino & Greg Stedman, U.S./Europe Privacy Deal Sent Back for More Talks; European Parliament rejects proposal; safe harbor agreement in question}, COMPUTER WORLD, July 17, 2000, at 24.}
harbor provisions.\textsuperscript{165} The Parliament’s Citizens’ Rights Committee was also concerned that the safe harbor agreement contained “several loopholes.”\textsuperscript{166}

Implementation and enforcement were major concerns.\textsuperscript{167} The European Parliament’s resolution recommended emendation, to provide for an independent body that would be empowered to hear complaints regarding privacy abuses, as well as a mechanism by which victims of privacy abuses could receive damages.\textsuperscript{168} Although the European Parliament’s resolution did not bind the EU Commission,\textsuperscript{169} commentators suggested it would be impolitic for the Commission to ignore the resolution without in some way addressing the Parliament’s concerns.\textsuperscript{170} Nonetheless, the Commission approved the Safe Harbor agreement on July 26, 2000,\textsuperscript{171} stating to the EU Parliament that the arrangement did indeed provide “adequate

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{165} See Elizabeth De Bony, Europeans Pan U.S. Privacy Plan, INFOWORLD DAILY NEWS, July 6, 2000, available in LEXIS, News Library, Allnws File (quoting European Parliament member Paciott, “‘The Parliament takes the view that the adequacy of the U.S. system cannot be confirmed and, consequently, the free movement of data cannot be authorized until all the components of the safe harbor system are operational and the United States authorities have informed the Commission that these conditions have been fulfilled . . . ‘”).
\item \textsuperscript{167} See Adequacy of Regimes, supra note 159 (reporting that the July 5 EU Parliament Resolution found individual remedies in the event of privacy breaches to be lacking in the Safe Harbor provisions).
\item \textsuperscript{168} See DiSabatino & Stedman, supra note 164.
\item \textsuperscript{169} The Parliament’s rulings concerning whether the Commission followed proper procedures are binding; in this instance, the Parliament voted by a margin of five votes against a finding of procedural flaws. The Parliament’s findings regarding the substantive adequacy of an EU Commission action is not binding, and the Commission is not required to adhere to those findings. For discussion, see Juliana Gruenwald, European Parliament Says “No” to Safe Harbor, NAT’L J. TECH. DAILY, July 13, 2000, available in LEXIS, News Library, Allnws File.
\item \textsuperscript{170} See DeBony, supra note 165.
\end{enumerate}
\end{footnotesize}
protection.’” A subsequent corrigendum verified that the Commission was acting within the scope of its authority in its approval.

2. The Nature of the Safe Harbor Principles. How do the Safe Harbor Principles work, and what do they require? Companies that intend to comply with the principles certify themselves by notifying the U.S. Commerce Department of their intent to do so. To become a self-certified organization qualified to receive data, an entity must “unambiguously” and “publicly” disclose its commitment to comply with the Safe Harbor Principles. To be eligible for this self-certification process, the organization must be subject to a U.S. government body “empowered to investigate complaints and to obtain relief against unfair or deceptive practices as well as redress for individuals, irrespective of their country of residence or nationality, in case of non-compliance with the Principles.”

The enumeration of the actual guidelines themselves is very informal—The Federal Register lists and briefly explains Safe Harbor Principles, upon which it elaborates in a set of “frequently asked questions,” or FAQs. The Safe Harbor Principles cover rights of data subjects regarding

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172 See Telecommunications and Information Technology, Ch. 9, BUS. GUIDE TO EU INITIATIVES 2000/2001 (reporting the public declaration of Commissioner Frits Bolkestein before the EU Parliament’s Committee on Citizens and Civil Rights).


175 Id. at Article 1(2)(a).

176 Id. at Article 1(2)(b).

notice, choice, onward transfer, security, data integrity, access, and enforcement. If they remain in compliance with their own self-regulatory privacy policies, certified parties remain eligible to receive data from the European Union, and are shielded from Data Privacy Directive sanctions. European organizations wanting to send data into the United States can verify Safe Harbor compliance registration via an updated Web page. If a self-certified company fails to comply with the principles, Member States can suspend data flows to an organization under stipulated conditions.

The United States’ development of Safe Harbor Principles demonstrates its acknowledgement of a need to respond to the Privacy Directive’s data flow provisions. On the other hand, the

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178 Principles, id.
179 For elaboration of the self-regulatory nature of the development of privacy policies that comply with the Safe Harbor agreement, see infra note 188 and accompanying text.
181 See Commerce Under Secretary LaRussa Announces Implementation of the Safe Harbor: New Commerce Website Enables U.S. Organizations to Sign Up Online, Nov. 1, 2000, http://www.ita.doc.gov/media/harbor111.htm (“EU organizations . . . can ensure that they are sending information to a U.S. organization participating in the safe harbor by viewing the online list of safe harbor organizations posted on the website. The list will contain the names of all U.S. companies that have committed to the safe harbor framework. This list will be regularly updated, so that it is clear who is assured of safe harbor benefits.”).
182 Article 3(1) of the Commission Decision permits such cessation of data flows by Member States under the following conditions:

(a) the government body in the United States referred to in Annex VII to this Decision or an independent recourse mechanism within the meaning of letter (a) of the Enforcement Principle set out in Annex I to this Decision has determined that the organisation is violating the Principles implemented in accordance with the FAQs; or

(b) there is a substantial likelihood that the Principles are being violated; there is a reasonable basis for believing that the enforcement mechanism concerned is not taking or will not take adequate and timely steps to settle the case at issue; the continuing transfer would create an imminent risk of grave harm to data subjects; and the competent authorities in the Member State have made reasonable efforts under the circumstances to provide the organisation with notice and an opportunity to respond.

Commission Decision, supra note 171, Article 3(1)(a),(b).
voluntary registration process in the Principles is one of “self-certification,” which has led some observers to question whether the U.S. is making real concessions, or simply shielding its traditional self-regulation posture behind a smoke-screen of illusory changes.

Purported implementation deficiencies under the Safe Harbor agreement added to concerns that U.S. concessions were mere window-dressing. Monitoring and enforcement to police the agreement in the United States technically would fall under the aegis of the Federal Trade Commission and the U.S. Department of Transportation. The degree and rigor of monitoring and enforcement are unclear, so that the self-certification process remains a stumbling block for some distrustful critics. Indeed, the text of the Commerce Department’s November, 1999 proposal clearly demonstrates that, despite potential actions for unfair or deceptive practices, safe-harbor procedures are largely self regulatory:

Decisions by organizations to qualify for the safe harbor are entirely voluntary, and organizations may qualify for the safe harbor in different ways. Organizations that decide to adhere to the principles must comply with the principles in order to obtain and retain the benefits of the safe harbor and publicly declare that they do so. For example, if an organization joins a self regulatory privacy program that adheres to the principles, it qualifies for the safe harbor. Organizations may also qualify by developing their own self regulatory privacy policies provided that they conform with the principles. Where in

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183 See Ron N. Dreben & Johanna L. Verbach, Senators Versus Governors: State and Federal Regulation of E-Commerce, COMPUTER LAW, June 2000, at 3, 11 (stating that U.S. companies would become safe-harbor eligible under the proposed agreement by “self-certifying” their willingness to abide by the agreement’s privacy principles).


185 See Safe Harbor Creates a Transatlantic Storm, PRECISION MKTG, Apr. 13, 2001, at 11 (noting opinion of some industry experts that the Safe Harbor agreement is just another “vain attempt to curb the EU’s obsession with paperwork and get a model contract signed and sealed”).

186 See Rosen, supra note 180.

187 See Consumers Highly Critical of EU/United States Data Protection Agreement, EUROPEAN REP., Apr. 5, 2000, No. 2489 (“U.S. consumer organizations have little confidence in the effectiveness of the self-regulatory system for protecting personal information.”).
complying with the principles, an organization relies in whole or in part on self
regulation, its failure to comply with such self regulation must also be actionable under
Section 5 of the Federal Trade Commission Act prohibiting unfair and deceptive acts or
another law or regulation prohibiting such acts.188

Note that, under this language, potential liability for Safe Harbor violations obtains as a result
of failure to do what a company says it is going to do, within the bounds of its own privacy
policies. Determining what those privacy policies actually are is the responsibility of the self-
certifying company. In the absence of some pre-certification external review or scrutiny of the
policies themselves, sanctions triggered solely by a company’s violating those policies are weak.
A certified company that meticulously complies with its own poorly developed policies can
easily fall short of providing meaningful privacy protection.

This is potentially an enormous efficacy gap in the Safe Harbor Principles. Nevertheless,
attempted good-faith compliance with Safe Harbor Principles could require many U.S. firms to
reassess their present data-sharing and data-retention procedures, and to make substantial
changes to current practices.189 If the U.S. Safe Harbor program does confer any increments of
privacy protection within the EU, it will likely be scattershot, given efficacy holes in the self-
certification process.

Did the U.S. give away too much in the Safe Harbor agreement? Did the U.S. give away too
little? Commentators answer this question on both ends of the spectrum. In the United States,
privacy advocates who would generally applaud the spirit of the Directive wonder how and why

188 Draft: International Safe Harbor Privacy Principles Issued by the U.S. Department of Commerce, Nov. 15, 1999,

189 See Patrick Thibodeau, Europe and U.S. Agree on Data Rules, COMPUTERWORLD, Mar. 20, 2000, at 6 (noting
that Safe Harbor compliance could require some companies to make painful changes, particularly in regard to the
transfer of data to third parties).
the U.S. will now confer greater privacy protection to Europeans than to Americans. Other non-European critics have voiced concern over the Safe Harbor Principles on a number of grounds. Some believe that the approach is “excessive,” extending protections “beyond consumer concern,” and suggested that such stringent restrictions could harm international trade generally and the European economy specifically. David Flint observes that, “for many, the impact of the European Union directive on data protection is likely to have a severely constraining effect on the cross-continental sharing of important data . . . . [S]ince the law on data protection is drawn quite tightly, there are few, if any, non-EU countries that meet its standard.”

These concerns are exacerbated by the character of the guidelines for determining adequacy of data protection. As we just observed, assessors of data protection measures are to look not only at nations’ policies and practices, but also at institution-specific variables. This suggests a case-by-case compliance assessment on top of the nation-by-nation Safe Harbor principles assessment, increasing the potential drag on international commerce.

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190 This concern arose during negotiations of the Safe Harbor Principles. See Keith Perine, Not Enough Privacy?, INDUSTRY STANDARD, July 3, 2000, available at 2000 WL 31584023 (noting privacy advocate Jason Catlett’s concern that U.S. firms are now to give better privacy protections to Europeans than to Americans).


193 See Directive, supra note 1, Article 25(2).

194 Because each entity decides to certify under its own set of complying procedures, there are potentially thousands and thousands of different versions of compliance, each of which would be evaluated and assessed individually. Both the number of entities and the variety of programs they use to comply with the Safe Harbor principles increase potential unwieldiness of EU monitoring and enforcement. At least two possible results arise—that the EU will monitor aggressively, and may stall data flows in the process of the cumbersome challenge; or that the burden of monitoring these thousands of entities will be unmanageable, and monitoring and enforcement will be nominal or nonexistent.
As some U.S. observers question whether we have given up too much, we have already noted the concern of the EU Parliament that we have given away too little. \textsuperscript{195} Driven by fears that the Safe Harbor Principles lack meaningful enforcement mechanisms, the EU Parliament’s fears seem to have some merit, given the slow pace at which U.S. companies have responded to the provisions. As of a March 2001 report, a mere two dozen or so U.S. companies had registered as Safe-Harbor compliant. \textsuperscript{196} By August of 2001, the number had risen only to around 70, \textsuperscript{197} a miniscule portion of U.S. firms. Perhaps partially in response to concerns that meaningful data flow controls under the Privacy Directive may fizzle, the EU is pressing implementation forward. \textsuperscript{198}

One final note—the specifics of the U.S. Safe Harbor Principles are complex, and since they have been examined by others in detail, \textsuperscript{199} and go beyond the scope of this article, I will not examine them here. \textsuperscript{200} Ironically, the importance of the provisions that are a product of so much effort is now coming into question, as we have seen that few U.S. companies have bothered to...

\textsuperscript{195} See supra notes 163-68 and accompanying text.

\textsuperscript{196} Marilyn Geewax, Key congressman says European rules on Net privacy could hurt U.S. commerce, ATL. J. & CONST., Mar. 9, 2001, at 5C.

\textsuperscript{197} See Jarvis, supra note 94, at 5.


\textsuperscript{199} See Barbara Crutchfield George et al., U.S. Multinational Employers: Navigating through the “Safe Harbor” Principles to Comply with the EU Data Privacy Directive, 38 AM. BUS. L.J. 735 (2001).

\textsuperscript{200} For a brief description of the basics of the Safe Harbor Principles, see Donna Gillin, Safe Harbor Principles for the European Union Directive are Finalized, Marketing Research, Winter 2000, at 41.
register with the U.S. Commerce Department as Safe Harbor-compliant.\footnote{201} The final impact of the Directive’s data flow restrictions remains to be seen.

IV. THE EU APPROACH AND INTERNATIONAL RELATIONS

A. The Challenge. In terms of international relations, the Internet is truly a double-edged sword. In many ways, it has the potential to facilitate and improve relations between countries, to enhance human rights, and to support world peace.\footnote{202} Yet to realize and exploit this potential, we must support a new technology that is more global than any that has preceded it, and efforts to create workable worldwide Internet policies can backfire, leading to short-term international strife.\footnote{203} Westbrook summarizes the situation aptly: “A new world is slouching toward New York and London, Beijing and Bangkok, to be born. If our planet and our values survive the secondary effects of that emergence, we may look forward to a humanity more prosperous and more integrated than at any time in human history.”\footnote{204}

Let’s briefly examine the two conflicting aspects of Internet technology—potentially enhanced international relations, and potentially increased transitional strife.

\footnote{201} See supra note 197 and accompanying text.

\footnote{202} See Jack Goldsmith, Regulation of the Internet: Three Persistent Fallacies, 73 CHI.-KENT L. REV. 1119, 1127 (1998)(“The Internet, respectable commentators tell us, will foster tolerance, promote democracy, redistribute wealth, improve writing and reading skills, destroy trade barriers, and bring world peace.”).

\footnote{203} McTigue observes this potential, specifically in relation to globally conflicting privacy policies and philosophies. Deborah M. McTigue, Marginalizing Individual Privacy on the Internet, 5 B.U. J. SCI. & TECH. L. 5, Paragraph 38 (1999)(observing potential for differing privacy approaches to result in discord among nations, due to the global collectivity of Internet networks).
1. *The potential for enhanced international relations, human rights, and world peace.* Internet technology has the potential to be a powerful agent in the effecting of positive global change. By enhancing communications around the world, it supports transnational discourse in ways and to degrees previously unimaginable. As the world continues to interact more frequently and regularly, the potential for the creation of a true global community grows.

A global community may be a good thing or a bad thing, depending in part on the quality of the values that sustain it. A global community where human rights are respected, for example, is superior to one in which human rights are routinely abrogated. The very nature of Internet technology is likely to support rather than undermine human rights, because the Internet is a tool facilitating free speech, even in the face of attempted despotism. By virtue of its unruliness, the Internet paradoxically may lead to higher quality rule because it allows dissident voices to be heard. In a developing global arena, forces for human rights will always be strong, but to be galvanized, people must learn about the institutions that need changing. The Internet’s inexorably open forum cannot help but facilitate this process.

The Internet will be the foundation for a global discourse in which the voices of reason cannot be smothered. While this is no guarantor of global harmony and peace, it is an infrastructure that is likely to help us move in the right direction. The evolution of a global village suggests the

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205 For discussion of characteristics and limitations of this discourse, see Essay, *An Economic Critique of Free Trade in Media Products*, 78 N.C. L. Rev. 1357, 1425 (2000).

206 See Gary Andrew Poole, *Despots Find Dissidents on Internet Hard to Muzzle*, USA Today, Jan. 26, 1999, at 15A (discussing difficulties in controlling dissident voices over the Internet in various countries around the world).


208 For elaboration of the Internet’s inexorable value to dissident voices, see Delacourt, *supra* note 207, at 220.
decline of the symbolic power of sovereignty, and the rise of a global ethos. A move from “us versus them” to simply “us” can be a logical precursor to unification of interests and enhanced international relations. Nonetheless, as we shall see in the next Subsection, these ideal effects of technology are not so easily realized. The very nature of the Internet suggests that, on our way to this idealized world, technology may in fact increase rather than mitigate international frictions.

2. The potential for international strife. In the short run, the Internet poses challenges that could create more international problems than it solves. This possibility results from the strains that volatile, globe-spanning technologies cannot help placing on international relations. These strains are a function of the dimensions of both time and space.

a. Time. Development of modern technologies and concomitant social change continue to accelerate. It is harder than ever to foresee the technologies that will emerge even within five- and ten-year horizons, much less to recognize the legal, social, and economic challenges such innovations will pose. Consider a recording industry taken unaware by MP3 technology, or

209 This is not to suggest that sovereignty is either dead or moribund, but rather that it becomes increasingly troublesome as the world shrinks and global interactions escalate. For an excellent analysis that addresses the functions and limitations of sovereignty as the working model for contemporary global governance, see Stephen D. Krasner, Pervasive Not Perverse: Semi-Sovereigns as the Global Norm, 30 CORNELL INT’L L.J. 651 (1997).

210 This process will be expedited by a truly free Internet, and is impeded when nations attempt to censor the Internet to avert what are viewed as threats to the nation’s culture. See Amy Knoll, Comment, Any Which Way But Loose: Nations Regulate the Internet, 4 TUL. J. INT’L & COMP. L. 275, 299 (1996)(suggesting that some Asian countries have controlled Internet information dissemination to ensure that it is aligned with their cultural norms).


212 See Steven Bercu, Book Note, Computer Ethics: Cautionary Tales and Ethical Dilemmas in Computing, by Tom Forester & Perry Morrison, 4 HARV. J.L. & TECH. 299, 299 (1991)(“Technological change penetrates society faster than we can form new attitudes, reach new consensuses, or adapt our legal and ethical codes. Adaptation must occur
brick-and-mortar businesses unprepared for the competitive challenges of e-commerce threats in the 1990s. Less predictable technologies bring with them less predictable alterations in social and economic realities as well, and hence less predictable challenges to the legal systems that monitor and control those realities. The deliberative processes of legal change are poorly equipped to respond rapidly and yet effectively to these fast-changing demands. An unprecedented bad fit exists between the tasks law faces and the processes in which it engages. This bad fit creates strains on the legal system.

b. Space. These modern legal strains associated with time are exacerbated by further legal strains associated with space. Technology has sparked an increase in international transactions, thereby also increasing the instances in which conflicting parties are likely to call

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213 Both MP3 technology and e-commerce generally are examples of how shifts in technology bring about new social and economic challenges to the legal system. MP3 technology requires reexamination of copyright law, and particularly contributory infringement doctrine. E-commerce has raised questions of equitable sales tax policies, as well as the nature of the nexus requirement for out-of-state sales tax collection purposes.

214 See Mary A. Holman & Stephen R. Munzer, *Intellectual Property Rights in Genes and Gene Fragments: A Registration Solution for Expressed Sequence Tags*, 85 IOWA L. REV. 735, 796 (2000)(observing, “if the law responds too slowly to rapid technological change, it is apt to be too slow in fostering norms that might respond to such change”).

215 A good example here is the problem of cybersquatting. Speculators began to cybersquat in the early to mid 1990s, coincident with public access to the Internet. Cybersquatting has been troublesome under trademark analysis because a true cybersquatter who does not use the relevant domain name creates no confusion, tarnishment, or dilution. Lawmakers addressed this problem after dozens of high-profile cases emerged, but they only enacted anti-cybersquatting legislation in 1999. By that time, much of the problem had already been solved, as businesses subsequent to 1999 are, of course, more knowledgeable and aware regarding e-commerce than were companies earlier in the decade. Reservation of domain names is second nature now; when it was not second nature, and the need for legal doctrines was greatest, businesses acted in a legal vacuum. There simply isn’t much time for legislators to recognize that a problem exists, identify the issues, identify possible solutions, debate the benefits and costs of those solutions, select and approach, and draft and rehash statutory language. For discussion of the 1999 anticybersquatting statute, see *The Anticybersquatting Consumer Protection Act & Sporty’s Farm L.L.C. v. Sporty’s Farm, Inc.*, 16 BERKELEY TECHNOLOGY LAW JOURNAL 205 (2001).

on conflicting sovereignty-based legal systems. Comity and conflict of law issues are magnified when separate legal systems come head-to-head.\textsuperscript{217}

Because the stakes are growing, sovereign nations can be expected to press their own interests and philosophies in the global marketplace of laws and customs.\textsuperscript{218} Selling one’s own legal doctrines globally is more than just an effort to gain influence for isolated purposes. It incorporates a recognition that a global technology ultimately seeks unified global policy solutions, and that an aggressively pushed approach has the potential to become the dominant one, or even the only viable one. Within this legal “global scene,”\textsuperscript{219} the negotiation of Internet-related laws and policies is likely to occur in a fiercely competitive arena.

Escalating stakes and fierce competition over global laws and policies are a natural breeding ground for international strife. Approaches that are consistent with a nation’s culture and interests will be highly valued, and efforts to thwart these approaches can be threatening.\textsuperscript{220} For these reasons, a nation or region that takes a dominating or aggressive approach in the forging of laws and policies may increase the potential for international discord.

\textsuperscript{217} For detailed discussion of this problem as it relates to the EU Data Privacy Directive, see Joshua S. Bauchner, Note and Comment, State Sovereignty and the Globalizing Effects of the Internet: A Case Study of the Privacy Debate, 26 BROOKLYN J. INT’L L. 689 (2000).

\textsuperscript{218} This is part of a broader phenomenon, which Alan Wright refers to as “trading nations . . . [jockeying] for globally competitive positions.” Alan Wright, Comment, The North American Free Trade Agreement (NAFTA) and Process Patent Protection, 43 AM. U. L. REV. 603, 617 (1994).

\textsuperscript{219} See Annelise Riles, Wigmore’s Treasure Box: Comparative Law in the Era of Information, 40 HARV. J. INT’L L. 221, 223 (1999)(“When legal academics can agree about little else, they do agree that they are players in a global scene, whose theories and policy proposals are of global significance.”).

\textsuperscript{220} Laws and legal culture obviously are a subset of a nation’s larger, more overarching culture. The match between rule of law and legal culture is an important one. For one example, see Orna Ben-Naftali & Sean S. Gleichgevitch, Missing in Legal Action: Lebanese Hostages in Israel, 41 HARV. J. INT’L L. 185, 208 (2000)(discussing one instance of the quality of match between Israeli culture and detention law).
B. The EU Data Privacy Directive as an Approach to Internet Governance. Two of its characteristics make the EU Data Privacy Directive an interesting example or model for Internet governance in the intensely global environment of modern technology, as described in the preceding Subsection. First, the Directive takes a strong position. Its solid pro-privacy philosophy—in comparison to U.S. law, for example—gives the Directive a forcefulness. Second, the Directive’s data flow restrictions are aggressive. They take a powerful global stand. It would hardly be an exaggeration to say that the data flow provisions are a threat to nations outside the EU. This is not to suggest that the provisions are pernicious, but rather that they confront rather than appeal to other nations and regions. The Directive limits global negotiations on the fundamental issue of consumer data privacy. Although the details of conformity are subject to some negotiation—some give and take, as we saw with the U.S. Safe Harbor negotiations—the basic requirements applied to non-European nations are non-negotiable. The EU forged fundamental privacy tenets for the world, then gave notice that failure to conform would imperil vital data flows.

Questions arise when these details are analyzed within the context of the preceding Subsection: do the Directive and its aggressive approach threaten global harmony? Or do the Directive and its philosophy provide the world with a high-quality stance on data privacy, along with a strong impetus to comply, establishing the kind of unified global policy that contemporary technological society will demand? To begin to address these questions, scholars will need to

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221 Assey and Eleftheriou describe the Directive as “sweeping privacy legislation creating strong protections governing the collection and use of personal data.” Assey & Eleftheriou, supra note 29, at 145.


223 This threat has been recognized since the early 1990s. See, e.g., George B. Trubow, The European Harmonization of Data Protection Laws Threatens U.S. Participation in Trans Border Data Flow, 13 NW. J. INT’L L. & BUS. 159 (1992).
examine whether the Directive is built on a solid global foundation of shared norms and values in regard to data privacy. They also will need to explore the implications of recent global events.

1. Does the Directive Capture a Global Perspective on Privacy? A central issue in assessing any aggressive, global legal initiative: does the initiative reflect a reasonable degree of global consensus? If it does, then the risks of creating discord with through a domineering posture are reduced, and the potential rewards in terms of forging a global philosophy are gained.\(^{224}\) That is to say, the wisdom of attempts to force a global policy fit, in the interests of the expediency demanded by rapid technological change, increases when the global arena is already prepared for a unified approach.\(^{225}\) The more that global players embrace similar ideologies, the greater the chance that they will view efforts like the EU Data Privacy Directive as leadership rather than aggression.\(^{226}\) Such differences in perception have obvious effects on international relations, as leadership is valued and aggression is resisted and resented.\(^{227}\)


\(^{225}\) The need for groundwork is commonly acknowledged. See, e.g., Global Internet Project Brings New Economy Policy Issues to the Table, BUS. WIRE, Loudon County, Va., May 22, 2001.

\(^{226}\) For example, industry activity may comprise a bottom-up approach (compared to government edict), whereby e-commerce companies could lead in the development of policies that eventually develop broad support, precisely because decentralized processes build on inputs from multiple constituencies. Decentralized processes also yield a variety of approaches that can then “battle it out” in the marketplace in order to achieve dominance, based at least in part on the superiority of the dominant approach. Such efforts could then channel in to transnational laws that are built on a reasonably uniform foundation. Ultimately, however, whether the forging of policies should be top-down (government-initiated) or bottom-up (industry-initiated), is controversial. Miller observes that “[g]overnments are
The question posed in regard to the Directive, then, is whether it reflects a reasonable amount of international concurrence on privacy-related values. The answer, unfortunately, is not as simple as the question. Among hundreds of nations, the dichotomy of the EU and the U.S. stands most dramatically in relief. Between these two culturally related regions, very basic commonalities are overshadowed by very fundamental differences.

Even the commonality is tenuous. Admittedly, both the EU and the U.S. consider privacy to be important. Yet this statement itself hides two fundamental differences between the EU and the U.S. First, the “privacy” considered to be so important in the two places refers, to some extent, to different conceptions. Every law student in the U.S. learns that breach of privacy refers to numerous differing concepts: it can refer to misappropriation of personality, or invasion of solitude, invasion of autonomy, or misuse of personal information, for example. The sacred privacies of the EU and the U.S. often refer to very different forms.

227 This proposition that aggressive policies are resented when they cross borders is simply an extension of what we commonly see in other political, economic, or military arenas.

228 See Kevin Bloss, Note, Raising or Razing the E-Curtain?: The EU Directive on the Protection of Personal Data, MINN. J. GLOBAL TRADE 645, 646 (2000)(observing that “the EU and U.S. are not so diametrically opposed in their approaches to privacy regulation, as one would first assume”).

229 See Jonathan M. Winer, If the U.S. is from Mars and the EU is from Venus, What Do You Do in Cyberspace?, 1 NO. 8 PRIVACY INFO. L. REP. 8 (2001)(“The divergent approach of the U.S. and the EU to regulating technologies that inherently do not respect borders has the potential to create a transatlantic legal labyrinth that can do great harm to global e-commerce. This is obviously true regarding the EU’s approach, as the EU has to date shown little respect for alternative approaches to their heavily regulatory model. But it also is true on the U.S. side. Domestic companies exercising First Amendment rights in the U.S., with permanently established business locations solely limited to the U.S., operating under contracts that specify the U.S. for choice of law and choice of jurisdiction, may find themselves nevertheless subject to foreign laws, jurisdiction, liability and litigation over e-commerce matters. Even worse, in some cases the interplay between U.S. contract law and requirements of doing business in the EU may have the potential to create theories for liability for U.S.-based firms to U.S. persons, if those U.S.-persons have an EU nexus to the transaction. Accordingly, those engaged in e-commerce involving both ‘Mars’ and ‘Venus’ may find their online transactions at some substantial risk from worlds in collision.”).
Fundamental European privacy rights are much more sprawling and all-inclusive, and as we have seen, certainly include data privacy. In the United States, the kinds of privacy that have been deemed a fundamental right tend to be related to autonomy—the right to decide whether to use birth control,\(^230\) for example, or the right to choose an abortion.\(^231\) We simply do not share Europe’s extremely high levels of concern about data sharing.\(^232\)

The second difference likely results from, or at least reflects, the first. That is, the EU and the U.S. have adopted fundamentally different legislative and regulatory approaches to data privacy. Most glaring is the most basic decision regarding data privacy: whether to adopt an opt-in approach or an opt-out approach. As we have seen, the U.S. has always embraced an opt-out approach, presuming that data privacy often is not a serious concern, while the EU has adopted an opt-in approach, presuming data privacy generally is a serious concern.

The difference may reflect more than differing philosophies regarding privacy. In all likelihood, they reflect more fundamental differences regarding the role of the government in the maintenance of social order, and the importance of minimizing costs of doing business. Europe places a relatively high emphasis on government as a source of the public good, in comparison to the U.S.\(^233\) Contemporary U.S. policies have reduced the role of government, in the faith that


\(^{232}\)See U.S. Government and EU Split Over Data Protection Directive, NEW MEDIA AGE, Apr. 5, 2001, at 14 (calling the U.S.’s views on data privacy incompatible with the EU’s because the former are “more relaxed” than the latter).

\(^{233}\)See Charles Kennedy, European Leaders Should Be More Important to Us Than the U.S. President, TIMES (London), Nov. 17, 2000, at Features (noting that “self-help” solutions are more common in the U.S., compared with government solutions to social problems in the U.K.).
unfettered businesses will thrive as costs and impediments are reduced, and that the marketplace will help resolve social issues that might be addressed by government in Europe. This juxtaposition translates into a relatively “low interference/high freedom” culture in the U.S., consistent with our weak legal and regulatory data privacy protections.

In light of these observations, the impact of European-style privacy protections may go well beyond their own specific limits, representing a more symbolic, all-encompassing faith in government protections that surpasses what U.S. culture is presently prepared to accommodate. As such, the European privacy protections may demand a fundamental philosophical shift of U.S. values and norms—threatening in itself, but even more so when imposed from without.

2. The Future of the Data Privacy Directive’s Outward Reach After September 11, 2001. In the latter half of the 1990s when it attempted to forge global policy through the Data Privacy Directive, the European Union could not have foreseen the terrorist attacks of September 11, 2001, or their potential impact on global attitudes toward privacy generally, and U.S. attitudes toward privacy specifically. Nonetheless, these events and their aftermath could have an effect on the value that Americans place on privacy of all varieties, including data privacy. In the

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foreseeable future, the Data Privacy Directive’s efforts to establish a global order in the realm of privacy could be further thwarted by terrorist events.

David Wessel points to September 17 as “a pivot point in American life,” engendering major shifts in values.\textsuperscript{238} After concerns over personal privacy had begun to grow in the U.S. on the heels of the Internet’s powers, we have seen a post-September 11 shift away from privacy and toward security.\textsuperscript{239} It is no surprise that unprecedented acts of terrorism should affect our cost-benefit analysis in the balancing of privacy and safety interests. Surveillance tools used by the military and intelligence branches of the government are no less potentially invasive to our personal freedoms; yet some may be willing to sacrifice more of those freedoms if they believe that the payoff will be better government protection against future atrocities.\textsuperscript{240} Indeed, immediately following the attacks, Congress began examining anti-terrorist legislation that evoked concerns regarding civil liberties in general and privacy in particular.\textsuperscript{241}

If there is a pendulum swing in the United States away from privacy rights that appear to impede the government’s ability to protect against terrorists, will this widen the existing gap between U.S. and European privacy values? This is a difficult question to answer, because there are forces acting in two different directions. On one hand, there are reasons to believe that U.S. retrenchment from growing privacy rights might not be matched by a parallel and equal retrenchment in Europe. For one, the terrorist acts of September 11 occurred in the U.S., so it is


\textsuperscript{239} Id.

\textsuperscript{240} See David Lightman, \textit{Americans Want Both Privacy and Security—Terror in America}, HARTFORD COURANT, Oct. 4, 2001, at A3 (discussing the privacy-security tradeoff, and suggesting that after September 11, 2001, people may be willing to trade some privacy rights for increased security, but with limitations).

possible that U.S. reaction will be most severe.\footnote{242} Moreover, since substantial U.S. recognition of serious data privacy interests is so recent a phenomenon, it may not have the “legs” of more firmly entrenched, long-standing European pro-privacy values. Either of these dynamics could result in rapid U.S. renunciation of data privacy initiatives, without an analogous move on the part of Europe. Should this prove to be the case, the gap will grow, and the already aggressive EU Data Privacy Directive will become potentially more divisive.

On the other hand, the gulf between U.S. and European attitudes might remain unaffected by, or even be reduced by, the September 11 attacks. Since EU and U.S. political interests are largely aligned in the war against terrorism,\footnote{243} it is possible that the EU will move closer to the U.S. as a result of the attacks, rather than the U.S. moving away from the EU. To the extent that Europeans feel vulnerable as a result of terrorism, they may shift their emphasis away from data privacy and toward protective anti-terrorist surveillance programs.\footnote{244} Furthermore, since much of Europe confers upon government a stronger role in protecting the public welfare than has been true of the post-Reagan era U.S.,\footnote{245} Europe may in some ways be more receptive, rather than less receptive, to initiatives that strengthen the government’s antiterrorist capabilities. This would reflect a more general emphasis on community welfare\footnote{246} in some European nations.\footnote{247} This

\footnote{242} This is only one possibility. Given much of Europe’s sympathetic alliance with the U.S. following the attacks, such as British Prime Minister Tony Blair’s strong statements aligning the U.K. with the U.S., it is possible that the threat is seen as being equally palpable in Europe, and therefore will have a similar effect on European desire for effective antiterrorist monitoring tools.

\footnote{243} See Geoff Meade et al., EU Pledges to Join US Response to Terror Attacks, Press Ass’n, Sept. 21, 2001, at Home News (noting firm backing of European leaders of “a targeted American response to the terrorist atrocities in Washington and New York”).

\footnote{244} See Beating Terrorism Will Mean Sacrificing Some Freedoms, EXPRESS (London), Sept. 20, 2001, at 12 (suggesting that the British must reassess their priorities in regard to personal freedoms in the wake of the terrorist activities of September 11, 2001).

\footnote{245} See Kennedy, supra note 233.

\footnote{246} For detailed discussion of community in global capitalist markets, see Don Mayer, Community, Business Ethics, and Global Capitalism, 38 AM. BUS. L.J. 215 (2001).
theory could be very consistent with Europe’s traditional strong pro-privacy stance, especially to
the extent that modern privacy concerns in Europe focus on breaches initiated by the private
sector rather than the public sector.

V. CONCLUSION

There can be no doubt that modern technology has heightened the world’s interest, albeit to varying degrees, in the protection of data privacy. The EU has taken an aggressive leadership position, and has elected to force the issue as a means of ensuring that its strong protections not be diluted or destroyed as soon as data pass beyond EU borders. This is but one example of a broad policy question facing the shrinking globe in the age of the Internet: how is an ever more integrated world to govern relations in light of historic limitations of sovereignty?

How we answer this question is likely to affect international relations, and potentially the world, into the 21st Century and beyond. The terrorist tragedies of September of 2001 certainly force the question to our immediate attention. Future success of the Data Privacy Directive could serve as an important proving ground for a position of aggressive regional leadership. But success is by no means guaranteed. Meanwhile, the fate of the Directive plays a critical symbolic role in the tension between coercion and colloquy, in the future forging of global policy.

\[247\] Some Western European cultures, such as Germany, tend to embrace a more communitarian and less individualistic ethics than we see in places like the United States. See Timothy L. Fort & Cindy Schipani, Corporate Governance in a Global Environment: The Search for the Best of All Worlds, 33 VAND. J. TRANSNAT’L L. 829, 832 (2000)(discussing this distinction in terms of communitarian and contractarian models of corporate governance).
<table>
<thead>
<tr>
<th>Publication</th>
<th>Authors</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 411: Mark-ups in Hungarian Corporate Sector</td>
<td>László Halpern and Gábor Kőrösi</td>
<td>Aug. 2001</td>
</tr>
<tr>
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<td>Maxim Bouev</td>
<td>May 2001</td>
</tr>
<tr>
<td>No. 407: Corporate Governance in China: Then and Now</td>
<td>Cindy Schipani and Liu Junhai</td>
<td>Nov. 2001</td>
</tr>
<tr>
<td>No. 403: Investment, Efficiency, and Credit Rationing: Evidence from Hungarian Panel Data</td>
<td>Mathilde Maurel</td>
<td>Nov. 2001</td>
</tr>
<tr>
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<td>Rouslan Koumakhov and Boris Najman</td>
<td>June 2000</td>
</tr>
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