

FTC Data Breach Enforcement Under House Panel Investigation

Chris Ryan June 03, 2014



Key Witness indicates he will plead the 5th Amendment

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LabMD, an Atlanta based medical lab company, currently is on trial before a Federal Trade Commission judge challenging the FTC's authority to enforce data security standards. But suddenly Chairman Darrell Issa and the US House Oversight Committee are launching their own investigation into Tiversa's relationships with Federal Agencies. Tiversa is a key player in the FTC's argument against LabMD.

Opening in 1996, LabMD specialized in analysis and diagnosis of blood, urine, and tissue specimens for cancers, micro-organisms and tumor markers. Due to debilitating effects of the Federal Trade Commission's (FTC) investigative practices and litigation, LabMD has been forced to wind down operations. FTC filed the complaint in August 2013.

LabMD argues that the FTC lacks the authority to bring data breach complaints against companies as the FTC has no standards or rules regarding data security requirements. No notice of what is required has been provided to American businesses. LabMD also has a problem with the circumstances surrounding how the FTC got the file.

The outcome of the LabMD challenge will have ripple effects across healthcare, business and the FTC itself.

LabMD disputes the FTC allegations against them. Tiversa, the security vendor, claims they found the LabMD spreadsheet while conducting a research project with Dartmouth partially funded by Homeland Security. During that study Tiversa monitored over 450 million users worldwide performing 1.5 billion searches a day revealing over 13 million files. One of those files was LabMD's. After LabMD declined Tiversa's services, Tiversa turned the document over to the FTC.

On Friday, May 30, 2014, the Oversight investigation was brought to light during court proceedings, which prompted former Tiversa employee and trial witness Rick Wallace to indicate via his attorney his intention to plead the 5th. Tiversa CEO Robert Boback's attorney asked for more time before his client would testify. After the FTC destroyed LabMD's operations, the FTC's case appears to be falling apart right before its eyes.

FOR EVEN MORE INFORMATION ABOUT LabMD AND THIS CASE, PLEASE VISIT: Founder of LabMD's website: WWW.MICHAELJDAUGHERTY.COM. Michael J. Daugherty has also written detailed accounts of these past 6 years in his newly released book, *The Devil Inside the Beltway*.

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