



June 16, 2023

The Office of The Honorable Governor Katie Hobbs
1700 W. Washington Street
Phoenix, AZ 85007

RE: SB 1106 - “social media platforms; standards; notification” Veto Request

Dear Governor Hobbs:

CCIA is an international, not-for-profit trade association representing a broad cross-section of communications and technology firms.¹ Proposed regulations on the interstate provision of digital services therefore can have a significant impact on CCIA members. Recent sessions have seen an increasing volume of state legislation related to regulating what digital services host and how they host it. While recognizing that policymakers are appropriately interested in the digital services that make a growing contribution to the U.S. economy, these bills require study, as they may raise constitutional concerns,² conflict with federal law, and risk impeding digital services companies in their efforts to restrict inappropriate or harmful content on their platforms.

There are many concerns we would like to raise about the policies this bill would implement, and therefore encourage a veto of SB 1106.

1. Arizona cannot and should not attempt to force private online businesses to publish dangerous or otherwise objectionable content.

In addition to prohibiting illegal content as required by relevant state and federal laws, many digital services remove content that is dangerous, though not inherently illegal. This includes, for example, content that exhorts users to self-harm or encourages young people to engage in dangerous or destructive behavior. Thus, while it is not explicitly illegal to engage in cyberbullying, or to evangelize the Chinese Communist Party, many digital services nevertheless act on such content to uphold commitments to their user communities to combat dangerous or abhorrent categories of content or behavior.

Thus, if digital services are compelled to treat all user-generated material with indifference, their websites could become saturated with inappropriate and potentially dangerous content and behavior.³ Consumers would be exposed to foreign disinformation, communist propaganda, and anti-American extremism, all of which are not inherently unlawful, and would appear to constitute “content or material posted by a user” under SB 1106.

¹ For over 50 years, CCIA has promoted open markets, open systems, and open networks. CCIA members employ more than 1.6 million workers, invest more than \$100 billion in research and development, and contribute trillions of dollars in productivity to the global economy. A list of CCIA members is available at <https://www.ccianet.org/members>.

² Eric Goldman, *The Constitutionality of Mandating Editorial Transparency*, 73 *Hastings L.J.* 1203 (2022), https://repository.uchastings.edu/cgi/viewcontent.cgi?article=3985&context=hastings_law_journal.

³ Rob Arthur, *We Analyzed More than 1 Million Comments on 4chan. Hate Speech There Has Spiked by 40% since 2015.*, VICE (July 10, 2019), <https://www.vice.com/en/article/d3nbzy/we-analyzed-more-than-1-million-comments-on-4chan-hate-speech-there-has-spiked-by-40-since-2015>.

2. New regulations would impose duplicative responsibilities on businesses with no tangible benefit to consumers.

SB 1106 would require companies to compile, publish, and submit to users transparency “standards” and “notifications” containing information about content monitoring and removal practices. Many online platforms already voluntarily invest in generating such “notifications” regularly and make them publicly available on their websites.⁴ There is no need to generate additional bureaucracy to effectuate what the marketplace is already accomplishing.

Digital services invest significant resources into developing and carrying out content moderation practices that protect users from harmful or offensive material and need flexibility in order to address new challenges as they emerge. Instead, the proposed requirements in SB 1106 would mandate that services disclose sensitive information, including content moderation practices and algorithms that could be exploited by bad actors. Arizona should not offer a roadmap to criminals and adversaries on how to defeat the measures the digital services employ to protect users from online threats.

3. Businesses operating online depend on clear regulatory certainty across jurisdictions nationwide.

Existing U.S. federal law provides legal and regulatory certainty for websites and online businesses that they will not be held liable for the conduct of third parties. By limiting the liability of digital services for misconduct by third-party users, U.S. law has created a robust internet ecosystem where commerce, innovation, and free expression thrive — while enabling providers to take creative and aggressive steps to fight online abuse.

Survey research demonstrates that changing regulations to remove intermediary protections would have a negative effect on venture capital investment.⁵ Similarly, economic research found that venture capital investment in cloud computing firms increased significantly in the U.S. relative to the European Union after a court decision involving intermediary liability.⁶ Creating a patchwork of state laws would undermine this legal certainty and harm competition.

4. Research suggests that removing such regulatory certainty could have significant economic impacts.

The Bureau of Economic Analysis of the U.S. Commerce Department estimated that the digital economy built on this regulatory certainty “accounted for \$3.70 trillion of gross output, \$2.41 trillion of value added (translating to 10.3 percent of U.S. gross domestic product (GDP)), \$1.24 trillion of compensation, and 8.0

⁴ See, e.g., Digital Trust & Safety P’ship, *The Safe Assessments: An Inaugural Evaluation of Trust & Safety Best Practices* (2022), https://dtspartnership.org/wp-content/uploads/2022/07/DTSP_Report_Safe_Assessments.pdf, at 37 (Appendix III: Links to Publicly Available Company Resources).

⁵ Booz & Company, *The Impact of U.S. Internet Copyright Regulations on Early Stage Investment: A Quantitative Study* (2011), <https://static1.squarespace.com/static/5481bc79e4b01c4bf3ceed80/t/54877560e4b0716e0e088c54/1418163552585/Impact-US-Internet-Copyright-Regulations-Early-Stage-Investment.pdf>

⁶ Compare Josh Lerner, *The Impact of Copyright Policy Changes on Venture Capital Investment in Cloud Computing Companies* (Analysis Group 2011), <https://www.analysisgroup.com/globalassets/content/insights/publishing/impact-copyright-policy-changes-venture-capital-investment-cloud-computing-companies.pdf>; with Josh Lerner, *The Impact of Copyright Policy Changes in France and Germany on Venture Capital Investment in Cloud Computing Companies* (Analysis Group 2012), <https://www.ccianet.org/wp-content/uploads/library/eu%20cloud%20computing%20white%20paper.pdf>.



million jobs.”⁷ Introducing a state patchwork of differing and potentially conflicting regulatory requirements would result in legal uncertainty, create unprecedented economic distortions, and jeopardize the tools used by the vast majority of Americans to speak and express themselves online.

Survey research also demonstrates that changing regulations to remove intermediary protections would have a negative effect on venture capital investment.⁸ Similarly, economic research found that such investment in cloud computing firms increased significantly in the U.S. relative to the European Union after a court decision involving intermediary liability.⁹

Investors in digital intermediaries and their business users could see significant losses, which would be felt widely across the American population. Digital intermediaries account for at least one-fifth, and potentially more than a quarter, of the S&P 500 by index weighting.¹⁰ Thus a major reduction in the value of their securities would significantly harm passive investors’ low-cost index funds that track the S&P 500 Index, commonly a top investment in 401(k) plans and personal investments for ordinary Americans. According to Morningstar, retail investors held \$8.53 trillion in index funds that seek to replicate market indicators like the S&P 500 Index or related measures with similarly large digital intermediary representation.¹¹ Likewise, American pension plans are heavily invested in digital intermediaries: the average government employee pension plan has 4.3 of the 5 leading digital intermediaries in its top 10 holdings.¹²

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We appreciate your consideration of these concerns about the policies this bill would implement, and therefore respectfully urge you to veto SB 1106.

Sincerely,

Jordan Rodell
State Policy Manager
Computer and Communications Industry Association

⁷ Tina Highfill & Christopher Surfield, *New and Revised Statistics of the U.S. Digital Economy, 2005–2021*, Bureau of Economic Analysis of the U.S. Department of Commerce, <https://www.bea.gov/system/files/2022-11/new-and-revised-statistics-of-the-us-digital-economy-2005-2021.pdf>.

⁸ Booz & Company, *The Impact of U.S. Internet Copyright Regulations on Early Stage Investment: A Quantitative Study* (2011), <https://static1.squarespace.com/static/5481bc79e4b01c4bf3ceed80/t/54877560e4b0716e0e088c54/1418163552585/Impact-US-Internet-Copyright-Regulations-Early-Stage-Investment.pdf>

⁹ Compare Josh Lerner, *The Impact of Copyright Policy Changes on Venture Capital Investment in Cloud Computing Companies* (Analysis Group 2011), <https://www.analysisgroup.com/globalassets/content/insights/publishing/impact-copyright-policy-changes-venture-capital-investment-cloud-computing-companies.pdf>; with Josh Lerner, *The Impact of Copyright Policy Changes in France and Germany on Venture Capital Investment in Cloud Computing Companies* (Analysis Group 2012), <https://www.ccianet.org/wp-content/uploads/library/eu%20cloud%20computing%20white%20paper.pdf>.

¹⁰ Nathan Reiff, *The Top 25 Stocks in the S&P 500*, Investopedia (Oct. 11, 2022), <https://www.investopedia.com/ask/answers/08/find-stocks-in-sp500.asp>.

¹¹ Allan Sloan, ‘The democratization of investing’: Index funds officially overtake active managers, Yahoo! Finance (May 22, 2022), <https://finance.yahoo.com/news/index-fund-assets-exceed-active-fund-assets-120639243.html>.

¹² Trevor Wagener, *The Cost of Tech Regulatory Bills to State and Local Pension Plans – State By State Aggregates*, CCIA Research Center (May 20, 2022), <https://research.ccianet.org/stats/cost-of-tech-regulation-bills-state-map/>.