

[Sale of millions of student records during tech company's bankruptcy proceeding raises privacy concerns](#)

According to *Education Week*, ConnectEDU Inc., a company that is seeking protection under Chapter 11 of the federal bankruptcy law, transferred ownership of 20 million student records. The sale of ConnectEDU occurred without the company abiding strictly to its privacy policy, creating a cautionary tale for school districts, and a complex challenge for the ed-tech industry.

ConnectEDU had amassed millions of records from school districts, as well as individual students and their parents. Depending on what a district or individual specified, a record could include a student's test scores, grade point average, learning disability, email and home addresses, phone number, and date of birth—among other information. The contracts with various education entities and a trove of individual student records were a substantial part of the company's remaining value as it dissolved.

The “company sale” portion of ConnectEDU's privacy policy opened with: “Information collected through our website is considered a trade secret of ours.” In that same policy, ConnectEDU had promised its users that they could delete their personally identifiable records before any sale.

The Federal Trade Commission's Consumer Protection Bureau (FTCCPB) brought those policy provisions to the attention of the bankruptcy court. FTCCPB asked the court to have ConnectEDU destroy all personal data; or to notify users that their personal information was about to be sold and that they could have it deleted; or to appoint a privacy ombudsman to ensure protection of the users' privacy.

However, these requests were not honored because ConnectEDU had no employees as of the bankruptcy filing date. Instead of registrants receiving notice before the sale, it was left to the companies that bought the failed company's assets to carry out the notifications after the records had been transferred.

“This is a significant red flag for the treatment of student information by education technology companies,” said Joel R. Reidenberg, a law professor at Fordham and Princeton universities. “Many ed-tech companies today are small startups, collecting lots of data. Many of them are not going to succeed. What's the protection when these companies go bankrupt?” For those that do succeed, grow, and become part of an acquisition, he expressed similar concerns: “What's the protection when they merge?”

Seattle schools had demanded that all records be deleted under its contract when ConnectEDU declared bankruptcy in the spring, but the district had to wait until Graduation Alliance (one of the companies that bought ConnectEDU's assets) received the data for that order to be carried out, according to a statement from the school system. The school system indicated that it had been assured that all student data were “fully secured” through the process.

“The ConnectEDU Chapter 11 story demonstrates that student data is treated as a marketable asset,” said Sue Peters, a member of the Seattle school board. “Part of the problem is that parents have their children's information transferred around, and it's up to the parents to actively retrieve and protect it.” Possessing data about students is central to using education technology effectively, and protecting that information is paramount, industry leaders say.

To that end, nearly 50 companies that sell products in the K-12 marketplace have signed a [“Student Privacy Pledge,”](#) which goes into effect on January 1, 2015. Among the pledge's dozen provisions is one about acquisitions. It states that, in the case of a merger or acquisition, the company signing the pledge will “allow a successor entity to maintain the student personal information ... provided the successor entity is subject to these same commitments for the previously collected student personal information.”

[Source: Education Week](#), 12/9/14, By Michele Molnar