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Internet Privacy: Overview and Pending Legislation

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Summary

Internet privacy issues generally encompass two types of concerns. One is the collection of personally identifiable information (PII) by website operators from visitors to government and commercial websites, or by software that is surreptitiously installed on a user's computer ("spyware") and transmits the information to someone else. The other is the monitoring of electronic mail and Web usage by the government or law enforcement officials, employers, or Internet Service Providers.

The September 11, 2001 terrorist attacks intensified debate over the issue of law enforcement monitoring, with some advocating increased tools for law enforcement officials to track down terrorists, and others cautioning that fundamental tenets of democracy, such as privacy, not be endangered in that pursuit. Congress passed the 2001 USA PATRIOT Act (P.L. 107-56) that, *inter alia*, makes it easier for law enforcement to monitor Internet activities. That act was later amended by the Homeland Security Act (P.L. 107-296), loosening restrictions as to when, and to whom, Internet Service Providers may voluntarily release the content of communications if they believe there is a danger of death or injury. The report of the 9/11 Commission called for a full and informed debate on the USA PATRIOT Act, and creation of a board to ensure that privacy and civil liberties are protected. Congress directed that a Privacy and Civil Liberties Oversight Board be established as part of the law that implements many of the Commission's recommendations (P.L. 108-457, the Intelligence Reform and Terrorism Prevention Act).

The debate over website information policies concerns whether industry self regulation or legislation is the best approach to protecting consumer privacy. Congress has considered legislation that would require *commercial* website operators to follow certain fair information practices, but none has passed. Legislation has passed, however, regarding information practices for *federal government* websites e.g, the E-Government Act (P.L. 107-347).

The growing controversy about how to protect computer users from "spyware" without creating unintended consequences is discussed in CRS Report RL32706. Another issue, identity theft, is not an Internet privacy issue per se, but is often debated in the context of whether the Internet makes identity theft more prevalent. For example, a practice called "phishing" may contribute to identity theft. Those topics are briefly discussed in this report, but more specific information is available in CRS Report RL31919 and CRS Report RL32121. Wireless privacy issues are discussed in CRS Report RL31636.

This report provides an overview of Internet privacy issues and related laws that were passed in the 108th and 107th Congresses. It also provides information on other legislation that did not clear the 108th Congress.

This report will be updated.

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Internet Privacy: Overview and Pending Legislation

Introduction

Internet privacy issues encompass concerns about the collection of personally identifiable information (PII) from visitors to government and commercial websites, as well as debate over law enforcement or employer monitoring of electronic mail and Web usage. This report discusses Internet privacy issues and tracks legislation. More information on Internet privacy issues is available in CRS Report RL30784, *Internet Privacy: An Analysis of Technology and Policy Issues*, and CRS Report RL31289, *The Internet and the USA PATRIOT Act: Potential Implications for Electronic Privacy, Security, Commerce, and Government*.

Internet: Commercial Website Practices

One aspect of the Internet ("online") privacy debate focuses on whether industry self regulation or legislation is the best route to assure consumer privacy protection. In particular, consumers appear concerned about the extent to which website operators collect "personally identifiable information" (PII) and share that data with third parties without their knowledge. Although many in Congress and the Clinton Administration preferred industry self regulation, the 105th Congress passed legislation (COPPA, see below) to protect the privacy of children under 13 as they use commercial websites. Many bills have been introduced since that time regarding protection of those not covered by COPPA, but the only legislation that has passed concerns federal government, not commercial, websites.

Children's Online Privacy Protection Act (COPPA), P.L. 105-277

Congress, the Clinton Administration, and the Federal Trade Commission (FTC) initially focused their attention on protecting the privacy of children under 13 as they visit commercial websites. Not only are there concerns about information children might divulge about themselves, but also about their parents. The result was the Children's Online Privacy Protection Act (COPPA), Title XIII of Division C of the FY1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act, P.L. 105-277. The FTC's final rule implementing the law became effective April 21, 2000 [http://www.ftc.gov/os/1999/10/64fr59888.htm]. Commercial websites and online services directed to children under 13, or that knowingly collect information from them, must inform parents of their information practices and obtain verifiable parental consent before collecting, using, or disclosing personal information from children. The law also provides for industry groups or others to develop self-

regulatory "safe harbor" guidelines that, if approved by the FTC, can be used by websites to comply with the law. The FTC approved self-regulatory guidelines proposed by the Better Business Bureau on January 26, 2001. On June 11, 2003, then-FTC Chairman Timothy Muris stated in testimony to the Senate Commerce Committee that the FTC had brought eight COPPA cases, and obtained agreements requiring payment of civil penalties totaling more than $350,000.[1]

FTC Activities and Fair Information Practices

The FTC conducted or sponsored several website surveys between 1997 and 2000 to determine the extent to which commercial website operators abided by four fair information practices — providing **notice** to users of their information practices before collecting personal information, allowing users **choice** as to whether and how personal information is used, allowing users **access** to data collected and the ability to contest its accuracy, and ensuring **security** of the information from unauthorized use. Some include **enforcement** as a fifth fair information practice. Regarding choice, the term "**opt-in**" refers to a requirement that a consumer give affirmative consent to an information practice, while "**opt-out**" means that permission is assumed unless the consumer indicates otherwise. See CRS Report RL30784 for more information on the FTC surveys and fair information practices. The FTC's reports are available on its website [http://www.ftc.gov].

Briefly, the first two FTC surveys (December 1997 and June 1998) created concern about the information practices of websites directed at children and led to the enactment of COPPA (see above). The FTC continued monitoring websites to determine if legislation was needed for those not covered by COPPA. In 1999, the FTC concluded that more legislation was not needed at that time because of indications of progress by industry at self-regulation, including creation of "seal" programs (see below) and by two surveys conducted by Georgetown University. However, in May 2000, the FTC changed its mind following another survey that found only 20% of randomly visited websites and 42% of the 100 most popular websites had implemented all four fair information practices. The FTC voted to recommend that Congress pass legislation requiring websites to adhere to the four fair information practices, but the 3-2 vote indicated division within the Commission. On October 4, 2001, Timothy Muris, who had recently become FTC Chairman, stated that he did not see a need for additional legislation at that time. (Mr. Muris was succeeded as FTC Chairman on August 16, 2004 by Deborah Platt Majoras.)

Advocates of Self Regulation

In 1998, members of the online industry formed the Online Privacy Alliance (OPA) to encourage industry self regulation. OPA developed a set of privacy guidelines, and its members are required to adopt and implement posted privacy policies. The Better Business Bureau (BBB), TRUSTe, and WebTrust have established "seals" for websites. To display a seal from one of those organizations, a website operator must agree to abide by certain privacy principles (some of which are based on the OPA guidelines), a complaint resolution process, and to being

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[1] Prepared statement, p. 10, available at [http://commerce.senate.gov/hearings/index.cfm].

monitored for compliance. Advocates of self regulation argue that these seal programs demonstrate industry's ability to police itself.

Technological solutions also are being offered. P3P (Platform for Privacy Preferences) is one often-mentioned technology. It essentially creates machine-readable privacy policies through which users can match their privacy preferences with the privacy policies of the websites they visit. One concern is that P3P requires companies to produce shortened versions of their privacy policies, which could raise issues of whether the shortened policies are legally binding, since they may omit nuances and "sacrifice accuracy for brevity."[2] For more information on P3P, see [http://www.w3.org/P3P/].

Advocates of Legislation

Consumer, privacy rights and other interest groups believe self regulation is insufficient. They argue that the seal programs do not carry the weight of law, and that while a site may disclose its privacy policy, that does not necessarily equate to having a policy that protects privacy. The Center for Democracy and Technology (CDT, at [http://www.cdt.org]) and the Electronic Privacy Information Center (EPIC, at [http://www.epic.org]) each released reports on this topic. TRUSTe and BBBOnline have been criticized for becoming corporate apologists rather than defenders of privacy. In the case of TRUSTe, for example, Esther Dyson, who is credited with playing a central role in the establishment of the seal program, reportedly is disappointed with it. Wired.com reported in April 2002 that "Dyson agreed that...Truste's image has slipped from consumer advocate to corporate apologist. 'The board ended up being a little too corporate, and didn't have any moral courage,' she said." Truste subsequently announced plans to strengthen its seal program by more stringent licensing requirements and increased monitoring of compliance.

Some privacy interest groups, such as EPIC, also feel that P3P is insufficient, arguing that it is too complex and confusing and fails to address many privacy issues. An EPIC report from June 2000 further explains its findings [http://www.epic.org/reports/prettypoorprivacy.html].

Privacy advocates are particularly concerned about online profiling, where companies collect data about what websites are visited by a particular user and develop profiles of that user's preferences and interests for targeted advertising. Following a one-day workshop on online profiling, FTC issued a two-part report in the summer of 2000 that also heralded the announcement by a group of companies that collect such data, the Network Advertising Initiative (NAI), of self-regulatory principles. At that time, the FTC nonetheless called on Congress to enact legislation to ensure consumer privacy vis a vis online profiling because of concern that "bad actors" and others might not follow the self-regulatory guidelines.

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[2] Clark, Drew. Tech, Banking Firms Criticize Limitations of Privacy Standard. NationalJournal.com, November 11, 2002.

Congressional Action

Many Internet privacy bills were considered by, but did not clear, the 107th and 108th Congresses. Other than extending an existing prohibition regarding federal websites (see next section), none cleared Congress.

Internet: Federal Government Website Information Practices

Under a May 1998 directive from President Clinton and a June 1999 Office of Management and Budget (OMB) memorandum, federal agencies must ensure that their information practices adhere to the 1974 Privacy Act. In June 2000, however, the Clinton White House revealed that contractors for the Office of National Drug Control Policy (ONDCP) had been using "cookies" (small text files placed on users' computers when they access a particular website) to collect information about those using an ONDCP site during an anti-drug campaign. ONDCP was directed to cease using cookies, and OMB issued another memorandum reminding agencies to post and comply with privacy policies, and detailing the limited circumstances under which agencies should collect personal information. A September 5, 2000 letter from OMB to the Department of Commerce further clarified that "persistent"cookies, which remain on a user's computer for varying lengths of time (from hours to years), are not allowed unless four specific conditions are met. "Session" cookies, which expire when the user exits the browser, are permitted.

At the time, Congress was considering whether commercial websites should be required to abide by FTC's four fair information practices. The incident sparked interest in whether federal websites should adhere to the same requirements. In the FY2001 Transportation Appropriations Act (P.L. 106-346), Congress prohibited funds in the FY2001 Treasury-Postal Appropriations Act from being used to collect, review, or create aggregate lists that include PII about an individual's access to or use of a federal website or enter into agreements with third parties to do so, with exceptions. Similar language has been included in subsequent appropriations bills. For FY2005, it is Sec. 633 of the Transportation-Treasury Appropriations Act (incorporated into P.L. 108-447, the FY2005 Consolidated Appropriations Act).

Section 646 of the FY2001 Treasury-Postal Appropriations Act (P.L. 106-554) required Inspectors General (IGs) to report to Congress on activities by those agencies or departments relating to their own collection of PII, or entering into agreements with third parties to obtain PII about use of websites. Then-Senator Fred Thompson released two reports in April and June 2001 based on the findings of agency IGs who discovered unauthorized persistent cookies and other violations of government privacy guidelines on several agency websites. An April 2001 GAO report (GAO-01-424) concluded that most of the 65 sites it reviewed were following OMB's guidance.

The E-Government Act (P.L. 107-347) sets requirements on government agencies regarding how they assure the privacy of personal information in government information systems and establish guidelines for privacy policies for

federal websites. The law requires federal websites to include a privacy notice that addresses what information is to be collected, why, its intended use, what notice or opportunities for consent are available to individuals regarding what is collected and how it is shared, how the information will be secured, and the rights of individuals under the 1974 Privacy Act and other relevant laws. It also requires federal agencies to translate their website privacy policies into a standardized machine-readable format, enabling P3P to work (see above discussion of P3P), for example.

Monitoring of E-mail and Web Usage

By Government and Law Enforcement Officials

Another concern is the extent to which electronic mail (e-mail) exchanges or visits to websites may be monitored by law enforcement agencies or employers. In the wake of the September 11 terrorist attacks, the debate over law enforcement monitoring has intensified. Previously, the issue had focused on the extent to which the Federal Bureau of Investigation (FBI), with legal authorization, uses a software program, called Carnivore (later renamed DCS 1000), to intercept e-mail and monitor Web activities of certain suspects. The FBI installs the software on the equipment of Internet Service Providers (ISPs). Privacy advocates are concerned whether Carnivore-like systems can differentiate between e-mail and Internet usage by a subject of an investigation and similar usage by other people. Section 305 of the 21st Century Department of Justice Appropriations Authorization Act (P.L. 107-273) required the Justice Department to report to Congress at the end of FY2002 and FY2003 on its use of Carnivore/DCS 1000 or any similar system.

The USA PATRIOT Act. Following the terrorist attacks, Congress passed the Uniting and Strengthening America by Providing Appropriate Tools to Intercept and Obstruct Terrorism (USA PATRIOT) Act, P.L. 107-56, which expands law enforcement's ability to monitor Internet activities. *Inter alia*, the law modifies the definitions of "pen registers" and "trap and trace devices" to include devices that monitor addressing and routing information for Internet communications. Carnivore-like programs may now fit within the new definitions. The Internet privacy-related provisions of the USA PATRIOT Act, included as part of Title II, are as follows:

- Section 210, which expands the scope of subpoenas for records of electronic communications to include records commonly associated with Internet usage, such as session times and duration.

- Section 212, which allows ISPs to divulge records or other information (but not the contents of communications) pertaining to a subscriber if they believe there is immediate danger of death or serious physical injury or as otherwise authorized, and requires them to divulge such records or information (excluding contents of communications) to a governmental entity under certain conditions. It also allows an ISP to divulge the contents of communications to a law enforcement agency if it reasonably believes that an emergency involving immediate danger of death or serious physical

injury requires disclosure of the information without delay. **[This section was amended by the 2002 Homeland Security Act, see below.]**

- Section 216, which adds routing and addressing information (used in Internet communications) to dialing information, expanding what information a government agency may capture using pen registers and trap and trace devices as authorized by a court order, while excluding the content of any wire or electronic communications. The section also requires law enforcement officials to keep certain records when they use their own pen registers or trap and trace devices and to provide those records to the court that issued the order within 30 days of expiration of the order. To the extent that Carnivore-like systems fall with the new definition of pen registers or trap and trace devices provided in the act, that language would increase judicial oversight of the use of such systems.

- Section 217, which allows a person acting under color of law to intercept the wire or electronic communications of a computer trespasser transmitted to, through, or from a protected computer under certain circumstances, and

- Section 224, which sets a four-year sunset period for many of the Title II provisions. Among the sections excluded from the sunset are Sections 210 and 216.

The Cyber Security Enhancement Act, section 225 of the 2002 Homeland Security Act (P.L. 107-296), amends section 212 of the USA PATRIOT Act. It lowers the threshold for when ISPs may voluntarily divulge the content of communications. Now ISPs need only a "good faith" (instead of a "reasonable") belief that there is an emergency involving danger (instead of "immediate" danger) of death or serious physical injury. The contents can be disclosed to "a Federal, state, or local governmental entity" (instead of a "law enforcement agency").

Concerns about the USA PATRIOT Act. Privacy advocates are especially concerned about the language added by the Cyber Security Enhancement Act. EPIC notes, for example, that allowing the contents of Internet communications to be disclosed voluntarily to any governmental entity not only poses increased risk to personal privacy, but also is a poor security strategy. Another concern is that the law does not provide for judicial oversight of the use of these procedures.[3] A Senate Judiciary Committee hearing on September 23, 2004 explored some of these concerns.

Sunset Clause of the USA Patriot Act. As noted, several sections of the USA PATRIOT Act are covered by a "sunset" provision (Sec. 224) under which they

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[3] [http://www.epic.org/alert/EPIC_Alert_9.23.html]. See entry under "[3] Homeland Security Bill Limits Open Government, and click on hyperlink to EPIC's February 26, 2002 letter to the House Judiciary Committee.

will expire on December 31, 2005. Three bills (S. 1695, S. 1709, and S. 2476) were introduced in the 108th Congress that would have affected the sunset clause, but none passed. For more on the sunset clause, see CRS Report RL32186.

The 9/11 Commission Report, and Creation of the Privacy and Civil Liberties Oversight Board. On July 22, 2004, the "9/11 Commission" released its report on the terrorist attacks.[4] The Commission concluded (pp. 394-395) that many of the USA PATRIOT Act provisions appear beneficial, but that "Because of concerns regarding the shifting balance of power to the government, we think that a full and informed debate on the Patriot Act would be healthy." The Commission recommended that "The burden of proof for retaining a particular governmental power should be on the executive, to explain (a) that the power actually materially enhances security and (b) that there is adequate supervision of the executive's use of the powers to ensure protection of civil liberties. If the power is granted, there must be adequate guidelines and oversight to properly confine its use." The Commission also called for creation of a board within the executive branch "to oversee adherence to the guidelines we recommend and the commitment the government makes to defend our civil liberties." The commissioners went on to say that "We must find ways of reconciling security with liberty, since the success of one helps protect the other. The choice between security and liberty is a false choice, as nothing is more likely to endanger America's liberties than the success of a terrorist attack at home. Our history has shown us that insecurity threatens liberty. Yet, if our liberties are curtailed, we lose the values that we are struggling to defend."

The 108th Congress passed legislation implementing many of the Commission's recommendations. Called the Intelligence Reform and Terrorism Prevention Act (S. 2845, P.L. 108-458), Sec. 1061 creates a Privacy and Civil Liberties Oversight Board. According to the bill's sponsor, Senator Collins, the Board's purpose is to "ensure that privacy and civil liberties concerns are appropriately considered in the implementation of all laws, regulations, and policies that are related to efforts to protect the Nation against terrorism."[5] It must report to Congress annually on an unclassified basis to the greatest extent possible. It will be composed of five members, two of which (the chairman and vice-chairman) must be confirmed by the Senate. All must come from outside the government to help ensure their independence.

By Employers

There also is concern about the extent to which employers monitor the e-mail and other computer activities of employees. The public policy concern appears to be not whether companies should be able to monitor activity, but whether they should notify their employees of that monitoring. A 2003 survey by the American Management Association [http://www.amanet.org/research/index.htm] found that 52% of the companies surveyed engage in some form of e-mail monitoring. A September 2002 General Accounting Office report (GAO-02-717) found that, of the

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[4] National Commission on Terrorist Attacks Upon the United States. The 9/11 Commission Report. 585 p. [http://www.9-11commission.gov/report/911Report.pdf]

[5] Congressional Record, December 8, 2004, p. S11974.

14 Fortune 1,000 companies it surveyed, all had computer-use policies, and all stored employee's electronic transactions, e-mail, information on websites visited, and computer file activity. Eight of the companies said they would read and review those transactions if they received other information than an individual might have violated company policies, and six said they routinely analyze employee's transactions to find possible inappropriate uses.

By E-Mail Service Providers: The "Councilman Case"

In what is widely-regarded as a landmark ruling concerning Internet privacy, the U.S. Court of Appeals for the First Circuit in Massachusetts ruled (2-1) on June 29, 2004 that an e-mail service provider did not violate federal wiretapping statutes when it intercepted and read subscribers' e-mails to obtain a competitive business advantage. The ruling upheld the decision of a lower court to dismiss the case.

The case involved an e-mail service provider, Interloc, Inc., that sold out-of-print books. According to press accounts[6] and the text of the court's ruling,[7] Interloc used software code to intercept and copy e-mail messages sent to its subscribers (who were dealers looking for buyers of rare and out-of-print books) by competitor Amazon.com. The e-mail was intercepted and copied prior to its delivery to the recipient so that Interloc officials could read the e-mails and obtain a competitive advantage over Amazon.com. Interloc Vice President Bradford Councilman was charged with violating the Wiretap Act.[8,9] The court's majority opinion noted that the parties stipulated that, at all times that the Interloc software was performing operations on the e-mails, they existed in the random access memory or in hard drives within Interloc's computer system.

The case turned on the distinction between the e-mail being in transit, or in storage (and therefore governed by a different law[10]). The government argued that the e-mails were copied contemporaneously with their transmission, and therefore were intercepted under the meaning of the Wiretap Act. Judges Torruella and Cyr concluded, however, that they were in temporary storage in Interloc's computer system, and therefore were not subject to the provisions of the Wiretap Act. They further stated that "We believe that the language of the statute makes clear that Congress meant to give lesser protection to electronic communications than wire and

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[6] (1) Jewell, Mark. Interception of E-Mail Raises Questions. Associated Press, June 30, 2004, 9:14 pm. (2) Zetter, Kim. E-Mail Snooping Ruled Permissible. Wired News, June 30, 2004, 08:40. (3) Krim, Jonathan. Court Limits Privacy of E-Mail Messages; Providers Free to Monitor Communications. Washington Post, July 1, 2004, E1 (via Factiva).

[7] U.S. v Bradford C. Councilman. U.S. Court of Appeals for the First Circuit. No. 03-1383. [http://www.ca1.uscourts.gov/pdf.opinions/03-1383-01A.pdf].

[8] The Wiretap Act,18 U.S.C. §§ 2510-2522, is Title I of the Electronic Communications Privacy Act (ECPA), P.L. 99-508.

[9] According to Jewell, op. cit., two other defendants — Alibris, which bought Interloc in 1998, and Interloc's systems administrator — pleaded guilty.

[10] Stored communications are covered by the Stored Communications Act, which is Title II of ECPA, 18 U.S.C. §§ 2701-2711.

oral communication. Moreover, at this juncture, much of the protection may have been eviscerated by the realities of modern technology.... However, it is not the province of this court to graft meaning onto the statute where Congress has spoken plainly." (p. 14-15). In his dissent, Judge Lipez stated, conversely, that he did not believe Congress intended for e-mail that is temporarily stored as part of the transmission process to have less privacy than messages as they are in transit. He agreed with the government's contention that an "intercept" occurs between the time the author hits the "send" button and the message arrives in the recipient's in-box. He concluded that "Councilman's approach to the Wiretap Act would undo decades of practice and precedent ... and would essentially render the act irrelevant .... Since I find it inconceivable that Congress could have intended such a result merely by omitting the term 'electronic storage' from its definition of 'electronic communication,' I respectfully dissent."[11]

Privacy advocates expressed deep concern about the ruling. Electronic Frontier Foundation (EFF) attorney Kevin Bankston stated that the court had "effectively given Internet communications providers free rein to invade the privacy of their users for any reason and at any time."[12] The five major ISPs (AOL, Earthlink, Microsoft, Comcast, and Yahoo) all reportedly have policies governing their terms of service that state that they do not read subscribers' e-mail or disclose personal information unless required to do so by law enforcement agencies.[13] The U.S. Department of Justice is appealing the court's decision, and several civil liberties filed a "friend of the court" brief in support of the government's appeal.[14] The U.S. Court of Appeals for the First Circuit agreed to rehear the case. Two bills were introduced in the 108th Congress that would have affected this debate by amending either the Wiretap Act (H.R. 4977) or the Stored Communications Act (H.R. 5059). There was no action on either bill.

Spyware

Spyware is discussed in more detail in CRS Report RL32706. The term "spyware" is not well defined. One example of spyware is software products that include, as part of the software itself, a method by which information is collected about the use of the computer on which the software is installed. Some products may collect personally identifiable information (PII). When the computer is connected to the Internet, the software periodically relays the information back to the software manufacturer or a marketing company. Some spyware traces a user's Web activity and causes advertisements to suddenly appear on the user's monitor — called "pop-up" ads — in response. Such software is called "adware." Software programs that include spyware can be sold or provided for free, on a disk (or other media) or

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[11] U.S. v Bradford C. Councilman, p. 53.

[12] Online Privacy "Eviscerated" by First Circuit Decision. June 29, 2004. [http://www.eff.org/news/archives/2004_06.php#001658].

[13] Krim, op. cit.

[14] Singel, Ryan. Strange Bedfellows in E-Mail Case. Wired News, September 3, 2004, 02:00 PM. [http://www.wired.com/news/privacy/0,1848,64847,00.html]

downloaded from the Internet. Typically, users have no knowledge that spyware is on their computers.

A central point of the debate is whether new laws are needed, or if industry self-regulation, coupled with enforcement actions under existing laws such as the Federal Trade Commission Act, is sufficient. The lack of a precise definition for spyware is cited as a fundamental problem in attempting to write new laws. FTC representatives and others caution that new legislation could have unintended consequences, barring current or future technologies that might, in fact, have beneficial uses. They further insist that, if legal action is necessary, existing laws provide sufficient authority. Consumer concern about control of their computers being taken over by spyware leads others to conclude that legislative action is needed.

Utah and California have passed spyware laws, but there is no specific federal law regarding spyware. In the 108th Congress, the House passed two bills (H.R. 2929 and H.R. 4661) and the Senate Commerce Committee reported S. 2145. There was no further action. Debate is likely to resume in the 109th Congress.

Identity Theft (Including Phishing)

Identity theft is not an Internet privacy issue, but the perception that the Internet makes identity theft easier means that it is often discussed in the Internet privacy context. The concern is that the widespread use of computers for storing and transmitting information is contributing to the rising rates of identity theft, where one individual assumes the identity of another using personal information such as credit card and Social Security numbers (SSNs). The FTC has a toll free number (877-ID-THEFT) to help victims.[15]

The extent to which the Internet is responsible for the increase in cases is debatable. Some attribute the rise instead to carelessness by businesses in handling personally identifiable information, and by credit issuers that grant credit without proper checks. In a 2003 survey for the FTC, Synovate found that 51% of victims did not know how their personal information was obtained by the thief; 14% said their information was obtained from lost or stolen wallets, checkbooks, or credit cards; 13% said the personal information was obtained during a transaction; 4% cited stolen mail; and 14% said the thief used "other" means (e.g. the information was misused by someone who had access to it such as a family member or workplace associate).[16]

Several laws have been passed regarding identity theft (such as P.L. 105-318, P.L. 106-433, and P.L. 106-578), but Congress continues to assess ways to reduce the incidence of identity theft and help victims.

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[15] See also CRS Report RS21162, *Remedies Available to Victims of Identity Theft*; and CRS Report RS21083, *Identity Theft and the Fair Credit Reporting Act: an Analysis of TRW v. Andrews and Current Legislation*.

[16] Synovate. Federal Trade Commission — Identity Theft Survey Report. September 2003. P. 30-31. [http://www.ftc.gov/opa/2003/09/idtheft.htm]

On December 4, 2003, the President signed the Fair and Accurate Credit Transactions Act (H.R. 2622, P.L. 108-159). It is discussed in detail in CRS Report RL32121, *Fair Credit Reporting Act: A Side-By-Side Comparison of House, Senate, and Conference Versions*. Among its identity theft-related provisions, the law —

- requires consumer reporting agencies to follow certain procedures concerning when to place, and what to do in response to, fraud alerts on consumers' credit files;

- allows consumers one free copy of their consumer report each year from nationwide consumer reporting agencies as long as the consumer requests it through a centralized source under rules to be established by the FTC;[17]

- allows consumers one free copy of their consumer report each year from nationwide specialty consumer reporting agencies (medical records or payments, residential or tenant history, check writing history, employment history, and insurance claims) upon request pursuant to regulations to be established by the FTC; [14]

- requires credit card issuers to follow certain procedures if additional cards are requested within 30 days of a change of address notification for the same account;

- requires the truncation of credit card numbers on electronically printed receipts;

- requires business entities to provide records evidencing transactions alleged to be the result of identity theft to the victim and to law enforcement agencies authorized by the victim to take receipt of the records in question;

- requires consumer reporting agencies to block the reporting of information in a consumer's file that resulted from identity theft and to notify the furnisher of the information in question that it may be the result of identity theft;

- requires federal banking agencies, the FTC, and the National Credit Union Administration to jointly develop guidelines for use by financial institutions, creditors and other users of consumer reports regarding identity theft;

- extends the statute of limitations for when identity theft cases can be brought; and

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[17] The FTC rules on free credit reports were issued on June 4, 2004 and are available at [http://www.ftc.gov/opa/2004/06/freeannual.htm].

- allows consumers to request that the first five digits of their Social Security Numbers not be included on a credit report provided to the consumer by a consumer reporting agency.

Congress passed another identity theft bill, the Identity Theft Penalty Enhancement Act (H.R. 1731), in June 2004. President Bush signed it into law July 15, 2004 (P.L. 108-275). It makes aggravated identity theft in conjunction with felonies a crime, and establishes mandatory sentences — 2 additional years beyond the penalty for the underlying crime, or 5 additional years for those who steal identities in conjunction with a terrorist act.[18]

One method used to obtain PII is called "phishing." It refers to an Internet-based practice in which someone misrepresents their identity or authority in order to induce another person to provide personally identifiable information (PII). Some common phishing scams involve e-mails that purport to be from financial institutions or ISPs claiming that a person's record has been lost. The e-mail directs the person to a website that mimics the legitimate business' website and asks the person to enter a credit card number and other PII so the record can be restored. In fact, the e-mail or website is controlled by a third party who is attempting to extract information that will be used in identity theft or other crimes. The FTC issued a consumer alert on phishing in June 2004.[19] An "Anti-Phishing Working Group" industry association has been established to collectively work on solutions to phishing. According to its website [http://www.antiphishing.org/], more than 407 companies are members. Congress also is addressing the issue. One of the spyware bills that passed the House in the 108th Congress (H.R. 2929) would have made it a crime to misrepresent the identity of a person seeking information in order to induce the user to provide certain PII.

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[18] Senate Clears Tougher Penalties for Identity Theft in Conjunction with Felony. CQ Weekly, June 26, 2004, p. 1561.

[19] FTC. How Not to Get Hooked by a 'Phishing" Scam. June 2004. [http://www.ftc.gov/bcp/conline/pubs/alerts/phishingalrt.pdf]

Summary of 108th Congress Legislation

Table 1. Internet Privacy-Related Legislation Passed by the 108th Congress

H.R. 2622 (Bachus) **P.L. 108-159**	**Fair and Accurate Credit Transactions Act**. Includes several provisions related to identity theft, such as setting requirements on consumer reporting agencies and credit card issuers, requiring truncation of credit card numbers on electronically printed receipts, and extending the statute of limitations for when identity theft cases can be brought.
H.R. 1731 (Carter) **P.L. 108-275**	**Identity Theft Penalty Enhancement Act**. Makes aggravated identity theft in conjunction with felonies a crime, and establishes mandatory sentences.
H.R. 4818 (Kolbe) **P.L. 108-447**	**FY2005 Transportation, Treasury and General Government Appropriations Bill** (incorporated into the FY2005 Consolidated Appropriations Act). Sec. 633 continues prohibition on use of appropriated funds to collect personal information about visitors to federal websites.
S. 2845 (Collins) **P.L. 108-458**	**Intelligence Reform and Terrorism Protection Act**. Creates Privacy and Civil Liberties Oversight Board.

Table 2. Internet Privacy-Related Legislation That Did Not Pass the 108th Congress

INTERNET PRIVACY (GENERAL)	
Bill/Status	**Summary/Committee(s) of Referral**
H.R. 69 Frelinghuysen	**Online Privacy Protection Act**. Requires the FTC to prescribe regulations to protect the privacy of personal information collected from and about individuals not covered by COPPA. (Energy & Commerce)
H.R. 1636 Stearns	**Consumer Privacy Protection Act.** See Table 1 for summary of provisions. (Energy & Commerce)
H.R. 4977 Nadler	**E-Mail Privacy Act.** Amends Wiretap Act to include in prohibited activities the temporary, intermediate storage of a communication incidental to the electronic transmission thereof. (Judiciary)
H.R. 5059 Sherman	**Internet Privacy Protection Act**. Amends Stored Communication Act to make it unlawful for a provider of an electronic communications service to intentionally access the contents of a stored communications while held in electronic storage, with exceptions.(Judiciary)
S. 745 Feinstein	**Privacy Act.** Title I requires commercial entities to provide notice and choice (opt-out) to individuals regarding the collection and disclosure or sale of their PII, with exceptions. (Judiciary)
S. 1350 Feinstein	**Notification of Risk to Personal Data.** Requires federal agencies and persons engaged in interstate commerce, who possess electronic data containing personal information, to disclose any unauthorized acquisition of that data. (Judiciary)
S. 1695 Leahy	**PATRIOT Oversight Restoration Act.** *Inter alia*, would sunset Sections 210 and 216 of the USA PATRIOT Act on Dec. 31, 2005 (those sections are not subject to the sunset provisions now included in the act). (Judiciary)
S. 1709 Craig	**Security and Freedom Ensured (SAFE) Act**. *Inter alia* would sunset Section 216 of the USA PATRIOT Act on December 31, 2005. (Judiciary)
S. 2476 Kyl	[no title]. Would repeal section 224 of the USA PATRIOT Act, which sunsets certain provisions of that law. (Judiciary)
SPYWARE	
H.R. 2929 Bono **Passed House**	**Safeguard Against Privacy Invasions Act.** Requires the FTC to establish regulations prohibiting the transmission of spyware programs via the Internet to computers without the user's consent, and notification to the user that the program will be used to collect personally identifiable information (PII). **Reported from Energy & Commerce Committee July 20, 2004 (H.Rept. 108-619). Passed House October 5, 2004.**

Bill/Status	Summary/Committee(s) of Referral
H.R. 4255 Inslee	**Computer Software Privacy and Control Act.** To prevent deceptive software transmission practices. (Energy & Commerce; Judiciary)
H.R. 4661 Goodlatte **Passed House**	**I-SPY Prevention Act**. Sets criminal penalties for certain spyware practices. **Reported from House Judiciary Committee September 23 2004 (H.Rept. 108-698); passed House October 7. 2004.**
S. 2145 Burns **Reported from Committee**	**SPY BLOCK** (Software Principles Yielding Better Levels of Consumer Knowledge). To regulate the authorized installation of computer software, and to require clear disclosure to computer users of certain computer software features that may pose a threat to user privacy. (Commerce) **Reported with written report (S.Rept. 108-424) December 7, 2004.**
IDENTITY THEFT/SOCIAL SECURITY NUMBER PROTECTION	
H.R. 70 Frelinghuysen	**Social Security On-Line Privacy Protection Act.** Regulates the use by interactive computer services of Social Security numbers (SSNs) and related personally identifiable information (PII). (Energy & Commerce)
H.R. 220 Paul	**Identity Theft Protection Act.** Protects the integrity and confidentiality of SSNs, prohibits establishment of a uniform national identifying number by federal government, and prohibits federal agencies from imposing standards for identification of individuals on other agencies or persons. (Ways & Means; Government Reform)
H.R. 637 Sweeney **S. 228** Feinstein	**Social Security Misuse Prevention Act**. Limits the display, sale, or purchase of SSNs. H.R. 637 referred to House Ways & Means Committee. S. 228 placed on Senate calendar. [The Senate bill was reintroduced from the 107th Congress, where it was reported from the Senate Judiciary Committee on May 16, 2002 — no written report. The bill number in that Congress was S. 848.]
H.R. 818 Kleczka	**Identity Theft Consumers Notification Act**. Requires financial institutions to notify consumers whose personal information has been compromised. (Financial Services)
H.R. 858 Tanner	**Identity Theft Penalty Enhancement Act**. Increases penalties for aggravated identity theft. (Judiciary)
H.R. 1729 Carson	**Negative Credit Information Act**. Requires consumer reporting agencies to notify consumers if information adverse to their interests is added to their files. (Financial Services)
H.R. 1931 Kleczka	**Personal Information Privacy Act.** Protects SSNs and other personal information through amendments to the Fair Credit Reporting Act. (Ways & Means, Financial Services)

Bill/Status	Summary/Committee(s) of Referral
H.R. 2035 Hooley	**Identity Theft and Financial Privacy Protection Act**. Requires credit card issuers to confirm change of address requests if received within 30 days of request for additional card; requires consumer reporting agencies to include a fraud alert in a consumer's file if the consumer has been, or suspects he or she is about to become, a victim of identity theft; requires truncation of credit and debit card numbers on receipts; requires FTC to set rules on complaint referral, investigations, and inquiries. (Financial Services)
H.R. 2617 Shadegg	**Consumer Identity and Information Security Act**. Prohibits the display of SSNs, with exceptions, and restricts the use of SSNs; prohibits the denial of products or services because an individual will not disclose his or her SSN; requires truncation of credit and debit card numbers on receipts; requires card issuers to verify a consumer's identity if a request for an additional credit card is made, or for a debit card or any codes or other means of access associated with it; requires FTC to set up a centralized reporting system for consumers to report suspected violations. (Financial Services, Ways & Means, Energy & Commerce)
H.R. 2633 Emmanuel	**Identity Theft Protection and Information Blackout Act**. Restricts the sale of SSNs and prohibits the display of SSNs by governmental agencies; prohibits the display, sale or purchase of SSNs in the private sector, with exceptions; and makes refusal to do business with anyone who will not provide an SSN an unfair or deceptive act or practice under the FTC Act, with exceptions. (Ways & Means, Energy & Commerce, Judiciary, Financial Services)
H.R. 2971 Shaw **S. 2801** Feinstein **Reported from House Ways & Means Committee**	**Social Security Number Privacy and Identity Theft Protection Act**. Restricts the sale of SSNs and prohibits the display of SSNs by governmental agencies; prohibits the display, sale or purchase of SSNs in the private sector, with exceptions; makes refusal to do business with anyone who will not provide an SSN an unfair or deceptive act or practice under the FTC Act; and requires certain methods of verification of identity when issuing or replacing SSNs and cards. S. 2801 referred to Senate Finance Committee. **H.R. 2971 reported from House Ways & Means Sept. 14, 2004 (H.Rept. 106-685, Part 1). Also referred to House committees on Financial Services, Energy & Commerce, and Judiciary.**
H.R. 3233 Gutierrez	**Identity Theft Notification and Credit Restoration Act.** Requires financial institutions and financial services providers to notify customers of the authorized use of personal information, amends the Fair Credit Reporting Act to require fraud alerts to be included in consumer credit files, and provides consumers with enhanced access to credit reports in such cases. (Financial Services)
H.R. 3693 Scott	**Identity Theft Investigation and Prosecution Act.** Provides additional resources to the Department of Justice for investigating and prosecuting identity theft and related credit card and other fraud. (Judiciary)

Bill/Status	Summary/Committee(s) of Referral
S. 153 Feinstein **Passed Senate**	**Identity Theft Penalty Enhancement Act**. Increases penalties for identity theft. (Judiciary) [This bill was reintroduced from the 107th Congress where it was reported by the Senate Judiciary Committee on November 14, 2002 — no written report. The bill number in that Congress was S. 2541.] **Passed Senate without amendment March 19, 2003.**
S. 223 Feinstein	**Identity Theft Prevention Act**. Requires credit card numbers to be truncated on receipts; imposes fines on credit issuers who issue new credit to identity thieves despite the presence of a fraud alert on the consumer's credit file; entitles each consumer to one free credit report per year from the national credit bureaus; and requires credit card companies to notify consumers when an additional credit card is requested on an existing credit account within 30 days of an address change request. (Banking)
S. 745 Feinstein	**Privacy Act.** Title II is the Social Security Misuse Prevention Act (S. 228, see above H.R. 637/S. 228 above).
S. 1533 Cantwell	**Identity Theft Victims Assistance Act**. Requires business entities with knowledge of an identity theft to share information with the victim or law enforcement agencies and requires consumer reporting agencies to block dissemination of information resulting from an identity theft, with exceptions. This bill is reintroduced from the 107th Congress where it was S 1742. (Judiciary)
S. 1581 Cantwell	**Identity Theft Victims Assistance Act.** Similar to S. 1533, but *inter alia* expressly states that the bill does not provide for private right of action, establishes an affirmative defense, and excludes consumer reporting agencies that are reselling information from some of the act's provisions under specified conditions. (Judiciary)
S. 1633 Corzine	**Identity Theft and Credit Restoration Act.** Requires financial institutions and financial service providers to notify customers of the unauthorized use of personal information, requires fraud alerts to be included in consumer credit files in such cases, and provides customers with enhanced access to credit reports in such cases. (Banking)
S. 1749 Specter	**Prevent Identity Theft From Affecting Lives and Livelihoods (PITFALL) Act**. Amends the Consumer Protection Act to provide relief for victims of identity theft. (Banking)
S. 2636 Leahy	**Anti-Phishing Act.** Makes phishing a crime. (Judiciary)

Appendix A. Internet Privacy-Related Legislation Passed by the 107th Congress

H.R. 2458 (Turner)/ **S. 803** (Lieberman) **P.L. 107-347**	**E-Government Act**. *Inter alia*, sets requirements on government agencies in how they assure the privacy of personal information in government information systems and establish guidelines for privacy policies for federal websites.
H.R. 5505 (Armey) **P.L. 107-296**	**Homeland Security Act.** Incorporates **H.R. 3482, Cyber Security Enhancement Act,** as Sec. 225. Loosens restrictions on ISPs, set in the USA PATRIOT Act, as to when, and to whom, they can voluntarily release information about subscribers.
H.R. 2215 (Sensenbrenner) **P.L. 107-273**	**21st Century Department of Justice Authorization Act**. Requires the Justice Department to notify Congress about its use of Carnivore (DCS 1000) or similar Internet monitoring systems.
H.R. 3162 (Sensenbrenner) **P.L. 107-56**	**USA PATRIOT Act.** Expands law enforcement's authority to monitor Internet activities. See CRS Report RL31289 for how the act affects use of the Internet. Amended by the Homeland Security Act (see P.L. 107-296).