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Internet Privacy: Overview and Pending Legislation

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Summary

Internet privacy issues encompass concerns about the collection of personally identifiable information (PII) from visitors to Web sites, as well as debate over law enforcement or employer monitoring of electronic mail and Web usage. In the wake of the September 11 terrorist attacks, debate over the issue of law enforcement monitoring has intensified, with some advocating increased tools for law enforcement to track down terrorists, and others cautioning that fundamental tenets of democracy, such as privacy, not be endangered in that pursuit. The Department of Justice authorization bill (H.R. 2215) requires the Justice Department to report to Congress on its use of Internet monitoring software such as Carnivore/DCS 1000, but Congress also passed the USA PATRIOT Act (P.L. 107-56) that, *inter alia*, makes it easier for law enforcement to monitor Internet activities. The parallel debate over Web site information policies concerns whether industry self regulation or legislation is the best approach to protecting consumer privacy. This report provides a brief overview of Internet privacy issues and tracks pending legislation. For more detailed discussion of the issues, see CRS Report RL30784 and CRS Report RL31289. This report will be updated.

Internet: Collection of Data by Commercial Web Site Operators

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 Web site operators collect "personally identifiable information" (PII) and share that data with third parties without their knowledge. Repeated media stories about privacy violations by Web site operators have kept the issue in the forefront of public debate about the Internet. Although many in Congress and the Clinton Administration preferred industry self regulation, the 105th Congress passed legislation to protect the privacy of children under 13 as they use commercial Web sites (see below). Many bills have been introduced since that time, but the only legislation that has passed concerns federal, not commercial, Web sites.

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 Web sites. 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/opa/1999/9910/childfinal.htm]. Commercial Web sites 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 Web sites to comply with the law. The FTC approved self-regulatory guidelines proposed by the Better Business Bureau on January 26, 2001. In April 2001, the FTC fined three companies for violating COPPA.

FTC Activities and Fair Information Practices. The FTC has conducted or sponsored several Web site surveys since 1997 to determine the extent to which commercial Web site operators abide 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. See CRS Report RL30784 for more information on these surveys. The FTC's reports are available on its Web site [http://www.ftc.gov].

Briefly, the first two FTC surveys (December 1997 and June 1998) created concern about the information practices of Web sites directed at children and led to the enactment of COPPA (see above). The FTC continued monitoring Web sites 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 Web sites and 42% of the 100 most popular Web sites had implemented all four fair information practices. The FTC voted to recommend that Congress pass legislation requiring Web sites to adhere to the four fair information practices, but the 3-2 vote indicated division within the Commission. On October 4, 2001, FTC's new chairman, Timothy Muris, revealed his position on the issue, saying that he did not see a need for additional legislation now.

Four bills (H.R. 89, H.R. 237, H.R. 347, and S. 2201) are pending specifically on this topic. Also, the Senate-passed version of the bankruptcy reform bill (S. 420) would prohibit (with exceptions) companies, including Web site operators, that file for bankruptcy from selling or leasing PII obtained in accordance with a policy that said such information would not be transferred to third parties, if that policy was in effect at the time of the bankruptcy filing. H.R. 2135 would limit the disclosure of personal information (defined as PII and sensitive personal information) by information recipients in general, and S. 1055 would limit the commercial sale and marketing of PII.

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 Web sites. To display a seal from one of those organizations, a Web site 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 monitored for compliance. Advocates of self regulation argue that these seal programs demonstrate industry's ability to police itself. The CATO Institute also argues that privacy-protecting technologies are quite effective [http://www.cato.org/pubs/briefs/bp-065es.html]. P3P (Platform for Privacy Preferences) is one often mentioned technology that allows users to match their privacy preferences with Web sites that offer them.

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 have released reports on this topic. A particular concern is online profiling where companies collect data about what Web sites 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. The current FTC Chairman's position is that broad legislation is not needed at this time.

Internet: Federal Government Web Site 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 Web site) 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 Web sites should be required to abide by FTC's four fair information practices. The incident sparked interest in whether federal Web sites 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 Web site or enter into agreements with third parties to do so, with exceptions. Similar language is in the FY2002 Treasury-Postal Appropriations Act (P.L. 107-67).

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 Web sites. Senator 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 Web sites. An April 2001 GAO report (GAO-01-424) concluded that most of the 65 sites it reviewed were following OMB's guidance. S. 851 (Thompson) would establish an 18-month commission to study the collection, use, and distribution of personal information by federal, state, and local governments. H.R. 583 (Hutchinson) would create a commission to study privacy issues more broadly. Section 218 of S. 803 (Lieberman) would set requirements on government agencies in how they assure the privacy of PII in government information systems, and establish privacy guidelines for federal Web sites.

Spyware

Some software products 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. When the computer is connected to the Internet, the software periodically relays the information back to the software manufacturer or a marketing company. The software that collects and reports is called "spyware." Software programs that include spyware can be obtained on a disk or downloaded from the Internet. They may be sold or provided for free. Typically, users have no knowledge that the software product they are using includes spyware. Some argue that users should be notified if the software they are using includes spyware. Two pending bills (H.R. 112 and S. 197) would require notification.

Another use of the term spyware refers to software that can record a person's keystrokes. All typed information thus can be obtained by another party, even if the author modifies or deletes what was written, or if the characters do not appear on the monitor (such as when entering a password). Commercial products have been available for some time, but the existence of such "key logging" software was highlighted in a 2001 case against Mr. Nicodemo Scarfo, Jr. on charges of illegal gambling and loan sharking. Armed with a search warrant, the FBI reportedly installed the software on Mr. Scarfo's computer, allowing them to obtain his password for an encryption program he used, and thereby evidence. Some privacy advocates argue wiretapping authority should have been obtained, but the judge, after reviewing classified information about how the software works, ruled in favor of the FBI. Press reports also indicate that the FBI is developing a "Magic Lantern" program that performs a similar task, but can be installed on a subject's computer remotely by surreptitiously including it in an e-mail message, for example. Privacy advocates question what type of legal authorization should be required.

Monitoring E-mail and Web Usage

Another concern is the extent to which electronic mail (e-mail) exchanges or visits to Web sites 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 Internet Service Providers' (ISP's) equipment. Privacy advocates are concerned whether Carnivore-like systems can differentiate between e-mail and Internet usage by a subject of an investigation and those of other people. To help oversee FBI use of Carnivore/DCS 1000, the FY2002 Department of Justice authorization bill (H.R. 2215), as passed by the House and Senate, requires the Justice Department to report to Congress on its use of DCS 1000 or any similar system. On the other hand, following the terrorist attacks, Congress passed the 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 implications for Internet privacy of the new law are discussed in CRS Report RL31289. The House Judiciary Committee is currently considering a new bill, H.R. 3482, that would amend P.L. 107-56 and, *inter alia*, lower the threshold for when ISPs may divulge the content of communications, and to whom. Under H.R. 3482, the ISP would need a "good faith" belief (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 governmental entity" (instead of a "law enforcement agency"). Privacy advocates are concerned about the language. The bill was marked up by the House Judiciary Crime Subcommittee on February 27.

There also is concern about the extent to which employers monitor the e-mail and other computer activities of employees. A 2001 survey by the American Management Association [http://www.amanet.org/press/amanews/ems2001.htm] found that 62.8% of the companies surveyed monitor Internet connections, 46.5% store and review e-mail, and 36.1% store and review computer files. 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.

Identity Theft and Protecting Social Security Numbers

The widespread use of computers for storing and transmitting information is thought to be 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). A March 2002 GAO report (GAO-02-363) discusses the prevalence and cost of identify theft. The FTC has a toll free number (877-ID-THEFT) to help victims. Whether 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 2001, the FTC found that less than 1% of identity theft cases are linked to the Internet (*Computerworld*, February 12, 2001, p. 7). Several laws already exist (P.L. 105-318, P.L. 106-433, and P.L. 106-578) and additional legislation is pending (H.R. 91, H.R. 220, H.R. 1478, H.R. 2036/S.1014, S. 848, H.R. 3053/S. 1399, and S. 1742). Hearings have been held on some of these bills.

Pending Legislation Concerning Internet Privacy and Related Issues

H.R. 89 (Frelinghuysen)	**Online Privacy Protection Act.** Requires FTC to prescribe regulations to protect privacy of personal information collected from and about individuals not covered by COPPA. (Energy & Commerce)
H.R. 91 (Frelinghuysen)	**Social Security Online Privacy Protection Act.** Regulates use by interactive computer services of SSNs and related personally identifiable information. (Energy & Commerce)
H.R. 112 (Holt)	**Electronic Privacy Protection Act.** Makes it unlawful for any person to knowingly make, import, export, distribute, sell, offer for sale, install or use "spyware" without disclosure or notice. (Energy & Commerce)
H.R. 220 (Paul)	**Identity Theft Prevention Act.** Protects integrity and confidentiality of SSNs, prohibits establishment of a uniform national identifying number by federal governments, and prohibits federal agencies from imposing standards for identification of individuals on other agencies or persons. (Ways & Means, Government Reform)
H.R. 237 (Eshoo)	**Consumer Internet Privacy Enhancement Act.** Requires Web site operators to provide clear and conspicuous notice of their information practices and provide consumers with easy method to limit use and disclosure of their information. Preempts state and local laws if they are inconsistent with or more restrictive than this one. Directs FTC to enforce the law. State Attorneys General can bring suits in federal courts. Sets penalties. (Energy & Commerce).
H.R. 333 (Gekas)/ **S. 420** (Grassley)	**Bankruptcy Reform Act.** S. 420 passed the Senate March 15, 2001. Sections 231 and 232 limit when companies can sell or lease PII collected in accordance with a policy in effect at the time of the bankruptcy filing. H.R. 333 as passed by the House March 1 does not have this provision. Senate passed H.R. 333 with amendment in the nature of a substitute July 17. House and Senate conferees appointed.
H.R. 347 (Green)	**Consumer Online Privacy and Disclosure Act.** Requires FTC to promulgate regulations requiring Web site or online service operators about notice, choice, and contact information for the operator. (Energy & Commerce)
H.R. 583 (Hutchinson)	**Privacy Commission Act.** Creates a Commission for the Comprehensive Study of Privacy Protection. (Government Reform)
H.R. 1478 (Kleczka)	**Personal Information Privacy Act.** Prohibits use of SSNs for commercial purposes without consent; prohibits sale or transfer of transaction or experience information without consent; and repeals certain provisions relating to distribution of consumer reports re certain transmissions not initiated by the consumer. (Ways & Means, Financial Services)
H.R. 2036 (Shaw)/ **S. 1014** (Bunning)	**Social Security Number Privacy and Identity Theft Protection Act.** Restricts sale and display of SSNs by government agencies, with exceptions; and restrict sale, purchase, and display of SSNs in the private sector, with exceptions. (House Ways & Means, Energy & Commerce, Financial Services; Senate Finance)
H.R. 2135 (Sawyer)	**Consumer Privacy Protection Act.** Limits disclosure of personally identifiable information and sensitive personal information by information recipients. (Energy & Commerce)
H.R. 2215 (Sensenbrenner)/ **S. 1319** (Leahy)	**Department of Justice Authorization Act.** Establishes congressional reporting requirements re use of DCS 1000/Carnivore. H.R. 2215 passed House July 23; passed Senate, amended, Dec. 20. (S. 1319 reported Nov. 8, S. Rept. 107-96).
H.R. 3053 (Hooley)/ **S. 1399** (Feinstein)	**Identity Theft Protection Act.** Establishes certain requirements for credit card issuers and consumer reporting agencies. (House Financial Services; Senate Banking)
H.R. 3482 (Smith)	**Cyber Security Enhancement Act.** *Inter alia*, loosens restrictions on ISPs as to when, and to whom, they can voluntarily release information about subscribers if they believe there is a danger of death or injury. (Judiciary)
S. 197 (Edwards)	**Spyware Control and Privacy Protection Act.** Requires that software made available to the public include clear and conspicuous notice if it includes spyware. Spyware may not be enabled unless the user provides affirmative consent, with exceptions. Sets restrictions on how information collected by spyware can be used and allows the user reasonable access to the information. (Commerce)
S. 803 (Lieberman)	**E-Government Act.** Sect. 218 would set requirements on government agencies in how they assure the privacy of personally identifiable information in government information systems and establish guidelines for privacy policies for federal Web sites. Ordered reported from Governmental Affairs Committee Mar. 21, 2002.
S. 848 (Feinstein)	**Social Security Number Misuse Prevention Act.** Limits display, sale, or purchase of SSNs. (Judiciary)
S. 851 (Thompson)	**Citizen's Privacy Commission Act.** Would study the collection, use, and distribution of personal information by federal, state, and local governments. (Governmental Affairs)
S. 1055 (Feinstein)	**Privacy Act of 2001.** Restricts commercial sale and marketing of personally identifiable information, limits the use of SSNs, limits sale and sharing of nonpublic personal financial information, limits provision of protected health information. (Judiciary)
S. 1742 (Cantwell)	Restore Your Identity Act. Requires business entities with knowledge of an identity theft to share information with the victim or law enforcement and requires consumer reporting agencies to block dissemination of