

SECURELY PROTECT YOURSELF AGAINST CYBER  
TRESPASS ACT OR SPY ACT

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APRIL 12, 2005.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed

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Mr. BARTON of Texas, from the Committee on Energy and  
Commerce, submitted the following

R E P O R T

[To accompany H.R. 29]

[Including cost estimate of the Congressional Budget Office]

The Committee on Energy and Commerce, to whom was referred  
the bill (H.R. 29) to protect users of the Internet from unknowing  
transmission of their personally identifiable information through  
spyware programs, and for other purposes, having considered the  
same, report favorably thereon with an amendment and rec-  
ommend that the bill as amended do pass.

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AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the “Securely Protect Yourself Against Cyber Trespass Act” or the “Spy Act”.

**SEC. 2. PROHIBITION OF DECEPTIVE ACTS OR PRACTICES RELATING TO SPYWARE.**

(a) **PROHIBITION.**—It is unlawful for any person, who is not the owner or authorized user of a protected computer, to engage in deceptive acts or practices that involve any of the following conduct with respect to the protected computer:

- (1) Taking control of the computer by—
  - (A) utilizing such computer to send unsolicited information or material from the computer to others;
  - (B) diverting the Internet browser of the computer, or similar program of the computer used to access and navigate the Internet—
    - (i) without authorization of the owner or authorized user of the computer; and
    - (ii) away from the site the user intended to view, to one or more other Web pages, such that the user is prevented from viewing the content at the intended Web page, unless such diverting is otherwise authorized;
  - (C) accessing, hijacking, or otherwise using the modem, or Internet connection or service, for the computer and thereby causing damage to the computer or causing the owner or authorized user or a third party defrauded by such conduct to incur charges or other costs for a service that is not authorized by such owner or authorized user;
  - (D) using the computer as part of an activity performed by a group of computers that causes damage to another computer; or
  - (E) delivering advertisements that a user of the computer cannot close without turning off the computer or closing all sessions of the Internet browser for the computer.
- (2) Modifying settings related to use of the computer or to the computer’s access to or use of the Internet by altering—
  - (A) the Web page that appears when the owner or authorized user launches an Internet browser or similar program used to access and navigate the Internet;
  - (B) the default provider used to access or search the Internet, or other existing Internet connections settings;
  - (C) a list of bookmarks used by the computer to access Web pages; or
  - (D) security or other settings of the computer that protect information about the owner or authorized user for the purposes of causing damage or harm to the computer or owner or user.
- (3) Collecting personally identifiable information through the use of a keystroke logging function.
- (4) Inducing the owner or authorized user of the computer to disclose personally identifiable information by means of a Web page that—
  - (A) is substantially similar to a Web page established or provided by another person; and
  - (B) misleads the owner or authorized user that such Web page is provided by such other person.
- (5) Inducing the owner or authorized user to install a component of computer software onto the computer, or preventing reasonable efforts to block the installation or execution of, or to disable, a component of computer software by—
  - (A) presenting the owner or authorized user with an option to decline installation of such a component such that, when the option is selected by the owner or authorized user or when the owner or authorized user reasonably attempts to decline the installation, the installation nevertheless proceeds; or
  - (B) causing such a component that the owner or authorized user has properly removed or disabled to automatically reinstall or reactivate on the computer.
- (6) Misrepresenting that installing a separate component of computer software or providing log-in and password information is necessary for security or privacy reasons, or that installing a separate component of computer software is necessary to open, view, or play a particular type of content.
- (7) Inducing the owner or authorized user to install or execute computer software by misrepresenting the identity or authority of the person or entity providing the computer software to the owner or user.
- (8) Inducing the owner or authorized user to provide personally identifiable, password, or account information to another person—

- (A) by misrepresenting the identity of the person seeking the information;  
or
- (B) without the authority of the intended recipient of the information.
- (9) Removing, disabling, or rendering inoperative a security, anti-spyware, or anti-virus technology installed on the computer.
- (10) Installing or executing on the computer one or more additional components of computer software with the intent of causing a person to use such components in a way that violates any other provision of this section.
- (b) GUIDANCE.—The Commission shall issue guidance regarding compliance with and violations of this section. This subsection shall take effect upon the date of the enactment of this Act.
- (c) EFFECTIVE DATE.—Except as provided in subsection (b), this section shall take effect upon the expiration of the 6-month period that begins on the date of the enactment of this Act.

**SEC. 3. PROHIBITION OF COLLECTION OF CERTAIN INFORMATION WITHOUT NOTICE AND CONSENT.**

- (a) OPT-IN REQUIREMENT.—Except as provided in subsection (e), it is unlawful for any person—
  - (1) to transmit to a protected computer, which is not owned by such person and for which such person is not an authorized user, any information collection program, unless—
    - (A) such information collection program provides notice in accordance with subsection (c) before execution of any of the information collection functions of the program; and
    - (B) such information collection program includes the functions required under subsection (d); or
  - (2) to execute any information collection program installed on such a protected computer unless—
    - (A) before execution of any of the information collection functions of the program, the owner or an authorized user of the protected computer has consented to such execution pursuant to notice in accordance with subsection (c); and
    - (B) such information collection program includes the functions required under subsection (d).
- (b) INFORMATION COLLECTION PROGRAM.—
  - (1) IN GENERAL.—For purposes of this section, the term “information collection program” means computer software that performs either of the following functions:
    - (A) COLLECTION OF PERSONALLY IDENTIFIABLE INFORMATION.—The computer software—
      - (i) collects personally identifiable information; and
      - (ii)(I) sends such information to a person other than the owner or authorized user of the computer, or
      - (II) uses such information to deliver advertising to, or display advertising on, the computer.
    - (B) COLLECTION OF INFORMATION REGARDING WEB PAGES VISITED TO DELIVER ADVERTISING.—The computer software—
      - (i) collects information regarding the Web pages accessed using the computer; and
      - (ii) uses such information to deliver advertising to, or display advertising on, the computer.
  - (2) EXCEPTION FOR SOFTWARE COLLECTING INFORMATION REGARDING WEB PAGES VISITED WITHIN A PARTICULAR WEB SITE.—Computer software that otherwise would be considered an information collection program by reason of paragraph (1)(B) shall not be considered such a program if—
    - (A) the only information collected by the software regarding Web pages that are accessed using the computer is information regarding Web pages within a particular Web site;
    - (B) such information collected is not sent to a person other than—
      - (i) the provider of the Web site accessed; or
      - (ii) a party authorized to facilitate the display or functionality of Web pages within the Web site accessed; and
    - (C) the only advertising delivered to or displayed on the computer using such information is advertising on Web pages within that particular Web site.
- (c) NOTICE AND CONSENT.—
  - (1) IN GENERAL.—Notice in accordance with this subsection with respect to an information collection program is clear and conspicuous notice in plain lan-

guage, set forth as the Commission shall provide, that meets all of the following requirements:

(A) The notice clearly distinguishes such notice from any other information visually presented contemporaneously on the computer.

(B) The notice contains one of the following statements, as applicable, or a substantially similar statement:

(i) With respect to an information collection program described in subsection (b)(1)(A): “This program will collect and transmit information about you. Do you accept?”.

(ii) With respect to an information collection program described in subsection (b)(1)(B): “This program will collect information about Web pages you access and will use that information to display advertising on your computer. Do you accept?”.

(iii) With respect to an information collection program that performs the actions described in both subparagraphs (A) and (B) of subsection (b)(1): “This program will collect and transmit information about you and will collect information about Web pages you access and use that information to display advertising on your computer. Do you accept?”.

(C) The notice provides for the user—

(i) to grant or deny consent referred to in subsection (a) by selecting an option to grant or deny such consent; and

(ii) to abandon or cancel the transmission or execution referred to in subsection (a) without granting or denying such consent.

(D) The notice provides an option for the user to select to display on the computer, before granting or denying consent using the option required under subparagraph (C), a clear description of—

(i) the types of information to be collected and sent (if any) by the information collection program;

(ii) the purpose for which such information is to be collected and sent; and

(iii) in the case of an information collection program that first executes any of the information collection functions of the program together with the first execution of other computer software, the identity of any such software that is an information collection program.

(E) The notice provides for concurrent display of the information required under subparagraphs (B) and (C) and the option required under subparagraph (D) until the user—

(i) grants or denies consent using the option required under subparagraph (C)(i);

(ii) abandons or cancels the transmission or execution pursuant to subparagraph (C)(ii); or

(iii) selects the option required under subparagraph (D).

(2) SINGLE NOTICE.—The Commission shall provide that, in the case in which multiple information collection programs are provided to the protected computer together, or as part of a suite of functionally related software, the notice requirements of paragraphs (1)(A) and (2)(A) of subsection (a) may be met by providing, before execution of any of the information collection functions of the programs, clear and conspicuous notice in plain language in accordance with paragraph (1) of this subsection by means of a single notice that applies to all such information collection programs, except that such notice shall provide the option under subparagraph (D) of paragraph (1) of this subsection with respect to each such information collection program.

(3) CHANGE IN INFORMATION COLLECTION.—If an owner or authorized user has granted consent to execution of an information collection program pursuant to a notice in accordance with this subsection:

(A) IN GENERAL.—No subsequent such notice is required, except as provided in subparagraph (B).

(B) SUBSEQUENT NOTICE.—The person who transmitted the program shall provide another notice in accordance with this subsection and obtain consent before such program may be used to collect or send information of a type or for a purpose that is materially different from, and outside the scope of, the type or purpose set forth in the initial or any previous notice.

(4) REGULATIONS.—The Commission shall issue regulations to carry out this subsection.

(d) REQUIRED FUNCTIONS.—The functions required under this subsection to be included in an information collection program that executes any information collection functions with respect to a protected computer are as follows:

(1) DISABLING FUNCTION.—With respect to any information collection program, a function of the program that allows a user of the program to remove

the program or disable operation of the program with respect to such protected computer by a function that—

(A) is easily identifiable to a user of the computer; and

(B) can be performed without undue effort or knowledge by the user of the protected computer.

(2) IDENTITY FUNCTION.—

(A) IN GENERAL.—With respect only to an information collection program that uses information collected in the manner described in subparagraph (A)(ii)(II) or (B)(ii) of subsection (b)(1) and subject to subparagraph (B) of this paragraph, a function of the program that provides that each display of an advertisement directed or displayed using such information, when the owner or authorized user is accessing a Web page or online location other than of the provider of the computer software, is accompanied by the name of the information collection program, a logogram or trademark used for the exclusive purpose of identifying the program, or a statement or other information sufficient to clearly identify the program.

(B) EXEMPTION FOR EMBEDDED ADVERTISEMENTS.—The Commission shall, by regulation, exempt from the applicability of subparagraph (A) the embedded display of any advertisement on a Web page that contemporaneously displays other information.

(3) RULEMAKING.—The Commission may issue regulations to carry out this subsection.

(e) LIMITATION ON LIABILITY.—A telecommunications carrier, a provider of information service or interactive computer service, a cable operator, or a provider of transmission capability shall not be liable under this section to the extent that the carrier, operator, or provider—

(1) transmits, routes, hosts, stores, or provides connections for an information collection program through a system or network controlled or operated by or for the carrier, operator, or provider; or

(2) provides an information location tool, such as a directory, index, reference, pointer, or hypertext link, through which the owner or user of a protected computer locates an information collection program.

**SEC. 4. ENFORCEMENT.**

(a) UNFAIR OR DECEPTIVE ACT OR PRACTICE.—This Act shall be enforced by the Commission under the Federal Trade Commission Act (15 U.S.C. 41 et seq.). A violation of any provision of this Act or of a regulation issued under this Act shall be treated as an unfair or deceptive act or practice violating a rule promulgated under section 18 of the Federal Trade Commission Act (15 U.S.C. 57a).

(b) PENALTY FOR PATTERN OR PRACTICE VIOLATIONS.—

(1) IN GENERAL.—Notwithstanding subsection (a) and the Federal Trade Commission Act, in the case of a person who engages in a pattern or practice that violates section 2 or 3, the Commission may, in its discretion, seek a civil penalty for such pattern or practice of violations in an amount, as determined by the Commission, of not more than—

(A) \$3,000,000 for each violation of section 2; and

(B) \$1,000,000 for each violation of section 3.

(2) TREATMENT OF SINGLE ACTION OR CONDUCT.—In applying paragraph (1)—

(A) any single action or conduct that violates section 2 or 3 with respect to multiple protected computers shall be treated as a single violation; and

(B) any single action or conduct that violates more than one paragraph of section 2(a) shall be considered multiple violations, based on the number of such paragraphs violated.

(c) REQUIRED SCIENTER.—Civil penalties sought under this section for any action may not be granted by the Commission or any court unless the Commission or court, respectively, establishes that the action was committed with actual knowledge or knowledge fairly implied on the basis of objective circumstances that such act is unfair or deceptive or violates this Act.

(d) FACTORS IN AMOUNT OF PENALTY.—In determining the amount of any penalty pursuant to subsection (a) or (b), the court shall take into account the degree of culpability, any history of prior such conduct, ability to pay, effect on ability to continue to do business, and such other matters as justice may require.

(e) EXCLUSIVENESS OF REMEDIES.—The remedies in this section (including remedies available to the Commission under the Federal Trade Commission Act) are the exclusive remedies for violations of this Act.

(f) EFFECTIVE DATE.—To the extent only that this section applies to violations of section 2(a), this section shall take effect upon the expiration of the 6-month period that begins on the date of the enactment of this Act.

**SEC. 5. LIMITATIONS.**

- (a) **LAW ENFORCEMENT AUTHORITY.**—Sections 2 and 3 shall not apply to—
  - (1) any act taken by a law enforcement agent in the performance of official duties; or
  - (2) the transmission or execution of an information collection program in compliance with a law enforcement, investigatory, national security, or regulatory agency or department of the United States or any State in response to a request or demand made under authority granted to that agency or department, including a warrant issued under the Federal Rules of Criminal Procedure, an equivalent State warrant, a court order, or other lawful process.
- (b) **EXCEPTION RELATING TO SECURITY.**—Nothing in this Act shall apply to—
  - (1) any monitoring of, or interaction with, a subscriber's Internet or other network connection or service, or a protected computer, by a telecommunications carrier, cable operator, computer hardware or software provider, or provider of information service or interactive computer service, to the extent that such monitoring or interaction is for network or computer security purposes, diagnostics, technical support, or repair, or for the detection or prevention of fraudulent activities; or
  - (2) a discrete interaction with a protected computer by a provider of computer software solely to determine whether the user of the computer is authorized to use such software, that occurs upon—
    - (A) initialization of the software; or
    - (B) an affirmative request by the owner or authorized user for an update of, addition to, or technical service for, the software.
- (c) **GOOD SAMARITAN PROTECTION.**—No provider of computer software or of interactive computer service may be held liable under this Act on account of any action voluntarily taken, or service provided, in good faith to remove or disable a program used to violate section 2 or 3 that is installed on a computer of a customer of such provider, if such provider notifies the customer and obtains the consent of the customer before undertaking such action or providing such service.
- (d) **LIMITATION ON LIABILITY.**—A manufacturer or retailer of computer equipment shall not be liable under this Act to the extent that the manufacturer or retailer is providing third party branded computer software that is installed on the equipment the manufacturer or retailer is manufacturing or selling.

**SEC. 6. EFFECT ON OTHER LAWS.**

- (a) **PREEMPTION OF STATE LAW.**—
  - (1) **PREEMPTION OF SPYWARE LAWS.**—This Act supersedes any provision of a statute, regulation, or rule of a State or political subdivision of a State that expressly regulates—
    - (A) deceptive conduct with respect to computers similar to that described in section 2(a);
    - (B) the transmission or execution of a computer program similar to that described in section 3; or
    - (C) the use of computer software that displays advertising content based on the Web pages accessed using a computer.
  - (2) **ADDITIONAL PREEMPTION.**—
    - (A) **IN GENERAL.**—No person other than the Attorney General of a State may bring a civil action under the law of any State if such action is premised in whole or in part upon the defendant violating any provision of this Act.
    - (B) **PROTECTION OF CONSUMER PROTECTION LAWS.**—This paragraph shall not be construed to limit the enforcement of any State consumer protection law by an Attorney General of a State.
  - (3) **PROTECTION OF CERTAIN STATE LAWS.**—This Act shall not be construed to preempt the applicability of—
    - (A) State trespass, contract, or tort law; or
    - (B) other State laws to the extent that those laws relate to acts of fraud.
- (b) **PRESERVATION OF FTC AUTHORITY.**—Nothing in this Act may be construed in any way to limit or affect the Commission's authority under any other provision of law, including the authority to issue advisory opinions (under part 1 of volume 16 of the Code of Federal Regulations), policy statements, or guidance regarding this Act.

**SEC. 7. ANNUAL FTC REPORT.**

For the 12-month period that begins upon the effective date under section 11(a) and for each 12-month period thereafter, the Commission shall submit a report to the Congress that—

- (1) specifies the number and types of actions taken during such period to enforce sections 2(a) and section 3, the disposition of each such action, any pen-

alties levied in connection with such actions, and any penalties collected in connection with such actions; and

(2) describes the administrative structure and personnel and other resources committed by the Commission for enforcement of this Act during such period. Each report under this subsection for a 12-month period shall be submitted not later than 90 days after the expiration of such period.

#### SEC. 8. FTC REPORT ON COOKIES.

(a) IN GENERAL.—Not later than the expiration of the 6-month period that begins on the date of the enactment of this Act, the Commission shall submit a report to the Congress regarding the use of cookies, including tracking cookies, in the delivery or display of advertising to the owners and users of computers. The report shall examine and describe the methods by which cookies and the Web sites that place them on computers function separately and together, and shall compare the use of cookies with the use of information collection programs (as such term is defined in section 3) to determine the extent to which such uses are similar or different. The report may include such recommendations as the Commission considers necessary and appropriate, including treatment of cookies under this Act or other laws.

(b) DEFINITION.—For purposes of this section, the term “tracking cookie” means a cookie or similar text or data file used alone or in conjunction with one or more Web sites to transmit or convey personally identifiable information of a computer owner or user, or information regarding Web pages accessed by the owner or user, to a party other than the intended recipient, for the purpose of—

(1) delivering or displaying advertising to the owner or user; or

(2) assisting the intended recipient to deliver or display advertising to the owner, user, or others.

(c) EFFECTIVE DATE.—This section shall take effect on the date of the enactment of this Act.

#### SEC. 9. REGULATIONS.

(a) IN GENERAL.—The Commission shall issue the regulations required by this Act not later than the expiration of the 6-month period beginning on the date of the enactment of this Act. In exercising its authority to issue any regulation under this Act, the Commission shall determine that the regulation is consistent with the public interest and the purposes of this Act. Any regulations issued pursuant to this Act shall be issued in accordance with section 553 of title 5, United States Code.

(b) EFFECTIVE DATE.—This section shall take effect on the date of the enactment of this Act.

#### SEC. 10. DEFINITIONS.

For purposes of this Act:

(1) CABLE OPERATOR.—The term “cable operator” has the meaning given such term in section 602 of the Communications Act of 1934 (47 U.S.C. 522).

(2) COLLECT.—The term “collect”, when used with respect to information and for purposes only of section 3(b)(1)(A), does not include obtaining of the information by a party who is intended by the owner or authorized user of a protected computer to receive the information pursuant to the owner or authorized user—

(A) transferring the information to such intended recipient using the protected computer; or

(B) storing the information on the protected computer in a manner so that it is accessible by such intended recipient.

(3) COMPUTER; PROTECTED COMPUTER.—The terms “computer” and “protected computer” have the meanings given such terms in section 1030(e) of title 18, United States Code.

(4) COMPUTER SOFTWARE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term “computer software” means a set of statements or instructions that can be installed and executed on a computer for the purpose of bringing about a certain result.

(B) EXCEPTION.—Such term does not include computer software that is placed on the computer system of a user by an Internet service provider, interactive computer service, or Internet Web site solely to enable the user subsequently to use such provider or service or to access such Web site.

(C) RULE OF CONSTRUCTION REGARDING COOKIES.—This paragraph may not be construed to include, as computer software—

(i) a cookie; or

(ii) any other type of text or data file that solely may be read or transferred by a computer.

(5) COMMISSION.—The term “Commission” means the Federal Trade Commission.

(6) DAMAGE.—The term “damage” has the meaning given such term in section 1030(e) of title 18, United States Code.

(7) DECEPTIVE ACTS OR PRACTICES.—The term “deceptive acts or practices” has the meaning applicable to such term for purposes of section 5 of the Federal Trade Commission Act (15 U.S.C. 45).

(8) DISABLE.—The term “disable” means, with respect to an information collection program, to permanently prevent such program from executing any of the functions described in section 3(b)(1) that such program is otherwise capable of executing (including by removing, deleting, or disabling the program), unless the owner or operator of a protected computer takes a subsequent affirmative action to enable the execution of such functions.

(9) INFORMATION COLLECTION FUNCTIONS.—The term “information collection functions” means, with respect to an information collection program, the functions of the program described in subsection (b)(1) of section 3.

(10) INFORMATION SERVICE.—The term “information service” has the meaning given such term in section 3 of the Communications Act of 1934 (47 U.S.C. 153).

(11) INTERACTIVE COMPUTER SERVICE.—The term “interactive computer service” has the meaning given such term in section 230(f) of the Communications Act of 1934 (47 U.S.C. 230(f)).

(12) INTERNET.—The term “Internet” means collectively the myriad of computer and telecommunications facilities, including equipment and operating software, which comprise the interconnected world-wide network of networks that employ the Transmission Control Protocol/Internet Protocol, or any predecessor or successor protocols to such protocol, to communicate information of all kinds by wire or radio.

(13) PERSONALLY IDENTIFIABLE INFORMATION.—

(A) IN GENERAL.—The term “personally identifiable information” means the following information, to the extent only that such information allows a living individual to be identified from that information:

- (i) First and last name of an individual.
- (ii) A home or other physical address of an individual, including street name, name of a city or town, and zip code.
- (iii) An electronic mail address.
- (iv) A telephone number.
- (v) A social security number, tax identification number, passport number, driver’s license number, or any other government-issued identification number.
- (vi) A credit card number.
- (vii) Any access code, password, or account number, other than an access code or password transmitted by an owner or authorized user of a protected computer to the intended recipient to register for, or log onto, a Web page or other Internet service or a network connection or service of a subscriber that is protected by an access code or password.
- (viii) Date of birth, birth certificate number, or place of birth of an individual, except in the case of a date of birth transmitted or collected for the purpose of compliance with the law.

(B) RULEMAKING.—The Commission may, by regulation, add to the types of information described in subparagraph (A) that shall be considered personally identifiable information for purposes of this Act, except that such additional types of information shall be considered personally identifiable information only to the extent that such information allows living individuals, particular computers, particular users of computers, or particular email addresses or other locations of computers to be identified from that information.

(14) SUITE OF FUNCTIONALLY RELATED SOFTWARE.—The term suite of “functionally related software” means a group of computer software programs distributed to an end user by a single provider, which programs are necessary to enable features or functionalities of an integrated service offered by the provider.

(15) TELECOMMUNICATIONS CARRIER.—The term “telecommunications carrier” has the meaning given such term in section 3 of the Communications Act of 1934 (47 U.S.C. 153).

(16) TRANSMIT.—The term “transmit” means, with respect to an information collection program, transmission by any means.

(17) WEB PAGE.—The term “Web page” means a location, with respect to the World Wide Web, that has a single Uniform Resource Locator or another single location with respect to the Internet, as the Federal Trade Commission may prescribe.

(18) WEB SITE.—The term “web site” means a collection of Web pages that are presented and made available by means of the World Wide Web as a single Web



site (or a single Web page so presented and made available), which Web pages have such characteristics in relation to each other as the Commission may prescribe, which may include—

- (A) a common domain name;
- (B) a common theme or topic;
- (C) common ownership, management, or registration; and
- (D) relationship to a common intended beginning file or home page or other means of accessing or linking the pages together.

#### SEC. 11. APPLICABILITY AND SUNSET.

(a) **EFFECTIVE DATE.**—Except as specifically provided otherwise in this Act, this Act shall take effect upon the expiration of the 12-month period that begins on the date of the enactment of this Act.

(b) **APPLICABILITY.**—Section 3 shall not apply to an information collection program installed on a protected computer before the effective date under subsection (a) of this section.

(c) **SUNSET.**—This Act shall not apply after December 31, 2010.

#### PURPOSE AND SUMMARY

H.R. 29, the “Securely Protect Yourself Against Cyber Trespass Act,” prohibits deceptive practices related to spyware programs and requires notice and consent for the execution of information collection programs.

#### BACKGROUND AND NEED FOR LEGISLATION

The release of the Mosaic browser in January 1993, which provided the first graphical interface for navigating the Internet, is credited with bringing the Internet into the mainstream of public usage. In less than one decade, Internet usage was transformed from an academic tool into a commercial, educational, and communications portal accessed by more than 70% of Americans. To accommodate the enormous growth in Internet use and to meet the needs of online consumers, the market has responded with new technologies tailored to consumer Internet usage.

Many of the technologies that have emerged are designed to improve the efficiency and speed of data transfer. Websites may use browsers to run program-like functions on the user’s computer, such as scripting and applets, to maximize server efficiency and thereby reduce time requirements for a web page to load on a user’s computer. Technology has also allowed websites to use persistent identifiers to recognize a return visitor, and thereby enhance the online experience through personalization. The unique nature of the Internet has also facilitated other beneficial technologies that capitalize on the distributed network structure. Peer-to-peer file sharing software, instant messaging, and voice-over Internet are but a few examples of the developments that benefit millions of users.

Accompanying the growth in available technologies are emerging concerns regarding harmful uses of these same technologies. The Committee is aware that the same beneficial technologies that provide benefits to millions of users can be applied in ways that present serious problems for consumers when misused by those with unsavory motives. The Committee is particularly concerned about the growing use of what is commonly referred to as spyware. Computer software known as “spyware” can allow the unscrupulous to prey on unwitting consumers by stealing personal and financial information, or exposing them to unsolicited offensive material. In many instances, spyware software downloads from the

Internet are occurring without the computer user's knowledge and consent. The covert nature of the software installation makes it very difficult for a user to detect the presence of the software. In fact, when the software begins to degrade the function of the computer, consumers often confuse the true source of the spyware with the browser they are using or the particular application they are running. Some of the same programs prevent a user from properly or completely uninstalling or disabling the software program.

Spyware presents privacy, security, and functionality concerns for consumers. The Federal Trade Commission (FTC) has described "spyware" as software "that aids in gathering information about a person or organization without their knowledge and which may send such information to another entity without the consumer's consent, or asserts control over a computer without the consumer's knowledge." The Committee received testimony that spyware represents a range of software programs on a broad continuum from the most pernicious criminal activities on one end to the less threatening but still intrusive on the opposite end of the spectrum.

The most serious privacy and security concerns pertain to those programs that are intended to capture a user's personal information without knowledge and consent. The Committee received testimony demonstrating the software technology and tactics of some of these programs. They include keystroke logging software that captures a user's information (passwords, social security numbers, account numbers, etc.) and can lead to identity theft, and monitoring software that tracks a user's online activity, such as websites visited. Such information could be used for profiling. Other monitoring software can include audio or video capturing programs that use one's own computer video camera or microphone to watch or listen to whatever is happening around the Internet-connected computer. Furthermore, security experts and law enforcement officers report growing cooperation among spammers, virus writers, and con artists to steal financial assets from consumers through a device called "phishing" which captures passwords and other private financial data from consumers. Software can also impact the functioning of a computer by redirecting the user to websites the user does not intend to visit, preventing a user from altering settings on the computer, or using the computer to send unsolicited commercial electronic mail. The Committee is concerned that such attacks could erode the trust that makes electronic commerce and online banking possible.

Techniques for deceiving consumers into downloading spyware vary. Deceptive tactics include using pop-under windows that disguise the identity of the program distributor, offering misleading or deceptive end user licensing agreements, and failing to disclose the functionality of a program. More nefarious tactics include exploitation of security patches in a computer's operating system. Additionally, consumers who leave browser security settings on "low" open their systems to automatic "drive-by" downloads in which spyware programs are automatically downloaded when visiting certain websites.

Other software, known as adware, may not have the security risks associated with spyware but may raise significant privacy concerns. Adware is advertising software that can monitor online behavior and websites visited. Adware is often bundled, many

times as a consideration, with other software a consumer voluntarily downloads. The adware usually directs targeted advertisements to the user's computer based on information gathered about the user's online activity. However, some adware has been used to push directed advertisements of material unrelated to online activity that a user may find objectionable. The Committee does not find adware per se objectionable, so long as a consumer has given informed consent to the software installation or execution.

The Committee recognizes that many of the technologies that are used for malicious and deceptive practices can also be used for beneficial and legitimate purposes. For example, parents utilizing software to monitor the online behavior of their children may find it to be an appropriate tool to protect their children. Similarly, software companies, Internet Service Providers, and other intermediaries may have legitimate business reasons to monitor and track activity. Examples include system performance, network efficiency, and automatic updates of anti-virus software. The Committee does not view the technology employed by spyware and adware as the source of the problem and therefore, does not seek to regulate the software. Rather, it is the misuse of this technology that has created significant policy concerns the Committee intends to address through this legislation and ongoing oversight.

#### HEARINGS

The Committee on Energy and Commerce held a hearing on spyware legislation on January 26, 2005. The Committee received testimony from: Mr. David Baker, Vice President for Law and Public Policy, EarthLink, Inc.; Mr. Ira Rubinstein, Associate General Counsel, Microsoft Corporation; Mr. Howard Schmidt, President and Chief Executive Officer, R&H Security Consulting; and, Mr. Ari Schwartz, Associate Director, Center for Democracy and Technology.

#### COMMITTEE CONSIDERATION

On Wednesday, February 16, 2005, the Subcommittee on Commerce, Trade, and Consumer Protection met in open markup session and approved H.R. 29 for Full Committee consideration, as amended, by voice vote, a quorum being present. On Wednesday, March 9, 2005, the Committee on Energy and Commerce met in open markup session and ordered H.R. 29 reported to the House, as amended, by a recorded vote of 43 yeas and 0 nays, a quorum being present.

#### COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. The following is the recorded vote taken on the motion by Mr. Barton to order H.R. 29 reported to the House, as amended, which was agreed to by a recorded vote of 43 yeas and 0 nays.

**COMMITTEE ON ENERGY AND COMMERCE -- 109TH CONGRESS**  
**ROLL CALL VOTE # 3**

**RESOLUTION:** H.R. 29, Securely Protect Yourself Against Cyber Trespass Act.

**MOTION:** Motion by Mr. Barton to order H.R. 29 reported to the House, amended.

**DISPOSITION:** **AGREED TO**, by a roll call vote of 43 yeas and 0 nays.

REPRESENTATIVE	YEAS	NAYS	PRESENT	REPRESENTATIVE	YEAS	NAYS	PRESENT
Mr. Barton	X			Mr. Dingell	X		
Mr. Hall	X			Mr. Waxman			
Mr. Bilirakis	X			Mr. Markey	X		
Mr. Upton				Mr. Boucher	X		
Mr. Stearns	X			Mr. Towns	X		
Mr. Gillmor	X			Mr. Pallone			
Mr. Deal	X			Mr. Brown	X		
Mr. Whitfield				Mr. Gordon	X		
Mr. Norwood				Mr. Rush	X		
Ms. Cubin				Ms. Eshoo	X		
Mr. Shimkus	X			Mr. Stupak			
Ms. Wilson	X			Mr. Engel	X		
Mr. Shadegg	X			Mr. Wynn			
Mr. Pickering	X			Mr. Green	X		
Mr. Fossella	X			Mr. Strickland	X		
Mr. Blunt				Ms. DeGette	X		
Mr. Buyer				Ms. Capps			
Mr. Radanovich	X			Mr. Doyle	X		
Mr. Bass	X			Mr. Allen			
Mr. Pitts	X			Mr. Davis	X		
Ms. Bono	X			Ms. Schakowsky	X		
Mr. Walden	X			Ms. Solis			
Mr. Terry	X			Mr. Gonzalez	X		
Mr. Ferguson	X			Mr. Inslee	X		
Mr. Rogers	X			Ms. Baldwin	X		
Mr. Otter	X			Mr. Ross	X		
Ms. Myrick	X						
Mr. Sullivan							
Mr. Murphy	X						
Mr. Burgess	X						
Ms. Blackburn	X						

## COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee held a legislative hearing and made findings that are reflected in this report.

## STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

The goal of H.R. 29 is to prohibit deceptive practices related to spyware programs and requires notice and consent for the execution of information collection programs.

## NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee finds that H.R. 29, the Securely Protect Yourself Against Cyber Trespass Act, would result in no new or increased budget authority, entitlement authority, or tax expenditures or revenues.

## COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

## CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, March 15, 2005.*

Hon. JOE BARTON,  
*Chairman, Committee on Energy and Commerce,*  
*House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 29, the SPY Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Melissa E. Zimmerman (for federal costs), Leo Lex (for the impact on state and local governments), and Jean Talarico and Philip Webre (for the impact on the private sector).

Sincerely,

ELIZABETH M. ROBINSON  
(For Douglas Holtz-Eakin, Director).

Enclosure.

*H.R. 29—SPY Act*

Summary: H.R. 29 would prohibit the use of computer software (known as spyware) to collect personal information and to monitor the behavior of computer users without a user's consent. The Federal Trade Commission (FTC) would be directed to enforce this bill's provisions relating to spyware, including assessing and col-

lecting civil penalties for unfair or deceptive business practices. (Civil penalties are recorded in the federal budget as revenues.) Based on information provided by the FTC, CBO estimates that enacting H.R. 29 would not have a significant effect on revenues and would not affect direct spending. Assuming appropriation of the necessary amounts, CBO estimates that implementing the bill would increase spending subject to appropriation by about \$1 million in 2006 and about \$7 million over the 2006–2010 period.

H.R. 29 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the resulting costs would not be significant and would not exceed the threshold established in UMRA (\$62 million in 2005, adjusted annually for inflation).

H.R. 29 would impose private-sector mandates as defined in UMRA on persons who use computer programs to collect certain information from another person's computer. Based on information provided by industry and government sources, CBO expects that the direct costs of complying with those mandates would fall below the annual threshold established by UMRA for private-sector mandates (\$123 million in 2005, adjusted annually for inflation).

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 29 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By fiscal year, in millions of dollars—					
	2005	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level .....	0	1	1	1	2	2
Estimated Outlays .....	0	1	1	1	2	2

Basis of estimate: For this estimate, CBO assumes that the bill will be enacted near the end of 2005. We also assume that amounts needed to implement H.R. 29 will be appropriated for each year and that outlays will follow historical trends for similar programs. Enacting H.R. 29 could increase federal revenues from civil penalties assessed for committing unfair or deceptive acts or practices in commerce, however, based on information provided by the FTC, CBO estimates that any new collections would be less than \$500,000 a year.

Implementing the bill would increase spending by the FTC for law enforcement related to spyware, subject to the availability of appropriated funds. Based on information from the agency, CBO estimates that such activities would cost about \$1 million 2006 and about \$7 million over the 2006–2010 period.

Estimated impact on state, local and tribal governments: H.R. 29 would preempt state laws in at least one state that prohibit the use of spyware and establish penalties for violators. This preemption constitutes a mandate as defined in UMRA. Although states may incur some costs from enactment of this provision, CBO estimates that such costs would fall significantly below the threshold established in UMRA (\$62 million in 2005, adjusted annually for inflation). The bill also would preserve the rights of states to enforce their own consumer protection laws.

Estimated impact on the private sector: H.R. 29 would impose private-sector mandates as defined in UMRA on persons who transmit information-collection programs to or execute them on another person's computer. Based on information provided by industry and government sources, CBO expects that the direct costs of complying with those mandates would fall below the annual threshold established by UMRA for private-sector mandates (\$123 million in 2005, adjusted annually for inflation).

Section 3(b) would require persons to provide a notice and obtain authorization from the owner or authorized user of a computer before installing an information-collection program. An information-collection program is defined in the bill as computer software that collects personally identifiable information and either sends that information to a person other than the owner or authorized user of the computer or uses such information to deliver advertising to, or display advertising on, the computer.

Under the bill, the notices sent before installation of information-collection programs must comply with guidelines set forth in the bill and additional requirements to be determined by the Federal Trade Commission. Such notices would have to be clear and conspicuous and contain language specified in the bill. The notices also would have to allow users the opportunity to grant or deny consent for installation or to abandon or cancel the transaction without granting or denying consent.

Section 3(d) would require providers of information-collection programs to include certain functions in their software. Under the bill, such programs would have to have the ability to allow a user of the program to remove the program or disable operation of the software easily. The bill would require additional functions for certain information-collection software that delivers or displays advertising. If the software displays an advertisement when the computer user is accessing a Web page other than that of the software provider, the software would have to identify itself as the source of advertising that it delivers.

The mandates in this bill would represent only marginal changes beyond what companies are required to do under current law. Most software installations already have notification and consent sub-routines. An additional notification would thus not impose a large cost on most companies, although some companies that currently do not include such notifications may incur some costs. Similarly, most computer programs already have features that allow users to uninstall them. Ensuring that the uninstall features are user-friendly would entail no great effort. The few companies that have no such features at present would incur some costs. Lastly, Web browsers are designed to display pictures and notices. Requiring that programs identify themselves when displaying an advertisement within a browser would impose little additional cost on companies that design such software. Consequently, CBO expects that the aggregate direct cost of complying with the mandates in this bill would not be substantial.

Estimate prepared by: Federal Costs: Melissa E. Zimmerman; Impact on State, Local, and Tribal Governments: Leo Lex; and Impact on the Private Sector: Jean Talarico and Philip Webre.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

## FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

## ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

## CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional authority for this legislation is provided in Article I, section 8, clause 3, which grants Congress the power to regulate commerce with foreign nations, among the several States, and with the Indian tribes.

## APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

## SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

*Section 1. Short title*

Section 1 establishes the short title of the Act as the “Securely Protect Yourself Against Cyber Trespass Act,” or the “SPY ACT.”

*Section 2. Prohibition of deceptive acts or practices relating to spyware*

Section 2(a) prohibits any person who is not an owner or authorized user of a protected computer to engage in deceptive acts or practices in connection with spyware. Specifically it prohibits by means of deception: (1) taking control of a protected computer; (2) modifying settings related to the use of a computer or to the computer’s access to or use of the Internet by altering certain information; (3) collecting personally identifiable information through the use of a keystroke logging function; (4) inducing the owner or authorized user to disclose personally identifiable information using a fraudulent Web page; (5) inducing the owner or authorized user to install a component of computer software onto the computer or preventing reasonable efforts to block the installation or execution of, or to disable, a component of computer software; (6) misrepresenting that installing a separate component of computer software or providing log-in and password information is necessary for security or privacy reasons, or that installing a separate component of computer software is necessary to open, view, or play a particular type of content; (7) inducing the owner or authorized user to install or execute computer software by misrepresenting the identity or authority of the person or entity providing the computer software; (8) inducing the owner or authorized user to provide personally identifiable information to another person by misrepresenting the identity of the person seeking the information, or without the authority of the intended recipient of the information; or (9) remov-



ing, disabling, or rendering inoperative a security, anti-spyware, or anti-virus technology installed on the computer, or installing or executing on the computer one or more additional components of computer software with the intent of causing a person to use such components in a way that violates any other provision of section 2.

This bill addresses software practices that affect end user computers, whether those of consumers or of businesses, connected to the Internet or similar public networks. Routers and other computers on the Internet interact with one another and give each other instructions regularly as part of the routine operation of the Internet. The Committee does not intend that these and other activities that occur in the network itself, rather than on the edge of the network, be covered by the bill's definitions of "computer" or "protected computer," within the meaning of section 10(3), or that they be considered "taking control" of a computer within the meaning of section 2(a)(1).

Section 2(a)(4) provides the FTC with enforcement authority against "evil-twin attacks" and web-based phishing. It is not intended to apply in instances of legitimate trademark dispute.

Many software installations of updated security, anti-spyware, or anti-virus technologies requested by a computer user will disable or render inoperable a prior version of that software upon installation of the updated version. Section 2(a)(8) is not intended to apply to these circumstances.

Section 2(b) directs the FTC to use its authority to issue advisory opinions, policy statements, and guidance to advise companies on the parameters of this section. For example, the FTC should issue guidance on required disclosures or material omissions that would trigger liability under section 2. Section 2(b) also provides that this subsection will take effect upon the date of enactment of the Act.

Section 2(c) provides that, except as provided in subsection (b), section 2 shall take effect upon the expiration of the 6-month period that begins on the date of enactment of the Act.

### *Section 3. Prohibition of collection of certain information without notice and consent*

Section 3(a) prohibits the transmission of an information collection program to a protected computer unless the program provides for notice and consent, as set forth in section 3(c), before the first execution of the information collection program and contains the functions set forth in section 3(d). It also prohibits the execution of any information collection program on a protected computer without meeting the requirements in 3(c) and 3(d).

This section contemplates a single notice at the first execution of the software. If the same information collection program executes more than one time on the same protected computer, notice is required only at the initial execution. Subsequent notice is only required if the information collection program will collect or send information that is materially different from, and outside the scope of, the type or purpose set forth in the initial or, in the case of prior subsequent notice, previous notice.

Section 3(b)(1) provides a definition for information collection program. An information collection program is computer software that (a) collects personally identifiable information and either (1) sends such information to a person other than the owner or author-

ized user of the computer or (2) uses such information to deliver advertising to or display advertising on the computer; or (b) collects information regarding web pages accessed using the computer and uses the information to deliver advertising to or display advertising on the computer. The reference to “a person other than the owner or authorized user of the computer” in section 3(b)(1)(A)(ii)(I) is intended to include the entity that transmitted or executed the information collection program.

Section 3(b)(2) provides an exception to the definition of information collection program. Computer software that otherwise would be considered an information collection program under section 3(b)(1)(B) shall not be considered such a program if: (1) the only information collected regarding Web pages accessed using the computer is information about web pages within a particular Web site; (2) such information is not sent to anyone other than the provider of the Web site accessed, or a party authorized to facilitate the display or functionality of Web pages within the Web site accessed; and, (3) the only advertising delivered to or displayed on the computer using such information is advertising on the Web pages within the Web site. This section is intended to exempt from the requirements of section 3 HTML, Java, Java Script, Web beacons, and other similar tools used in the everyday functioning of the Internet to the extent that they facilitate the ordinary construction of Web pages and do not collect personally identifiable information. The Committee does not intend to interfere with the benign functioning of the Internet. This exception also allows Web site providers, or their agents, to monitor activity on their Web site, and to direct advertising on their Web site based on that monitoring, without being subject to the requirements of section 3. The Committee understands that Web site owners often use internal navigation tracking for rights management, security, site management, and similar purposes not associated with malicious spyware and adware, in order to facilitate positive interactions with consumers.

Section 3(c) sets out the requirements for notice and consent with respect to information collection programs. The notice must be clear and conspicuous in plain language and clearly distinguished from any other information contemporaneously displayed. The Committee expects the notice to be simple and clear so that consumers can easily understand that software collects information about them. Section 3(c)(1)(A) is not intended to impose specific design mandates on hardware manufacturers or software developers. The intent of the provision is to require a clearly distinct notice to the extent practicable in light of the technical and functional limitations of the information collection program or the device on which it is installed and executed. The notice must also contain a statement identifying whether the information collection program collects personally identifiable information or web pages accessed, or both. The provider of the information collection program may use the provided language or a substantially similar statement. The language “or a substantially similar statement” has been added to section 3(c)(1)(B) to ensure that vendors of information collection programs have adequate flexibility to tailor section 3 notices to the user experience and in light of evolving technologies and consumer expectations. The notice must provide for the user to grant or deny consent, or to simply abandon or cancel the transaction without

granting or denying consent. The notice must also provide for the user to access, before granting or denying consent, a clear description of the types of information being collected, the purpose for which the information is being collected and sent, and in the case of bundled software, the identity of the programs that qualify as information collection programs under the Act. The software provider may provide access to the information required under section 3(c)(1)(D) by a link or some other web-based mechanism. A single notice is sufficient for bundled software programs so long as it meets the requirements under section 3(c)(1)(D)(iii). Section 3(c)(1)(E) requires concurrent display of the specified information in sections 3(c)(1)(B), (C), and (D) to the extent reasonably practicable. Section 3(c)(4) grants the FTC authority to issue regulations to carry out the subsection.

Section 3(d) provides that an information collection program must contain a disable function and, if applicable, an identity function. The disable function must allow a user of the program to remove or disable operation of the program by a mechanism that is easily identifiable to the user and can be performed without undue effort or knowledge by the user of the protected computer. The Committee has included this provision because of evidence that purveyors of spyware have infected consumers' computers with software that cannot be removed or disabled absent destruction of the computer hard drive. The Committee expects that the FTC will take action to educate consumers on the dangers of uninstallable software that may already be residing on consumers' computers without their knowledge. Section 3(d)(1) does not require information collection programs to provide users with both a remove and a disable option. Developers of information collection programs will satisfy the requirements of section 3(d)(1) so long as the program includes at least one of these options. The identity function must provide that display of an advertisement generated by information collected through the program must be accompanied by the name of the information collection program, a logogram or trademark used for the exclusive purpose of identifying the program, or a statement or other information sufficient to clearly identify the program. Section 3(d)(2)(B) directs the FTC to promulgate rules exempting from this required function the embedded display of any advertisement on a Web page that contemporaneously displays other information. Section 3(d)(3) gives the FTC authority to issue regulations to carry out the subsection.

Section 3(e) provides that a telecommunications carrier, provider of information or interactive computer service, cable operator, or a provider of transmission capability shall not be liable under section 3 to the extent that it transmits, routes, hosts, stores, or provides connections for an information collection program or provides an information location tool through which the owner or authorized user of a protected computer locates an information collection program.

For purposes of commercial computing networks, the "authorized user" of computer software will be the corporate licensee of the software. As a practical matter, for purposes of sections 2 and 3, the Committee understands in many instances that system administrators are the "authorized users" in the context of commercial computing networks.

#### *Section 4. Enforcement*

Section 4(a) provides that the Act shall be enforced by the FTC under the Federal Trade Commission Act and that a violation of the Act shall be treated as an unfair or deceptive act or practice violating a rule promulgated under section 18 of the Federal Trade Commission Act. Section 4 gives the FTC the discretion to seek civil penalties for violations of the Act in one of two ways: (1) seeking civil penalties of up to \$11,000 per violation under section 5(m)(1)(A) of the FTC Act; or, (2) seeking civil penalties under section 4(b) of this Act. Section 4(b) establishes an alternative enforcement mechanism for pattern or practice violations of the Act. It provides for significantly higher penalties for those whom the FTC has determined engaged in a pattern or practice of violating the Act, but also directs the FTC to treat as a single violation a single action that violates the Act but affects multiple computers. It also directs that any single action or conduct that violates more than one section of 2(a) shall be considered multiple violations. The higher damages for a pattern or practice of violation may be up to \$3,000,000 for each violation of section 2 and \$1,000,000 for each violation of section 3.

Furthermore, section 4(c) provides that civil penalties sought under the Act may not be granted by the FTC or any court unless the FTC or the court, respectively, establishes that the conduct was committed with actual knowledge or knowledge fairly implied on the basis of objective circumstances that such conduct is unfair and deceptive and is prohibited by this Act. This is the existing scienter requirement under the FTC Act. Section 4(d) directs the FTC and the court, in determining the amount of any such civil penalty, to take into account the degree of culpability, any prior history of such conduct, ability to pay, effect on ability to continue to do business, and such other matters as justice may require. The Committee expects the FTC to enforce the law to protect consumers from unfair or deceptive acts or practices involving spyware vigorously. It also expects the agency to act reasonably to avoid seeking damages out of proportion to the harm caused by the offending conduct.

Section 4(e) provides that remedies available under this section and remedies available under the Federal Trade Commission Act are the exclusive remedies for violation of the Act.

Section 4(f) provides that the section shall take effect upon the expiration of the 6-month period that begins on the date of enactment of the Act to the extent that the section applies to violations of section 2(a).

#### *Section 5. Limitations*

Section 5(a) provides that sections 2 and 3 of the Act shall not apply to any act taken by a law enforcement agent in performance of official duties or the transmission or execution of an information collection program in compliance with a law enforcement, investigatory, national security, regulatory, agency or department of the United States, or any State in response to a request or demand made under authority granted to that agency or department. The Committee intends that this section shall be interpreted to exclude from sections 2 and 3 of the Act intelligence agencies and bona fide intelligence gathering.

Section 5(b) provides that nothing in the Act shall apply to any monitoring of, or interaction with, a subscriber's Internet or other network connection or service, or a protected computer, by a telecommunications carrier, cable operator, computer hardware or software provider, or provider of information service or interactive computer service to the extent that such monitoring or interaction is for network or computer security purposes, diagnostics, technical support, or repair, or for the detection or prevention of fraudulent activities. The section also provides that the Act shall not apply to a discrete interaction with a protected computer by a provider of computer software solely to determine whether the user of the computer is authorized to use such software, that occurs upon initialization of the software or an affirmative request by that user for an update of, addition to, or technical service for, the software. The intent of this provision is to allow software providers to verify that requests for technical support are coming from licensed users of software.

Section 5(c) provides that no provider of an interactive computer service may be held liable under the Act on account of any action voluntarily taken, or service provided, in good faith to remove or disable a program used to violate section 2 or 3 that is installed on a customer's computer, if the provider notifies the customer and obtains consent before undertaking such action.

Section 5(d) provides that a manufacturer or retailer of computer equipment shall not be liable under this Act to the extent that that manufacturer or retailer is providing third party branded computer software that is installed on the equipment the manufacturer or retailer is manufacturing or selling. This provision does not excuse from liability a manufacturer that includes its own software on computers it manufactures.

#### *Section 6. Effect on other laws*

Section 6(a) provides that the Act supercedes any provision of a statute, regulation, or rule of a state or political subdivision that expressly regulates deceptive conduct with respect to computers similar to that of section 2(a), the transmission or execution of a computer program similar to that in section 3, and the use of computer software that displays advertising content based on the Web pages accessed using a computer. The section also prohibits any person other than the Attorney General of a State to bring a civil action under the law of any State if such action is premised in whole or in part upon the defendant violating any provision of this Act, but makes clear that this prohibition shall not be construed to limit the enforcement of any State consumer protection law by an Attorney General of a State. The section specifically preserves state trespass, contract, and tort law, and other state laws to the extent those acts relate to acts of general consumer fraud. The Committee intends to preserve the ability of State Attorneys General to enforce these laws as an important backstop to FTC enforcement. However, the Committee intends to preempt state legislation that makes illegal an information collection program or other computer software that displays advertising in a way that complies with this Act by simply calling it a trespass, tort, or other statute in an effort to avoid preemption. The Committee specifically intends to preempt

the Utah Spyware Control Act, section 13–39–101, Utah Code Annotated 1953.

Section 6(b) preserves the Federal Trade Commission’s authority under any other provision of law, including the authority to issue advisory opinions, policy statements, or guidance regarding the Act.

#### *Section 7. Annual FTC report*

Section 7 requires the Federal Trade Commission to submit annual reports to Congress. The report must detail the actions taken to enforce sections 2(a) and 3 and describe administrative structure and personnel and other resources committed to enforcement of the Act. The Committee expects the Commission to include in its long range planning an assessment of the adequacy of its enforcement resources and its technology expertise.

#### *Section 8. FTC report on cookies*

Section 8 requires that, not later than the expiration of the 6-month period that begins on the date of the enactment of this Act, the FTC submit a report to the Congress regarding the use of cookies, including tracking cookies, in the delivery or display of advertising to the owners and users of computers. The report shall compare the use of cookies with the use of information collection programs to determine the extent to which such uses are similar or different. Section 8(b) defines “tracking cookie” for the purposes of this section. This Act contains a rule of construction in section 10 (4)(C) clarifying that cookies are not subject to the requirements of section 3 because they are not “computer software.” The Committee understands that traditional cookies are innocuous and a part of the basic functioning of most Web sites. On the other hand, the Committee has received information about so-called “tracking” or “persistent” cookies that collect identifying information and increasingly act as spyware and adware. The Committee intends for the Commission to look into these and other functionally similar information collection programs to determine whether and if so how they use and transmit consumer information.

Section 8(c) provides that the section shall take effect on the date of enactment of the Act.

#### *Section 9. Regulations*

Section 9(a) provides that any regulations issued under the Act shall be issued not later than the expiration of the 6-month period beginning on the date of enactment of this Act, and in accordance with section 553 of title 5, United States Code. The subsection also provides a public interest standard to guide the FTC rulemaking under the Act.

Section 9(b) provides that the section shall take effect on the date of enactment of the Act.

#### *Section 10. Definitions*

Section 10 provides definitions for terms in the Act including “computer software,” “deceptive acts or practices,” “disable,” “personally identifiable information,” “transmit,” “Web page,” and “Web site.”

The definition of “collect” makes clear that personally identifiable information that is input by the user of a protected computer and

transferred to the intended recipient, or stored on the protected computer in a manner so that it is accessible by such intended recipient, is outside the scope of section 3 of the Act. This is intended to facilitate ease of use for consumers and providers of Internet services or websites. The Committee intends the exclusion from “collect” to be based on active conduct on the part of the computer user. The mere acceptance of an end user license agreement by a computer user would not be sufficient to meet this test of active conduct.

The definition of “computer software” makes clear that such term does not include: (1) software placed on the computer system of a user by an Internet service provider, interactive computer service, or Internet Web site solely to enable the user subsequently to use such provider or service or to access such Web site; (2) cookies; and, (3) any other type of text or data file that solely may be read or transferred by a computer.

The Committee does not intend to include in the definition of “computer” and “protected computer” consumer devices to the extent utilized by a multichannel video programming distributor or video programmer to provide multichannel video programming services or to collect or disclose subscriber information, to the extent covered under 47 U.S.C. § 338(i) and 47 U.S.C. § 551.

*Section 11. Applicability and sunset*

Section 11 provides that, except as otherwise provided in the Act, the Act shall take effect 12 months after the date of enactment. Section 10 also provides for a sunset of the bill on December 31, 2010.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

This legislation does not amend any existing Federal statute.

