

# CRS Report for Congress

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## **“Junk E-mail”: An Overview of Issues and Legislation Concerning Unsolicited Commercial Electronic Mail (“Spam”)**

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### **Summary**

Unsolicited commercial e-mail (UCE), also called “spam” or “junk e-mail,” aggravates many computer users. Not only can it be a nuisance, but its cost may be passed on to consumers through higher charges from Internet service providers who must upgrade their systems to handle the traffic. Proponents of UCE insist it is a legitimate marketing technique and protected by the First Amendment. Legislation to place limits on UCE was considered by the last two Congresses, but no bill cleared Congress. Several bills have been introduced in the 107<sup>th</sup> Congress. H.R. 718 was reported from the House Energy and Commerce Committee and the House Judiciary Committee (H. Rept. 107-41, Parts 1 and 2). The two versions are quite different. S. 630 was ordered reported from the Senate Commerce Committee. This report will be updated.

### **Overview**

One aspect of increased use of the Internet for electronic mail (e-mail) has been the advent of unsolicited advertising, also called “unsolicited commercial e-mail (UCE),” “unsolicited bulk e-mail,” “junk e-mail,” or “spam.”<sup>1</sup> Issues involved in the debate are reviewed in *Report to the Federal Trade Commission of the Ad-Hoc Working Group on Unsolicited Commercial Email* [<http://www.cdt.org/spam>].

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<sup>1</sup> The origin of the term spam for unsolicited commercial e-mail was recounted in *Computerworld*, April 5, 1999, p. 70: “It all started in early Internet chat rooms and interactive fantasy games where someone repeating the same sentence or comment was said to be making a ‘spam.’ The term referred to a Monty Python’s Flying Circus scene in which actors keep saying ‘Spam, Spam, Spam and Spam’ when reading options from a menu.”

Consumers may file a complaint about spam with the Federal Trade Commission (FTC) by visiting the FTC Web site [<http://www.ftc.gov>] and scrolling down to “complaint form” at the bottom of the page. The offending spam also may be forwarded to the FTC ([UCE@ftc.gov](mailto:UCE@ftc.gov)) to assist the FTC in monitoring UCE trends and developments. Three consumer publications are available on the FTC Web site [<http://www.ftc.gov/opa/1999/9911/spam.htm>]. Separately, CNET.com, a non-government site, has tips for consumers on how to protect themselves from spam at [<http://home.cnet.com/internet/0-3793-8-5181225-1.html>].

In 1991, Congress passed the Telephone Consumer Protection Act (P.L. 102-243) that prohibits, *inter alia*, unsolicited advertising via facsimile machines, or “junk fax” (see CRS Report RL30763, *Telemarketing: Dealing with Unwanted Telephone Calls*). Many think there should be an analogous law for computers, or some method for letting a consumer know before opening an e-mail message whether or not it is UCE and how to direct the sender to cease transmission of such messages. At a November 3, 1999 hearing of the House Commerce telecommunications subcommittee, a representative of SBC Internet Services stated that 35% of all the e-mail transmitted over SBC’s Internet systems in its Pacific Bell and Southwestern Bell regions is UCE.

Opponents of junk e-mail argue that not only is junk e-mail annoying and an invasion of privacy,<sup>2</sup> but that its cost is borne by consumers, not marketers. Consumers reportedly are charged higher fees by Internet service providers that must invest resources to upgrade equipment to manage the high volume of e-mail, deal with customer complaints, and mount legal challenges to junk e-mailers. Consumers also may incur costs for the time spent reading and/or deleting such e-mail. Some want to prevent bulk e-mailers from sending messages to anyone with whom they do not have an established business relationship, treating junk e-mail the same way as junk fax. The Coalition Against Unsolicited Commercial Email (CAUCE) [<http://www.cauce.org>] is one group opposing spam. Its founder, Ray Everett-Church, is cited in the January 31, 2001 edition of *Newsday* as saying that some Internet Service Providers (ISPs) estimate that spam costs consumers about \$2-3 per month. The European Commission estimates that Internet subscribers globally pay 10 billion Euros a year in connection costs to download spam [[http://europa.eu.int/comm/internal\\_market/en/dataprot/studies/spam.htm](http://europa.eu.int/comm/internal_market/en/dataprot/studies/spam.htm)].

Proponents of UCE argue that it is a valid method of advertising. The Direct Marketing Association (DMA), for example, argues that instead of banning unsolicited commercial e-mail, individuals should be given the opportunity to notify the sender of the message that they want to be removed from its mailing list — or “opt-out.” Hoping to demonstrate that self regulation can work, in January 2000, the DMA launched a new service, the E-mail Preference Service, where consumers who wish to opt out of receiving UCE can register themselves at a DMA Web site [<http://www.e-mps.org>]. DMA members sending UCE must check their lists of intended recipients and delete those who have opted out via that Web site. Critics argue that most spam does not come from DMA members, so the plan is insufficient.

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<sup>2</sup> For more on Internet privacy issues, see CRS Report RL30784, *Internet Privacy: An Analysis of Technology and Policy Issues*, and CRS Report RS20035, *Internet Privacy—Protecting Personal Information: Overview and Legislation*.

To date, the issue of restraining junk e-mail has been fought primarily over the Internet or in the courts. Some Internet service providers (ISPs) will return junk e-mail to its origin, and groups opposed to junk e-mail will send blasts of e-mail to a mass e-mail company, disrupting the company's computer systems. Filtering software also is available to screen out e-mail based on keywords or return addresses. Knowing this, mass e-mailers may avoid certain keywords or continually change addresses to foil the software, however. In the courts, ISPs with unhappy customers and businesses that believe their reputations have been tarnished by misrepresentations in junk e-mail have brought suit against mass e-mailers.

Some UCE either contains indecent material or links to Web sites where indecent material is available. Thus, controls over junk e-mail have also arisen in the context of protecting children from unsuitable material. The House Judiciary Committee version of H.R. 718 (see below) and H.R. 2472 address this issue. Other spam involves fraud. On February 12, 2002, the FTC announced that seven defendants caught in an FTC sting involving illegal chain letters had agreed to settle charges, and that it was mailing warning letters to more than 2,000 individuals still involved in the chain letter scheme (the FTC press release is available at [<http://www.ftc.gov/opa/2002/02/eileenspam1.html>]).

## **State Action**

Although the U.S. Congress has not passed a law addressing junk e-mail, several states have passed or considered such legislation. According to the SpamLaws Web site [<http://www.spamlaws.com>], 25 states have passed laws regulating spam: Arkansas, California, Colorado, Connecticut, Delaware, Idaho, Illinois, Iowa, Kansas, Louisiana, Maryland, Minnesota, Missouri, Nevada, North Carolina, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Tennessee, Utah, Virginia, Washington, West Virginia, and Wisconsin. The specifics of each law varies. Summaries of and links to each law are provided on that Web site.

## **Congressional Action**

The House and Senate each passed legislation during the 105<sup>th</sup> Congress addressing UCE, but no bill ultimately cleared Congress. The Senate-passed version of S. 1618 (concerning "slamming") would have required senders of UCE to clearly identify in the subject line of the message that it was an advertisement, required Internet service providers to make software available to their subscribers to block such e-mail, and prohibited sending e-mail to anyone who had asked not to receive such mail ("opt-out") The House-passed version of the bill (H.R. 3888) included a sense of Congress statement that industry should self-regulate. Conference agreement was not reached. Several UCE bills were introduced in the 106<sup>th</sup> Congress. One, H.R. 3113, passed the House.

In the 107<sup>th</sup> Congress, several spam bills have been introduced: H.R. 95 (Green), H.R. 718 (Wilson), H.R. 1017 (Goodlatte), H.R. 3146 (Smith) and S. 630 (Burns). H.R. 2472 (Lofgren) is not a spam bill per se, but would require marks or notices on e-mail forwarded to minors that contains sexually oriented advertising. Since both the House Energy and Commerce Committee and the House Judiciary Committees have acted on H.R. 718, and the brevity of this report precludes lengthy narrative, it is the only House

bill summarized below. Note that some of the bills refer to “providers of Internet access service” which is abbreviated “ISP,” for Internet Service Provider, in the text below.

**H.R. 718 (Wilson)** was referred to the House Energy and Commerce Committee and the House Judiciary Committee. As introduced, it was the same as H.R. 3113 from the 106<sup>th</sup> Congress, but was altered by the House Energy and Commerce Committee (H.Rept. 107-41, Part 1) and the House Judiciary Committee (H. Rept. 107-41, Part 2). The two committee versions are substantially different.

As reported from the **House Energy and Commerce Committee**, H.R. 718 would be entitled the Unsolicited Commercial Electronic Mail Act and would —

- define unsolicited commercial electronic mail (UCE), *inter alia*, as commercial e-mail sent to a recipient without the recipient’s prior consent and with whom the initiator does not have a pre-existing business relationship.
- amend 18 U.S.C. 1030<sup>3</sup> to prohibit the intentional initiation of transmission of any UCE to a protected computer in the United States with knowledge that certain identifying information is false.
- make it unlawful to initiate the transmission of a commercial e-mail message to any person within the United States unless such message contains a valid return e-mail address, conspicuously displayed, to which a recipient may opt-out.
- make it unlawful to initiate transmission of UCE to a recipient within the United States—
  - if the recipient has opted-out and a reasonable period of time has expired for removal from distribution lists. The bill also requires that the recipient’s e-mail address be deleted or suppressed from all mailing lists owned by the initiator (and its agents or assigns), and makes it unlawful for the initiator (and such agents or assigns) to sell, lease, exchange, license, or engage in any other transaction involving mailing lists bearing the recipient’s e-mail address.
  - unless it provides in a manner that is clear and conspicuous: identification that the message is UCE, notice of the opportunity to opt-out, and the physical mailing address of the initiator.
  - that uses an ISP’s equipment if the ISP has a policy that meets certain requirements set forth in the bill, after a reasonable period of time following a request by a recipient to opt-out. The Act does not prevent or limit an ISP from adopting a policy regarding commercial or other e-mail and from enforcing such policy through technical means, through contract, or pursuant to any remedy available under other laws. ISPs are not liable for actions taken in good faith to block UCE.
- make it unlawful for an ISP that has a policy requiring compensation specifically for the transmission of UCE into its system to fail to provide opt-out to a subscriber unless the subscriber has agreed to receive UCE in exchange for discounted or free Internet access services. It shall be an affirmative defense if the violation was not intentional.

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<sup>3</sup> 18 U.S.C. 1030 is the federal computer fraud and abuse statute; it defines a protected computer as a computer exclusively for the use of a financial institution or the U.S. government, used by or for a financial institution or the U.S. government, or used in interstate or foreign commerce or communication.

- give the FTC enforcement authority through the FTC Act.
- allow UCE recipients and ISPs to bring action to enjoin violations and/or recover actual monetary loss, or \$500 per violation up to \$50,000, whichever is greater. A court may increase the amount up to three times for willful, repeated violators. Class actions are prohibited. Courts may protect trade secrets.
- allow state attorneys general to bring civil action on behalf of the residents of that state in an appropriate state court or U.S. district court to enjoin violations, enforce compliance, or recover actual monetary loss or receive \$500 in damages for each violation, and the amount may be tripled for willful or repeated violations. The state attorney general shall notify the FTC before it files such an action, or at the same time if advance notification is not possible. The FTC may intervene. State and local governments may not impose civil liabilities inconsistent with the Act, but the Act does not preempt civil actions under State trespass or contract law or any laws relating to computer fraud or abuse arising from unauthorized transmission of UCE.

As reported from the **House Judiciary Committee**, H.R. 718 would be entitled the Anti-Spamming Act, and would amend 18 U.S.C. by adding a new chapter 30, Electronic Mail, that would—

- create penalties for whoever intentionally initiates in one or more transactions the transmission of 10 or more UCE messages to one or more protected computers in the United States knowing that such message contains or is accompanied by header information that is materially false or misleading as to the identity of the person initiating the transmission, and
  - commercial e-mail is defined as e-mail the primary purpose of which is to advertise or promote, for a commercial purpose, a product or service, including content on an Internet Web site;
  - ISPs are permitted to bring action to recover actual or statutory damages of \$5 per violation not to exceed a total of \$1 million, except that during any one-year period for which the defendant has transmitted in excess of 20 million UCE messages, no liability limit exists; and
  - courts may award reasonable litigation expenses incurred by a prevailing party, including reasonable attorney's fees.
- require the Attorney General to prescribe marks or notices to be included in e-mail that contains a sexually oriented advertisement, and
  - whoever, in any e-mail carried on an instrumentality in or affecting interstate or foreign commerce, knowingly includes a sexually oriented advertisement but does not include those marks or notices shall be fined or imprisoned not more than one year or both;
  - "sexually oriented advertisement" means any advertisement that depicts, in actual or simulated form, or explicitly describes, in a predominantly sexual context, human genitalia, any act of natural or unnatural sexual intercourse, any act of sadism or masochism, or any other erotic subject directly related to the foregoing, unless it constitutes only a small and insignificant part of the whole, the remainder of which is not primarily devoted to sexual matters.
- require a report from the Attorney General no later than 18 months after enactment on the effectiveness and enforcement of the Act.

It should be noted that the provision regarding e-mail with sexually oriented advertising is not limited to UCE; it would apply to any e-mail. (H.R. 2472 also would require marks or notices on any e-mail containing sexually oriented advertisements, but only if the e-mail is “forwarded” to minors.)

In the Senate, **S. 630 (Burns)**, the CAN SPAM Act, was ordered reported, amended, from the Senate Commerce Committee on May 16, 2002. As ordered reported, S. 630 amends Chapter 63 of Title 18 U.S.C. (concerning mail fraud), and would —

- define UCE as commercial e-mail sent without the recipient’s prior affirmative or implied consent (as defined in the Act).
- set penalties for initiating the transmission of UCE to a protected computer in the United States with knowledge and intent that the message contains or is accompanied by header information that is materially false or misleading.
- prohibit false or misleading transmission information in commercial e-mail.
- prohibit deceptive subject headings in commercial e-mail. If a person establishes and implements reasonable practices and procedures to prevent a violation of this provision, and the violation occurred despite good faith efforts to comply with them, that person is not in violation of this provision.
- require the inclusion of a return address or comparable mechanism in UCE to which the recipient can opt-out. If a recipient opts-out, it is unlawful for the sender, or a person acting on behalf of the sender, to send additional UCE more than 10 days after receipt of the opt-out request. UCE messages must provide in a clear and conspicuous manner: identification that the message is an advertisement or solicitation; notice of the opportunity to opt-out; and a valid physical postal address for the sender. If a person establishes and implements reasonable practices and procedures to prevent violations, and the violation occurred despite good faith efforts to comply with them, the person is not in violation of these provisions.
- be enforced by the FTC under the FTC Act, except for certain businesses (e.g., national banks and federal branches and federal agencies of foreign banks would be enforced by the Office of the Comptroller of the Currency under the Federal Deposit Insurance Act).
- allow states to bring civil actions on behalf on residents of that state to enjoin practices prohibited by the Act or to obtain damages equal to the greater of actual monetary loss or statutory damages. State attorneys general must notify the FTC and the FTC may intervene. If the FTC or another federal agency has instituted a civil or administrative action for violation of the Act, no state attorney general may bring an action against that defendant while the action is pending.
- allow an ISP that is adversely affected by a violation of the Act to bring civil action in U.S. district court to enjoin further violations and recover damages.
- supersede state or local government statutes, regulations or rules regulating the use of e-mail to send commercial messages, with exceptions.
- prohibit transmission of UCE from illegally harvested e-mail addresses.
- not impair the enforcement of sections 223 or 231 of the Communications Act of 1934, chapter 71 of Title 18 U.S.C., or any other federal criminal statute. Nothing in the Act affects the FTC’s authority to bring enforcement actions regarding false or deceptive representations in commercial e-mail messages.
- not affect the lawfulness or unlawfulness under any other provision of law of the adoption, implementation, or enforcement by an ISP of a policy declining to transmit, route, relay, handle, or store certain types of e-mail.