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A Closer Look at E-Signature Laws

[LINDA ROSENCRANCE](#) (Computerworld) | [06 October, 2006 12:01](#) | [Comments](#) | [Like](#)

What do corporations and others have to do to take advantage of the new electronic-signatures law that went into effect Sunday?

Users, analysts and e-commerce experts tried to answer that question this morning at a seminar sponsored by the Massachusetts Software & Internet Council and held in the Boston suburb of Newton, Mass.

The Electronic Signatures in Global and National Commerce Act, which was signed by President Clinton on June 30, allows e-signatures to be as legally binding as handwritten signatures for e-commerce transactions. It doesn't, however, require companies to use such signatures or to keep electronic records. And it also doesn't dictate what technology businesses must use to implement e-signatures.

According to the software council, the legislation is important because acceptance of digital signatures will spur the use of commercial electronic-authentication techniques, such as digital certificates, in the private sector. The techniques also will create significant efficiencies and cost savings for companies, which won't have to keep paper records.

However, companies that have traditionally relied on paper-based processes will have to overcome certain challenges before e-signatures can become a reality in everyday business, said attorney Daniel Greenwood, director of the E-Commerce Architecture Project at MIT.

"The act doesn't tell you how to implement e-signatures or what technology to use," Greenwood said. "We now have a lot of rope to virtually do anything in terms of e-signatures, but we have to be sure we don't hang ourselves with that rope."

Beyond requiring a scalable and manageable infrastructure to support digital signatures, companies face additional challenges, including the lack of interoperability among digital certificate vendors, the complexity of the technology and the costs of deploying the technology.

Digital certificates are encrypted secure codes used to verify the signer of an electronic document. But before there can be widespread use of e-signatures, users will need to overcome some serious interoperability issues related to the public-key infrastructure (PKI) on which digital-signature systems are established (see story). The problem is that there are a number of vendors supplying the technologies, which are often proprietary. It's difficult to certify digital signatures in a PKI where there's a mix of vendor products and certificate authorities involved.

That's about to change, though, said Derek Brink, who heads the customer advisory council for one PKI vendor -- RSA Security Inc. in Bedford, Mass. Brink is also chairman of the PKI Forum, an industry group of vendors and users advocating the use of PKI as an enabler of online business. Brink said the group is working toward interoperability of the different vendor products.

In moving toward widespread use of e-signatures, businesses will face a number of data-security issues, including making sure the parties involved

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are who they say they are, ensuring that only authorized parties have access to certain information and ensuring that a message hasn't been tampered with in transit, said Sara Greenberg, an attorney at Testa, Hurwitz & Thibault LLP in Boston.

Arabella Hallowell, an analyst at Gartner Group Inc. in Stamford, Conn., said businesses can use several methods to authenticate e-signatures, including personal identification numbers and passwords, smart cards that can be swiped on a reader attached to a computer, biometrics of physical attributes such as fingerprints or a combination of these methods.

But some of these methods can be expensive. For example, using a smart card could cost anywhere from \$30 to \$100 per user, including hardware.

Jerry Archer, senior vice president of information security and risk at Fidelity Personal Investments and Brokerage Group, said it could cost his company about \$2 billion for its 15 million customers to use digital signatures.

Currently, Fidelity uses a reliable user ID and six-digit password system to make sure a customer is who he says he is, Archer said.

"With this system there's a one-in-a-million chance that someone can figure out the six-digit password and access our system; using a voice-identifier system there's a chance that two people out of 1,000 will gain access," he said.

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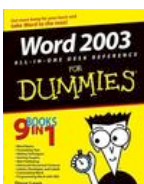


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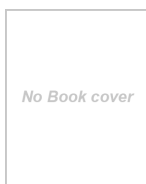


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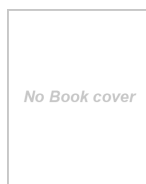
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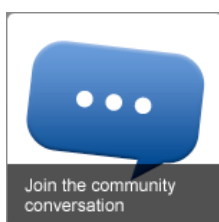
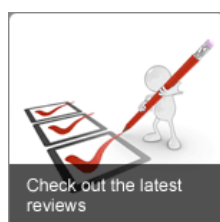
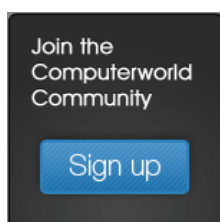
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