

# Chapter 14

E-Commerce: Regulatory, Ethical, and Social Environments

# Learning Objectives

1. Understand the foundations for legal and ethical issues in EC.
2. Describe intellectual property law and understand its adjudication.
3. Explain privacy and free speech issues and their challenges.
4. Describe types of fraud on the Internet and how to protect against them.
5. Describe the needs and methods to protect both buyers and sellers.
6. Describe EC-related societal issues.
7. Describe Green EC and IT.

# Ethical Challenges and Guidelines

- **ETHICAL PRINCIPLES AND GUIDELINES**
  - **Example: Who Owns User-Generated Content?**
- **business ethics**

A form of applied ethics that examines ethical principles and moral or ethical problems that arise in a business environment

- **The Issues of Internet Abuse in the Workplace**
- **Monitoring Employees—Is It Ethical?**

# Ethical Challenges and Guidelines

- **ethics**

The branch of philosophy that deals with what is considered to be right and wrong

- **privacy**

The right to be left alone and free of unreasonable personal intrusions

## **EXHIBIT 14.1   Safeguards to Minimize Exposure to Risk of Criminal or Civil Charges**

1. Does the website clearly post shipment policies and guarantees? Can the company fulfill those policies and guarantees? Does the website explain what happens in case of a missed deadline? Does it comply with Federal Trade Commission (FTC) rules?
2. Does the website clearly articulate procedures for customers to follow when returning gifts or seeking a refund for services not received?
3. Has the company checked backgrounds before entering agreements with third-party vendors and supply chain partners? Do those agreements with vendors and partners indemnify (i.e., protect) the company against their failure to deliver goods or process transactions on time and correctly?
4. If a third-party ISP or Web-hosting service is used, are there safeguards if the site crashes, is infected by malware, or if bandwidth is insufficient to meet all of your customers' needs?
5. Is there sufficient customer support staff, and are they knowledgeable and adequately trained to process inquiries from customers?

# Ethical Challenges and Guidelines

- **EC ETHICAL ISSUES**

- Related to legal issues:
  - Intellectual property rights
  - Privacy
  - Free speech versus censorship
  - Consumer and merchant protection against fraud
- **Nonwork-Related Use of the Internet**
- **Codes of Ethics**

## **EXHIBIT 14.2 Corporate Web Policy Guidelines**

- Issue written AUP guidelines about employee use of the Internet and communication systems including e-mail and instant messaging.
- Make it clear to employees that they cannot use copyrighted or trademarked material without permission.
- Post disclaimers concerning content, such as sample code, that the company does not support.
- Post disclaimers of responsibility concerning content of online forums and chat sessions.
- Make sure that Web content and activity comply with the laws in other countries, such as those governing contests and privacy.
- Make sure that the company's Web content policy is consistent with other company policies.
- Appoint someone to monitor Internet legal and liability issues and have that person report to a senior executive or legal counsel.
- Have attorneys with cyberlaw expertise review Web content to make sure that there is nothing unethical or illegal on the company's website and that all required statements and disclaimers are properly included.

# Intellectual Property Law

- **INTELLECTUAL PROPERTY IN E-COMMERCE**

- **intellectual property(IP)**

Creations of the mind, such as inventions, literary and artistic works, and symbols, names, images, and designs, used in commerce

- **intellectual property law**

Area of the law that includes patent law, copyright law, trademark law, trade secret law, and other branches of the law such as licensing and unfair competition



# Intellectual Property Law

- **copyright**

An exclusive right of the author or creator of a book, movie, musical composition, or other artistic property to print, copy, sell, license, distribute, transform to another medium, translate, record, perform, or otherwise use

- **infringement**

Use of the work without permission or contracting for payment of a royalty

# Intellectual Property Law

- **digital rights management (DRM)**

An umbrella term for any of several arrangements that allow a vendor of content in electronic form to control the material and restrict its usage

- **fair use**

The legal use of copyrighted material for noncommercial purposes without paying royalties or getting permission

- **patent**

A document that grants the holder exclusive rights to an invention for a fixed number of years

# Intellectual Property Law

- **trademark**

A symbol used by businesses to identify their goods and services; government registration of the trademark confers exclusive legal right to its use

- **trademark dilution**

The use of famous trademarks in public that diminishes the capacity of the mark to distinguish goods or services, or tarnishes the mark in the eyes of the consumer

# Intellectual Property Law

- **FAN AND HATE SITES**

- **cyberbashing**

Domain name that criticizes an organization or person

# Privacy Rights, Protection, and Free Speech

- **SOCIAL NETWORKS CHANGING THE  
LANDSCAPE OF PRIVACY AND ITS PROTECTION**
  - **Global View**

# Privacy Rights, Protection, and Free Speech

- **PRIVACY RIGHTS AND PROTECTION**

- **opt-out**

- Business practice that gives consumers the opportunity to refuse sharing information about themselves

- **opt-in**

- Agreement that requires computer users to take specific steps to allow the collection of personal information

# Privacy Rights, Protection, and Free Speech

- **FREE SPEECH ONLINE VERSUS PRIVACY PROTECTION**
  - **Free Speech Online Versus Child Protection Debate**
    - **legal precedent**

A judicial decision that may be used as a standard in subsequent similar cases
- **THE PRICE OF PROTECTING AN INDIVIDUAL'S PRIVACY**

# Privacy Rights, Protection, and Free Speech

- **HOW INFORMATION ABOUT INDIVIDUALS IS COLLECTED AND USED ONLINE**

- Website Registration
- Cookies
- spyware

All unwanted software programs designed to steal proprietary information, or that target data stores containing confidential information



# Privacy Rights, Protection, and Free Speech

- **RFID's Threat to Privacy**
  - **Other Methods**
  - **Privacy of Employees**
- **Site transaction logs.** These logs show the usage patterns of people surfing the Internet.
  - **EC ordering systems and shopping carts.** These features permit others to know what you ordered, when, from whom, and how much you paid for the item.
  - **Search engines.** Search engines can be used to collect information about your searches. Also, specialized searches (e.g., maps), blogging, chatting, and Web conferences are sources of privacy information.
  - **Behavioral targeting.** Behavioral targeting uses tools for collaborative filtering and analysis of user-entered data.
  - **Polling and surveys.** Personal data may be revealed by participating in online voting, completing questionnaires, and so forth.
  - **Payment information and e-wallets.** These may include information that can be leaked or sold to others.

# Privacy Rights, Protection, and Free Speech

- **PRIVACY PROTECTION BY INFORMATION TECHNOLOGIES**

- ▶ **Platform for Privacy Preferences Project (P3P).** Software that communicates privacy policies (described later in this chapter).
- ▶ **Encryption.** Software programs such as PKI for encrypting e-mail, payments transactions, and other documents.
- ▶ **Spam blocking.** Built into browsers and e-mail; blocks pop-up and unwanted mail.
- ▶ **Spyware blocking.** Detects and removes spyware and adware; built into some browsers.
- ▶ **Cookie managers.** Prevents the computer from accepting cookies; disables cookies.
- ▶ **Anonymous e-mail and surfing.** Allows you to send e-mail and surf without a trace.

# Privacy Rights, Protection, and Free Speech

- **PRIVACY ISSUES IN WEB 2.0 TOOLS AND SOCIAL NETWORKS**
  - **Presence, Location-Based Systems, and Privacy**
  - **Free Speech via Wikis and Social Networks**

# Privacy Rights, Protection, and Free Speech

- **PRIVACY PROTECTION BY ETHICAL PRINCIPLES**
  - Notice or awareness
  - Choice or consent
  - Access or participation
  - Integrity or security
  - Enforcement or redress

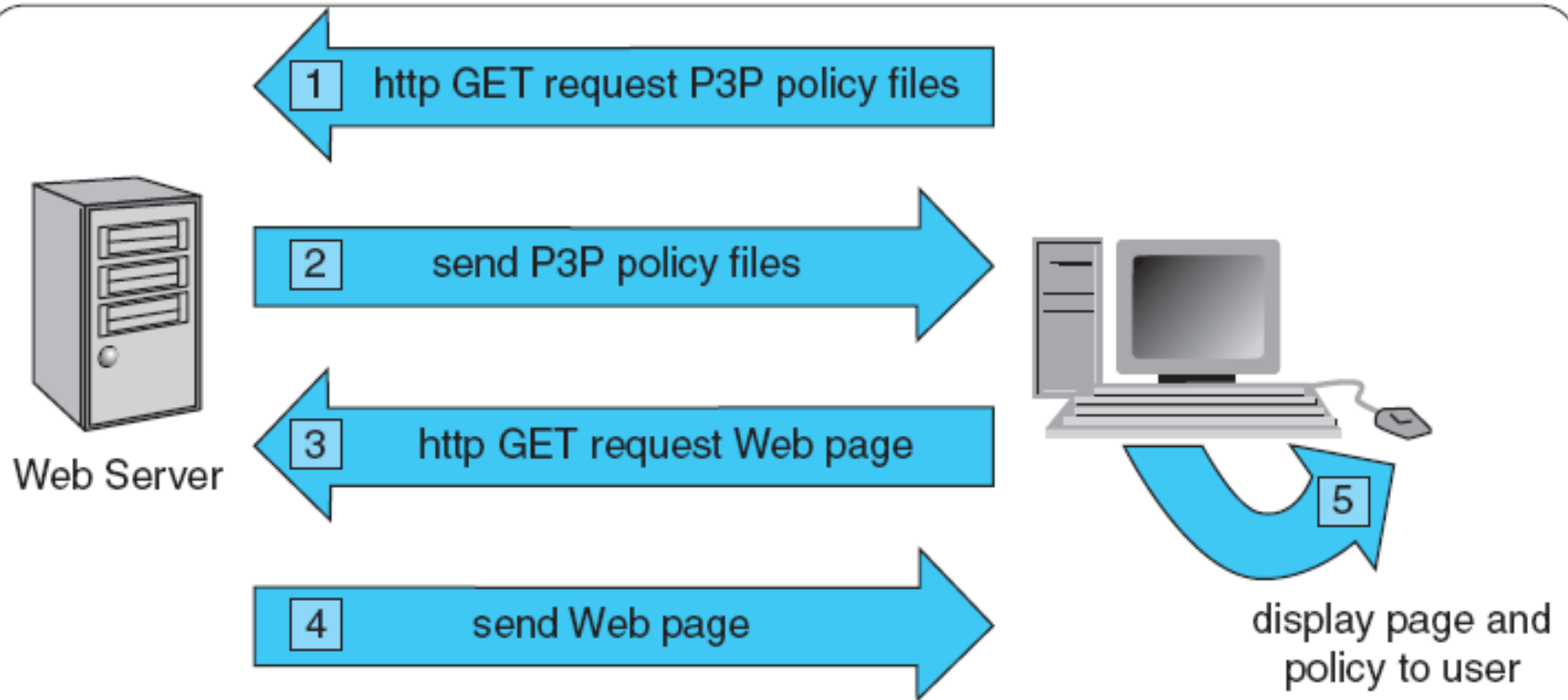
# Privacy Rights, Protection, and Free Speech

- **Online Privacy Clarification**
- **The USA PATRIOT Act Versus Privacy**
- **Government Spying on Its Citizenry**
- **Platform for Privacy Preferences Project (P3P)**

A protocol allowing websites to declare their intended use of information they collect about browsing users

- **PRIVACY PROTECTION IN COUNTRIES OTHER**
- **THAN THE UNITED STATES**

## EXHIBIT 14.4 How P3P Works



**A Simple http Transaction with P3P Added**

# Other EC Legal Issues

- **THE LEGAL AND REGULATORY ENVIRONMENT**
- **electronic discovery (e-discovery)**

Discovery in civil litigation that deals with information in electronic format; also referred to as *electronically stored information* (ESI)

- **Types of Data E-Discovery**
- **How Electronic Discovery Is Used**
- **E-Discovery and Social Networks**

# Other EC Legal Issues

- **cyberbullying**

The use of information and communication technologies to support deliberate, repeated, and hostile behavior by an individual or group, that is intended to harm others

- **Cyberbullying Versus CyberStalking**
- **The Possible Damage of Cyberbullying**



# Consumer and Seller Protection from Online Fraud

- **CONSUMER (BUYER) PROTECTION**
  - **Representative Tips and Sources for Your Protection**
  - **Third-Party Assurance Services**
    - Protection by Third-Party Intermediary
    - TRUSTe's "Trustmark"
    - Better Business Bureau
    - Which?
    - Web Trust Seal and Others
    - Evaluation by Consumers

# Consumer and Seller Protection from Online Fraud

- **Computer Fraud and Abuse Act (CFAA)**  
Major computer crime law to protect government computers and other Internet-connected computers
- **SELLER PROTECTION**
  - **What Can Sellers Do?**

# Consumer and Seller Protection from Online Fraud

- **PROTECTING BUYERS AND SELLERS:  
ELECTRONIC AND DIGITAL SIGNATURES**
  - **electronic signature**

A generic, technology-neutral term that refers to the various methods by which one can “sign” an electronic record
  - **Authentication and Biometric Controls**
  - **Fraud Detecting Systems**
- **GOVERNMENT REGULATION OF E-COMMERCE**

# Public Policy and Political Environments

- **NET NEUTRALITY APPROVED BY THE FCC**
- **TAXATION OF EC TRANSACTIONS**

- **taxation**

The process whereby charges are imposed on individuals or property by the legislative branch of the federal government and by many state governments to raise funds for public purposes

# Public Policy and Political Environments

- **INTERNET CENSORSHIP BY COUNTRIES**

- **Internet censorship**

The control or suppression of the publishing or accessing of information on the Internet

# Public Policy and Political Environments

- **regulatory compliance**

Systems or departments in an organization whose job is to ensure that personnel are aware of and take steps to comply with relevant laws, standards, policies, and regulations

# Public Policy and Political Environments

- **International Compliance**
- **Compliance in the United States**
  - **compliance data**

Data pertaining to the enterprise included in the law that can be used for the purpose of implementing or validating compliance
- **Equal Opportunity and Discrimination**

# Societal Issues and Green EC

- **digital divide**

The gap that has emerged between those who have and those who do not have the ability to use the technology

- **Overcoming the Digital Divide**

- **telecommuting**

Working at home using a PC and the Internet



# Societal Issues and Green EC

- **Green computing**

The study and practice of eco-friendly computing resources; is now a key concern of businesses in all industries—not just environmental organizations

- **Green IT**

Begins with manufacturers producing environmentally friendly products and encouraging IT departments to consider more friendly options like virtualization, power management, and proper recycling habits

# Societal Issues and Green EC

- **How to Operate Greener Businesses, Data Centers, and Supply Chains**
- **Global Green Regulations**
- **Electronic Product Environmental Assessment Tool (EPEAT)**

A searchable database of computer hardware that meets a strict set of environmental criteria

# Societal Issues and Green EC

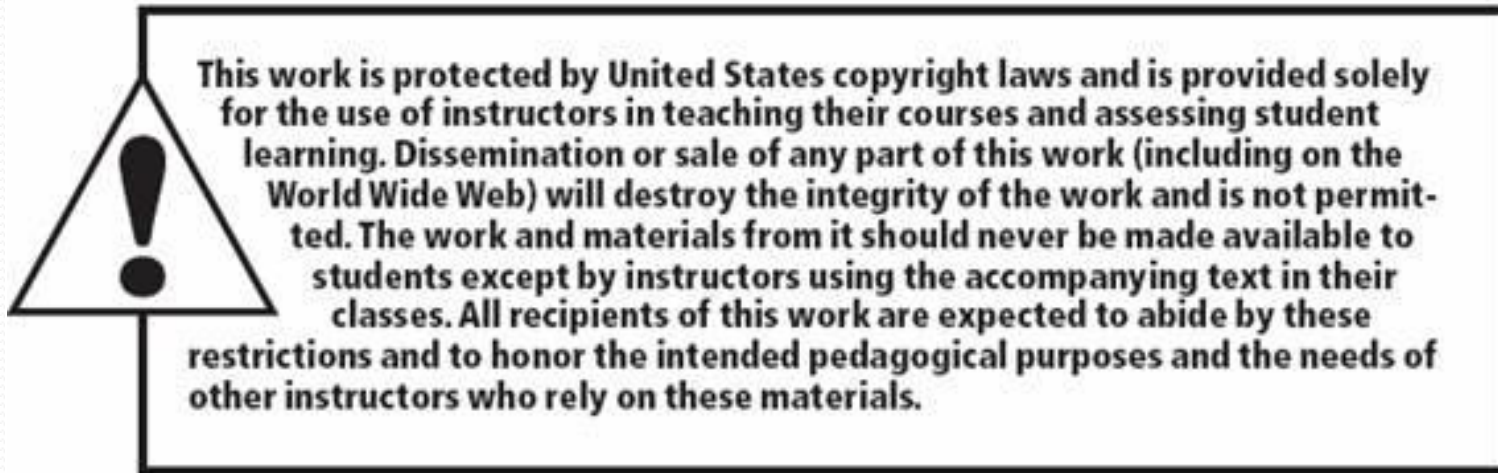
- **OTHER SOCIETAL ISSUES**
  - **Education**
  - **Public Safety, Criminal Justice, and Homeland Security**
  - **Health Aspects**

# Managerial Issues

1. What legal and ethical issues should be of major concern to an EC enterprise?
2. What are the most critical ethical issues?
3. How can intellectual property rights be protected when it comes to digital content?
4. How can patent costs be monitored effectively?
5. What is the ethical principle of protecting the privacy of customers?
6. How can a company create opportunities in the global trend toward green EC?

# Summary

1. Understanding legal and ethical challenges and how to contain them
2. Intellectual property law
3. Privacy, free speech, defamation, and their challenges
4. Fraud on the Internet and how to protect consumers against it
5. Protection of buyers and sellers
6. Societal impacts of EC
7. Green EC



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