



Electronic Commerce

Chapter 2

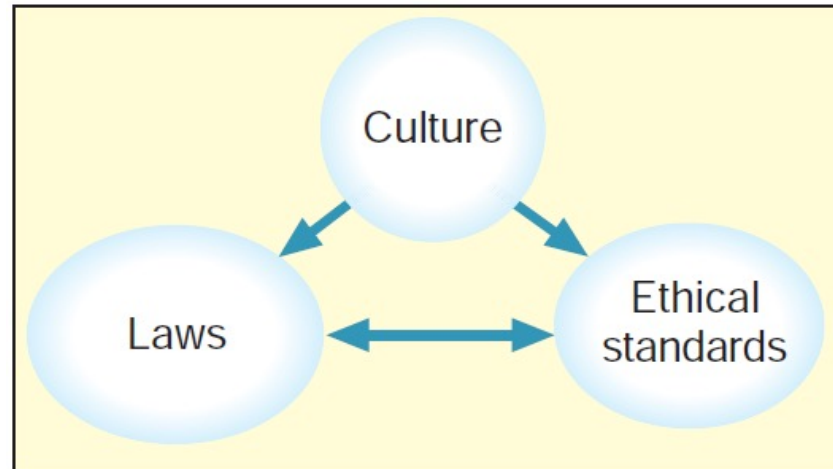
ELECTRONIC COMMERCE ENVIRONMENT

Objectives

- E-commerce legal environment
- Online crime, terrorism, warfare
- Intellectual property
- Ethical issues

Legal environment

- Borders and Jurisdiction
 - Physical world: territorial borders mark range of culture and applicable laws
 - Jurisdiction: the ability to control a person or corporation of the government
- All businesses must comply to laws



Legal environment

- Geographic & legal boundaries
 - Power
 - Effect
 - Legitimacy
 - Notice



Legal environment

- Jurisdiction on the Internet
 - Much more difficult
 - Use **contract**: promises between 2 or more legal entities for exchanging values
 - Violation of contract: filed their claims in courts with jurisdiction
 - Subject-matter jurisdiction
 - Personal jurisdiction
- Conflict of laws
 - Online businesses: look to federal laws for guidance
 - How about international issues? MORE COMPLEX
 - Treaties between countries
 - Diplomacy & cost-benefit evaluations

Legal environment

- Jurisdiction in international commerce
 - Many large companies (online business) faced more difficulties of operating in multiple countries.
 - EBAY in China can not survive because of Alibaba.com 's Taobao
 - Google: tried to open a search engine site based in China, 2006 → Closed in 2010 because of culture and government of China.
- Jurisdictional issues are complex and change rapidly



Legal environment

- Contract in e-commerce
 - Offer
 - Acceptance
 - Consideration
- Implied contract
 - Act as if contract exists
 - Even with no written and signed contract
- Contract on the Internet
- Warranties on the Web

Nghĩa vụ đối ứng để nói tới một điều kiện có hiệu lực của hợp đồng, là sự trả giá của bên được hứa để đổi lấy lời hứa của bên đưa ra lời hứa mà sự trả giá đó có thể là sự có lợi cho bên đưa ra lời hứa hoặc bất lợi cho bên được hứa.

Legal environment

- Contract on the Internet

Step	Contract element	Participant	Action
1.	Invites offers	Seller	Promotes product through Web page and states conditions under which offers will be accepted (for example, price and shipping terms) 
2.	Offer	Buyer	Clicks button to make offer to purchase product 
3.	Acceptance	Seller	Accepts buyer's offer, processes payment, and ships product 

Legal environment

- Warranties on the Web
 - Implied warranties
 - Warranty disclaimer

warranty disclaimer
text is capitalized
for emphasis

Disclaimers

WE DO NOT PROMISE THAT THIS WEB SITE OR ANY CONTENT, ELEMENT, OR FEATURE OF THIS SITE WILL BE ERROR-FREE OR UNINTERRUPTED, OR THAT ANY DEFECTS WILL BE CORRECTED, OR THAT YOUR USE OF THE SITE WILL PROVIDE SPECIFIC RESULTS. THE SITE AND ITS CONTENT ARE DELIVERED ON AN "AS-IS" BASIS. INFORMATION PROVIDED ON THE SITE IS SUBJECT TO CHANGE WITHOUT NOTICE. WE CANNOT ENSURE THAT ANY PROGRAMS, FILES OR OTHER DATA YOU DOWNLOAD FROM THE SITE WILL BE FREE OF VIRUSES OR DESTRUCTIVE FEATURES.

WE DISCLAIM ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF ACCURACY, NON-INFRINGEMENT, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. WE DISCLAIM ANY AND ALL LIABILITY FOR THE ACTS, OMISSIONS AND CONDUCT OF ANY THIRD PARTIES IN CONNECTION WITH OR RELATED TO YOUR USE OF THE SITE AND/OR ANY OF OUR SERVICES. YOU ASSUME TOTAL RESPONSIBILITY FOR YOUR USE OF THE SITE AND ANY LINKED SITES. YOUR SOLE REMEDY AGAINST US FOR DISSATISFACTION WITH THIS SITE OR ANY CONTENT CONTAINED ON THE SITE IS TO STOP USING THE SITE OR THE CONTENT. THIS LIMITATION OF RELIEF IS A PART OF THE BARGAIN BETWEEN THE PARTIES.

The above disclaimers apply to any damages, liability or injuries caused by any failure of performance, error, omission, interruption, defect of any kind, delay of operation or function, computer virus, communication failure, theft or destruction of or unauthorized access to, alteration of, or use, whether for breach of contract, tort, negligence or any other cause of action.

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Online crime, terrorism, warfare

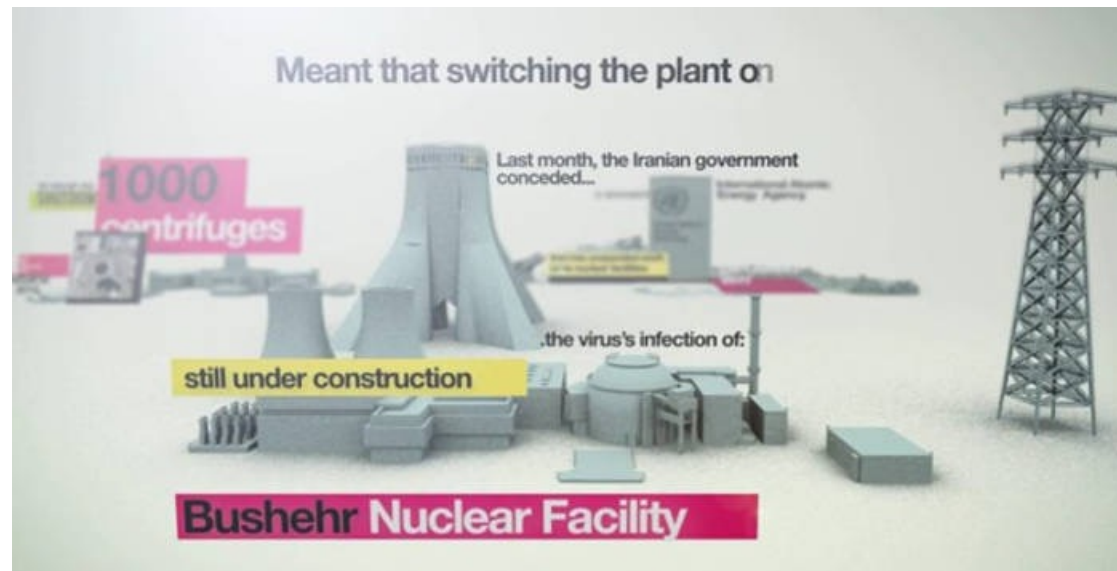
- Online crime
 - Online version of physical crimes: theft, stalking, pornography distribution, gambling
 - New online crime: using computers to attack other computers, cyberbullying, stealing or destroying important data
 - Difficult to enforce laws due to jurisdiction issues
- Advantages of the Internet
 - Track perpetrators of online crimes
 - Criminals brag on social networking sites
 - Criminals leave clues in online profiles

Online crime, terrorism, warfare

- New age of terrorism and warfare carried out or coordinated through the Internet
- Web sites
 - Openly support or are operated by hate groups and terrorist organizations
 - Contain detailed instructions for creating biological weapons, other poisons
 - Contain discussion boards (help terrorist groups recruit new members online)
 - Offer downloadable terrorist training films

Online crime, terrorism, warfare

- Online warfare
 - Actions by a nation-state to penetrate another nation's computers or networks for the purposes of causing damage or disruption
 - Espionage
 - Sabotage



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Intellectual property

- Intellectual property
 - Products of human mind
 - Protected by copyright, patent, trademark, and service mark
- Copyright
 - Exclusive right granted to creators of literary or artistic works (print, publish, sell)
 - For a limited time (e.g. life of authors + 70 years)
 - Idea cannot be copyrighted
 - Web pages are protected by copyright
 - Can be copied for fair use: news report, teaching, research, etc.

Intellectual property

- Copyright infringement
 - Difficult to apply, because of “FAIR USE”
 - Napster peer-to-peer file sharing
 - Case-by-case basis
- Patent
 - Exclusive right granted to an individual to make, use, and sell an invention
 - Limited time (20 years)
 - Invention: must be genuine, novel, useful, and not obvious given current technology state
 - Business process patent: controversial

Intellectual property

- FAIR USE: an exemption from infringement actions for certain allowable uses of copyrighted works

Title 17, Chapter 1, § 107 of the United States Code

Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Intellectual property

- Trademark and service mark
 - Trademark: distinctive mark, device, motto, implement company affixes to goods it produces for identification purpose
 - Service mark: similar to trademark, but for service identification
 - Must register to be protected
- Web site designers must not use any trademarked name, logo, other identifying mark without express permission of trademark owner

Intellectual property

- Domain name issues
 - Cybersquatting
 - Name changing (typosquatting)
 - Name stealing
- Protecting intellectual property
 - Digital watermark
 - Digimarc: provides watermark protection systems and software
 - Copy control
 - Electronic mechanism limiting number of copies

Objectives

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Ethical issues

- Companies using Web sites to conduct electronic commerce should adhere to the same ethical standards that other businesses follow
 - Advertising or promotion should include only true statements and should omit any information that could mislead potential customers
 - Even true statements have been held to be misleading when the ad omits important related facts.
 - Any comparisons to other products should be supported by verifiable information

Ethical issues

BURGER KING WHOPPER

ADVERTISEMENTS



ACTUAL WHOPPER

- ROTATED TO MOST ATTRACTIVE ANGLE
- WITH CHEESE
- SLIGHTLY FLUFFED UP, FOR PICTURE



MCDONALDS ANGUS DELUXE TP

ADVERTISEMENTS



ACTUAL BURGER

- ROTATED TO MOST ATTRACTIVE ANGLE
- SLIGHTLY FLUFFED UP, FOR PICTURE



TACO BELL CRUNCHY TACO



Advertisements



Actual Taco



Ethical issues

- Violation of ethical standards
 - Damaged reputation
 - Long-term loss of trust
- Important ethical issue organizations face
 - Limiting use of collected e-mail addresses, related information
 - Lack of government regulation: most organizations state their policy
- Privacy rights
 - Laws have not kept pace with the growth of the Internet and the Web
 - Companies lose control of the data they collect on their customers

Ethical issues

- Electronic commerce Web sites
 - Be conservative in customer data collection and use
 - Use four principles for handling customer data
 - Use data collected for improved customer service
 - Do not share customer data with others outside your company without customer's permission
 - Tell customers what data you are collecting and what you are doing with it
 - Give customers the right to have you delete any data collected about them
 - Keep data secure

Ethical issues

- Privacy policies
 - Opt-out approach
 - Assumes customer does not object to company's use of information
 - Unless customer specifically denies permission
 - Opt-in approach
 - Company collecting information does not use it for any other purpose
 - Unless customer specifically chooses to allow use
- Communication with children
 - Children less capable of evaluating information sharing and transaction risks



End of chapter 2
