

CPET 581 E-Commerce & Business Technologies

Ethical, Social, and Political Issues in E-Commerce

References:

- Chapter 8 Ethical, Social, and Political Issues in E-Commerce, 8th edition, 2012, by K. C. Laudon and C. G. Traver, publisher Pearson Education Inc.,

Paul I-Hai Lin, Professor
<http://www.etcs.ipfw.edu/~lin>

A Specialty Course for
M.S. in Technology IT/Advanced Computer Applications Program
Purdue University Fort Wayne Campus

4/3/2012

CPET 581 E-Commerce & Business
Technology, Paul I. Lin

1

Topics

- Ethical, Social, and Political Issues
 - Information rights
 - Property rights
 - Governance
 - Public safety and welfare

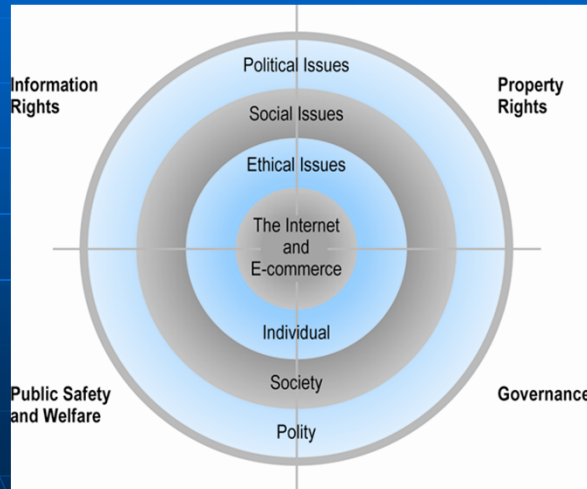
4/3/2012

CPET 581 E-Commerce & Business
Technology, Paul I. Lin

2

The Moral Dimensions of an Internet Society

- Figure 8.1, Page 500



4/3/2012

CPET 581 E-Commerce & Business
Technology, Paul I. Lin

3

Basic Ethical Concepts

- **Ethics**
 - Study of principles used to determine right and wrong courses of action
- **Responsibility**
- **Accountability**
- **Liability**
 - Laws permitting individuals to recover damages
- **Due process**
 - Laws are known, understood
 - Ability to appeal to higher authorities to ensure laws applied correctly

4/3/2012

CPET 581 E-Commerce & Business
Technology, Paul I. Lin

4

Privacy and Information Right

■ Privacy

- Moral right of individuals to be left alone, free from surveillance, or interference from other individuals or organizations

■ Information privacy

- Subset of privacy, Includes:
 - The claim that certain information should not be collected at all
 - The claim of individuals to control the use of whatever information is collected about them

4/3/2012

CPET 581 E-Commerce & Business
Technology, Paul I. Lin

5

Privacy and Information Right

- Major **ethical issue** related to E-commerce and privacy
 - Under what conditions should we invade the privacy of others?
- Major **social issue**
 - Development of “expectations of privacy” and privacy norms
- Major **political issue**
 - Development of statutes that govern relations between record keepers and individuals

4/3/2012

CPET 581 E-Commerce & Business
Technology, Paul I. Lin

6

Information Collected at E-Commerce Sites

- Data collected
 - Personal Identifiable Information (PII)
 - Anonymous information
- Types of Data Collected
 - Name, address, phone, e-mail, SS#
 - Bank, Credit accounts, gender, age, occupation, education
 - Preference data, transaction data, clickstream data, browser type

4/3/2012

CPET 581 E-Commerce & Business
Technology, Paul I. Lin

7

The Internet and Government Invasions of Privacy

- Various laws strengthen ability of law enforcement agencies to monitor Internet users without knowledge and sometimes without judicial oversight
- CALEA (Communications Assistance for Law Enforcement), <http://transition.fcc.gov/calea/>, Feb. 21, 2007
- USA PATRIOT Act, H.R.3162, 2001, <http://thomas.loc.gov/cgi-bin/bdquery/z?d107:H.R.3162:>
- Cyber Security Enhancement Act, H.R.2096, 2011, <http://thomas.loc.gov/cgi-bin/bdquery/z?d112:h.r.2096:>
- Homeland Security Act, 2002, http://www.dhs.gov/xabout/laws/law_regulation_rule_0011.shtm

4/3/2012

CPET 581 E-Commerce & Business
Technology, Paul I. Lin

8

Legal Protections

- In United States, privacy rights explicitly granted or derived from:
 - Constitution
 - First Amendment—freedom of speech and association
 - Fourth Amendment—unreasonable search and seizure
 - Fourteenth Amendment—due process
 - Specific statutes and regulations (federal and state)
 - Common law

Copyright © 2012 Pearson Education, Inc.

Slide 8-9

Informed Consent

- U.S. firms can gather and redistribute transaction information without individual's informed consent
 - Illegal in Europe
- Informed consent:
 - Opt-In
 - Opt-out
 - Many U.S. e-commerce firms merely publish information practices as part of privacy policy without providing for any form of informed consent

Copyright © 2012 Pearson Education, Inc.

Slide 8-10

The Federal Trade Commission's Evolving Privacy Approach

- Fair Information Practice principles (1998)
 - Notice, Awareness, Choice, Access
 - Security, Enforcement
 - Restricted collection
- New privacy framework (2010)
 - Privacy by design
 - Simplified choice
 - Greater transparency

Copyright © 2012 Pearson Education, Inc.

Slide 8-11

The European Data Protection Directive

- Privacy protection much stronger in Europe than United States
- European approach:
 - Comprehensive and regulatory in nature
- European Commission's Directive on Data Protection (1998):
 - Standardizes and broadens privacy protection in European Union countries
- Department of Commerce safe harbor program:
 - For U.S. firms that wish to comply with directive

Copyright © 2012 Pearson Education, Inc.

Slide 8-12

Private Industry Self-Regulation

- Safe harbor programs:
 - Private policy mechanism to meet objectives of government regulations without government involvement
 - e.g., Privacy seal programs
- Industry associations include:
 - Online Privacy Alliance (OPA)
 - Network Advertising Initiative (NAI)
 - CLEAR Ad Notice Technical Specifications
- Privacy advocacy groups
- Emerging privacy protection business

4/3/2012

CPET 581 E-Commerce & Business
Technology, Paul I. Lin

13

Table 8.9 Technological Protections for Online Privacy

- Spyware blockers
- Pop-up blockers
- Secure e-mail
- Anonymous remailers, surfing
- Cookie managers
- Disk/file erasing programs
- Policy generators
- Privacy Policy Reader/P3P
- Public key encryption

4/3/2012

CPET 581 E-Commerce & Business
Technology, Paul I. Lin

14

Intellectual Property Rights

- **Intellectual property:**
 - Encompasses all tangible and intangible products of human mind
- **Major ethical issue:**
 - How should we treat property that belongs to others?
- **Major social issue:**
 - Is there continued value in protecting intellectual property in the Internet age?
- **Major political issue:**
 - How can Internet and e-commerce be regulated or governed to protect intellectual property?

Intellectual Property Protection

- **Three main types of protection:**
 - Copyright
 - Patent
 - Trademark law
- **Goal of intellectual property law:**
 - Balance two competing interests—public and private
- **Maintaining this balance of interests is always challenged by the invention of new technologies**

Copyright

- Copyright Laws
 - Protects original forms of expression (but not ideas) from being copied by others for a period of time:
 - Writing, Art, Drawing, Photographs, Music, Motion Pictures, and Computer Programs

Copyright

- “Look and feel” copyright infringement lawsuits
 - 1988, Apple Computer sued Microsoft and HP for infringing Apple’s copyright on the Macintosh interface
- Fair use doctrine
- Digital Millennium Copyright Act (DMCA), 1998
 - First major effort to adjust copyright laws to Internet age
 - Implements WIPO (World Intellectual Property Organization) treaty that makes it illegal to make, distribute, or use devices that circumvent technology-based protections of copyrighted materials

Patents

- Grant owner 20-year monopoly on ideas behind an invention
 - Machines
 - Man-made products
 - Compositions of matter
 - Processing methods
- Invention must be new, non-obvious, novel
- Encourages inventors
- Promotes dissemination of new techniques through licensing
- Stifles competition by raising barriers to entry

Copyright © 2012 Pearson Education, Inc.

Slide 8-19

E-commerce Patents

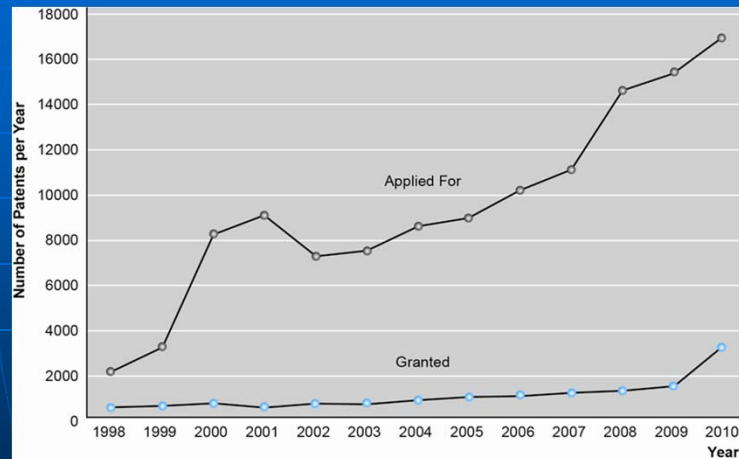
- 1998 State Street Bank & Trust vs. Signature Financial Group
 - Business method patents
- Most European patent laws do not recognize business methods unless based on technology
- Patent reform
 - Patent trolls
 - 2011 America Invents Acts

Copyright © 2012 Pearson Education, Inc.

Slide 8-20

Internet and E-commerce Business Method Patents

Figure 8.2,
Page 538



Copyright © 2012 Pearson
Education, Inc.

SOURCE: Based on data from United States Patent and Trademark
Office, 2010.

Trademarks

- Identify, distinguish goods, and indicate their source
- Purpose
 - Ensure consumer gets what is paid for/expected to receive
 - Protect owner against piracy and misappropriation
- Infringement
 - Market confusion
 - Bad faith
- Dilution
 - Behavior that weakens connection between trademark and product

Copyright © 2012 Pearson
Education, Inc.

Slide 8-22

Trademarks and the Internet

- Cybersquatting (Domain name registration related)
 - Anticybersquatting Consumer Protection Act (ACPA)
- Cyberpiracy (Domain name registration related)
 - Typosquatting
- Metatagging
- Keywording
- Deep linking
- Framing

Copyright © 2012 Pearson Education, Inc.

Slide 8-23

U.S. Patent & Trademark Office

- United States Patent and Trademark Office,
<http://www.uspto.gov/web/offices/ac/ahrpa/opa/museum/1intell.htm>
 - What is Intellectual Property?
 - Four ways to protect different types of IP
 - Patents (up to 20 years in three broad categories)
 - Utility patents
 - Design patents
 - Plant patents
 - Trademarks
 - Copyrights
 - Trade Secrets

Copyright © 2012 Pearson Education, Inc.

Slide 8-24

U.S. Patent & Trademark Office

- E-Learning Intellectual Property Modules (Adobe Flash Player 8 or 9),
<http://www.uspto.gov/ip/training/elearn.jsp>
 - Patent Protection
 - Copyright: Encouraging and Protecting Creativity
 - Overview of Trademarks
 - Geographical Indications
 - International Standards for the Enforcement of IPR
 - Trade and Intellectual Property Rights
 - Introduction to Patent Cooperation Treaty (PCT)

Copyright © 2012 Pearson Education, Inc.

Slide 8-25

Articles, References, Patent Disputes & Legal Actions

- **Could Morse Have Patented the Web, page A15, by Gordon Crovitz, 3/26/2011, WSJ,**
http://online.wsj.com/article/SB10001424052702304636404577299490111350630.html?mod=ITP_opinion_0
- **Amazon One-click purchase patent**
 - Europe Rejects One-click-to-buy Amazon Patent Applications, July 7, 2011,
http://www.pcworld.com/article/235190/europe_rejects_oneclicktobuy_amazon_patent_application.html
 - Controversy, http://oreilly.com/news/patent_archive.html
- **Google Search technology: PageRank patent,**
<http://en.wikipedia.org/wiki/PageRank>

Copyright © 2012 Pearson Education, Inc.

Slide 8-26

Articles, References, Patent Disputes & Legal Actions

- **Microsoft Slams Google on Patents, by Shira Ovide and Ian Sherr, WSJ, 2012/2/23,**
<http://online.wsj.com/article/SB10001424052970203960804577239002264366554.html?KEYWORDS=IP+lawsuits>
- **TiVo, Microsoft Dismiss Patent Suits Against Each Other,**
<http://online.wsj.com/article/SB10001424052702304636404577297391967499060.html?KEYWORDS=Patent+dispute>
- **Apple Sued by Firm in Patent Deal with Microsoft, by John Letzing,**
<http://online.wsj.com/article/SB10001424052970203370604577263770072976042.html?KEYWORDS=patent+infringe>

Copyright © 2012 Pearson Education, Inc.

Slide 8-27

Articles, References, Patent Disputes & Legal Actions

- **Yahoo v. Facebook: A Breakdown, by Roger Parloff, WSJ, 2012/3/13,**
<http://blogs.wsj.com/law/2012/03/13/yahoo-v-facebook-a-breakdown/?KEYWORDS=patent+infringe> (10 yahoo patents)
 - News Feed
 - Advertising
 - Click fraud
 - Privacy controls
 - Social networking
 - Messaging

Copyright © 2012 Pearson Education, Inc.

Slide 8-28

Governance

- Primary questions
 - Who will control Internet and e-commerce?
 - What elements will be controlled and how?
- Stages of governance and e-commerce
 - Government Control Period (1970–1994)
 - Privatization (1995–1998)
 - Self-Regulation (1995–present)
 - Government Regulation (1998–present)

Copyright © 2012 Pearson Education, Inc.

Slide 8-29

Who Governs E-commerce and the Internet?

- Mixed mode environment
 - Self-regulation, through variety of Internet policy and technical bodies, co-exists with limited government regulation
- ICANN : Domain Name System
- Internet could be easily controlled, monitored, and regulated from a central location

Copyright © 2012 Pearson Education, Inc.

Slide 8-30

Public Government & Law: Taxation

- E-commerce taxation illustrates complexity of governance and jurisdiction issues
- U.S. sales taxed by states and local government
- Mail-Order Telephone Order retailing
- E-commerce benefits from tax “subsidy”
- October 2007: Congress extends tax moratorium for an additional seven years
- Unlikely that comprehensive, integrated rational approach to taxation issue will be determined for some time to come

Copyright © 2012 Pearson Education, Inc.

Slide 8-31

Public Government & Law: Net Neutrality

- Neutrality: All Internet traffic treated equally—all activities charged the same rate, no preferential assignment of bandwidth
- Backbone providers vs. content providers
- December 2010 FCC approved “compromise” net neutrality rules
- Telecom providers adopting compromise position between wired and mobile wireless access

Copyright © 2012 Pearson Education, Inc.

Slide 8-32

Public Safety and Welfare

- Protection of children and strong sentiments against pornography
 - Passing legislation that will survive court challenges has proved difficult
- Efforts to control gambling and restrict sales of drugs and cigarettes
 - Currently, mostly regulated by state law
 - Unlawful Internet Gambling Enforcement Act

Summary