

# E-commerce 2014

business. technology. society.

*tenth edition*

**Kenneth C. Laudon**

**Carol Guercio Traver**



# Chapter 8

## Ethical, Social, and Political Issues in E- commerce

e Commerce Course :

Parts of Chapters

1.1 & 1.2,

5.1

8.1, 8.2 & 8.3

10.1

Complete Chapters

2, 3, 4, 6, 7 and 9



# Understanding Ethical, Social, and Political Issues in E-commerce

- **Internet, like other technologies, can:**
  - ❖ Enable new crimes
  - ❖ Affect environment
  - ❖ Threaten social values
- **Costs and benefits must be carefully considered, especially when there are no clear-cut legal or cultural guidelines**



# A Model for Organizing the Issues

- Issues raised by Internet and e-commerce can be viewed at individual, social, and political levels
- Four major categories of issues:
  1. Information rights
  2. Property rights
  3. Governance
  4. Public safety and welfare



# The Moral Dimensions of an Internet Society

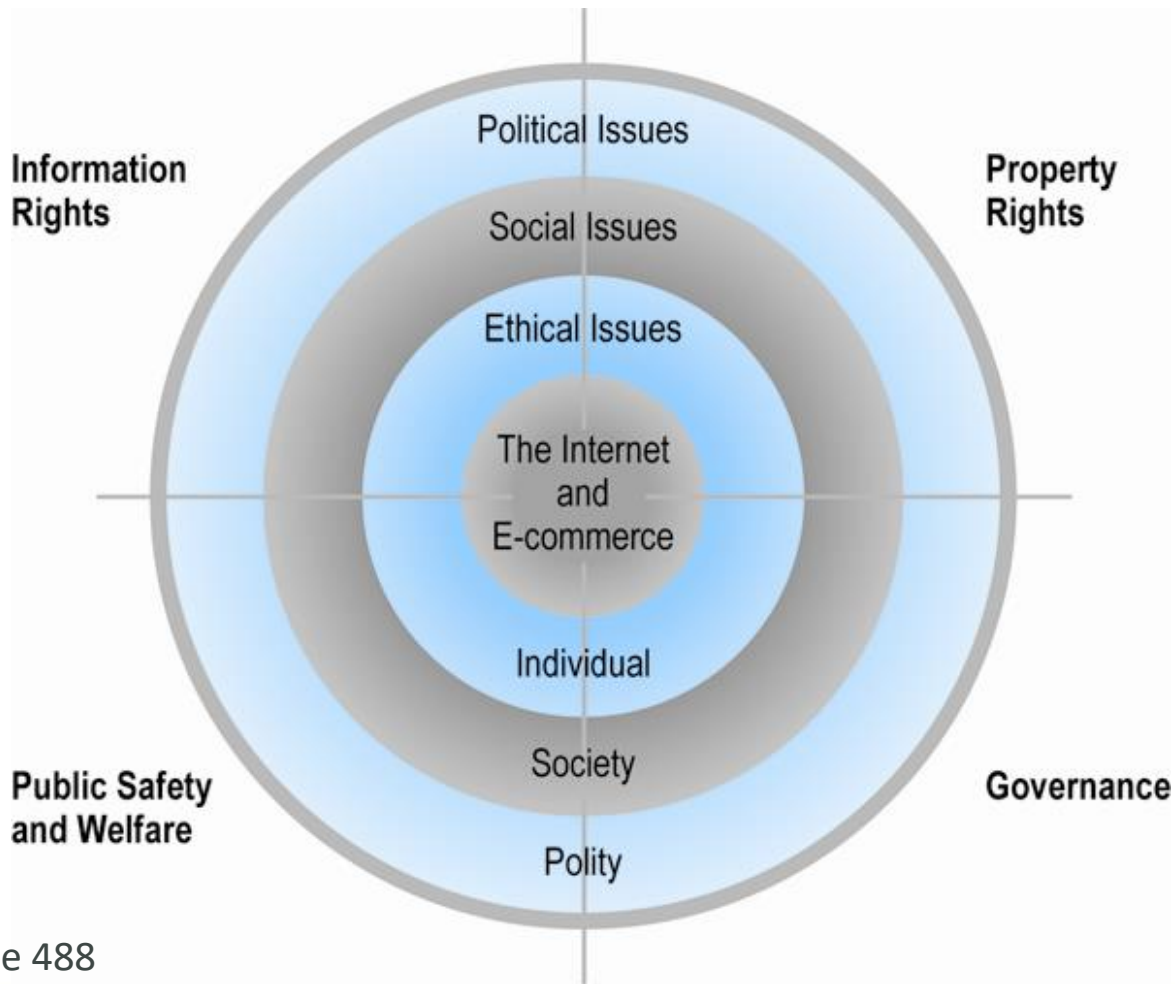


Figure 8.1, Page 488





# Basic Ethical Concepts

## ■ Ethics

- ❖ Study of principles used to determine right and wrong courses of action

## ■ Responsibility = Authority

## ■ Accountability

## ■ Liability

- ❖ Laws permitting individuals to recover damages

## ■ Due process and Code of Conduct

- ❖ Laws are known, understood
- ❖ Ability to appeal to higher authorities to ensure laws applied correctly.



# Analyzing Ethical Dilemmas

- **Process for analyzing ethical dilemmas:**
  1. Identify and clearly describe the facts
  2. Define the conflict or dilemma and identify the higher-order values involved
  3. Identify the stakeholders
  4. Identify the options that you can reasonably take
  5. Identify the potential consequences of your options



# Candidate Ethical Principles

- **Golden Rule**
- **Universalism** – right for all
- **Slippery Slope** - repetition
- **Collective Utilitarian Principle** – greater value for society
- **Risk Aversion** – least harm
- **No Free Lunch**
- **The *New York Times* Test**
- **The Social Contract Rule** – will be principle for entire society





# Privacy and Information Rights

## ■ Privacy

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

## ■ Information privacy “Opt-in & Opt-out”

- ❖ The “right to be forgotten”
- ❖ Claims:
  - Certain information should not be collected at all
  - Individuals should control the use of whatever information is collected about them
- ❖ Behavioral tracking on the Internet, social sites, and mobile devices



# Privacy and Information Rights (cont.)

## ■ 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



# Information Collected at E-commerce Sites

## ■ Data collected includes

- ❖ Personally Identifiable Information (**PII**)
- ❖ Anonymous information

## ■ Types of data collected

- ❖ Name, address, phone, e-mail, social security
- ❖ Bank and credit accounts, gender, age, occupation, education
- ❖ Preference data, transaction data, clickstream data, browser type



# Social Networks and Privacy

## ■ Social networks

- ❖ Encourage sharing personal details
- ❖ Pose unique challenge to maintaining privacy

## ■ Facebook's **facial recognition** technology and tagging

## ■ Personal control over personal information vs. organization's desire to monetize social network



# Mobile and Location-Based Privacy Issues

## ■ Smartphone apps

- ❖ Funnel personal information to mobile advertisers for targeting ads
- ❖ Track and store user locations

## ■ 42% of users say privacy a concern

## ■ Mobile Device Privacy Act

- ❖ Not yet passed
- ❖ Requires informing consumers about data collection



# Profiling and Behavioral Targeting

## ■ Profiling

- ❖ Creation of digital images that characterize online individual and group behavior
- ❖ Anonymous profiles
- ❖ Personal profiles

## ■ Advertising networks

- ❖ Track consumer and browsing behavior on Web
- ❖ Dynamically adjust what user sees on screen
- ❖ Build and refresh profiles of consumers

## ■ Google's AdWords program





# Profiling and Behavioral Targeting (cont.)

- **Deep packet inspection** – recording key stroke at ISP level
- **Business perspective:**
  - ❖ Increases effectiveness of advertising, subsidizing free content
  - ❖ Enables sensing of demand for new products and services
- **Critics' perspective:**
  - ❖ Undermines expectation of anonymity and privacy
  - ❖ Consumers show significant opposition to unregulated collection of personal information



# 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, USA PATRIOT Act, Cyber Security Enhancement Act, Homeland Security Act
- **Government agencies are largest users of private sector commercial data brokers**
- **Retention by ISPs and search engines of user data**



# 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



# 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 or use opt-in as default



# The Federal Trade Commission (FTC's) Fair Information Practices

## ■ Guidelines (not laws)

- ❖ Used to base assessments and make recommendations
- ❖ Sometimes used as basis for law (COPPA)

## ■ Fair Information Practice principles

- ❖ Notice
- ❖ Choice
- ❖ Access
- ❖ Security
- ❖ Enforcement
- ❖ Restricted collection



# The FTC's Fair Information Practices (Cont.)

## ■ New privacy framework (2010)

- ❖ Scope
- ❖ Privacy by design
- ❖ Simplified choice
- ❖ Greater transparency

## ■ 2012 Report: Industry best practices

- ❖ Do not track
- ❖ Mobile privacy
- ❖ Data brokers
- ❖ Large platform providers
- ❖ Development of self-regulatory codes







# Private Industry Self-Regulation

## ■ Safe harbor programs:

- ❖ Private policy mechanism to meet objectives of government regulations without government involvement
- ❖ Privacy seal programs (TRUSTe)

## ■ Industry associations include:

- ❖ Online Privacy Alliance (OPA)
- ❖ Network Advertising Initiative (NAI)
  - CLEAR Ad Notice Technical Specifications

## ■ Privacy advocacy groups

## ■ Emerging privacy protection business

- ❖ Reputation.com, Avira Social Network Protection, and so on



# Technological Solutions

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



# Intellectual Property Rights

## ■ Intellectual property:

- ❖ 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

- **Protects original forms of expression (but not ideas) from being copied by others for a period of time**
- **“Look and feel” copyright infringement lawsuits**
- **Fair use doctrine**
- **Digital Millennium Copyright Act, 1998**
  - ❖ First major effort to adjust copyright laws to Internet age
  - ❖ Implements WIPO treaty that makes it illegal to make, distribute, or use devices that circumvent technology-based protections of copyrighted materials
  - ❖ Safe-harbor provisions





# 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**



# 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**
- **E-commerce patents**
  - ❖ Amazon: One-click purchasing
  - ❖ Akamai: Internet content delivery global hosting system
  - ❖ Google: Search technology, location technology



# 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



# Trademarks and the Internet

## ■ Cybersquatting and brand-jacking

- ❖ Anticybersquatting Consumer Protection Act (ACPA)

## ■ Cyberpiracy

- ❖ Typosquatting

## ■ Metatagging

## ■ Keywording

## ■ Linking and deep linking

## ■ Framing