

## ETHICAL AND LEGAL ISSUES IN E-COMMERCE

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### ABSTRACT

Electronic commerce (e-Commerce) is so new that legal, ethical, and other public policy issues that are necessary for e-commerce's existence are still evolving. Yet, such issues are extremely important to the success of e-commerce as they encompass one of the major pillars that support e-commerce applications. As a matter of fact, most of the surveys that attempt to find the inhibitors of e-commerce consistently place legal and related public policy issues at the top of the list. A number of studies have examined the ethical behavior of the businesses and opinions of students toward various ethical issues. Very little is known about perceptions of the ethical behavior of businesses. This study explores the complex question that covers more than one domain of thought. Do ethical issues include a biological, sociological, cultural, political, psychological, religious, historical, or some other dimensions? Students were asked to answer a set of questions within each of these domains. The results from the study of 150 business students indicate that educated users are perceived to be more ethical than others on many issues, ranging from privacy to fraud on the Internet. Cultural and psychological factors were perceived negatively in the areas of copyright and authentication. The finding of this study can help e-business companies in their efforts to display their public policy and guidelines to fill the gap between the legal system and the existing one since the problem now is that ethics are subjective and their implementation depends on the circumstances.

### INTRODUCTION

The "dotcom" companies of the information age assets consists largely of new ideas, processes, trade symbols, software and goodwill built up by satisfying consumer demands. These assets are intellectual property and must be protected. Ironically, the digital age and the Internet, which made possible these new innovative companies, also make it extremely easy to misappropriate intellectual property.

For this reason, international agreements that establish clear and effective copyright, patent and trademark protection are necessary to protect against

privacy and fraud. While technical means of protection, such as encryption, can help combat piracy, an adequate and effective legal framework also is necessary to prevent privacy and fraud and to provide effective legal recourse when these crimes do occur.

### LITERATURE IN REVIEW: LEGAL AND ETHICAL ISSUES

The implementation of e-commerce involves many legal issues. These legal issues can be classified in several ways, including topics such as validity of contracts, jurisdiction over trades, encryption policies, and Internet gambling. While on the other hand, ethical issues deal with what is considered to be right and wrong. Over the years, philosophers have proposed many ethical guidelines, yet what is unethical is not necessarily illegal. Thus, in many instances, an individual faced with an ethical decision is not considering whether or not to break the law. In today's complex environment, the definitions of right and wrong are not always clear.

In theory, one can distinguish between legal issues and ethical issues. If you do something that is not legal, you are breaking the law, but if you do something unethical, you may not be breaking the law. Obviously, many illegal acts are unethical as well. The problem is that, in information technology, it is not always clear what is illegal, and ethical issues may be debatable.

A number of studies have examined the importance of ethical behavior by businesses and the perceptions of college students toward various business-related issues (e.g. Herndon, 1996, Malinowski and Berger, 1996; Lane 1995). Fewer studies have compared the ethical judgments of people with respect to issues such as psychological, cultural, political and the privacy, copyright, or fraud on the Internet doing e-commerce.

According to the Georgia Tech 1997 and 1998 surveys ([www.gvu.gatech.edu/user\\_surveys](http://www.gvu.gatech.edu/user_surveys)), the most important issues facing the Internet were (in declining order of importance) censorship, privacy, navigation, taxation, and encryption.

Many companies and professional organizations develop their own codes of ethics, a collection of principles intended as a guide for its members (Oz 1994). A discussion of the code is in the Association for

Computing Machinery (ACM), (Anderson et al., 1993). The diversity of e-commerce applications and the increase of technology have created new ethical issues. An attempt to organize these ethical issues into framework was undertaken by (Mason, 1996) and (Mason et al., 1995). Legal and ethical issues are important for the success of e-commerce. Two organizations that are active in this area are the Organization for Economic Cooperation and Development ([www.oecd.org](http://www.oecd.org)) and CommerceNet ([www.commerce.net](http://www.commerce.net)).

Privacy has long been a legal and social issue in the United States and many other countries. With the widespread use of the Internet and e-commerce, the issue of privacy becomes more critical. A special organization called the Electronic Privacy Information Center ([www.epic.org](http://www.epic.org)) is trying to protect privacy. Also a comprehensive coverage can be found in Cavoukian and Tapscott (1997); Schneier and Banisar (1997); and Wang, Lee, and Wang (1998).

#### **Research questions:**

1. What are the factors impacting the ethical and legal issues on using the Internet and e-commerce?
2. Do significant differences exist between the ethical issues for the individual factors?

#### **Data Collection:**

The 150 respondents in the sample were college business students. Twenty four percent were juniors, and 76 percent were seniors. Forty-three percent were female and nearly 90 percent of the sample was employed ( part-time or full-time).

## **REFERENCES**

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The students were asked to respond to a series of questions that explored their perceptions of various ethical issues about using e-commerce. List of the questionnaires is attached.

## **RESULTS**

Students were first asked if they used the Internet to purchase or sell any product. About (97 percent) of the respondents use the Internet to buy at least one product, and 28 percent used the Internet to sell at least one product of their own. Half of the respondents were females (49%) which shows that both genders were almost equally represented. The mean age of the respondents was 28; the youngest being 24 and the oldest is 36.

For most of the items, students felt that educated users are perceived to be more ethical on the issues of privacy and fraud on the Internet. On the other issues, students were much more likely to perceive cultural and psychological factors to effect users favoritism to use the Internet and e-commerce. For example, it was believed that based on your cultural background you feel comfortable or uncomfortable when you see the copyright symbol or asked to supply more information about you for authentication. Students believe that if you are not educated about the copyrights and authentication, then you tend not to use the Internet because you are worried about the legality and the ethical issues involved.

### Survey on Legal and Ethical Issues on the Internet and e-Commerce

From your own perceptive using the Internet and e-Commerce. Please rate each question by circling one of the numbers in the scale provided. The numbers in the scale mean:

1= Privacy (The right to be left alone)

2= Copyright (To protect the intellectual property)

3= Fraud (Crimes over the Internet)

4= Authentication (To verify the buyer's identity for authorization)

5= Internet gambling (Gambling using the Internet)

6= Taxation (Cities and States taxes)

7= Freedom of speech (First amendment of the bill of rights)

\_\_\_ 1. Internet educated people believe that the most legal and ethical issue in using e-commerce is

\_\_\_ 2. People with different cultural background believe that the most legal and ethical issue in using e-commerce is

\_\_\_ 3. People with different political background believe that the most legal and ethical issue in using e-commerce is

\_\_\_ 4. People with strong religious background believe that the most legal and ethical issue in using e-commerce is

\_\_\_ 5. Which issue you think is psychologically important to the e-commerce users?

#### Background Information

Gender: \_\_\_ Male \_\_\_ Female Age: \_\_\_

\_\_\_ Yes \_\_\_ No At least I purchased one item using the Internet.

\_\_\_ Yes \_\_\_ No At least I sold one item using the Internet