

# Social and Organisational Issues in Computing

BSc Information Systems & Management  
BSc Information Systems & Computing

## E-Commerce

Roger Johnson  
[rgj@dcs.bbk.ac.uk](mailto:rgj@dcs.bbk.ac.uk), room 106, 020 7631 6709

Giovanna Di Marzo Serugendo  
[dimarzo@dcs.bbk.ac.uk](mailto:dimarzo@dcs.bbk.ac.uk), room B37C, 020 7079 0748

## Overview

### E-Commerce

- Web Auctions
- Buying-Selling
- Advertising

### EU Electronic Commerce Directive

- Authorisation
- Electronic Contracts
- Marketing Rules

### International Context

### Data Protection

### Taxation

# E-Commerce

## Definition

- Distribution of products and services, buying/selling, marketing
  - ♦ of products or services
  - ♦ over electronic systems (Internet / Computer networks / WWW)
- Doing business electronically (e-business)

## Technology

- Internet, extranets, e-mail, databases, and mobile phones.

## Business

- Electronic funds transfer
- Supply chain management
- e-marketing / online marketing
- Web shopping
- Online transaction processing
- Electronic data interchange (EDI)

# E-Commerce

## B2B

- Business to business

## B2C

- Business to consumer

## E-Government

- Government to business (and opposite)
- Government to consumer (and opposite)
- Tax / Benefits / Citizen services

# E-Commerce

## Web Auctions

- General Consumer Auctions
  - ◆ eBay ([www.ebay.com](http://www.ebay.com))
    - English Auction
      - Successive **higher** bids are **publicly** announced by bidders
      - Final price: higher bid
      - Successful customer: higher bidder
    - Seller pays eBay: listing fee + percentage of selling price
  - Speciality consumer auctions
    - ◆ Computers / Collectors / ...
- B2B auctions
  - ◆ Liquidation broker, excess inventory

# E-Commerce

## Buying/Selling

- Web catalogue
  - ◆ Similar to the distance selling with print catalogue (mail order business)
  - ◆ Customers can place orders through the Web
    - Argos ([www.argos.co.uk](http://www.argos.co.uk)) / Amazon ([www.amazon.com](http://www.amazon.com))
    - Dell: clients specifies his computer
    - Travel agencies ([www.ebookers.com](http://www.ebookers.com))
    - Airline companies
- Web "window"
  - ◆ Display information only
    - Luxury goods ([www.bulgari.com](http://www.bulgari.com)), Evian ([www.evian.com](http://www.evian.com))

# E-Commerce

## Payment Systems

- Payment cards
  - ◆ Debit / Credit cards
  - ◆ Trusted third party:
    - MasterCard / Visa
    - Bank
- Electronic Cash
- Payment Services
  - ◆ PayPal ([www.paypal.com](http://www.paypal.com))
    - Used by eBay

# E-Commerce

## Advertising

- Web catalogue
- E-mails
  - ◆ If unsolicited: Spam
- Advertisements / Banners
  - ◆ On third party Web site

# E-Commerce: Actors

## Information Society Service

- Service provided for remuneration by the means of electronic equipment
  - Email advertisements / Web sites advertisements
  - Network access / Hosting activities

## Service Provider

- Any person who provides an information society service
  - Obligations towards clients

## Service Recipient

- Any person (individual or body) who uses an information society service for professional ends
  - Rights

## Consumer

- Natural person who uses an information society service for purposes other than trade, business or profession
  - Rights

# Laws Initiatives

EU Electronic Commerce Directive, 2002

Distance Selling Directive, 1997

Electronic Signature Directive

Electronic Money Institutions Directive

International Contracts Disputes

VAT on products delivered electronically

## EU laws

### EU establishes directives

- Directives are instruction to member states to introduce legislation
- Members states have 2 years to produce a corresponding national law

EU law has precedence on national law

## EU Electronic Commerce Directive

### EU E-Commerce directive

- Ensures that service providers benefit from Internal Market free movement of services and freedom of establishment
  - ◆ Services can be provided throughout EU if
    - Comply with national laws in own member states
- Establishes rules for
  - ◆ Transparency obligations for service providers
  - ◆ Conclusion and validity of electronic contracts
  - ◆ On-line disputes and settlement
- Members states must ensure their legal system allows conclusion of electronic contracts

## Laws Background

Need for legal and institutional framework at EU level to support new e-Commerce technologies

- Common framework for trust and confidence
- Favouring cross-border trade
  - ◆ National e-Commerce laws vs EU level laws

## Authorisations

No prior authorisation requirements

- For service provider starting online activity business
- Reason: avoid conflicting national EU rules
  - ◆ No EU member state can impose a requirement about setting up an e-Commerce activity
- Requirements
  - ◆ The business per se needs to have proper national authorisation
    - E.g. Selling alcohol requires an authorisation
      - but no additional authorisation is needed to sale through the Internet

# Information for Clients

Electronic Commerce Directive, 2002

Service providers have the **obligation** to provide the following information to their clients

- Trust and confidence in identity
  - ◆ Name
  - ◆ Geographic address
  - ◆ Contact details
  - ◆ Trade Register / Registration number
  - ◆ Supervisory authority (if authorisation is needed)
  - ◆ Professional body to which the service provider is registered
  - ◆ VAT registration number
- Prices
  - ◆ Clear and unambiguous
  - ◆ Must specify VAT and delivery costs details

# Electronic Contracts

European Distance Selling Directive, 1997

- Incorporated into UK law
  - ◆ Consumer Protection (Distance Selling) Regulations, 2000

Information to provide **before** contract is made:

- Identity and address of supplier
- Description of goods and services
- Price of goods and services (including all taxes)
- Delivery costs
- Arrangement for payment, delivery and performance
- Existence of a right of cancellation
- Costs of using the means of distance communication
- Period of which offer is valid
- Minimum duration of contract (permanent, recurrent)
- Geographical address of supplier
- Information about after-sales services

To be made available "in writing or in another **durable medium** which is available and accessible to the consumer" (e.g. printable email)

# Forming Electronic Contracts

## Elements

- **Offer** (expression of willingness to enter into a contract under certain terms)
- **Acceptance** (of the terms of the offer)
- **Consideration** (goods and payment)
- **Intention** to create legally-binding relations

# Forming Electronic Contract

## Additional information to display

- **Technical steps** to form contracts
  - ◆ Make the consumer aware of when he becomes bound by the contract
    - "Click to confirm order"
    - "Click to confirm payment"
- Identifying and correcting **errors**
- **Languages** for conclusion of contract
- Orders must be **acknowledged** also by electronic means
  - ◆ service recipient must be able to store and reproduce acknowledgement (e.g. email)

# Forming Electronic Contracts

## General Rule

- Contract is formed when offer is accepted!

## Consequence

- Displaying products and prices on the Web equals to an offer
- If customer accepts offer (fulfils an order) than a legally-binding obligation from the supplier is created

## Problem

- Supplier is involved in contracts without actually accepting them
- E.g. customer makes order for goods with a wrong price on Web site, then supplier must deliver the goods at that price

## Solution

- Web site should **not provide offers**
- Web site should **invite** customer to purchase at displayed price, but allow the supplier to accept or reject the offer when it sees it.
- Web site states that no contract is formed unless the supplier has notified the client that it accepts the order

# Client's Rights of Cancellations

## Distance Selling Directive

- Performance Requirement
  - ◆ Supplier must provide goods within 30 days following placement of order
- Cancellation Period: **time limit** allowing client to **cancel** distance contract for goods and services
  - ◆ If all information is displayed prior contract:
    - Ends 7 working days after the consumer has received the goods (or concluded contract for services)
  - ◆ If all information is displayed/provided within 3 months of contract
    - Ends 7 working days after the consumer has received the information
  - ◆ None of the above
    - Ends 3 months + 7 working days after consumer receives the goods (or concluded contract for services)

# Marketing Rules

Electronic Commerce Directive  
UK Electronic Commerce Regulations

## Service provider duties

- Commercial communication is clearly identified as such
- Person on whose behalf commercial communication is made is clearly identified
- Promotional offers and conditions are clearly identified

# Marketing Rules

## Spam

- Unsolicited e-mail advertisement

## E-Mail Advertisement Strategy

- Send e-mails to Web visitors who have expressly requested information
- Obtain customer approval **before** sending any e-mail containing advertisement of promotional message

# Forming Electronic Contracts

Let's have a look at:

- [www.argos.co.uk](http://www.argos.co.uk)
- Contact information
  - ♦ <http://www.argos.co.uk/static/StaticDisplay/includeName/ContactUs.jsp.htm#contact>
  - ♦ Physical address
- Terms and conditions
  - ♦ <http://www.argos.co.uk/static/StaticDisplay/includeName/TermsAndConditions.jsp.htm>
  - ♦ Acceptance of the order by Argos
- Privacy
  - ♦ <http://www.argos.co.uk/static/StaticDisplay/includeName/privacyPolicy.jsp.htm>

# International Context

Jurisdiction

- Which law to apply if:
  - ♦ Service provider is in country A
  - ♦ Service consumer is in country B

Example

- Yahoo!
  - ♦ Ordered by French court to block French users from purchasing an online auction of Nazi-related material
  - ♦ [http://en.wikipedia.org/wiki/LICRA\\_v.\\_Yahoo!](http://en.wikipedia.org/wiki/LICRA_v._Yahoo!)

# International Context

EU Electronic Commerce Directive / UK Electronic Commerce Regulations

## Service Providers

- Home State Regulation / **Country of Origin Principle**
  - ◆ Service providers have to comply with the law of the Member State in which they are established (legally registered)
    - Applies to **requirements** related to information society services / service providers
    - UK enforcement authorities are responsible for ensuring compliance by service providers established in the UK
  - ◆ A given Member State has no responsibility with respect to service providers established in other EU countries
- Obligation towards another country regulations (outside the requirements)
  - ◆ Obligations related to quality of goods, labelling, etc.
  - ◆ Products offers
  - ◆ Transactions

# International Context

Brussels Convention

## Consumer contracts (B2C)

- Context
  - ◆ Consumer in EU country A
  - ◆ Supplier in EU country B
- If contract does not specify jurisdiction
  - ◆ Contract is under law of the country where consumer is based
    - Consumer goes to his own courts to sue supplier
    - Supplier needs to go in consumer's country courts to sue consumer

## Business to business contracts (B2B)

- Contract clearly indicates jurisdiction
- Otherwise, contract is under law of the country where supplier is legally registered

# Data Protection

## EU Data Protection Directive

### Personal customer data

- Can only be collected for specified, explicit and legitimate purposes
- Must be processed in a way compatible with these purposes

### Collecting Data

- Collected and processed by provider only, unless
- Consumer has explicitly given his consent

### Use of Data

- Cannot be transferred to third parties without agreement from consumer
- Security measures must be taken to protect data
- Data must not be kept longer than necessary

# Data Protection

## EU Data Protection Directive

### Access of Data

- Customer must have access to his data
- Customer can refuse certain use/processing of his data
- Customer can refuse his data to be used for direct marketing purposes

### Trans-borders

- Data cannot be transferred to a third country where law is "inadequate"
- US case:
  - ◆ EU commission specifies the conditions under which the level of protection is adequate for transferring data from EU to US
  - ◆ If US business agrees to these principles then it can collect data

# Taxation

## Direct Tax

- Due only in country where business is legally registered

## Indirect Tax

- VAT
  - ◆ Digitally delivered products (software, music, books, ...) are considered as services
  - ◆ Payment of VAT depends on:
    - Where, what, to whom goods and services are sold

# References

J. Newton: *Doing Business Electronically*. Ch. 10 in *A Manager's Guide to IT Law*. J. Holt, J. Newton (Eds), pp. 112-124, BCS. 2004.

E-Commerce Module. SCSIS. BSc in ISM. Birkbeck College.

C. Schulze: "Don't Panic! Do E-Commerce". European Commission's Electronic Commerce Team (Information Society Directorate General). 2001.  
<http://www.internetpolicy.net/e-commerce/dontpanic.pdf>