

Chapter 17

Legal, Ethical, and Societal Impacts of EC

True-False Questions

1. The 1997 No Electronic Theft Act increased penalties for thieves who use stolen credit card numbers to buy things on the Internet.

Answer: F

Reference: MP3.com, Napster, and Intellectual Property Rights

2. What is unethical is not necessarily illegal.

Answer: T

Reference: Legal Issues Versus Ethical Issues

3. Ethics is the branch of philosophy that deals with what is considered to be right and wrong.

Answer: T

Reference: Legal Issues Versus Ethical Issues

4. The right to be left alone and the right to be free of unreasonable personal intrusion are included in the concept of privacy.

Answer: T

Reference: Privacy

5. Court rulings have established that the right to privacy is absolute.

Answer: F

Reference: Privacy

6. Court rulings have established that the public's right to know is superior to the individual's right of privacy.

Answer: T

Reference: Privacy

7. In the past, the difficulty of collecting, sorting, filing, and accessing information manually from many sources provided a level of privacy to individuals which computers and the Internet have eliminated.

Answer: T

Reference: Privacy

8. Courts have ruled that cookies violate privacy rights.

Answer: F

Reference: Cookies

9. Passport is a Microsoft component that improves personal privacy by blocking cookies.

Answer: F

Reference: Cookies

10. Under opt-in clauses, consumers give permission for the use of personal data by completing certain steps.

Answer: T

Reference: Protection of Privacy

11. Opt-out clauses require computer users to take specific steps to prevent data collection.

Answer: T

Reference: Protection of Privacy

12. The Federal Internet Privacy Protection Act prohibits the government from disclosing personal records about an individual's medical, financial, or employment history.

Answer: T

Reference: Protection of Privacy

13. Symbols, images, names, and designs used in commerce are all considered intellectual property.

Answer: T

Reference: Intellectual Property Rights

14. A copyright protects the product of human creativity.

Answer: T

Reference: Copyrights

15. Once a copyright is granted, its protections last forever.

Answer: F

Reference: Copyrights

16. Music, literature, and artistic works are all covered by copyright law.

Answer: T

Reference: Copyrights

17. The Nike swoosh emblem is an example of a trademark.

Answer: T

Reference: Trademarks

18. A digital watermark prevents music from being copied from one computer to another.

Answer: F

Reference: Digital Watermarks

19. Symbols used by businesses to identify their products can be protected as trademarks.

Answer: T

Reference: Trademarks

20. Trademarks need to be registered with the government in order to be protected by law.

Answer: T

Reference: Trademarks

21. U.S. patent protection grants exclusive rights on an invention for a period of fifty years beyond the death of the person who receives the patent.

Answer: F

Reference: Patents

22. Patents serve to protect tangible technological inventions rather than intellectual property.

Answer: T

Reference: Patents

23. All programmers who develop new software are eligible to receive protection via patent law no matter where in the world the software is developed.

Answer: F

Reference: Patents

24. Patent protection is available not only for products, but also for the processes used to produce products.

Answer: T

Reference: Patents

25. A copyright is an example of censorship.

Answer: F

Reference: Free Speech Versus Censorship and Other Legal Issues

26. The Children's Online Protection Act required companies to verify a surfer's age before displaying materials harmful to minors.

Answer: T

Reference: Free Speech Versus Censorship and Other Legal Issues

27. The Children's Online Protection Act has been declared unconstitutional.

Answer: T

Reference: Free Speech Versus Censorship and Other Legal Issues

28. A major problem with spam is its unwanted consumption of bandwidth.

Answer: T

Reference: Controlling Spam

29. Studies show that 75% of the e-mail on the Internet today is spam.

Answer: F

Reference: Controlling Spam

30. For a contract to be binding, there must be an offer, an acceptance, and consideration.

Answer: T

Reference: Electronic Contracts

31. Shrink-wrap agreements are binding as soon as the customer opens the shrink wrap on a software package.

Answer: T

Reference: Electronic Contracts

32. The Electronic Signatures in Global and National Commerce Act requires both parties in a contract to fax signed copies among themselves before the contract is binding.

Answer: F

Reference: Electronic Contracts

33. Internet auction fraud accounts for almost fifty percent of the fraud reported on the Internet.

Answer: F

Reference: Fraud on the Internet

34. The Better Business Bureau is a federal agency that can bring charges against companies that violate Internet fraud laws.

Answer: F

Reference: Third-Party Assurance Services

35. Anonymity on the Internet makes it easier for customers to commit fraud.

Answer: T

Reference: Sellers' Protection

36. The digital divide is the gap between those who have access to electronic technology and those who do not.

Answer: T

Reference: The Digital Divide

37. In a virtual community, interaction takes place via the Internet.

Answer: T

Reference: Virtual (Internet) Communities

38. Regardless of the revenue model used by communities, operating expenses are very high.

Answer: T

Reference: Virtual (Internet) Communities

39. By 2002, the estimated number of Internet users worldwide was estimated to be 450 million.

Answer: T

Reference: Nontechnological Success Factors

40. The EC trend of increased costs is a major concern for the future of electronic commerce.

Answer: F

Reference: EC Technology Trends

Multiple Choice Questions

41. The collection, storage, and dissemination of information about individuals is included in the ethical category of:
- a. accuracy.
 - b. privacy.
 - c. accessibility.
 - d. property.

Answer: b**Reference:** Privacy

42. A piece of information that allows a Web site to record one's comings and goings is called:
- a. a browser.
 - b. a cookie.
 - c. a worm.
 - d. a macro virus.

Answer: b**Reference:** Cookies

43. The basic privacy principle that requires that sites give notice of an entity's information practices prior to collection of personal information is called:
- a. integrity/security.
 - b. access/participation.
 - c. choice/consent.
 - d. notice/awareness.

Answer: d**Reference:** Protection of Privacy

44. The basic privacy principle that requires consumers be made aware of their options as to how their personal information may be used as well as secondary uses of the information is:
- a. integrity/security.
 - b. access/participation.
 - c. choice/consent.
 - d. notice/awareness.

Answer: c**Reference:** Protection of Privacy

45. The basic privacy principle that requires consumers have access to personal information and the right to challenge its validity is called:
- a. integrity/security.
 - b. access/participation.
 - c. choice/consent.
 - d. enforcement/redress.

Answer: b**Reference:** Protection of Privacy

46. The basic privacy principle that requires companies assure consumers that their data is secure and accurate is called:
- a. integrity/security.
 - b. access/participation.
 - c. choice/consent.
 - d. enforcement/redress.

Answer: a

Reference: Protection of Privacy

47. There is no deterrent or enforceability for privacy issues without:
- a. integrity/security.
 - b. access/participation.
 - c. choice/consent.
 - d. enforcement/redress.

Answer: d

Reference: Protection of Privacy

48. Literary and artistic works are protected by _____ laws.
- a. personal property
 - b. intellectual property
 - c. real estate
 - d. private property

Answer: b

Reference: Intellectual Property Rights

49. All of the following are examples of intellectual property protections **EXCEPT**:
- a. copyrights.
 - b. patents.
 - c. contracts.
 - d. trademarks.

Answer: c

Reference: Intellectual Property Rights

50. A copyright gives the owner all of the following rights **EXCEPT**:
- a. the right to copy the work.
 - b. the right to print the work as a book.
 - c. the right to publish the work on the Internet.
 - d. the right to privacy.

Answer: d

Reference: Copyrights

51. All of the following are eligible for copyright protection **EXCEPT**:

- a. plays.
- b. music.
- c. spam.
- d. books.

Answer: c

Reference: Copyrights

52. Invisible marks embedded in a document that can be represented by bits in digital content are called:

- a. digital watermarks.
- b. cookies.
- c. viruses.
- d. Java code.

Answer: a

Reference: Copyright Protection Approaches

53. The advantage of using a digital watermark on digitally distributed music is:

- a. digital watermarks stop digital music from being copied from one computer to another.
- b. digital watermarks make it possible to identify who is passing around pirated versions of music downloaded from the Internet.
- c. digital watermarks send notification to the publisher every time a downloaded song is copied to another computer.
- d. digital watermarks shut down the computer of a person trying to send a digitally downloaded song to a non-paying computer.

Answer: b

Reference: Copyright Protection Approaches

54. All of the following are effective approaches to protecting copyrighted material online **EXCEPT**:

- a. using cryptography.
- b. using digital watermarks.
- c. posting a copyright warning on the Web site.
- d. tracking copyright violations and prosecuting thieves.

Answer: c

Reference: Copyright Protection Approaches

55. The Nike swoosh emblem is an example of a:

- a. patent.
- b. copyright.
- c. brand name.
- d. trademark.

Answer: d

Reference: Trademarks

56. The owner of a registered trademark has exclusive right to:
- a. manufacture the protected product for a fixed period of time.
 - b. use the trademark on the goods for which the trademark is registered.
 - c. perform the work covered by the trademark.
 - d. sell the product covered by the trademark.

Answer: b

Reference: Trademarks

57. A document that grants the holder exclusive rights on an invention for a fixed number of years is:
- a. a trademark.
 - b. a patent.
 - c. a copyright.
 - d. a brandmark.

Answer: b

Reference: Patents

58. A government's attempt to control the material broadcasted on the Internet is called:
- a. censorship.
 - b. privacy infringement.
 - c. free speech.
 - d. spamming.

Answer: a

Reference: Free Speech and Censorship on the Internet

59. Indiscriminate distribution of messages without permission of the receiver is called:
- a. junking.
 - b. spamming.
 - c. slamming.
 - d. a Denial of Service attack.

Answer: b

Reference: Controlling Spam

60. A law that required companies to verify a viewer's age before showing online material that is deemed "harmful to minors" and that requires parental consent before personal information can be collected from a minor is the:
- a. Online Pornography Act.
 - b. Internet Censorship Act.
 - c. Children's Online Protection Act.
 - d. The Anti-Cyberbashing Act

Answer: c
Legal

Reference: Free Speech Versus Censorship and Other
Issues

61. All of the following are components of a binding contract **EXCEPT**:

- a. an offer.
- b. an acceptance.
- c. consideration.
- d. signatures.

Answer: d

Reference: Electronic Contracts

62. Hannah buys software at a local office supply store. She gets home and opens the box containing the software and finds that by doing so, she has agreed to the contract enclosed inside. This is an example of:

- a. click-wrap agreement.
- b. non-binding contract.
- c. shrink-wrap agreement.
- d. a Uniform Electronic Transaction.

Answer: c

Reference: Electronic Contracts

63. The Uniform Computer Information Transactions Act established that electronic agents can:

- a. form a contract if the agents' interaction results in operations that confirm the existence of a contract or indicate agreement.
- b. not form a binding contract.
- c. form a binding contract if both parties sign an agreement saying the agents can bind them.
- d. only form a contract when humans are directly controlling their actions.

Answer: a

Reference: Electronic Contracts

64. The National Governors' Association is calling for:

- a. the moratorium to continue online taxation.
- b. the federal government to offset the tax losses of the states.
- c. allowing each state to set its own rate for online transactions, but that each sale be taxed only once.
- d. a federal sales tax be added to the state and local taxes around the country for online purchases.

Answer: c

Reference: Proposed Taxation Solutions in the United States

65. The bill that gives customers the right to withhold payment if there is an error on a credit card charge for an Internet purchase is the:

- a. E-Mail Order Rule.
- b. Fair Credit Billing Act.
- c. New Payment Methods Act.
- d. E-Commerce Protection Act.

Answer: b

Reference: Insight 17.1

66. The bill that requires sellers to deliver ordered goods within a specified time period or face penalties is called the:

- a. E-Mail Order Rule.
- b. Fair Credit Billing Act.
- c. New Payment Methods Act.
- d. E-Commerce Protection Act.

Answer: a

Reference: Insight 17.1

67. Sellers must be protected against customer fraud in all of the following situations **EXCEPT:**

- a. when customers deny they have made a legitimate charge.
- b. when others use their name.
- c. when customers give false payment.
- d. when customers receive broken products they've ordered.

Answer: d

Reference: Sellers' Protection

68. GeoCities is an example of which kind of community?

- a. An association.
- b. An affinity portal.
- c. A mega community.
- d. A B2B online community.

Answer: c

Reference: Insight 17.2

69. An online community for people who own greyhounds is an example of a(n):

- a. association.
- b. affinity portal.
- c. mega community.
- d. B2B online community.

Answer: b

Reference: Insight 17.2

70. Community members create value in all of the following ways **EXCEPT**:
- a. providing opinions which can be used by other community members and marketers.
 - b. creating home pages that provide information about members, their opinions, and interests.
 - c. paying fees for downloading content.
 - d. signing up for free membership.

Answer: d

Reference: Commercial Aspects of Communities

71. Operating expenses for communities are typically:
- a. low because services are free and content is static.
 - b. low because they are offset by membership fees.
 - c. very high because content is dynamic and most services are free.
 - d. either low or high depending on how many members belong to the community.

Answer: c

Reference: Financial Viability of Communities

72. The advantage of online buyers is expected to _____ in the future.
- a. increase
 - b. decrease
 - c. remain the same
 - d. evaporate

Answer: a

Reference: Nontechnological Success Factors

73. In 2002, the fastest growing segment of EC was:
- a. online auctions.
 - b. P2P exchanges.
 - c. e-government.
 - d. e-learning.

Answer: d

Reference: Nontechnological Success Factors

74. Network computers which move processing and storage off the desktop and onto centrally located servers are called:
- a. embedded clients.
 - b. thin clients.
 - c. networked clients.
 - d. pervasive clients.

Answer: b

Reference: EC Technology Trends

75. An appliance with a microchip is an example of a(n):
- a. embedded clients.
 - b. thin clients.
 - c. networked clients.
 - d. pervasive clients.

Answer: a

Reference: EC Technology Trends

76. For the foreseeable future, the most prevalent model for EC is:
- a. pure e-commerce.
 - b. brick-and-mortar.
 - c. vertical exchange.
 - d. click-and-mortar.

Answer: d

Reference: Integrating the Marketplace and the
Marketspace

Essay Questions

77. Compare and contrast legal issues vs. ethical issues.

Answer: Laws are strict legal rules governing the acts of all citizens within their jurisdictions. Breaking a law invokes the consequences described in the law. Ethics is a branch of philosophy dealing with right and wrong. Unethical acts may or may not be illegal.

Reference: Legal Issues versus Ethical Issues

78. What is a cookie? Explain why cookies can be a threat to the privacy of visitors to Web sites that use them.

Answer: A cookie is a piece of information that allows a Web site to record one's comings and goings. They allow Web sites to collect personal information about preferences, interests, and surfing patterns that can be sold to third parties or used in sending spam.

Reference: Cookies

79. List and explain three of the five basic privacy protection principles.

Answer: Three of the following:

1. Notice/awareness – Consumers must be given notice of an entity's information practices prior to collection of personal information so that they can make informed decisions regarding providing such information.
2. Choice/consent - Consumers must be made aware of their options as to how their personal information might be used, as well as how secondary information could be used.
3. Access/participation – Consumers must be able to access their personal information and challenge the validity of such information.
4. Integrity/security – Consumers must be assured that their data is secured and accurate.
5. Enforcement/redress – There must always be a method of enforcement of privacy laws and a remedy for those who are injured by violation of these laws.

Reference: Protection of Privacy

80. Define intellectual property and the three main types of intellectual property in EC.

Answer: Intellectual property refers to creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce. The three kinds of intellectual property in EC are:

1. Copyright – Exclusive grant from the government allowing the owner the right to reproduce a work and distribute, perform, or display it to the public in any form or matter.
2. Trademark – A symbol used by businesses to identify their goods and services. It may be composed of words, designs, letters, numbers, shapes, a combination of colors, or other such identifiers.
3. Patent – A document that grants the holder exclusive rights on an invention for a fixed number of years.

Reference: Intellectual Property Rights

81. List four nontechnological trends for the future of e-commerce and describe the impact of each.

Answer: Four of the following:

1. Internet usage is increasing, which makes e-markets even larger.
2. The number of products online is increasing creating new e-tail opportunities.
3. M-commerce is expanding rapidly, which increases the number of potential online visitors.
4. The advantage for buyers is increasing which encourages buying.
5. Improvements in security and privacy are removing impediments to e-commerce.
6. More information is becoming more widely available encouraging Web surfing.
7. Reengineering is shaping organizations to take advantage of the Internet.
8. Virtual communities are growing, which increases the time members spend online.
9. Micropayment systems are becoming more prevalent, which opens the Internet to the sale of small ticket items.
10. B2B is growing, and will continue to as long as EC technology can be integrated with traditional operations.
11. B2B exchanges are maturing and becoming more efficient.
12. EC is going global, which opens new markets for the Internet.
13. Governments are adopting G2C.
14. Intrabusiness collaboration is growing.
15. E-learning is growing faster than any other area of EC.
16. Progress is being made in developing the needed EC legal framework.

Reference: Nontechnological Success Factors

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