

Czech University of Life Sciences in Prague

Faculty of Economy and Management

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Bachelor Thesis

**Legal Regulations of Electronic Commerce in Czech
Republic**

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Declaration

I declare that I have worked on the Bachelor thesis 'Legal Regulations of Electronic Commerce in Czech Republic' on my own and I have used only the sources mentioned in the references.

In Prague, 29th April 2009

Acknowledgement to the supervisor

I would like to thank the supervisor of my bachelor thesis, JUDr. Bohumír Štědroň, LL.M. Ph.D., for his useful comments, advices, literature sources and his patience.

Právní úprava elektronického obchodování v České republice

Legal regulation of Electronic Commerce in Czech Republic

Souhrn

V této práci pojednávám o právní úpravě elektronického obchodování, a oblastech s tím spojených, v České republice (potažmo Evropské unii). Je nastíněna stručně historie internetu a vývoj jeho užití. Dále analyzuji samotné elektronické obchodování jako součást tzv. 'E-Business'. Zaměřím se na výhody a nevýhody tohoto typu obchodování, zvláště ve SWOT analýze. Dále rozebírám současnou právní úpravu a navrhuji případná zlepšení či upozorňuji na nedostatky. V závěru pojednávám z právního hlediska o elektronických smlouvách, platbách a podpisu, které k tomuto tématu neodmyslitelně patří.

Summary

In this bachelor thesis I will write about the legal regulation of electronic commerce, and fields connected to it, in the Czech Republic and European Union. I briefly describe the history of the internet and its usage development. Then I analyze the electronic commerce as a part of 'E-Business'. I will focus on advantages and disadvantages of this form of business, especially in the SWOT analysis. Then I will localize on current

law orders and set potential improvement or notify on law absences. In the end I will treat of electronic contracts, payments and signature, which are very important on this topic.

Klíčová slova: elektronické obchodování, právní úprava, internet, internetový obchod, Evropská unie, Česká republika, zákazník, prodejce

Keywords: electronic commerce, legal regulations, internet, electronic shop, European Union, Czech Republic, customer, seller

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1 INTRODUCTION

With the increasing influence of information and communication technologies on our lives, we consider internet as a normal thing like running water from a tap. But we must realize that the internet became a part of our daily work only a couple of years ago and as usual especially in the Czech Republic the legislators react to the new things very slowly. That is the reason why I will focus on legal regulation of internet, especially electronic commerce, and topics related to this modern phenomenon.

I will start with a brief history of the internet and its legal regulation. As the Czech Republic is a member of European Union, I will describe Czech as well as European Union's law orders in all cases in this bachelor thesis. Then I will introduce the electronic commerce and mention the difference comparing to the electronic business, because those two terms are often exchanged, I will list the different types of businesses in electronic commerce, make the SWOT analysis from seller's and customer's point of view and finally introduce facts and data about a Czech market leader in this segment.

I will continue with legal regulations of electronic commerce stressed to customer protection and security of collecting, processing and maintaining of personal identification data.

In the last part of my bachelor thesis I turn to electronic contracts, payments and electronic signatures, which are highly connected to the electronic commerce. Their implementation and legal regulation in business is very important.

2 OBJECTIVES OF THESIS AND METHODOLOGY

Main objective of my bachelor thesis is the legal regulation of electronic commerce in the Czech Republic and its explanation and impact in real situations. I will bring out potential problems connected with current imperfect law order and give some recommendations from my point of view. Another objective is to introduce the electronic commerce as an important part of business and set its strengths and weaknesses, which I will deeply analyse in a SWOT analysis.

In my work I research Czech acts and regulations. Because the Czech Republic is a member of European Union I make analysis of its directives, which have a legal impact on the Czech law order. As a customer and also as an electronic shop owner I set pros and cons of the electronic commerce from different points of view.

3 NET HISTORY

To find out the roots of the internet we must go back into 1960's in the United States of America where is running Cold War and US Department of Defence wants to build decentralized communication network, where each terminal can communicate to all other terminals and it is not depending on the accessibility of other terminals in the network. Current status was based on a circuit switching, which was used in the telephone communication – one terminal could only communicate with the second one on the other end of the circuit.

This task to build decentralized communication network was assigned to ARPA (Advanced Research Projects Agency) by United States Department of Defence, which had to take over the leading position in technological development in the USA after releasing Sputnik into the space by Soviet Union.

3.1 ARPANet

ARPA had four powerful computers located in four different universities - University of California Los Angeles, Stanford Research Institute, University of California Santa Barbara and University of Utah. In 1969 those computers were connected together with using packet switching, which allowed them to communicate all together at one time. This technique was developed by Donald Davies, Paul Baran and Leonard Kleinrock and it is used till nowadays.

Popularity of ARPANet grew very rapidly. In 1973 joined the network first European hosts from Norway and United Kingdom. In year

1981 the number of hosts (terminals) connected reached 213 and another new host was added every twenty days. After two years there was a replacing protocol for NCP introduced and it was still used TCP/IP protocol as most people know. First research and development started in 1974 and in 1983 it was set as the only communication protocol for ARPANet.

With popularity of ARPANet also changed the purpose of this network. Exchange of important files was replaced by communication and sending of short messages. That was the reason why in 1983 was established MILNET (another network which was connected with ARPANet) for US Department of Defence purposes and ARPANet was getting more civil tools than ever.

Here we can see the first sights of a modern internet, where hosts were all over the world and the main aim was to maintain accessibility between all terminals.

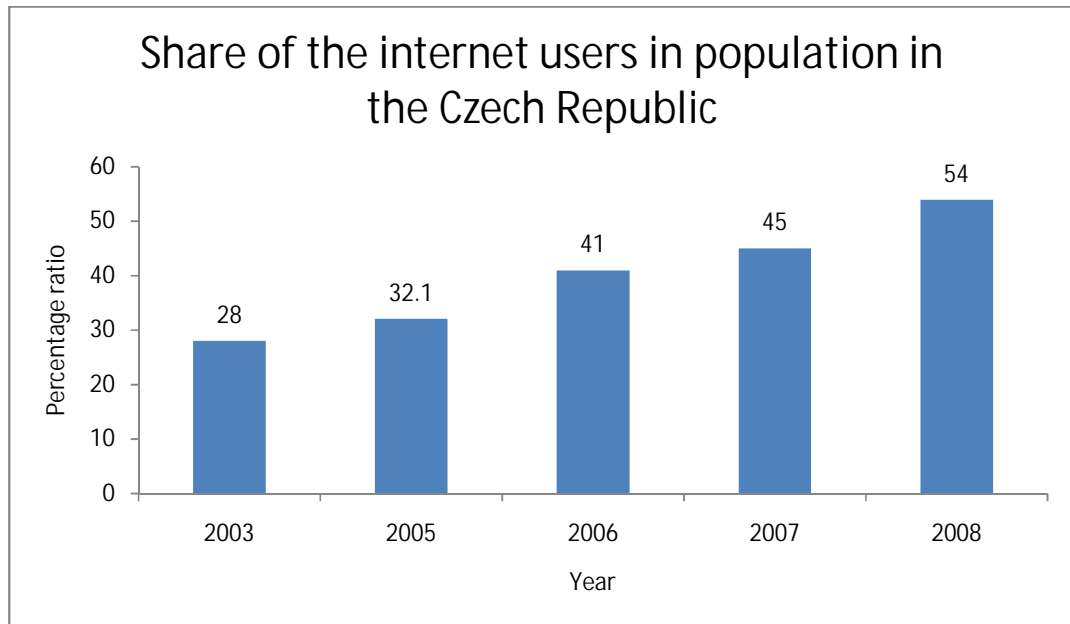
3.2 NFSNet

The most important network, which connected with ARPANet was NFSNet built by National Science Foundation and development begun in 1986. NFS created five terminals on universities and equipped them with the most modern computer technologies. Due to the high state's subsidies and grants NFS could increase transfer speed and maintaining stability of the network. This led to a connection of more terminals and NFS took over the leading role of ARPANet as the core network. In 1990 was ARPANet definitively disconnected and set out of order and NFS took over its role of a core network of huge computer based networks.

3.3 Internet

As it is clear from the founder of NFSNet, the main purpose of this network was a science support. But this function quickly disappeared and NFS wanted to set NFSNet out of order – the same thing which happened to ARPANet and also for the same reasons. That was the impulse for creating simply commerce based networks.

However the internet was developed as non-commerce, a commerce started to play the major role in it very soon. The number of users grew exponentially – while in 1984 number of users was 1000, ten years later it reached one million and nowadays number of users is counting in hundred of million. With increasing number of users started also hand in hand electronic commerce on the internet and first electronic shops. Firstly computer hardware and software was sold, but after while the portfolio extended from books and audio to food. With the extend of internet to home users electronic shops formed themselves as high competitors to classic brick shops due to their low price and number and variety of items. Nowadays internet plays very important role in our lives – may be much more bigger than we could even think about.



Source: Czech statistical office, http://www.czso.cz/csu/2008edicniplan.nsf/kapitola/9701-08-v_roce_2008-0304

We can see a clear trend in increasing number of internet users. I predict that it will continue for next couple of years. My predication is among others motivated by rapid boom of mobile phone internet access, which was highly supported by marketing campaigns from mobile providers. Another fact is that the biggest Czech search server Seznam.cz is preparing in these days (April 2009) for selling advertisement space on web pages accessed through mobile phones.

4 NET LEGAL REGULATION

To talk about the internet legal regulation I must firstly define in accordance with a law the internet. But that is not as easy as it looks like. For a long time the internet was an institute without a legal regulation *de lege lata*. For many lawyers the internet did not seem important. But times are changing and with increasing number of users those people's minds are changing too. The biggest problem for a law definition of the internet is its global character. Internet can not be ruled by one specific law order, because sometimes even users do not know that he/she is crossing borders. For example Czech customer orders a book from an electronic shop from Italy, delivery address is in Slovakia, company's residence is on Cayman Islands and hosting provider is from China. Which law order is the main one?

The internet is not a thing because it can not be identify with the technical equipment on which it is running and even it can not be consider as a service as a concrete provider is missing. Absolutely it is not a naturally controlled power because a usage of electronic impulses is presumption not a substance. It is necessary to understand the internet not like a law object but as a *medium, i.e. environment transferring different types of data files between two before defined subjects* [1].

4.1 Act on certain information society services

From 29th July 2004 is act number 480/2004 digest, which is regulating the liability and rights and obligations of people who are providing information society services and disseminating commercial communications. Here is for example defined a liability of the provider for

the content of stored or transferred data. The provider is not responsible for the content of data as far as he knows that the content is illegal and also he is not obliged to monitor the transferred data. Once the provider notices illegal content he is obliged to remove it, delete it or restrict the access to this content. From this act it is clear that mainly the user is responsible for the content and all obligations depend on him.

The next area which act is regulating is dissemination of commercial communications. Here is strictly defined when it is allowed to disseminate commercial messages. It can only be done after a previous agreement between the user and the customer who provides an electronic contact during the commercial contract. The possibility of a free and easy option of cancellation of receiving commercial messages must be present. Sending of commercial message is also allowed after fulfilling these conditions: it is stressed and highlighted that it is a commercial message, an identity of the sender is present and clear and there is an address where a user can inform sender that he/she does not want to those receive commercial messages from the sender any more. Breaking this act is assessed in amount of 10 million Czech crowns.

The act is further regulating information society services in electronic commerce. A supplier is obliged to confirm an acceptance of an order with no delay and is also set regulation at which conditions is customer allowed to back out of the contract after for example receiving insufficient amount of information from a supplier.

This act which is formulated clearly and effectively regulates described area. I see the biggest problem in holding liable senders of unwanted commercial messages. A fee at maximum amount of 10 million Czech crowns is reasonable high, but I am missing some controlling body or even a reporting phone line. Especially now in a financial crisis, when

sellers find very interesting and cheap to send emails with commercial message to a huge group of unknown people. And what I can see from my own experience is that 99% of all those emails are breaking the law.

4.2 Spam

A dissemination of commercial messages can be also called email spam or is a part of a spam. An email spam is also known as a junk email and it involves nearly an identical message send to numerous receivers by email. A main content of this type of emails is products offering, financial, erotic or health content [Table 1]. A spam's definition is when it leads to receivers expenses or it annoys the message receiver. When you receive a spam email you have got internet connection expenses and even they are very low they are still expenses. Someone can say that the advertisement on web pages is also annoying and must be classified as a spam, but there is big a difference that access to the web page with 'annoying' advertisement is done on a request in the contrast with a spam email.

A spam is a global problem and it is nothing new. In 2008 it was thirty years from sending the first spam email by company Digital Equipment Corporation for promotion of their new products. Other milestone in the history of spam was year 1994 when two lawyers sent emails to more than 6000 internet user's groups. It was the starting point of commercialization of spam, which led to nowadays data overloading [Table 2] and large expanses spend on protection and removing spam. Consequent upon the University of Maryland research it is estimated that for year 2004 only in the United States of America expenses spent on a spam were more than 21 billion of American dollars.

5 ELECTRONIC COMMERCE

5.1 From communists to modern eshop

Information and communication technologies are an extremely fast developing and innovating branch. We can see it on relatively slow implementation of law in the electronic commerce field, where acts are created after some problems occur.

We can see this development especially in the history of the Czech Republic. In 1980's there were communists and access to spread variety of products was unable and the current choices were very limited and many products were missing. After year 1989 Czech market transferred to an open economy and the situation was getting better. But there were still classic brick shops, where shopping was connected with high time demand, uncomfortable walking, uneasy way of comparison and low competition.

Nowadays after 20 years it is absolutely usual that people order products online and even from abroad. Due due to very favourable exchange rate between Czech crown and American dollar half year ago started big boom of buying cheaper products from United States of America. People can easily compare all products, which are actually available on the market and of course they can in a same easy way compare prices of competitors. Special servers are developed for comparing prices of products, where customer writes a name of the product and the server in a second compare all offers on the internet. Very popular Czech server on comparing product's prices is on www.heureka.cz.

In the electronic commerce do not arise advantages only for customers, but also for sellers. Companies are accessible for customers every single day every single minute. Expenses connected with maintaining an electronic shop are much lower in comparison with a brick shop. Time of delivery is shorter so less stock space is needed, which reduce the expenses. All these things happened only in 20 years, which is absolutely amazing.

5.2 Electronic commerce

If we consider the actual law order, we would not find explanation to what it is meant by a term electronic commerce. Czech and even European Union's law do not define it. But European Union defines in directive 200/31/ES certain information society services, which substitute the term electronic commerce.

Czech association for electronic commerce APEK defines the term as *a way of dealing, where communication and transaction between business participants is done through electronic data exchange [2]*. Organization for Economic Co-operation and Development OECD characterize electronic commerce as *any kind of business transaction, which is done by physical person or company, while these transactions are based on electronic processing and transferring data [3]*.

5.3 E-Commerce and E-Business

It is very important to understand the meaning of both these terms, because it is quite often that these terms are referred as a one term. E-

Business is more complex one and E-Commerce is a part of E-Business. The electronic business is defined as the utilization of information and communication technologies to support all parts of company's business. It is the use of all those technologies in the internal and external communication to be more flexible, profitable, efficient and to satisfy better customers needs and wants.

The electronic business is present in all parts of company's value chain, where company make electronic purchases from suppliers, orders are processed electronically, customer care uses modern technologies, etc. Practical parts are for example E-Banking (an electronic communication with a bank), E-Learning (an electronic education programmes for employees) or E-Factoring (an electronic processing of invoices).

One part of E-Business is the electronic commerce, which focus on external relationships and transactions mainly with customers. E-Commerce is defined as the exchange of products or services between individuals, groups and businesses using information and communication technologies mainly internet. It focuses not only on making deals, but also on service support or product's marketing support like the advertising.

5.4 Types of E-Commerce businesses

The application of acts and law regulations can differ by the types of businesses, which are making a transaction. The tyypes of businesses are divided into these groups:

- B2B – Business to Business
- B2C – Business to Customer

- B2E – Business to Employee
- B2G – Business to Government
- C2C – Customer to Customer
- C2B – Customer to Business

5.4.1 B2B

Business to Business is the oldest and a core type of business and has the most important role in financial world. These transactions are done between two or more companies and not always the communication channel is the internet. It is usual that companies built their own local networks, where by a special software, are made all transactions. Many of routine actions are automated – for example when product's stock value reaches a threshold value, order is automatically filled and sent. Purchased products in this type of business are not used for actual 'consumption' but for other transfer or process.

Special sub-type is Business to Distributors B2D, where the second business partner is concrete. Relationships with distributors are often different and in some way unique, while transactions and count reaches high values.

5.4.2 B2C

B2C refers to Business to Customer, but sometimes we can find it as Business to Consumer. The difference between those two words is so similar that we can say for my further work they mean the same. It is a type of business, where on one side is a company (a supplier) and on

the other one is a customer (a consumer). The supplier is an object, which is making a profit by this transaction in a way of business activity. The customer could be individual or company, which make transaction for own use (a consumption). Especially in the electronic commerce it is not clear, whether company as a customer uses purchased product for own use or for another re-selling.

5.4.3 B2E

Business to Employee is a very special type of business. Transactions done in this type are internal intra-plant. Purchased products are mainly own companies products offered for very low and special prices. Often this option of purchasing own companies products for low prices are offered as a one of the benefits for new or current employees.

Transactions are done on special intranet network through sophisticated custom made system, where access is restricted only for employees.

5.4.4 B2G

Business to Government is connected with government administration. Contracts are unique and custom done – usually by tenders, due to the law regulation and high deal value. Business to Government is also done through the electronic communication between individual and administration. For example by submitting a tax return

verified by an electronic signature or as it happened in Estonia with electronic elections.

5.4.5 C2C

Customer to Customer is nowadays the most popular and increasing type of business. There are participating two non business activity objects. Very popular online service is auction sale, where individuals are offering products and other individuals are bidding their offers for this product. In some cases it is possible for higher price purchase the product immediately. World's best known online auction service is www.ebay.com, which is translated to many languages and located for several markets. Czech analogy of Ebay is www.aukro.cz. Those services record the highest increase in offering products during and especially after Christmas.

5.4.6 C2B

Relatively low volume of activity is recorded in Customer to Business type. In this case a customer is demanding companies for some specific product and is looking for the best price. The most demanding products are custom made, which are somehow unique, or accommodation, when a customer is demanding hotels for some last-minute offers for lower price.

5.5 SWOT analysis of electronic commerce

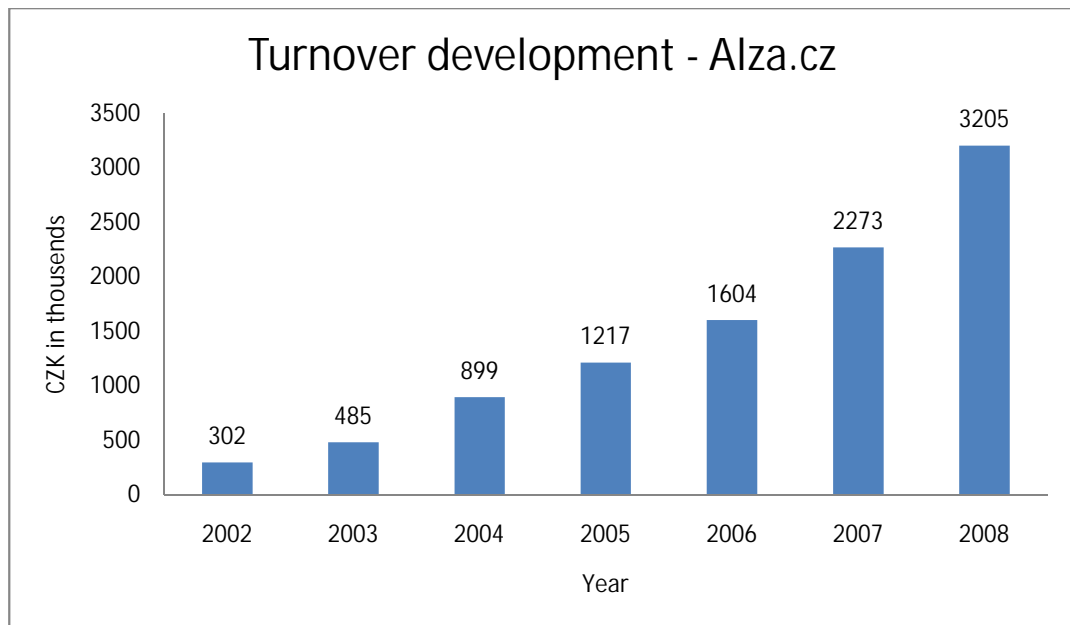
SWOT analysis is a strategic planning method used to evaluate internal (Strengths and Weaknesses) and external (Opportunities and Threats) factors involved in a business. Strengths and opportunities are helpful factors and weaknesses and threats are harmful one. I will analyse electronic commerce, specifically usage of electronic shops on the internet from two points of view – from the seller's [Table 3] and the customer's [Table 4].

From both analyses it is clear that relatively more positives imply for the customers and the sellers face more threats. For the sellers I see the biggest pros tracking customer's behaviour and feedback, which will provide very useful data for future planning and development of the company. The biggest seller's cons are high competition connected with Search Engine Optimization demands. There must be invested high expenses to be successful. Customer's biggest pros is 24/7 opening hours with low prices. In this hurried time it is practically impossible to visit brick shops with their finite opening hours. The highest con which I see for customers is a potential security and personal data protection problem, especially connected with credit card details.

5.6 Czech electronic commerce leader

Nowadays Czech electronic commerce leader in number of revenues is Alza.cz. Probably Alza.cz was a market leader for many years, but displeasure of making public company's financial statement led only to rumours and guesses and as a market leader was labelled Alza.cz's biggest competitor Mall.cz. About two years ago Alza.cz came

out with very interesting numbers. Company's turnover for year 2008 was more than 3 billion of Czech crowns with 792000 carried out orders.



Source: <http://www.zive.cz/Bleskovky/Alzacz-hlasi-rekordni-obrat-a-122-narust-prodeje-notebooku/sc-4-a-145516/default.aspx>

Increasing trend in a number of turnovers will probably continue even in spite of global financial crises, because Alza.cz made public their revenue for the first 3 months of the year 2009 and it is already more than 1 billion Czech crowns.

6 LEGAL REGULATIONS OF E-COMMERCE

6.1 Absolute law in e-commerce

As I said before the internet is a global network and a user even does not know that he/she is actually crossing borders. But from a law point of view it is important to set, which law order is in each case the right one and the one which must be followed. On 8th June 2000 was approved the European Union's directive 2000/31/ES concerning about law aspects on certain information society services, especially on e-commerce, on internal market. In accordance with this directive an absolute law is followed by the country's law in which the company has a registered office. By registered office is meant an office where economic activity is present. By registered office is not meant a place where technical background of web page is present, not even a place where a web page is accessible.

6.2 Act on protection of name and description

As the internet is a global network and anonymity is its main feature, it is important for a seller to have some buyer's personal information such as name and delivery address. Thus, it is necessary to protect those data from taking advantage of it. In act 101/2000 digest is a name and a description defined as any kind of information concerning individual, which can identify him/her. So for an example email address with a nick name and no full name is not a name and a description so it is not regulated by this act.

If e-commerce providers are collecting name and descriptions, it is their obligation as a data administrator to act in accordance with act 101/2000 digest. Their duty is to maintain those data only for necessary needed period of time for fulfilling the purpose of providing those data, to secure those data from accidental and illegal access or handling and not use those data for other purposes than for which they were collected for. An administrator is also obliged to delete those data after the purpose of collecting them have already passed. An administrator got information obligation to Office for Protection of Name and Description.

This act is mainly followed by companies and from my point of view I do not see any reasonable reason, why this type of personal data excluding payment details should be interesting for potential hackers.

6.3 Act on consumer protection

In some way a unique act 634/1992 is a regulation concerning a global consumer protection. Thus, in e-commerce field this act must be followed and fulfilled. Its anomaly is in its purpose of creating complex public act, which will implicate all aspects of this area. But even this act have been many times upgraded, I do not see its core content very useful.

6.4 European Union's directives

From 1st November came into a force agreement CETS No. 108 between the Czech Republic and European Union about a protection of

person with a stress to an automatic protection of personal data. In year 2004 came in force amendment to the standard CETS No. 181.

Basic European Union's directive considering a protection of an individual according to processing of personal data and their usage, which is not directive specifically about electronic commerce, but some parts are affecting this type of commerce, came in force under description 95/46/ES on 24th October 1995.

Directive 2006/24/ES from 15th March is focused on creating, maintaining and processing of personal data through electronic communication services or public communication networks.

7 ELECTRONIC CONTRACTS

A contract is usually two sided law agreement. An electronic contract is the same as a classic contract except that the agreement is done through an electronic communication channel. These communication channels could be a web page, email or some instant messenger like ICQ. An electronic contract can be valid after many kinds of agreement according to current law order, because the contract is basically valid, when offer is accepted.

Regulations considering contracts are contained in civil code, where contract of selling good is defined as a contract's obligation for a seller to deliver to a buyer the good specified in contract and buyer is obliged to take possession of this good and pay to a seller consideration specified in contract.

The commercial code also regulates conditions for a contract, but it is less concrete and does not give so high protection to both sides of contract.

7.1 Electronic contracts regulations

In the past it was unusual that contracts were concluded without personal contact. But nowadays with increasing development of information and communication technologies it is more easily possible than before. This trend of concluding contracts without a personal contact is growing and nowadays takes the highest ratio.

If I focus on Czech legal regulations considering concluding contracts without a personal contact, I find some misunderstandings. In

§53 of civil code are defined communication channels without a personal contact as channels, without hand written contact, run by a seller for providing those channels to other business objects. There occur problems for sellers, who do not provide those channels as their business activity, but only use them as a communication channel. Thus, an email communication would not be classified as a communication without a personal contact in a way of §53 of civil code.

In the same part of the civil code is another regulation, which restricts an usage of communication without a personal contact. It is obligatory for a seller to have a customer agreement to use this type of communication. This regulation is for a protection of customers before spam emails, but in some way it bounds communication.

From §40, article 4 of civil code it is clear that written form of a contract is maintained, if law act is done by wire, teletype or through electronic channel, which will maintain a content of this law act and person's specification, who has made this act. An important thing is that for example an email is a legal way for concluding contracts.

7.2 Information obligation for seller

The civil code sets obligation for a seller to inform a customer before concluding a contract about his/her rights and duties. But in §3 of civil code is not defined how should be a customer informed. From my point of view there should be strictly defined that a customer must be informed before concluding a contract by some link to his/her rights and duties and checkbox with an agreement that he/she agrees. In all modern electronic shops this method is practised.

In §53 are listed all necessary information, which must be accessible to a customer even before negotiating about a potential contract. That was the main failure of electronic shops a couple years ago. The list contains this information:

- company name and its ID, address of an individual or registered office for company
- name and main characteristics of goods or services
- price of product or services including all taxes and fees
- delivery costs
- payment, delivery and performance methods
- information about right to rescission of contract, except cases in article 7
- costs of using communication channels without personal contact
- time to which price or offer is valid

In accordance with §53 article 5 of civil code a supplier must inform a customer after concluding a contract about:

- company name and its ID, address of an individual or registered office for a company
- information about conditions and steps for applying right to rescission of a contract
- information about services after purchase and guaranty
- conditions for cancelling the contract, if validity is not set or validity is longer than one year

If a supplier does not inform correctly a customer about his/her rights and duties in above mentioned time, time for cancelling the contract for example extend from 14 days to 3 months. When a customer is correctly

informed during this extended 3 months period, it starts newly standard 14 days.

8 ELECTRONIC PAYMENTS

There are two forms of payments, from which can a customer choose. The first form is direct – in this form of payment a customer pays money directly to a seller. The second form is indirect – there is used as an agent a 3rd party, which will receive the money from a customer and then pay it to a seller.

8.1 Direct form

In this type of payment the money are paid directly from a customer to a seller. The payment is usually done as a cash on a delivery (in the Czech Republic better known as 'dobírka'), where money are paid after picking up a good on Czech Post, or directly in cash to a seller or by a bank deposit. Cash on delivery is the most used type of a payment in the Czech Republic in the electronic commerce. It is famous for its simplicity, easy accessibility and relatively low cost. The biggest disadvantage of cash on a delivery is their impossibility to use it for purchasing electronic goods or for services, because it is based on sending physical things. Additionally as another reason for popularity of cash on a delivery I see distrust to direct electronic payments such as a bank deposit or a credit card payment. Customers are afraid of imparting especially credit card details to a 3rd party.

A payment in cash is mostly used in the biggest electronic shops in the Czech Republic, but mainly only in Prague and Brno. In these cities sellers got brick shops or it is better to say stocks with public outgoing, where a customer can pay in cash.

8.2 Indirect form

An indirect form of payment is characterized by a participation of a 3rd party in the transaction. Customer pays money to a 3rd party and this agent pays money to a seller. There is one important condition that a 3rd party must be acceptable as a payment agent for a seller. Abroad this form of a payment is the mostly used one.

With an indirect form of a payment is associated in Czech law term electronic money, specified in act 124/2002 digest about a payment system. The electronic money is defined there as a financial value kept on an electronic financial device. In European Union's directive 2000/46/ES are electronic money defined identically.

8.3 PayPal

PayPayl is one of the most used indirect payment system worldwide – in the United Kingdom of Northern Ireland and Great Britain or United States of America it is the most used system. This system works on transferring money to a seller instead of you if you have an adequate deposit, which you have transferred to PayPal before. The biggest advantage of this system is that a seller does not see any of your sensitive details such as a bank account number or a credit card number.

This system has 70 million active accounts (accounts where there was an indicated activity in last 12 months) and 175 million accounts in total. PayPal supports 19 currencies for transferring the money and it is located in 18 countries. In the 4th quarter of the year 2008 there was \$2056 every second spent through PayPal.

By transferring the money to PayPal you can choose from a bank account, a credit card or a PayPal balance. There are also many options of sending the money – from home, work or even from mobile phone.

For sellers there is a big advantage of an easy implementation of acceptance a wide range of credit cards with a high level of security. Another pros is PayPal's worldwide credulity and popularity.

For Czech customers I will recommend this payment system, if he/she wants to purchase from abroad electronic shops. For example in the USA many e-shops do not accept European credit cards and the only accessible payment option is PayPal.

8.4 Type of purchased goods

From the table [Table 5] it is clear that customers pay mostly for tickets. Very interesting is a number 457,100 for books, magazines and textbooks, which rank them on the second place. I would predict that with an increasing usage of information and communication technologies will be purchase of this 'classical' information sources decreasing.

9 ELECTRONIC SIGNATURE

The biggest law problem connected with contracts is its verification and authentication with all sides of a contract. Historically the most often used way of confirming contract is a handwritten signature. In other words a signature is a stylized script associated with a person.

But a handwritten signature can be easily forged. With spread of using information and communication technologies it was one of the reasons, why an electronic signature was developed. It is any legally recognized electronic means that indicates that person adopts the content of an electronic message.

The electronic signature divides into two parts – private and public key. The private key is used only by the owner of it and its use is to verify an electronic message, which you have created. In this private key there are encrypted your personal identification details and certificate of the owner. Then in a public key are also encrypted your personal details, but this key is accessible for a public and its use is to compare, whether the private key identifies with the public key [Image 1]. The identification data from the public key are free to access, which makes a possibility for some frauds to pretend as the owner of this key.

9.1 Legal regulations of electronic signature

In accordance with the act 227/2000 digest, an electronic signature must content and provide these personal identification details and meet these functions:

- identification of the signature's owner

- maintain integrity of the message – receiver must be informed, whether it was not changed or is something wrong
- electronic signature must be constructed as the owner can have full and only control over this tool
- maintain verification – a signed person must be unambiguously connected with the message, which was electronically signed, an owner got a valid certificate and there is a connection between a public and a private key

The act 227/2000 digest about an electronic signature also regulates an usage of an electronic signature, providing connected services and sets rules for controlling of duties and possible fines.

European Union issued a directive 1999/93/EC considering an electronic signature. But this directive is very common and it is mainly on each member state to set its own regulations.

10 CONCLUSION

The increasing trend in a number of internet users will continue and I think that I have proved my predication with a support of many facts and data. Thus, the importance of the electronic commerce will be also rising and a relevant law regulation in many fields of this global phenomenon will be needed. I have given some recommendations considering the improving current law order in accordance with my experiences as a customer and also as a seller. In the current law order is more stressed protection of the customer, which is logical and I will maintain this trend.

To sum up the electronic commerce as a one of company's business tools I must say that nowadays it is a necessary thing to be successful on the market. The electronic commerce has got relatively low establishing and running expenses and its potential is high. My SWOT analysis clearly shows that the electronic commerce offers mainly opportunities and better results for a company. A seller can also take an advantage of using a 3rd party payment system, which will result in reducing costs for maintaining own one and bringing a necessary protection and security on transactions.

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12 SUPPLEMENTS

Table 1

Spam email by Category	Percentage
Products	25%
Financial	20%
Adult	19%
Scams	9%
Health	7%
Internet	7%
Leisure	6%
Spiritual	4%
Other	3%

Source: EVETT, D., *Spam statistics 2006*, <http://spam-filter-review.toptenreviews.com/spam-statistics.html>

Table 2

Year	Number of spam emails
1978	600
2002	2,4 billion per day
2004	11 billion per day
2005	30 billion per day
2006	55 billion per day
2007	100 billion per day

Source: TEMPLETON, B., *Reaction to the DEC spam of 1978*,

<http://www.templetons.com/brad/spamreact.html>

Table 3

Seller's point of view	
Strengths	Weaknesses
open 24/7	easy comparison with competitors
great feedback	Search Engine Optimization demands
low establishing and running expenses	high competition
short time needed for establishing	minority of population using the internet
very good tracking of customer's behaviour	
Opportunities	Threats
increasing role of ICT in people's life	increasing number of competitors
increasing number of the internet users	distrust in the electronic commerce
increasing number of mobile phone internet access	enormous customer law protection

Table 4

Customer's point of view	
Strengths	Weaknesses
open 24/7	no physical contact with the product
lower prices	no personal help
easy comparison with competitors	possible guarantee problems
easy access from the internet	delivering time demand
'product's community' feedback	
Opportunities	Threats
higher competition on the market	security and protection problems
developing more convenient technologies	

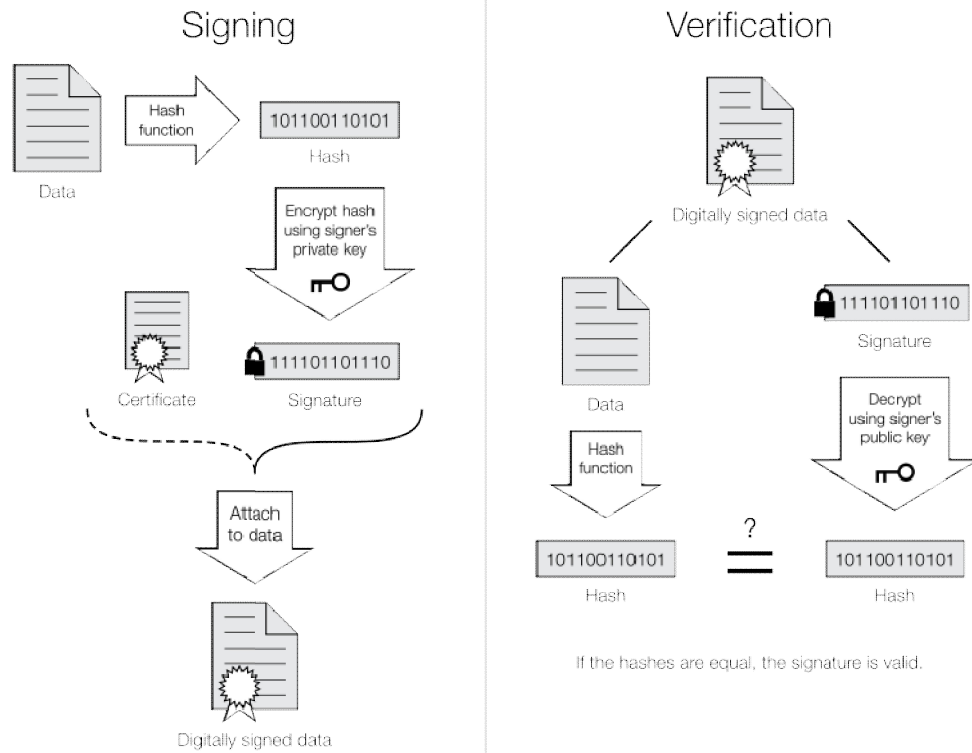
Table 5

TOP 5 purchased goods or services on internet by individuals in last 12 months from 2Q 2008 (for private purposes) in thousands	
Tickets	521,5
Books, magazines, textbooks	457,1
Electronics (TV, DVD, audio)	450
Domestic appliances	294,9
Other services in travelling and accommodation	280,6

Source: Czech statistical office, http://www.czso.cz/csu/2008edicniplan.nsf/kapitola/9701-08-v_roce_2008-0306

Image 1

Electronic signature encrypting process



Source: http://en.wikipedia.org/wiki/File:Digital_Signature_diagram.svg