

Online Auction Sites

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Internet auctions seem to be one of the few electronic commerce facilities to capture the imagination of consumers around the world. The potential is huge given the online world population stands at 606 million (NUA statistics for September 2002). In October 2002 Forrester Research predicted that by 2007 Internet auction sales will account for 25% of total online retail sales in the US. This would be an increase from \$13 billion in 2002 to \$54 billion in 2007.

However there are concerns by many about the trustworthiness of Internet auctions. This is fuelled by continuing reports of shocking incidents concerning either the types of goods being sold or the actions of those involved in auctions.

Here are just a few examples of reported incidents.

In a sophisticated con, fraudsters are copying information about real cars for sale on sites such as AutoTrader.com and CACars.com and are listing them for sale on eBay Motors. Buyers purchase the cars from these con men, wire-transfer money to a seemingly legitimate escrow service, and await delivery of their car. When the car never arrives, they contact the real owner of the car, and discover the legitimate seller knows nothing about the transaction. Then the buyers realize their mistake: the escrow service they've sent the money to is a scam, and the "seller" they dealt with never had possession of the vehicle.

— Online Escrow Fraud Hits eBay Members, Ina and David Steiner, Auctionbytes-NewsFlash, Number 421 - October 25, 2002 - ISSN 1539-5065

"Shill bidding involves a seller directly or indirectly placing a bid on his or her own item in order to encourage legitimate bidders to bid higher.... It's possible that eBay doesn't see all shilling as a terrible thing, on the theory that shill bidding early in an auction can be regarded as harmless 'pump priming.' Shilling used to be within eBay's rules, in fact, and even today, according to Pursglove, such low-key shilling is unlikely to inspire any official action. Unless, apparently, the pump priming works a little too well: Last May, a California lawyer with at least five eBay identities was booted off the site for entering a \$4,500 bid on the second of 10 days of bidding on a painting rumored to be by well-known California artist Richard Diebenkorn, kicking off a bidding frenzy that saw the price climb to \$135,805. eBay later voided the sale."

— Sleaze Bay, David H. Freedman, Forbes ASAP, 27 November 2000

"A California man who collected \$36,000 from bidders over eBay's Internet auction site then failed to deliver promised goods was sentenced to 14 months in prison, federal authorities

said.... Guest has admitted to posting several listings on eBay's Web site that fraudulently offered Sony digital cameras, IBM laptop computers, and other items."

—Bloomberg News, Special to CNET News.com, November 2, 1999, 2.10pm

"Only yesterday, a seller on Amazon's auction site was accused of bilking customers of \$28,000, collecting payments from buyers but not shipping the goods. Amazon, which is investigating the case, says if it is true, it would be one of the worst cases of fraud on its auction site. And last month, eBay closed an auction of 500 pounds of marijuana battled a spate of auctions involving illegal sales of human organs--and even an unborn baby."

—Net crime poses challenge to authorities, Troy Wolverton and Greg Sandoval, Staff Writers, CNET News.com, October 12, 1999, 2.25pm

"Three men attempted to auction 500 pounds of marijuana on eBay Tuesday night until company officials pulled the plug--almost a day after the sale began. The sale began roughly 8:40 p.m. PT on Tuesday night and ceased sometime 21 hours later, according to a screenshot on AuctionWatch.com, which first reported the story."

—eBay auction goes up in smoke, Greg Sandoval, Staff Writer, September 23, 1999, 6.30pm

There is a catalogue of problems which eats away at the trustworthiness of online auctions. The types of goods being offered are open to question. Are they illegal items in certain parts of the world or are they items which might cause offence? As seen from the illustrations online auctions present rich pickings for fraudsters. Are the goods on offer real or hoax? Even the actions of those operating online auctions sites are open to question. The tracking of buyers and sellers using email monitoring and profiling techniques has been challenged by many as being unacceptable practice. The linking of suppliers of "independent" advice on goods for sale is seen as potentially influencing the relationship between bidder and seller.

Public pressure and legal challenge has led to auction sites evolving policy to address such problems. For example, eBay.co.uk lists the following policies on its website:

- *User Agreement* - Agreement spelling out your relationship with eBay.
- *Listing policies* - Guidelines for listing items for sale.
- *Is my item allowed on eBay?* - Prohibited, questionable, and infringing items.
- *Privacy policy* - Your privacy rights.
- *Non-paying bidder policy* - When bidders don't pay.
- *System Outage policy* - Compensation policy for sellers when outages occur.
- *Board usage policy* - Guidelines for users who post on eBay boards.

- *eBay employee trading policy* - Rules for eBay employees who trade on eBay.
- *Question about eBay trademarks?* - Email your trademark or copyright question here.
- *Feedback Removal Policy* - eBay's rules on removing feedback
- *Distance Selling Regulations* - Learn about the Consumer Protection (Distance Selling) Regulations 2000.
- *VAT* - VAT and your eBay Sales

However, sometimes public pressure can take on an unacceptable face. Ina Steiner recently reported on a new trend.

"A new trend has emerged in online auctions: vigilantism. People are banding together to report auction fraud and are coordinating their efforts in contacting law enforcement officials.

Victims feel a great frustration in trying to get answers from auction sites and law enforcement officials. It is, for the most part, a one-way dialog as evidence is collected.

Do victims who band together actually help police efforts? Detective Burns of the New York Police Department Public Information Office said if victims are feeding law enforcement officials helpful information, it's 'all well and good.' But victims should not try to take actions on their own. According to Burns, victims should always contact their local police department when they think they have been defrauded on an online auction site.

Victims commonly feel extreme frustration that eBay does not have a way to warn other members about bad sellers other than the limited feedback method, where members have a mere 80 characters to sum up their complaints. New sites are popping up where victims can complain about trading partners, make their case, and vent their frustrations.

AuctionBlackList.com (<http://www.auctionblacklist.com>) allows users to add auction fraudsters to a database. Buyers can search the database to see if sellers have a 'record.' Another site, eBayersThatSuck.com (<http://www.ebayersthatsuck.com>), encourages people to detail their bad experiences with auction trading partners."

—eBay Auction Fraud Spawns Vigilantism Trend, Ina Steiner, Auctionbytes-NewsFlash, Number 411 - October 12, 2002 - ISSN 1539-5065.

Vigilantes are themselves beyond the law. The ability to right a false accusation appears weak in both websites mentioned by Steiner. The potential to victimise a seller seems high and such accusations have a habit of becoming the truth in the online world. Creating a trustworthy online auction environment requires responsible action and not the knee jerk reaction of the vigilante. We need to address the intrinsic nature of the Internet which Liao and Hwang suggest comprises open connectivity, opacity, lack of a trustworthy payment instrument, and weak binding of identities. Such characteristics conspire against trustworthiness of online auction sites. Liao and Hwang propose that

online auctions should be based on verifiable fairness which comprises the following six properties:

1. *Privacy before bidding*: a bidder cannot know the bids of others before bidding.
2. *Deadline enforcement*: the submission deadline is strictly regulated so that no one can bid when bid submission ends.
3. *Bid integrity*: during transmission and processing of bids, no bid will be extracted or tampered.
4. *Validity*: the winner bids highest among all correct bids.
5. *Non-repudiation*: the winner cannot repudiate his bid.
6. *Privacy of losing bids*: no one, including the auctioneer, can learn the content of losing bids.

— Gen-Yih Liao and Jing-Jang Hwang, A trustworthy Internet auction model with verifiable fairness, *Internet Research: Electronic Networking Applications and Policy* Volume 11, Number 2, 2001, Pages 159 to 166

Such properties of fairness seem laudable in creating an acceptable online auction environment. It is this sort of approach that will turn the community values listed below that eBay propounds into reality.

eBay is a community where we encourage open and honest communication between all of our members. We believe in the following five basic values.

- We believe people are basically good.
- We believe everyone has something to contribute.
- We believe that an honest, open environment can bring out the best in people.
- We recognise and respect everyone as a unique individual.
- We encourage you to treat others the way that you want to be treated.

eBay is committed to these values. And we believe that our community members should also honour these values -- whether buying, selling, or chatting. We hope these community values will help you better understand the eBay community.

—Community Values, eBay, <http://pages.ebay.co.uk/help/community/values.html>

Please send your views on ethical and social responsibility issues and cases of ethical dilemmas to:

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