

# Legal and Ethical Issues of Crowdsourcing

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## ABSTRACT

Crowdsourcing is lately developed expression which meaning that the outsourcing process of activities by crowd in the form of an ‘open call’ or a firm to an online community. An assigned task can be completed by any member of the crowd and be paid due to their efforts, also to attract the best possible ideas and approaches to boost innovation or to complete data processing tasks. Though the labor organization form was pioneered in the calculation sector, businesses companies have begun using ‘crowdsourcing’ for a various domain of tasks that they discover can be preferable completed and good achieved with crowds’ members instead of their own employees. This research will define the principle of crowdsourcing, types of it, challenges of crowdsourcing, also it will explain advantages and disadvantages and the way that firms are utilizing marketing task application crowdsourcing for the completion, discuss some of legal issues and ethical issues with regulations. Finally, this article will be completed as a paper research for crowdsourcing.

## General Terms

Legal, Ethical, Issues, and security.

## Keywords

Crowdsourcing, Issues of Crowdsourcing, Legal Issues, Ethical Issues, Privacy of crowdsourcing data.

## 1. INTRODUCTION

By Continuous development, individuals can collectively contribute their time, expertise, and ideas to perform specific tasks. They use crowdsourcing to divide the labor on crowd, usually online. Crowdsourcing where the businesses use the internet to "outsource work to the crowd" [1]. Jeff Howe, who coined this term back in 2006, in a Wired article. This phenomenon allows millions of people, connected by the Internet to help in solving tricky problem or gathering useful information which is easier than ever [2]. For the clearest conceptual delineation of crowdsourcing, the three defining elements of Crowdsourcing are the crowd, outsourcing, and Internet technologies where the Crowdsourcing is lying in the intersection of them as shown in Figure1. The popular uses of Crowdsourcing are web development, design work, prize contests, user testing, and translation [3]. Also, many companies and organizations need to generate best solutions or creative ideas can use the crowdsourcing principle which has many satisfied results with lower cost.

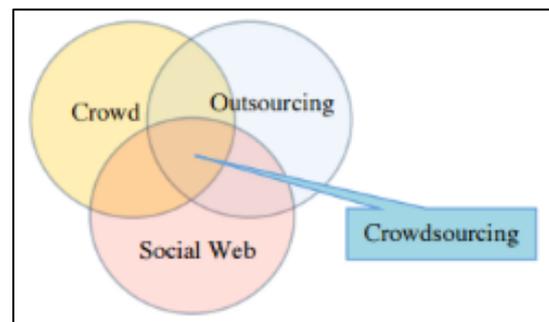


Figure1: The three key elements of Crowdsourcing.

More about the Crowdsourcing, Howe discussed the Crowdsourcing types in his book “Crowdsourcing, Why the Power of the Crowd Is Driving the Future of Business” [4] as the four effective principles which are the following:

- Crowd Wisdom which proved that the crowd under specific conditions outperformed any number of worker. Hollywood Stock Exchange and SIM Exchange are examples of Crowd Wisdom.
- Crowd Creation, creating creative ideas and solving complex problems by the crowd is one of the most benefits of Crowd creation. Examples of this phenomena are NASA’s Clickworkers which is a small NASA project that assigned tasks for crowd, iStockPhoto which uses crowd for providing high quality stock photography images, and Linux where the community of programmers developed an open source operating system.
- Crowd Voting which allows the public to organize, filter and stack-rank content such as rating articles, movies, or music. This term is the most popular type of crowdsourcing.
- Crowd Funding offers financing to individuals or groups. an example of this is Kiva.

One of interesting applications of crowdsourcing is marketing activities. When a marketing manager is going to present some new products for first time, he is going into crowdsourcing medium in order to examine the acceptance of this product and to set the issues of it before going to

manufacture the product. This procedure offered the opportunity to acquire information from a large people group of customers in a timely manner and at a relatively low cost, so this methodology will benefit the business companies [5].

One of outsourcing to the crowd advantages is maximize options where the large group of talented people work for the project with different skills and knowledges. Furthermore, Crowdsourcing method provides knowledge sharing, short term solutions, project cost reduction, and meet tight deadlines.

On the other hand, the quality of collected data will be hard to achieve when there is a large group of unknown workers. Also, Crowdsourcing faces many challenges such as information security, project management, and competitions. In addition, there is little regulations for Crowdsourcing that's mean the Crowdsourcing is unregulated. For this reason, it may produce many ethical or legal issues. This paper discusses these issues briefly.

## **2. REGULATIONS OF CROWDFUNDING**

To ensure securities in crowdfunding, Securities and Exchange Commission adopted some regulations which are listed below:

- Give permission to companies to increase the amount of one million dollars per year through the offers of crowdsourcing.
- Give permission to investors who have net worth or annual income less than 100,000 dollars to invest maximum amount of 2,000 dollars per year or five percent of their net worth or annual income.
- Investors who have net worth or annual income greater than or equal to 100,000 dollars could invest ten percent of their net worth or annual income.
- Securities purchased by crowdfunding transaction cannot be resold for a period of twelve months.
- Companies like Non-U.S. companies and Exchange Act reporting companies are ineligible to use the crowdfunding exemption [6].

## **3. LEGAL ISSUES**

Many issues of crowdsourcing appeared due to the growth of crowdsourcing services such as legal and ethical issues. There are two mainly aspects manifested of the legal issues which is abuse of personal information and the protection of intellectual property rig [7].

### **3.1 Abuse of personal information**

It is easy to find and collect personal information due to its availability in social media network and in some sharing of personal data in packet mode. This will cause personal data to be exposed to certain risks. For example, if the hackers have an access on the collection of the personal information or if it used for some illegal purposes, it will cause harm to society. Therefore, to avoid the misuse of personal information, limiting of the data access should be applied so, only the licensed users have the right to see it [7].

### **3.2 Protection of intellectual property rights**

Although the products of the companies are secured by intellectual property law, the extent of risk associated with the exploitation of these products are increasing because of the need for reproduction. Moreover, the products and designs that are available in the crowdsourcing have very high level of risk of infringement due to the enormous number and unknown nature of participants and the difficulties associated with the clearance. Therefore, to minimize the risks of the infringement, companies must obtain full rights grants, including the right to file a claim against infringement before publishing their own products on the crowdsourcing [8].

## **4. ETHICAL ISSUES**

As known, ethics can be defined as a system which has moral principles that provide an impact on decisions that is made by the people. Also, it can consider as a group of concepts such as good and bad, or right, and wrong which deals with a lot of fundamental issues for making a decision [9]. Some previous studies have focus on ethical issues which can be faced with crowdsourcing by organizations and individuals, such as privacy, and information accuracy.

According to Mason paper [10], which has provided a theoretical framework which has four essential ethical issues that is called PAPA, which stand for these four words which are privacy, accuracy, property, and accessibility. This term has been used for three decades. According to that, it will be used to describe the ethical issues of crowdsourcing.

### **4.1 Privacy**

Privacy can be defined as that the individual ability to control personally information about oneself which consider as the most important thing in digital age. However, a lot of disciplines consider privacy as an ethical issue. The crowdsourcing platforms gather a huge amount of data that are taken from the crowd-workers. Thereafter, the workers analyze and store the whole data to provide the best solutions that will solve the crowd-sources problems. These methods, operations and algorithms are hidden as a black box for any crowd-worker. Therefore, this issue demand to be analyzed and test regarding the crowd-work. So, for each crowd-worker it has to be assured, that his information specially the personal one is protected [11].

### **4.2 Accuracy of information**

This term is defining as that how the data is true, reliable and correct. There are a lot of challenges that can be faced to increase the expectations which is providing an accurate information. Which makes the process of verifying the information's accuracy is very importance. This issue also can be considering as an accounting for number of errors in information. However, misinformation can provide a huge impact on person's lives [11]. Therefore, every person has to be familiar with that the personal information has been produced with respecting accuracy ethical principles.

### **4.3 Property**

In general, this term means that some things belong to someone. However, it can be both legal and ethical issues. It is also considering as an essential ethical issue which has a major impact on individual's work [12]. In addition, Intellectual property can be protected by three terms which are as the following; Copyright, Patent, and Trade secret.

#### **4.4 Accessibility**

In general, it is like an umbrella term used for all parameters that effect the function of human in the environment. This concept has an ethical issue in crowdsourcing which must be considered when designing and testing the crowd work [11]. One important term for access the information society is that dealing with information by using an intellectual skill.

#### **5. CONCLUSIONS**

Based on the current success in many industries and increasing the industry sectors, the demand of crowdsourcing was increased due to the benefits of it as an important article. This paper was identifying the crowdsourcing process, displaying some advantages and disadvantages of crowdsourcing, listing some legal issues and ethical issues. The legal issues were explaining the abuse of personal information and protection of intellectual property rights. The ethical issues were explaining the privacy and the accuracy of information. Also, some regulations related to the crowdfunding were listing with applications and challenges of this article. In the end this research will potentially yield insights for making processes easier with low cost.

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