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Internet can be double-edged sword for some

Amazon.com and eToys.com, two of the biggest Web retailers, are familiar enough with the Internet's selling power. But in recent weeks, under fire for unpopular actions, they've learned how persuasive the Net can be from the other direction -- customer buying power -- and their experiences offer big lessons for other enterprises.

Both companies had been engaged in the modern equivalent of a landgrab. EToys, an online toy store, sued Etoy.com, a site that had been created by European artists before eToys had even been formed, claiming the right to force Etoy to change its name under trademark laws. Amazon had already used today's flawed patent system to win patents on several business processes, including its "1-Click" checkout and its Web affiliate programs.

In both cases, I believe the companies were wrong. But that's not the issue here. What's important is the online reaction and the eventual impact.

In both cases, online activists went to work. They started spreading the word about what they considered improper behavior and calling for boycotts of the companies. EToys and Amazon deny that the boycotts had any impact, but their responses may suggest otherwise.

EToys' initial reaction was to stonewall and bluster. But ultimately, it backed down, dropping the lawsuit against Etoy.com, whose supporters had urged various actions, including a boycott.

Amazon's patents also drew calls for a boycott. A company that had been a major beneficiary of the essential openness of the Internet was, in the view of many critics, trying to create an unfairly proprietary wall around its own business -- and even create a tax on others in the e-commerce arena.

The company's first response also was to stonewall. Then, earlier this month, a prominent publisher of technology books -- Tim O'Reilly of O'Reilly & Associates -- published an open letter on the Web that criticized the patents and called on Amazon to revise its policy. The letter drew thousands of endorsements and comments. O'Reilly and Amazon's founder and CEO, Jeff Bezos, subsequently had several conversations.

A few days later, Bezos published his own open letter, calling for a massive reform of the patent system. But he didn't offer to give up Amazon's patents, which he defended as necessary in a world where bigger competitors were lurking around the corner.

His movement on the issue, nonetheless, was an indication of the Net's growing influence. Yes, O'Reilly's intervention was important, but it's probable that the massive anger over Amazon's patents -- and a lawsuit it filed against a competitor to enforce one of the patents -- was also having a significant effect.

Bosses and their IT folks should heed the message. It doesn't take much to spur an online wildfire. Companies that stonewall do so at their own risk.