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E-signatures: Signed, sealed delivered

By [Lisa Bowman](#) ZDNet News September 27, 2000, 5:00 PM PT

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When the federal e-signature law goes into effect Sunday, proponents are hoping it will usher in a new era of clickable contracts, people sailing through airports without lines and establishing brokerage accounts with the push of a button.

But don't expect this utopia anytime soon.

The law's biggest impact primarily will be one of perception. Federal approval should make people and businesses more comfortable with the concept of accepting e-signatures -- but it doesn't mean they'll take off right away.

The law basically states that a signature cannot be turned down simply because it takes electronic form. Thus, a click of a mouse, a press of a telephone touch pad button or a swipe of a smart card are as binding as your John Hancock on paper.

And although the federal law purports to remove hurdles to doing business online, nearly every state already has laws allowing e-signatures. What's more, the technology already is bubbling up in sectors such as finance and insurance, and would continue to do so even if the law hadn't passed.

"It doesn't change anybody's plans," said Eric Hemmendinger, senior information security analyst with the research firm Aberdeen Group.

The biggest beneficiaries are, of course, the companies creating the security technology. As businesses

jump into e-contracts with companies and consumers, both sides will start to demand more security, leading to quicker developments of secure technology such as biometrics or digital signatures.

But even the companies creating those technologies aren't expecting overnight success.

"I don't think when we all wake up on Oct. 2, we're going to see anything different," said Rick McNees, vice president of corporate development at security technology firm CyberSafe Corp.

However, down the road McNees sees e-signatures being used for everything from signing an insurance form to updating medical records.

His company also is in talks with major airlines to develop a single electronic mechanism that would let people pay for a ticket, prove their identity, check luggage and log frequent flier mileage at the airport without rifling through their wallet multiple times.

"Right now, I might produce five pieces of plastic from the moment I get out of the limo to when I get on the plane," McNees said.

The company also expects the technology to smooth the road for industries that have had trouble selling their goods online. Take, for example, the wine industry. Right now, most states don't allow online wine sales because the companies can't prove their customer is over 21. However, a secure digital technology that would confirm a buyer's age could overcome that problem.

The financial sector has taken the lead on the e-signature front, followed by the insurance industry. It's also expected to take hold in the government and medical sectors as well as industries where sales of big-ticket items and parts have traditionally required a pen-and-paper signature.

Thomas J. Smedinghoff, an attorney with Baker & McKenzie in Chicago, said he has several traditional bricks-and-mortar clients from the auto and manufacturing sectors looking to take advantage of e-sigs.

Smedinghoff predicts that some already-established e-commerce companies may have to revamp their sites as a result of the law.

For example, he said the law requires a valid electronic contract to be printable and easy to find on a site. That means those licensing agreements that appear fleetingly when you register for a site might have to take a more permanent form.

But not everyone is cheering the law. Some consumers groups have complained that e-signatures will open the door to fraud and identity theft and allow companies to change digital contracts at will. Such concerns are likely to keep lawyers busy for years to come, as e-signatures become more popular.

"Fraud is nothing new," Smedinghoff said. "We've had fraud in the paper world, and we'll have fraud in the electronic world."

Meanwhile, security technology companies argue that e-signatures often provide more protection against fraud than other measures.

Ben Gould, a vice president at iLumin, said his company is striking deals not only with companies in the insurance and health markets, but also in more traditional old-economy sectors such as the funeral industry. Instead of flying across country when a loved one dies to sign form after form, people can get

the funeral arrangement process started by clicking through some contracts from their computer at home.

"By the end of the year, you will see some significant changes in what's being done online," Gould said. "It's kind of like credit cards. A while ago, people wondered if anyone would ever use their credit card online. I think that there will be a similar adoption curve with this."

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