

LGST 612: RESPONSIBILITY IN BUSINESS

Spring 2018 Q3

Professor Kevin Werbach

werbach@wharton.upenn.edu (*best way to reach me*)

(215) 898-1222

673 Jon M. Huntsman Hall

Office hours: M 11-12, Tu 12-1, or by appointment

Course Description and Objectives

Businesses operate in an environment defined not only by market forces, but also by legal, political, and ethical obligations. This course introduces students to challenges they will face as businesspeople, managers, and entrepreneurs. Fundamentally, it is a course about judgment. A major goal is to develop skills in ethical and legal analysis to make decisions about the proper courses of action when duties, loyalties, rules, norms, and interests are in conflict.

Course Materials

Coursepack available through Study.Net

Policy on Devices

This class will observe the MBA Program's policy on student use of electronic devices in the classroom. Violations will result in deductions to the class participation aspect of the grade. Specifically:

- Phones must be turned off and put away.
- The use of laptops and tablets is not allowed unless pre-approved for educational purposes, or specifically authorized in class by the instructor.

Grading

Quizzes (30%)

There will be two 30-minute multiple choice quizzes that will be completed in class. These will focus mostly on the readings, but may also include key points from class sessions. Each covers one-half of the course, and is worth 15% of the overall grade.

Participation (20%)

The point of this course is not to memorize abstract legal doctrines or ethical theories that you will quickly forget. It encourages you to wrestle with challenging issues to help you in your business career. Most class sessions involve significant interactivity, such as discussion, group activities, and negotiations. You cannot benefit from these interactions, or help other students learn, if you are not in class.

For each class session, you will receive a score of 0 (absent, or no active participation) to 3 (significant contributions demonstrating unusual levels of preparation or thoughtfulness). I realize there are many understandable reasons students miss class, and that Q3 is a particularly busy time for recruiting. There is no penalty per se for missing up to three class sessions. However, four or five unexcused absences

(meaning arriving or leaving more than fifteen minutes from the start/end of the class) will each result in a one-step reduction in your final grade (e.g. A- to B+). Being absent from six or more classes will result in failing the course.

Final paper (50%)

The largest single component of the grade will be a paper of up to 2,000 words in length: Describe a significant legal or ethical challenge that you, or someone close to you, has faced. Explain how topics or examples we discussed in the course help you analyze it.

Papers will be evaluated based on the degree of thoughtful reflection and creative engagement with the course. There are no specific formatting requirements, but good organization and clarity of arguments are also important. **You are expected to do additional research**, and not just rely upon the readings in the coursepack. Be sure to cite to any sources you rely upon in the body of your paper, either with footnotes or with inline references and a bibliography.

The paper must be written individually, but you may discuss your topic with anyone you choose. I will be running the papers through plagiarism detection software. Plagiarism will result in severe penalties, consistent with University of Pennsylvania policies. Un-excused late submissions will receive a graduated markdown.

Instructor

Kevin Werbach is an Associate Professor in the Legal Studies and Business Ethics department. His research focuses on Internet policy, big data, and blockchain technologies. He was Counsel for New Technology Policy at the Federal Communications Commission during the Clinton Administration, served on the Obama Administration’s Presidential Transition Team, and created one of the first massively open online courses (MOOCs) on the Coursera platform.

Syllabus

<p>January 16</p>	<p>Doing the Right Thing</p> <p><u>Read:</u> Who Spewed That Abuse? Anonymous Yik Yak App Isn’t Telling Uber Pushed the Limits of the Law. Now Comes the Reckoning.</p>
<p>January 18</p>	<p>Legal Responsibility</p> <p><u>Read:</u> Law and Markets</p> <p><u>Prepare:</u> California Space Heaters</p> <ol style="list-style-type: none"> 1. What will a court consider in assessing legal liability here? 2. Can the company quantify the impact of different safety choices? How should such calculations influence its decisions? 3. Are there any other steps the company should take to address safety concerns about its heaters? 4. Should the heaters be produced at all?

<p>January 23</p>	<p>Ethical Frameworks</p>
<p><u>Read:</u> Introduction to Ethical Reasoning</p>	
<p><u>Prepare:</u> Dicing with Death?</p>	
<ol style="list-style-type: none"> 1. Why did Guidant decide not to notify doctors about the short-circuit risks of its implantable defibrillators? 2. Do you think Guidant made the right decision? 	
<p>January 25</p>	<p>Contracts</p>
<p><u>Read:</u> Basic Concepts in the Law of Contracts</p>	
<p><u>Prepare:</u> A Wharton Student Gets an Unpleasant Surprise</p>	
<ol style="list-style-type: none"> 1. Does Francesca have a legally binding contract? 2. Did Francesca’s contract have to be in writing? Did McBane have to sign it? 3. Does Francesca have any other legal options, beyond enforcing the contract, in a lawsuit against McBane based on what’s happened here? 4. Should Francesca sign the release? 	
<p>January 30</p>	<p>Litigation and Dispute Resolution</p>
<p><u>Read:</u></p>	
<p>G. Richard Shell, “Strategist’s Dream”, from Make the Rules or Your Rivals Will</p>	
<ol style="list-style-type: none"> 1. Why was Ford more successful than Napster in responding to legal threats? 2. How can firms use knowledge of law and the legal system to advance their business strategies? 	
<p>G. Richard Shell, A Comment on Business Strategy and Litigation</p>	
<ol style="list-style-type: none"> 1. What are the business considerations in filing a lawsuit, or pursuing a lawsuit to trial instead of settling? 2. Why do most civil cases settle? 	
<p>February 1</p>	<p>Corporate Law</p>
<p><u>Read:</u> Basic Framework for Corporate Governance, pp. 1-6</p>	
<ol style="list-style-type: none"> 1. In corporate law, what are the respective roles of corporate officers and directors, on the one hand, and shareholders, on the other? 2. What are the special duties of fiduciaries? 3. Why should fiduciaries be held to stricter standards of conduct than others? 	
<p><u>Read:</u> Basic Elements of Business Fraud</p>	
<p><u>Prepare:</u> The Employee “Exit Interview” – Common Information</p>	

February 6 **Quiz 1 and Corporate Social Responsibility**

Read:

The Social Responsibility of Business is to Increase its Profits
The Shareholder Value Myth

Prepare: Alchemist's Dream Come True

1. Would you sell a product known to have harmful health effects, like TEL?
2. What factors should Great Lakes take into account in evaluating its TEL fuel additives business?
3. What options did Great Lakes have in response to the environmental and health concerns? What should it have done?

February 8 **Securities Fraud and Insider Trading**

Read:

Confidential Information Trading
With Bill Ackman, Tennis and Herbalife Can Be a Dangerous Mix
Supreme Court Sides with Prosecutors in Insider Trading Case

1. When does a trade constitute insider trading?
2. Why is insider trading prohibited?
3. How have the courts struggled to define the boundaries of insider trading?

Prepare: The Inside Trader (questions in coursepack)

February 13 **Global Context**

Read: Values in Tension

Prepare: Google in China

1. How would you assess Google's 2006 decision to operate in China?
2. How and why did Google change its approach to China in 2010?
3. Has Google succeeded or failed in China? What should it do now?
4. Should Google think about its activities in China differently than those in the United States?

February 15 **Privacy**

Read: Big Data: Seizing Opportunities, Preserving Values

1. What are the primary innovations of big data and business analytics?
2. What are the key elements of the U.S. approach to privacy law? Will it be effective for the novel challenges of big data?
3. How can the use of analytics result in discrimination?

	<p><u>Prepare:</u> How Companies Learn Your Secrets</p> <ol style="list-style-type: none">1. How was Target able to predict whether its customers were pregnant?2. Is there anything illegal or unethical about Target's practices?3. How can companies using these kinds of techniques avoid problems?
February 20	<p>Manipulation</p> <p><u>Read:</u> Algorithmic Harms Beyond Facebook and Google How Technology Hijacks People's Minds Is This the Grossest Advertising Strategy of All Time?</p>
February 22	<p>Quiz 2 and Algorithmic Accountability</p> <p><u>Read:</u> The Hidden Biases in Big Data Big Data's Disparate Impact, pp. 677-93</p>
March 2	<p>Final Paper Due The final paper should be uploaded to Canvas before 11:59pm on Friday, March 2.</p>