



Proceedings

A monthly newsletter from McGraw-Hill

October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

Contents

Hot Topics	2
Video Suggestions	10
Ethical Dilemma	13
Teaching Tips	16
Chapter Key	17

Dear Professor,

Fall has finally arrived! Welcome to McGraw-Hill's October 2011 issue of Proceedings, a newsletter designed specifically with you, the Business Law educator, in mind. Volume 3, Issue 3 of Proceedings incorporates "hot topics" in business law, video suggestions, an ethical dilemma, teaching tips, and a "chapter key" cross-referencing the October 2011 newsletter topics with the various McGraw-Hill business law textbooks.

You will find a wide range of topics/issues in this publication, including:

1. Solyndra executives' decision to "take the Fifth" in testimony before the United States Congress;
2. The federal government's accusation that Full Tilt Poker is a "global Ponzi scheme";
3. Potential tort liability in the Reno, Nevada air show disaster;
4. Videos related to a) facial recognition advertising; and b) a lawsuit against Starbucks for a spy camera in one of its restrooms;
5. An "ethical dilemma" related to whether automobile manufacturer General Motors (GM) has an ethical obligation to any of its stakeholders to maintain its electric vehicle development in the United States; and
6. "Teaching tips" related to Articles 1 and 2 of the newsletter.

I hope your semester is progressing nicely!

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Proceedings

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The McGraw-Hill Companies

Of Special Interest

This section of the newsletter covers three (3) topics:

1) Solyndra executives' decision to "take the Fifth" in testimony before the United States Congress;

2) The federal government's accusation that Full Tilt Poker is a "global Ponzi scheme; and

3) Potential tort liability in the Reno, Nevada air show disaster.

Hot Topics in Business Law

Article 1: "Solyndra Executives Won't Testify Before Congress"

http://money.cnn.com/2011/09/20/technology/solyndra_congress/index.htm?hpt=hp_t2

According to the article, top Solyndra executives are not going to testify before Congress about the federal government's backing of the failed solar power company.

Solyndra Chief Executive Officer Brian Harrison and Chief Financial Officer Bill Stover will exercise their Fifth Amendment rights at an upcoming hearing before the House Energy and Commerce Committee, the company said in a statement recently.

The company cited the ongoing Department of Justice investigation and the advice of its counsel, saying the executives will be "unable to provide substantive answers" to lawmakers' questions at Friday's hearing. However, Solyndra said it followed the rules of the application process and that Department of Energy conducted extensive due diligence on the firm.

The solar panel maker has come into the spotlight since declaring bankruptcy late last month because it received a \$535 million federal loan guarantee in 2009. Solyndra was the subject of a highly partisan hearing last week, during which Republican lawmakers questioned the Energy Department about failing to adequately vet Solyndra's business model and succumbing to political pressure from the White House.

Lawmakers are using the company's failure as a case study highlighting the danger of government funding for private firms. Solyndra was one of 18 companies that received more than \$10 billion in backing from the Energy Department as part of President Obama's 2009 stimulus program to support renewable and clean energy technology.

The department is facing a September 30 deadline to give 14 companies final approval for loan guarantees totaling more than \$9 billion. House Energy and Commerce Committee leaders Tuesday wrote to Energy Secretary Steven Chu to voice concerns about rushing the approval process just to meet that deadline.

Solyndra said its bankruptcy was largely caused by the falling price of





Proceedings

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October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

traditional solar panels. That plunge in turn made Solyndra's more advanced design less competitive.

Energy Department officials say that government backing for cutting-edge energy technologies like the type Solyndra was working on is essential if the U.S. is going to compete with countries like China and Germany, which lavish vast amounts of money on their own renewable energy companies.

During testimony last week, Jonathan Silver, the Energy Department official in charge of the loan program, said the agency is not trying to pick winners or losers in private sector, but merely trying to assist companies that have already received substantial support from venture capitalists.

But the Energy Department also has questions about Solyndra. Recently, agents from its inspector general's office, along with the FBI, raided the company's California headquarters. Neither agency would comment on the nature of the raid, but the DOE inspector general typically investigates allegations of fraud or wrongdoing at the agency and within entities the agency does business with.

Discussion Questions

1. Describe the Fifth Amendment to the United States Constitution's "privilege against self-incrimination."

In terms of the "privilege against self-incrimination," the Fifth Amendment to the United States Constitution specifically states that "(n)o person...shall be compelled in any criminal case to be a witness against himself..." In recognizing the privilege against self-incrimination, our Founding Fathers believed that the accused should not be required, though his or her own testimony, to assist the government in establishing proof beyond reasonable doubt in a criminal case. The privilege against self-incrimination is undoubtedly a "pro-defendant" constitutional right.

2. As the article indicates, Solyndra Chief Executive Officer (CEO) Brian Harrison and Chief Financial Officer (CFO) Bill Stover exercised their Fifth Amendment rights before the United States Congress (specifically, at a hearing before the House of Representatives Energy and Commerce Committee.) Given the fact that the hearing took place outside of a courtroom, why should Harrison and Stover be entitled to assert the Fifth Amendment privilege against self-incrimination?

Although many individuals think of the Fifth Amendment privilege against self-incrimination in the context of courtroom testimony, the privilege applies outside of the courtroom as well. For example, when an officer reads a suspect his or her "Miranda Rights" prior to custodial interrogation, the officer will inform the suspect that he or she has the right to remain silent, and that anything the suspect says can be used against him or her in a court of law. In essence, this part of the Miranda warning is an articulation of the Fifth Amendment privilege against self-incrimination. Should the suspect volunteer information during custodial interrogation, the information can be used to prosecute the defendant.

With regard to Solyndra, had CEO Harrison and CFO Stover volunteered information in testimony





Proceedings

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October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

before Congress, the information could have been used against the two executives had it demonstrated their own criminality. Even though Congress is not a courtroom, testimony before Congress can still be used to prosecute the individuals who choose to testify.

3. In your opinion, are individuals who assert the Fifth Amendment privilege against self-incrimination guilty of the crimes alleged against them? Why or why not?

In your author's teaching experience, it is difficult to convince students that those who assert the Fifth Amendment privilege against self-incrimination are not guilty! Most believe that if the defendant refuses to testify, the defendant is "hiding something!" However, in a criminal case against an individual defendant who "takes the Fifth," the judge will instruct the jury prior to its deliberations that the defendant's refusal to testify is not even an indication of guilt, much less proof of guilt "beyond reasonable doubt" (the prosecution's burden of proof in a criminal case).

Article 2: "Feds Call Full Tilt Poker 'Global Ponzi Scheme'"

<http://www.cbsnews.com/stories/2011/09/20/national/main20108950.shtml?tag=strip>

According to the article, federal prosecutors said recently that Full Tilt Poker and its star-studded board of directors operated the company "as a massive Ponzi Scheme against its own players," according to multiple media outlets.

Manhattan's U.S. Attorney Preet Bharara said the government was filing legal papers as part of a money laundering suit that accuses Full Tilt of bilking online poker players out of \$440 million since 2007. Prosecutors say the company used that money to pay its board of directors, which includes big name players like Howard Lederer and Christopher "Jesus" Ferguson.

"Full Tilt was not a legitimate poker company, but a global Ponzi scheme," Bharara said in a statement. "Full Tilt insiders lined their own pockets with funds picked from the pockets of their most loyal customers while blithely lying to both players and the public alike about the safety and security of the money deposited."

According to Forbes, prosecutors allege that CEO Ray Bitar illegally received \$41 million, Lederer got \$42 million and Ferguson pocketed at least \$25 million.

Seven executives and others tied to Full Tilt were indicted in April as part of a federal crackdown of online poker operators, including PokerStars and Absolute Poker. Since then, the sites have made deals to begin repaying customer money in online accounts, but only PokerStars has started refunds.

In June, Phil Ivey - the game's biggest superstar and Full Tilt sponsor - announced he was skipping the World Series of Poker because he was disappointed and embarrassed that Full Tilt had not paid back deposits after pulling out of the United States market.





Proceedings

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October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

The FBI has seized Full Tilt's website and posted the following message:

"Pursuant to an agreement between the Attorney's Office for the Southern District of New York and defendant Full Tilt Poker, Full Tilt Poker may use this Domain Name in the United States to facilitate players' withdrawals of funds held by Full Tilt Poker."

Discussion Questions

1. What is a "Ponzi scheme?"

A Ponzi scheme is a fraudulent investment operation that pays returns to its investors from their own money or the money paid by subsequent investors, rather than from any actual profit earned by the individual or organization running the operation. The Ponzi scheme usually entices new investors by offering higher returns than other investments, in the form of short-term returns that are either abnormally high or unusually consistent. Perpetuation of the high returns requires an ever-increasing flow of money from new investors to keep the scheme going.

The system is destined to collapse because the earnings, if any, are less than the payments to investors. Usually, the scheme is interrupted by legal authorities before it collapses because a Ponzi scheme is suspected or because the promoter is selling unregistered securities. As more investors become involved, the likelihood of the scheme coming to the attention of authorities increases.

The scheme is named after Charles Ponzi, who became notorious for using the technique in 1920.

In terms of characteristics of a Ponzi scheme, extraordinary returns are typically promised on an investment, and vague verbal descriptions of the investment such as "hedge futures trading," "high-yield investment programs," or "offshore investment" might be used. The promoter sells shares to investors by taking advantage of a lack of investor knowledge or competence, or by using claims of a proprietary investment strategy which must be kept secret to ensure a competitive edge.

Initially, the promoter will pay out high returns to attract more investors, and to lure current investors into putting in additional money. Other investors begin to participate, leading to a cascade effect. However, the "return" to the initial investors is paid out of the investments of new entrants, and not out of profits.

Often the high returns lead investors to leave their money in the scheme, leading the promoter to not actually have to pay out very much to investors; they simply have to send statements to investors showing them how much they earned. This maintains the deception that the scheme is a fund with high returns.

Promoters also try to minimize withdrawals by offering new plans to investors, often where money is frozen for a longer period of time, in exchange for higher returns. The promoter sees new cash flows as investors are told they could not transfer money from the first plan to the second. If a few



Proceedings

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October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

investors do wish to withdraw their money in accordance with the terms allowed, the requests are usually promptly processed, which gives the illusion to all other investors that the fund is solvent.

A Ponzi scheme is inevitably destined to fail. At some point, one of the following happens:

a. The promoter vanishes, taking all the remaining investment money (minus payouts to investors already made);

b. Since the scheme requires a continual stream of investments to fund higher returns, once investments slow down the scheme collapses as the promoter starts having problems paying the promised returns (the higher the returns, the greater the risk of the Ponzi scheme collapsing). Such liquidity crises often trigger panics, as more people start asking for their money, similar to a bank run;

c. External market forces, such as a sharp decline in the economy, cause many investors to withdraw part or all of their funds.

Students will likely recall the recent Bernard Madoff Ponzi scheme, the largest Ponzi scheme in the history of the United States, in which investors were "bilked" of \$65 billion. In light of the magnitude of the Madoff scandal, perhaps the "Ponzi scheme" deserves a new appellation!

2. Recently, United States presidential candidate and Texas Governor Rick Perry referred to Social Security as a "Ponzi Scheme." Assess the accuracy of Governor Perry's statement.

Discussion Question Number 2 has political overtones, so if you are uncomfortable with the prospect of political partisanship in the classroom, proceed directly to Discussion Question Number 3! In support of Governor Perry's argument, the two "investments" do have the following shared characteristic—the existence of both depends, in large part, on the confidence of the people making contributions. In your author's opinion, however, the similarities end there. A Ponzi scheme is a crime, while Social Security is not.

3. As the article indicates, the Federal Bureau of Investigation (FBI) has seized Full Tilt's website. How does the FBI have the legal authority to seize Full Tilt's website, prior to a conviction for criminal wrongdoing?

In the course of criminal procedure, federal and state governments do have the authority to seize property that was either used in the commission of a crime or derived from proceeds generated through criminal activity. For example, if a defendant has been charged with the crime of selling drugs, police authorities do have the right to seize and impound the car believed to have been used in transporting and selling the drugs. In the Full Tilt Poker case, think of the website as the "vehicle" the defendant used in carrying out the Ponzi scheme.



Proceedings

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The McGraw-Hill Companies

Article 3: "Reno Air Show Death Toll Rises to 11"

<http://www.cbsnews.com/stories/2011/09/20/national/main20109115.shtml?tag=cbsContent;cbsCarousel>

According to the article, a 47-year-old Washington man who loved airplanes has been identified as among the 11 people killed in a Reno air show crash.

Darlene McMichael announced that her son James McMichael of Graham died from injuries after a fighter plane dived into a crowd of fans midway through a race.

Stunt pilot James Leeward also died in the plane crash. He was 74 years old and was flying a WWII-era fighter plane.

Darlene McMichael says her son is survived by his wife and an extensive family.

Reno police announced recently that the death toll had grown to 11 people. At least two of the victims have not been identified. Emergency officials are trying to compile a list of missing persons.

Among the other victims were a wheelchair-bound businessman who loved to travel, a former airline pilot who owned a vintage airplane and a construction worker attending his first race. Most of the victims were there for leisure, but Sharon Stewart, 47, died while trying to make a few extra bucks.

"She was so happy she was going to make some extra money, we were going to pay the rent and save some money to go see the kids," said Jose Cacheux-Ojeda, 59, the father of her children and her longtime boyfriend.

Stewart needed money to visit her four sons in California so she took a minimum-wage job picking up trash at the National Championship Air Races in Reno. She was almost done with her 11-hour shift when a WWII-era fighter plane veered off course and crashed into the VIP seating section.

Her friend found her dead body on the tarmac moments later, covered by a sheet of tarp.

More than 70 people have been treated for injuries, some of them life threatening. The dramatic injury toll was stoking fears across the nation, as relatives and friends flooded Reno officials with inquiries about the whereabouts of spectators.



Proceedings

A monthly newsletter from McGraw-Hill

October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

Discussion Questions

1. Assess the negligence liability of the Reno air show organizers. The pilot was seventy-four (74) years old, and the plane was from the World War II era—Are those facts relevant and significant in terms of assessing negligence liability?

If this disaster is litigated (and in your author's opinion, it most likely will be), both the age of the pilot and the plane will be introduced as potential evidence of negligence (ultimately, the jury decides whether the defendant was negligent). The defendant would likely argue in response that even if the pilot was of advanced years, as long as he maintained medical credentials to fly (as pilots are required by law to do) and as long as the pilot's health was not the proximate cause of the crash, the pilot's age is irrelevant to the issue of negligence. The defendant would also argue that even though the plane was old, there was no negligence if the plane was properly maintained.

There is some evidence in this case that the plane experienced a malfunction in its tail piece. This will most certainly be a crucial consideration in terms of whether the plane owner was negligent in properly maintaining the plane, and whether the air show organizer(s) should be responsible for such negligence.

2. Research and describe the "assumption of the risk" defense to negligence liability. Does the assumption of the risk defense have any applicability to the Reno air show disaster?

The "assumption of the risk" doctrine is a defense to negligence liability. If accepted by the jury, the assumption of the risk defense completely bars the plaintiff's recovery. The argument contends that even if the defendant was negligent (although the defendant does not typically concede negligence), the plaintiff "actively, voluntarily and willingly" proceeded in the face of danger, fully appreciating the magnitude of the risk.

In your author's opinion, it is difficult to accept the argument that Reno air show patrons assumed the risk simply by attending event. By that logic, the driver of an automobile would assume the risk of serious injury or death simply by getting behind the wheel of a car and driving on the road. Listed below are a few examples of likely "assumption of the risk" scenarios to share with students:

a. Buying a ticket for a seat near the third-base line at a baseball game (assuming the risk of being struck by a loose bat that inadvertently escapes the batter's hands, or by a foul ball);

b. Mowing the grass immediately after a rainstorm, without wearing shoes (assuming the risk of toe amputation(s) after having your foot slip under the lawn mower); and

c. Using a hair dryer while standing in a bathtub filled with water (assuming the risk of being electrocuted due to an electrical "short" in the hair dryer).



Proceedings

A monthly newsletter from McGraw-Hill

October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

3. From a legal standpoint, should events of this type be banned? Why or why not?

This is an opinion question, so student responses will likely vary. Given the benefit of such an event to the local economy and to patrons, it is difficult to envision the passage of a law banning this type of activity. Risk is inherent in life. Arguably, the best the public can hope for is that proper precautions will be implemented, enforced and adhered to in such a way that risks are minimized.



Video Suggestions

Video 1: "Facial Recognition Ads Size Up Customers"

<http://abcnews.go.com/Technology/video/facial-recognition-ads-size-consumers-14566165>

Discussion Questions

1. In your reasoned opinion, does facial recognition advertising constitute an unreasonable invasion of privacy? Why or why not?

*This is an opinion question, so student responses will likely vary. While the Fourth Amendment to the United States Constitution protects against governmental intrusions on individual privacy, the tort of "invasion of privacy" serves to address private-party intrusion into one's personal affairs. The key here is whether facial recognition advertising constitutes an **unreasonable** invasion of privacy. Companies using this technology will argue that facial recognition advertising does not constitute an unreasonable invasion of privacy, since the technology only searches for general characteristics like gender and age, and does not focus on the actual identity of the person subject to the facial scan. Privacy rights advocates might still argue that such advertising is unreasonable, since it is more intrusive than other forms of traditional advertising, such as a billboard or a television segment.*

One central tenet of marketing is important to emphasize in this discussion; namely, that effective advertising always involves knowing the socioeconomic characteristics of the "target market." Facial recognition advertising provides an easy, instantaneous way to "know" the target market.

2. In your reasoned opinion, is facial recognition advertising a form of free speech protected by the free speech provision of the First Amendment to the United States Constitution? Why or why not?

This is an opinion question, so student responses will likely vary. Commercial advertising is a constitutionally-protected form of speech, although such expression is subject to reasonable "time, place and manner" restrictions. The facial recognition technology is directly related to the form of advertising addressed in this case, so by association, such technology is arguably protected by the First Amendment "free speech" provision as well.



Proceedings

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October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

3. In terms of facial recognition advertising, which interest should prevail: a) an individual's right to privacy; or b) commercial free speech?

This is an opinion question, so student responses will likely vary. Factors to consider in determining which interest should prevail include:

- a. How strongly the individual right to privacy should be enforced;
- b. How strongly the commercial right to free speech should be enforced;
- c. Whether facial recognition advertising constitutes an unreasonable invasion of privacy; and
- d. Whether reasonable "time, place and manner" restrictions should be imposed on facial recognition advertising.

Video 2: "Man Sues Starbucks for Spy Cam in Bathroom"

<http://abcnews.go.com/US/video/man-sues-starbucks-for-spy-cam-in-bathroom-14565190?tab=9482931§ion=1206833>

Discussion Questions

1. If Starbucks did not condone the installation of a camera in its bathroom, should it be legally responsible for the camera? Why or why not?

Starbucks' liability would ultimately depend on whether, based on the facts and circumstances of the particular case, the company was negligent. Negligence represents the failure to do what a reasonable person would do under the same or similar circumstances. In order to prove a negligence case, the plaintiff must establish, by the greater weight of the evidence, that:

- a. The defendant owed the plaintiff a duty of care;
- b. The defendant breached said duty of care;
- c. The defendant's wrongful actions proximately caused the plaintiff's harm; and
- d. The plaintiff experienced damages as a result of the defendant's wrongful actions.

*In the instant case, Starbucks most definitely owes a duty of care to invitees (customers who come on its property with either its express or implied invitation) to honor their privacy. The key question in this case is whether Starbucks **breached** (in other words, violated) its duty of care to its patrons. If a jury concludes that Starbucks did breach its duty of care, the final two elements of negligence liability, proximate cause and damages, would be based on the plaintiff demonstrating that emotional distress resulted from the privacy intrusion, as well as the significance of the emotional distress (for the purpose of awarding monetary damages.)*

2. In your reasoned opinion, does the plaintiff have a strong case of negligence against Starbucks?





Proceedings

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October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

Why or why not?

In your author's opinion, it is too early to tell whether the plaintiff has a strong case of negligence against Starbucks. During discovery, the plaintiff should try to determine how long the camera had been installed in the bathroom, and whether the camera was readily discoverable during a bathroom inspection (such as a cleaning). The longer the camera had been installed and the more readily discoverable the camera was, the more likely a jury would reach a finding of negligence.

3. As the video indicates, the plaintiff is requesting \$1 million in damages from Starbucks. In your opinion, is this a reasonable request, or is it "proof positive" of the need for tort reform in the United States? Explain your response.

This is an opinion question, so student responses will likely vary. Damages for emotional distress are not easily quantifiable, and many jurors have difficulty assessing, in monetary form, the degree of emotional distress. Although some students might contend that this case is a perfect example of the need for tort reform in the United States, emphasize that:

- a. It is the plaintiff's burden to prove, by the greater weight of the evidence, that the defendant was at fault (in this case, negligent);*
- b. It is the plaintiff's burden to prove, by the greater weight of the evidence, that the defendant caused the plaintiff harm (in this case, emotional distress);*
- c. Traditionally, a trial jury has been accorded the responsibility and right to determine the monetary amount of the verdict;*
- d. If the defendant is not pleased with the verdict of the trial jury, the defendant can request that the judge effectively overturn the jury verdict by either entering a judgment notwithstanding the verdict or ordering a new trial; and*
- e. The defendant can seek to overturn the jury verdict by appealing the case to a higher court and requesting that the verdict be modified or reversed on appeal, or asking that the case be remanded to the lower trial court for a new trial.*

In short, numerous "checks and balances" are already in place in our judicial system to address an ill-conceived tort action or a "runaway jury."



Proceedings

A monthly newsletter from McGraw-Hill

October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

Of Special Interest

This section of the newsletter addresses the question of whether automobile manufacturer General Motors (GM) has an ethical obligation to any of its stakeholders to maintain its electric vehicle development in the United States .

Ethical Dilemma

"GM Deal Moves Electric Car Development to China -- A 'Shakedown'?"

<http://content.usatoday.com/communities/driveon/post/2011/09/gm-cuts-china-electric-car-deal---a-china-shakedown/1>

According to the article, General Motors agreed in Shanghai recently to develop an electric vehicle platform with longtime Chinese partner SAIC. It effectively moves GM's future electric vehicle development to China. Unclear is whether this would also lead to assembly of future EVs for the U.S. market in China.

The deal came as the Chinese government is pushing foreign automakers to give Chinese companies EV technology they lack, according to an Associated Press report. U.S. lawmakers have complained that China is "shaking down" GM to get Volt secrets. Electric vehicle development in the U.S. has been developed with extensive U.S. taxpayer funding.

Details of the plan were not provided, and GM has denied it will involve handing over intellectual property underlying the Volt.

GM Vice Chairman Steve Girsky, in a conference call from Shanghai, said that neither SAIC nor the Chinese government have demanded Volt technology. Any future EV would, of course, draw on GM's Volt experience and technology. Under the deal, SAIC and GM will equally share the cost of developing a new all-electric vehicle, Girsky said.

GM plans to start exporting Michigan-made Volts to China by year's end, but isn't likely to sell many. The Chinese government is pushing electrics with a subsidy that amounts to about \$19,000 per car -- but only if the car is made in China. No imports allowed. There also are tariffs on cars imported to China, which lawmakers argue are unfair and may violate world trade rules.

Girsky hinted that the Volt could eventually be built in China. "If we localize, eventually it won't have a tariff and it will get the subsidy. We have made no decision on if, when or where we build Volt in the future."

The deal with Chinese government-owned SAIC was signed during a meeting of GM's board in Shanghai — a visit underscoring China's importance to GM. It was the board's first meeting outside the U.S.





Proceedings

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The McGraw-Hill Companies

GM spokesman Jay Cooney said the companies will work together to develop a next-generation, fully electric car.

GM sees China, the world's biggest new-car market, as crucial to its future. Shanghai is the site of GM's international headquarters and its successful venture with SAIC, which on Monday rolled out the 5 millionth vehicle since production began in late 1998.

The push for more advanced technology reflects China's frustrations with its continued weakness in automotive technology, analysts say. After 25 years of auto joint ventures that require local partners to hold at least a 50% stake, domestic automakers still lag behind global rivals in automotive engineering.

"China is not a technology leader in virtually any industry. The country has developed around low-cost production," said Bill Russo of consultancy Synergistics. "This is the irony, that the largest and biggest growth market has relatively weak domestic manufacturers."

An explosion in Chinese demand and sluggish sales in the recession-stricken West helped China overtake the U.S. as the largest car market in 2009. Last year, sales of passenger vehicles, excluding large buses, jumped by a third to 13.7 million vehicles.

Although growth in the overall market has slowed in recent months, GM's sales in China still jumped 13.4% in August from a year earlier to a record 205,885 vehicles.

A large share of the company's growth has come from sales of its mini vehicles in another venture, SAIC-GM-Wuling. But strong demand for foreign-brand sedans and sport-utility vehicles has also helped.

Discussion Questions

1. In your reasoned opinion, does General Motors (GM) have an ethical obligation to United States employees to maintain electric car development in the United States? Why or why not?

Time and time again, "real-world" examples indicate the distinction between a company's legal obligation and its ethical obligation. As I inform my students in their first Business Ethics class, a legal business practice can still be unethical. In the instant case, even though GM certainly has the legal right to relocate its electric car development operations to China, most Americans would likely contend that the company has an ethical obligation to maintain its operations in the United States. GM's decision to stay in the United States would exhibit positive "corporate citizenship," since maintaining operations here would contribute to our country's tax base and preserve jobs for American workers.

2. As the article indicates, electric vehicle development in the United States has been developed with extensive U.S. taxpayer funding. In light of that fact, does GM have an ethical obligation to United States taxpayers to maintain electric car development in the United States? Why or why not?





Proceedings

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The McGraw-Hill Companies

The fact that United States taxpayers have provided financial resources for the development of electric vehicle technology only further adds to the argument that staying here would be the "right thing" for GM to do. Stakeholders in GM's operations include United States taxpayers, and as any student will learn in Business Ethics class, businesses have an ethical obligation to all of their stakeholders (not just stockholders) to consider the impact of their decision-making prior to choosing a course of action.

3. As the article indicates, United States lawmakers have complained that China is "shaking down" GM to get Volt Secrets. Is it realistic to expect that GM's intellectual property rights might be compromised in its move of electric car development to China? Why or why not? What about GM's assurance that it will not "hand over" intellectual property underlying the Volt to China?

It is certainly realistic to expect that GM's intellectual property rights might be compromised in its move of electric car development to China. China is well-known for cultural, governmental and legal receptivity to "bending" (if not breaking) the rules associated with intellectual property rights. Even if GM assures its home country (the United States) that it will not "hand over" intellectual property underlying the Volt to China, it is easy to envision a scenario where it is misappropriated. Once intellectual property rights such as trade secrets are discovered by competitors, it is extremely difficult to control or eliminate the resulting damage to corporate competitive standing and profits.



Proceedings

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The McGraw-Hill Companies

Of Special Interest

This section of the newsletter will assist you in covering:

- 1) Article 1 ("Solyndra Executives Won't Testify Before Congress"); and
- 2) Article 2 ("Feds Call Full Tilt Poker 'Global Ponzi scheme'").

Teaching Tips

Teaching Tip 1 (Related to Article 1--"Solyndra Executives Won't Testify Before Congress")

Have students visit Solyndra, LLC's website at www.solyndra.com

Teaching Tip 2 (Related to Article 2—"Feds Call Full Tilt Poker 'Global Ponzi Scheme'")

Have students visit Full Tilt Poker's website at www.fulltiltpoker.com





Proceedings

A monthly newsletter from McGraw-Hill

October 2011 Volume 3, Issue 3



The McGraw-Hill Companies

Chapter Key for McGraw-Hill/Irwin Business Law Texts

	Hot Topics	Video Suggestions	Ethical Dilemmas	Teaching Tips
Kubasek et al., Dynamic Business Law	Chapters 5, 7 and 8	Chapters 5 and 8	Chapters 2, 6 and 12	Chapters 5 and 7
Kubasek et al., Dynamic Business Law: The Essentials	Chapters 2, 4 and 5	Chapters 4 and 5	Chapters 1, 2 and 6	Chapters 2 and 4
Mallor et al., Business Law: The Ethical, Global, and E-Commerce Environment, 14th Edition	Chapters 3, 5 and 7	Chapters 3, 6 and 7	Chapters 4 and 8	Chapters 3 and 5
Barnes et al., Law for Business, 11th Edition	Chapters 4, 5 and 7	Chapters 4, 6 and 7	Chapter 3 and 8	Chapters 4 and 5
Brown et al., Business Law with UCC Applications Student Edition, 12th Edition	Chapters 2, 5 and 6	Chapters 2 and 6	Chapters 1 and 21	Chapters 2 and 5
Reed et al., The Legal and Regulatory Environment of Business, 15th Edition	Chapters 6, 10 and 12	Chapters 6 and 10	Chapters 2, 11 and 13	Chapters 6 and 12
McAdams et al., Law, Business & Society, 9th Edition	Chapters 4, 5 and 7	Chapters 5 and 7	Chapters 2 and 16	Chapters 4 and 5
Melvin, The Legal Environment of Business: A Managerial Approach	Chapters 2, 9 and 22	Chapters 2 and 9	Chapters 5, 24 and 25	Chapters 2 and 22
Bennett-Alexander & Harrison, The Legal, Ethical, and Regulatory Environment of Business in a Diverse Society	Chapters 6 and 8	Chapter 6 and Appendix A	Chapters 1, 15 and 17	Chapter 8

This Newsletter Supports the Following Business Law Texts:

- Barnes et al., Law for Business, 10th Edition, 2009© (007352493X)
- Brown et al., Business Law with UCC Applications Student Edition, 12th Edition, 2009© (0073524948)
- Kubasek et al., Dynamic Business Law, 2009© (0073524913)
- Kubasek et al., Dynamic Business Law: The Essentials, 2010© (0073377686)
- Mallor et al., Business Law: The Ethical, Global, and E-Commerce Environment, 14th Edition, 2010© (0073377643)
- McAdams et al., Law, Business & Society, 9th Edition, 2009© (0073377651)
- Reed et al., The Legal and Regulatory Environment of Business, 15th Edition, 2010© (007337766X)
- Melvin, The Legal Environment of Business: A Managerial Approach, 2011© (0073377694)

