

ACCT 3001

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Business Issues and Ethics

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Business Ethics in Technology Business

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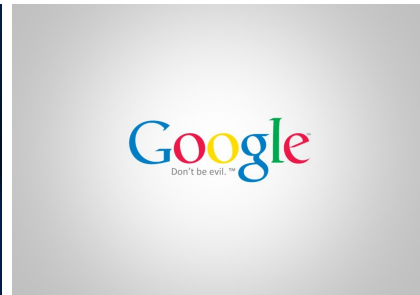
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We don't have an 'Evil meter' we can sort of apply, you know, what is good and what is evil.

-Eric Schmidt



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Introduction

In the 21st century, the Technology industry has been one of the fastest growing industries with the popularity of technology applied in daily lives. The rapid expansion of using the Internet and smartphone has provided promising business opportunities, but at the same time, controversial issues has arouse public attention in this field concerning about the business ethical issues in the business practices.

Scope of research

This project mainly focuses on the business ethics issues in particularly the Technology industry. We aim at identifying the key role of business ethics in the daily business practices with the support of case studies, so as to draw the important implications on the ethical standard in business practice and its effect to the business world. This project focuses on the ethical issue in two areas; Internet privacy and intellectual property rights.

What is Business Ethics?

There is no clear definition on “business ethics” while it is generally believed that it is a set business practice and policies in line with social norms with regards to potential controversies such as corporate social responsibilities, discrimination and bribery etc. In this case of technology industry, the society tends to concern with Internet privacy issue and intellectual property rights. The business ethics practice set the corporation on top of basic legal restrictions, it also demand a certain moral boundaries so as to fulfil the ethical standard.

Unethical acts in technology industry and their motives

I. Personal Data creates business value

Major Internet platforms such as Facebook, Google etc. have millions of Internet users and they handle billions of data entries consist on sensitive personal information everyday. Recent researches (Young *et al.*, 2013) suggested that the information could have provided enormous business value to these companies by selling personal information to third party or keeping as internal use. The profitable value in using the personal information provides motives for firms to use personal data to generate profit. These acts, in certain cases, are legally acceptable, as they did not violate Internet related laws, while this creates controversies on whether this act is ethically acceptable or not.

II. Intellectual Property Rights provides advantage in business competition

Technology industry strongly relies on innovation and creativity to sustain the expansion of business. (Hanson, 2009) Most of the technology giants have their iconic innovations to gain the support from their customers and sustain their business throughout the years. However, in face of the potential threats and competition from rivals, technology firms will leverage the protection on intellectual property rights in order to prevent further development from the rivals. However, by making use of this legal protection is somehow hindering the industry development.

III. Lacking innovative ideas

Recent years, there are game developing companies launching similar games by direct copy or modifying minor features and generated huge amount of revenue. This may possibly due to the success of the original game idea provide profitable business opportunities in different countries and there are legal loopholes in preventing modifying or copying game ideas. Also, copy and modification usually takes less developing time and requires less research and development costs.

Case Studies I : Internet Privacy issues in Google

Case Background

Revenue Model of Google

Google is an Internet giant which has its revenue mainly built on advertising. In the last quarter, Google's net income was about \$3.4 billion and the total revenue achieved \$16.9 billion. 95% of the revenue comes from advertising. As an advertising company, Google provides free products and services to online users, and in return it collects the online personal information from the users to build massive users profile. The profiles are extremely helpful for targeted advertisements.

Slogan "Don't be Evil" of Google

Google has upheld its slogan "Don't be Evil" since 2001. As the central pillar of its core values, the slogan delivers the message "Do the right thing: don't be evil. Honesty and Integrity in all we do. Our business practices are beyond reproach. We make money by doing good things." On top of the apparent wordings, it raises the concern over the ethical corporate behavior of Google.

Ethical Dilemma

The use of cookies and users' gmail data is regarded as the most critical dilemma related to ethical practice of Google. When Internet users browse the site of Google and input any wordings in the "search" bar, Google can automatically obtain the server log from each search. That means Google can use the cookies to store the information about users' search pattern and browsing habits. Moreover, Google can scan every email message including confidential email in Google's free Gmail service without users' consent.

Google has faced lawsuit on its use of cookies. It is accused of violating a 2011 privacy settlement it had made with the Federal Trade Commission (FTC) because it had not given Safari users a way to opt out of its policy of using information gathered via cookies to target ads at them. It is obliged to pay a \$22.5 million fine over its use of cookies on users of Apple's Safari web browser. Also, in 2004, thirty one privacy

and civil liberties organizations wrote a letter calling upon Google to suspend its Gmail service until the privacy issues were adequately addressed. They believed that the processing of email message has gone beyond proper use.

Google aims to obtain cookies and email data for increasing targeted advertisement revenue and improving web experience. It learns more about the users and possesses more market demographical information so as to tailor the personalized advertisement for them. However, users perceive the violation of privacy does harm to them. According to a survey conducted by The Gallup Organization and the *USA Today*, it shows that more than half of the respondents think the online advertisements with users profile tracking are unallowable and unjustifiable. Also, with reference to a press release from the Consumer Watchdog, there is a growing concern for rampant collection of personal information. People are worried about their personal information such as medical history, criminal records, profile and location etc. being deliberately stored and utilized by search engine companies.

Other than the purpose of increasing targeted advertisement and web experience, Google also uses cookies for meaningful purpose as well. A successful campaign called “Google Flu Trend” helps Federal authority detect flu activity around the world. As it is found that there is a close relationship between the flu-related search topics on Google and the flu activity in a region, the search terms serve to be a good indicator of the flu trend. The accuracy of the estimation in the past is high and the result is published in the journal *Nature*.

Laws and regulation on Internet privacy

David Weisbrot, president of the Australia Law Reform Commission, who has been investigating online privacy, said “Laws designed to protect privacy in the outside world struggle to cope with the issues raised by online communities.”

Several laws regarding the protection of internet privacy are highlighted below:

LEGAL PROTECTION ON INTERNET PRIVACY

Law	Impact
Privacy Act of 1974	Govern the collection, maintenance, use, and dissemination of privacy by Federal Agencies so as to prohibit disclosure of info without written consent
Children's Online Privacy Protection Act of 1998	Protect the rights of children online. Web operators which collect the information from children under the age of 13 are required to post a privacy policy stating the types of personal information collected from children, intended use of the information, and the information dissemination plans
Do not track me Online Act of 2011	Demand a business entity to comply with the choice of a consumer to opt-out of such collection or use

Implications

Though a number of laws have been enacted to protect Internet privacy, there are still loopholes of the laws which drive Internet user discomfort. Privacy policies posted by Internet companies are designed to be increasingly complicated and lengthened. This raises new challenges to the protection of users' personal data.

Therefore, the issue of Internet Privacy still relies on the ethical practice of Internet companies, which somehow possess the great power of authorizing, monitoring and controlling our online privacy data. On the other hand, to protect our personal information from being used beyond proper use, we, as the Internet users, should look carefully at the privacy policies posted by the Internet companies and have a right to opt-out of such collection of personal data when using their services provided.

Case Study II: Intellectual Property Rights War - Apple v. Samsung

Case Background

In recent years, two giants in the smartphone market, named Apple Inc. and Samsung Electronics Co. Ltd., have fierce competition on the market share in the smartphone market. The famous products that two companies selling are the iPhone series and Galaxy series respectively.

In 2011, Apple starts suing Samsung for patent infringement suits, they claimed that Samsung is copying their design and smartphone technology of their products. A patent is a set of exclusive rights granted by a sovereign state to an inventor or assignee for a limited period of time in exchange for detailed public disclosure of an invention. Apple applied for several patents regarding the design of the iPhone and some basic smartphone functions. The competition between two leading companies in the smartphone market was being put on the court. Later on, Samsung counter-sued Apple for some mobile-communication technologies. The lawsuits marked the development to a “smartphone patent war”. By July 2012, the two companies were still embroiled in more than 50 lawsuits around the globe, with billions of dollars in damages claimed between them. While Apple won a ruling in its favor in the U.S., Samsung won rulings in South Korea, Japan, and the UK.

Ethical dilemma

For Apple, they sued Samsung in order to protect their intellectual property. The representative of Apple mentioned “Samsung has systematically copied Apple's innovative technology and products, features, and designs, and has deluged markets with infringing devices in an effort to usurp market share from Apple.” They think that the design and technologies of the Galaxy smartphones are “slavishly copied” from the iPhone. In their own perspective, they are actually doing right for their company. But what do the lawsuits bring to the society? The worst case of the lawsuits will be the sales ban of their products, and this will result a total loss: the companies lose their sales; the customers also lose their choices of the smartphones.

But we cannot say Samsung is right, because their products are actually quite similar with the Apple products after they launched. We can easily identify that

Samsung are selling smartphones with the direct competition with Apple. Yet, Samsung is now having a great success in the smartphone market, and they already get enormous revenue by the Galaxy smartphones, even though they are being fined, the amount is much smaller than their revenue. It all turns back to the business ethics that Samsung should not use others innovation for their own goods.

Implications

After investigating in the Apple vs Samsung case, we found that business ethics is actually a very vague concept that there is not absolute right or wrong in the reality. We may think that Apple should not use the intellectual property right to hinder the development of the whole smartphone market, but we also suggest that Samsung should not copy the invention of Apple. The situation becomes a dilemma that everyone will have different views.

In our opinions, we think that the lawsuits actually creating a total loss situation. For Apple, they used large amount of money for suing Samsung instead of innovating new technologies. Regarding Samsung, they are now being fined billions of dollars to Samsung, they undoubtedly suffering a loss. Speaking of the customers, they will have fewer choices because both of the smartphone developed by Apple and Samsung have the possibility to be banned in the market, also the lawsuits freaking out the new competitors so they cannot enjoy better products.

Conclusion and Recommendations

Business ethics is of vital importance in the business practice. After referring to the two case studies above, there are certain recommendations and conclusion to sum up.

Generally, across the technology business nowadays, Internet Privacy and Innovations are the most controversial issues in no matter the enterprise perspective and also the customers perspective. In the perspective of enterprise, personal information is part provides profitable business margin to the company. The information is a valuable intangible asset making one company having a competitive edge to the counterparts. However, it also raises concern that internet users' right have been infringed in making profit. The widespread of Internet users information may also causes potential security threats such as internet financial crimes. It is suggested that governments should enhance civil education in protecting personal information rather than being passive in the social education. Also, government should also educate basic legal concepts to general public allowing lengthy legal statements are understandable in public. While corporations should also provide sufficient information on the change in privacy policy and make it concise and clear in every changes.

In view of the business innovations, ideas being protected by Intellectual Property Rights is a good measure to protecting innovative ideas of the original inventors. It also encourages the innovative culture across the country. However, the attempt to apply every bits of the creation might hinder the development of the industry as some of the inventions is a fundamental function which is widely applicable in most products. It is suggested that the government should review the intellectual property rights application in a serious manner but not considering the time of application. Fundamentals features with wide application should be reviewed with the consideration to the society development in future. This would prevent the abuse of overprotection towards beneficial technology. Also, companies should also take a open mind in partnership with other corporations to make business synergy effects rather than eliminating the opportunities with business rivals.

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