

Corporate vs. Consumer: A case on how a Home Appliance Company sued its Consumer

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The names of the parties involved and the locations have been fictionalized in the following case. These names and locations have been devised for the purpose of this case. However, several incidents and case descriptions have been inspired by real-life events and incidents.

The following case pertains to a dispute between one of the largest multinational corporations that manufacture and service home appliances such as refrigerators, washing machines, dishwashers, etc. ACM Home Appliances Inc. and a consumer John. The case takes place in a major city in Mindia (located in South Asia).

Background

The consumer John had purchased a dishwasher manufactured by Ciemann in 2004 from the United States. The company Ciemann is now a wholly owned subsidiary of ACM Home Appliances as Ciemann Home Appliances had been acquired by the ACM Home Appliances in 2018 and as per the company's website and documentation, all the service, repairs, after-sales, and sales support would be provided by ACM Home Appliances. Both ACM Home Appliances and Ciemann have had a shared history of manufacturing home appliances and are both headquartered in Mermany. John had shifted from the United States to Mindia in 2005 due to the ill health of John's father who resided in India. John also brought his Ciemann/ACM Dishwasher to India with a proper transfer of residence along with international warranty coverage. Moreover, John was promised by the company over the mail in 2005 that the company would provide service support for his dishwasher in Mindia. The dishwasher was installed at John's home in Mindia by ACM Home Appliances.

In July 2020, the dishwasher started giving issues and John approached ACM Home Appliances Mindia Inc. for service support. Along with raising the service request, John requested the company to try to ensure that the service should be conducted with minimal physical visits to ensure the safety of everyone involved in the service as this service was being conducted during the initial stages of the Covid-19 pandemic. In his request, John mentioned that performing the service in minimum visits would ensure health safety for us as consumers and also for others in the ACM community. John as a loyal ACM/Ciemann consumer always treated brands as a family and in particular, felt close to ACM because all of the home appliances his family has ever purchased have either belonged to ACM or Ciemann. In fact, as a child, John would innocently talk to the washing machines manufactured by ACM Home Appliances in Merman, the local language spoken by the country in which the company is headquartered. In fact, in one of the emails addressed to the company, John mentioned;

“The relationship between Ciemann(ACM) and my family has been one that can date back to the early 1900s when Ciemann evolved with Food processing units and floor polishers. It was around the late 1900s in the 70s and 80s when my father headed a unit of Merman Research and

Engineering where Ciemann was located and the quality standards and the service standards that are being maintained by Merman companies like ACM has been talked about from one generation to another. I have been seeing Ciemann appliances at home since childhood where during my Mermann classes, I would say "Ich liebe Ciemann". And today, almost all my appliances are Ciemann- Dishwasher, Microwave Oven, Washing Machine, and more."

John felt extremely close to the brand and belonged to a family of loyal ACM/Ciemann consumers.

Upon the completion of the service request in July 2020, the consumer John was charged an amount of Rs. 5685 (Mindian rupees). However, to the shock of John, the appliance only worked for one hour after the completion of the service and repair. The appliance was back in its original non-working condition. John addressed several emails to the company's customer care and also registered a service complaint again on the company's customer service website regarding the unsuccessful and unsatisfactory service conducted. After several unsuccessful attempts to resolve the issue, the company requested John to wait for 2 months as they would have to order the spare parts from Mermany. Due to the trust John bestowed in the ACM brand, he waited for the spare parts for 3 months only to find out that the company has not been able to procure the spare parts. During this time, the consumer John also discovered a fire hazard on the particular model of his dishwasher, which he discovered in a fire recall notice online. After making John wait for 3 months for the spare parts and after almost 5 months of the original service request, the company's customer service department in a mail addressed to John wrote:

"It would be not possible to extend the repair support for your Dishwasher."

The company also denied the fire recall hazard despite there being several newspaper articles on the hazard online.

After this mail, he requested the company to refund the money that was taken towards the incomplete service, which is Rs. 5685 as the machine only worked for one hour and is still in a non-working condition. As per the company's receipt, a refund can be claimed in case of deficiency of service which is in line with the Consumer Protection Act of Mindia. However, the company refused to refund the money as the company claimed that the machine did work for a period of 1 hour(60 mins).

As a disgruntled, disheartened, and upset consumer, John took to social media and emailed the company's headquarters in Mermany to express his frustration and disappointment with the company's poor customer service, refusal of service support, and denial of fire hazard. He also felt that the trust in the brand has been misused. Upon the purchase of the dishwasher, John had

been promised international service support and excellent after-sales service. However, John's experience had been contrasting with the expectations he had of the brand's service in Mindia.

In response to John's social media posts and emails to the headquarters, ACM Home Appliances Mindia Inc. filed a defamation case against John in March 2021, claiming that his social media posts and emails had damaged the company's reputation and caused financial harm worth Rs. 4 Crore (Rs. 40 million). Plus, ACM Home Appliances Mindia claimed that John's emails to their headquarters in Mermany have spoiled the relationship between the local company in Mindia and the parent company in Mermany which has also led to financial loss. It is also important to note that the local company ACM Home Appliances Mindia is a fully owned brand of ACM Home Appliances Mermany Inc.

Apart from the several moral conflicts in this case, the primary moral conflict, in this case, arises from the tension between the consumer's right to free speech, right to repair, right to be heard, and right to seek redressal, and the company's right to protect its reputation in the market.

This primary moral conflict will be further explored in this paper.

Summary of parties involved

The main parties involved in this case are John Robert, the consumer who purchased an ACM dishwasher machine and had a negative experience with the company's customer service department; ACM Home Appliances, the home appliance company in question that filed a defamation case against John; and the court system, which will be responsible for adjudicating the case and determining the appropriate resolution.

It is also important to point out that John belongs to a simple professional family of 2 people and is currently a university student. ACM Home Appliances is one of the largest home appliance brands in the world.

Analysis

From a philosophical perspective, this case raises several ethical questions. For this analysis, the case would be viewed through the lens of Adam Smith, Kant's Deontological perspective, Milton Friedman & R. Edward Freeman.

To begin with, one way to analyze this case is through the lens of Adam Smith's indifferent bystander or indifferent spectator, which was coined in the book, *The Theory of Moral Sentiments* (1759). In contrast to Kant, the indifferent bystander would have a point of view coupled with feelings of liking and disliking rather than merely based on Kant's maxims aimed at universal legislation. According to Adam Smith (1759), an indifferent bystander is a person who has no personal interest in the outcome of a situation but can observe it impartially and make a fair judgment. This would also require a strong capability of self-reflection and virtue ethics, which could in turn be broadened into the "Light of Day" test (Schüz, 2020, p. 167). The *Light of Day* test is a common test where the case is judged through various perspectives such as analyzing the case by the family, friends, work colleagues, managers, etc, and then analyzing each of their emotions.

In the case of ACM Home Appliances vs. John Robert, an indifferent bystander would likely side with John, as John has a right to express his dissatisfaction with the company's customer service and the quality of the after-sales service that he received. ACM Home Appliances, on the other hand, has a vested interest in protecting its reputation and financial interests, which may lead the company to take actions that are not in the best interest of the consumer.

If the case was passed through the Light of Day test and the emotions of each of these different bystanders (family, friends, work colleagues, etc.) were recorded, most of the bystanders would tend to favor the consumer as each individual in society is in some form or another a - consumer. A large company like ACM Home Appliances filing a case against a simple consumer from Mindia would send a chilling effect. This might instill a sense of fear in other consumers of various brands and prevent them from complaining against any large company, thereby making this lawsuit a SLAPP (Strategic Lawsuit Against Public Participation). And no bystander would want to be prevented from complaining against big corporations. Therefore, to not be in the constant fear of complaining against any brand, virtuous bystanders would tend to support the consumer John in this case. This would also rightfully allow them to complain against brands who have indulged in unfair trade practices and exhibit their consumer rights too. Over here, a virtuous person is referred to as a person who would self-observe, analyze the impact on themselves and others in society and thereby conduct critically (Schuz, 2020, pp. 214-215).

Ideally, a fair court system would act as an indifferent bystander, if being operated on an unbiased legal framework.

Another philosophical perspective that can be applied to this case is Kant's deontological ethics. According to Kant, ethical actions are those that adhere to moral rules or duties, rather than seeking to achieve a particular outcome. These ethical actions are governed by maxims that are universally defined and accepted. A key aspect of Kant's Deontological ethics is that the truth should always be told regardless of its consequences which follows from universal moral laws such as "Don't Lie. Don't steal". In this case, the company has lied to John on various occasions. For instance, upon purchase, the company informed John about International Warranty and Service guarantee, which was distant from the actual reality. The company promised John that he would receive the spare parts within 3 months but the spare parts never arrived. Then, the company's service receipt(bill) mentioned that a refund could be claimed in case of deficiency in service but that too was a lie since the company refused a refund. The company refused to acknowledge and work on the fire recall of the dishwasher despite there being fire hazard reports online. Also, the consumer John expressed his opinion on a public forum and was exhibiting his consumer rights to seek complaint redressal which is within his moral duty as a responsible consumer.

The home appliance company's action can also be seen as a violation of the Kantian ethical principle of treating people as "ends in themselves" and "not as means to an end". The company's decision to file a defamation case can be seen as a means to an end, which is protecting their financial interests, rather than treating the consumer as an end in themselves and addressing John's concerns.

But it is important to be on the qui vive while analyzing the case through the lens of deontological ethics. In this case, ACM Home Appliances may argue that it has a duty to protect its reputation and financial interests, which could justify its decision to file a defamation case against John. And there are universally defined laws that protect companies from reputational harm. However, these maxims follow from conditions laid out earlier: the person must be lying for the company to take action against the person.

A publication or opinion made in public that is based on verifiable truth and facts would tend to extinguish the liability for defamation/reputational damage.

Thus, if John is speaking the truth on the public forum and in his emails to the company, then from a deontological perspective, John's right to free speech and expression is a moral duty that must be respected.

According to the Utilitarian Ethics perspective, the focus should be on maximizing overall happiness or pleasure and minimizing overall pain or suffering.

On one hand, the company might feel that allowing such negative comments to go unchallenged could harm their business, and their shares in the stock market and lead to financial losses. And they might also feel that negative comments on a public platform such as the one made by John might trigger a slew of various other negative comments by other consumers of the company which could significantly harm the sales of the brand. In addition, the consumer John might have acted as a whistleblower to the major flaws in ACM Home Appliances' consumer services operations in Mindia to the headquarters via mail and the public through the public forum that might have triggered the company to file a lawsuit against the consumer John. Thus, to curb the harm to their brand, they decided to file a case.

On the other hand, filing a defamation case against a consumer who has simply voiced their dissatisfaction with the company's services could be seen as an aggressive and disproportionate response, particularly if the consumer's claims are true and valid. This could lead to negative publicity for the company, which could in turn harm its reputation and lead to reduced sales. Moreover, the risk of harm to customers and potential damage to property caused by the fire hazard on the dishwasher should ideally increase the urgency for the company to address the issue promptly and effectively rather than file a defamation case against the consumer.

Additionally, the legal process involved in pursuing a defamation case could be stressful, time-consuming, and financially burdening for a consumer like John, causing further harm and suffering.

From a utilitarian perspective, then, it is important to consider the potential consequences of the company's actions for all those involved. If it can be shown that pursuing the defamation case will ultimately lead to greater overall happiness and well-being, then it may be justifiable. However, if it is likely to cause more harm than good, then the company may need to reconsider its approach and explore alternative means of addressing the consumer's concerns.

According to Milton Friedman (1970), a corporation's primary responsibility is to maximize shareholder value. In this case, Friedman may argue that the company is justified in protecting its reputation and thereby the interests of its shareholders by taking legal action against the consumer. However, it is important to note that Friedman also emphasized the importance of voluntary exchange, free markets and was against the use of deception. If the company's poor services are causing harm to consumers, then it is possible that the market would respond by decreasing demand for the company's products, ultimately leading to lower profits for shareholders. In this sense, Friedman may argue that the company should focus on improving its services rather than suppressing criticism through legal action.

In response to Friedman's theory, philosopher R. Edward Freeman's theory on Stakeholder responsibility (1984) offers a perspective on the importance of companies being responsible to a

majority of their stakeholders, which includes its consumers, employees, suppliers, and the community rather than solely focusing on shareholder interests. From a stakeholder perspective, the legal case on a consumer could be seen as an attempt to silence legitimate criticism and prevent the company from fulfilling its obligations to its stakeholders.

Moreover, Freeman would likely view the legal action taken by ACM Home Appliances as a significant failure to consider the long-term impact on its relationships with stakeholders, including its customers, employees, and the community. By taking legal action against a consumer for expressing their opinions, the company could be creating a chilling effect amongst several stakeholders of the company. In the long run, such a legal case could categorize the company to be litigious in nature. This way the company risks damaging its reputation and eroding trust with its stakeholders. Overall, Freeman would argue that businesses have a responsibility to work towards building sustainable and long-term relationships.

In contrast, the company ACM Home Appliances has chosen to tarnish its relationship with a loyal consumer, John. Moreover, it has revoked their responsibility toward a consumer. The company's refusal to provide repair support to John after a certain point of time shows ACM Home Appliance's attempt to wipe off any responsibility towards John and in turn signaling their move towards the Caveat emptor (Morden & Ebejer, 1988), whereby they are making the consumer John responsible for the good's service and aftersales.

Thus, in this case, Freeman would likely view the company's decision to file a defamation case as short-sighted and potentially damaging to its relationships with stakeholders.

Conclusion

Overall, it seems that there are several ethical considerations at play in this case, including the potential consequences of the ACM Home Appliances' actions, the views of outside observers, and the ethical duties and obligations of the parties involved. While different ethical perspectives may lead to different conclusions, it is important for ACM Home Appliances to carefully consider the potential impact of their actions on every stakeholder involved.

However, there are some potential solutions to the ethical issues raised in this case:

- Withdraw the defamation case and offer a settlement: The company could choose to drop the defamation case and offer a settlement to the customer to compensate for the potential financial harm and other harm that the case might have caused.
- Address the fire hazard. The company should take prompt action to address the fire hazard on the dishwasher.

- Improve customer service: The company could also work to improve its customer service and address the root causes of the complaints raised by consumer, John. This could involve training staff to provide better service, improving product quality, improving the after-sales service, improving the availability of spare-parts, or implementing new systems to handle complaints and feedback more effectively. An entire re-evaluation and business process reengineering could be conducted for their after-sales service handling.

As per the case, it is important to also realize that there has been a breach of trust between the consumer John and the home appliance brand. Trust is the foundation of all successful relationships and is essential for creating value and achieving long-term success (Covey, 2006).

By taking legal action against a consumer, the company risks damaging the trust that the customer and other stakeholders have placed in the company which could potentially take longer to rebuild than it took to build that trust in the first place.

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