

Influence of Litigation on Corporate Behavior

NEAL LANGERMAN

Advanced Chemical Safety
San Diego, California, USA



Influence of Litigation on Corporate Behavior

- **Drivers of Corporate Behavior**
 - **Profit – Business Growth**
 - **Public Image**
 - **Risk Tolerance**
 - **Corporate Experience**



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 - **VW's spoofing of EPA Mileage Data**
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 - Financial
 - Litigation Tolerance
 - **Swimming Pool Chemical Manufacturers**
 - **Cosmetic Manufacturers**
 - Corporate Experience

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Influence of Litigation on Corporate Behavior

- **Impact of the litigation on Pacific Gas and Electric**
 - **Huge Settlement and Litigation Costs**
 - **Removal of Chromium-based rust inhibitors from cooling towers**
 - **Improved O&M procedures**



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- **Litigation Tolerance**
 - **Pool Chemical Manufacturers**
 - **Reliance on the Federal Hazardous Substances Act (FHSA)**
 - **FHSA & CPSC safe harbor label language**

**Indiana couple injured while mixing
“2 identical pool chemicals” in their
kitchen**



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 - **Paints & DIY Products**
 - **Concrete**

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- **Litigation Tolerance**
 - **Cosmetic Manufacturers**
 - **Lipsticks & perfumes contained phthalates**
 - **Publicity of emerging knowledge regarding toxicity led to reformulations**
 - **Avoid litigation**
 - **Avoid regulatory action**



Influence of Litigation on Corporate Behavior

- **Impediments to Litigation Influence**
 - **Sealed verdicts**
 - **Cheaper to defend than change**



Influence of Litigation on Corporate Behavior

- **Litigation in Organizations: Antisocial Behavior or Quest for Justice?**
 - **E. Allan Lind Sage Publications**
 - **General Motors settled a discrimination lawsuit**
 - **> \$3 million in direct payments,**
 - **>\$13 million in raises for employees who said they had been discriminated against,**
 - **Changes in pay raise practices that were estimated to cost between \$20 million and \$40 million over several years**

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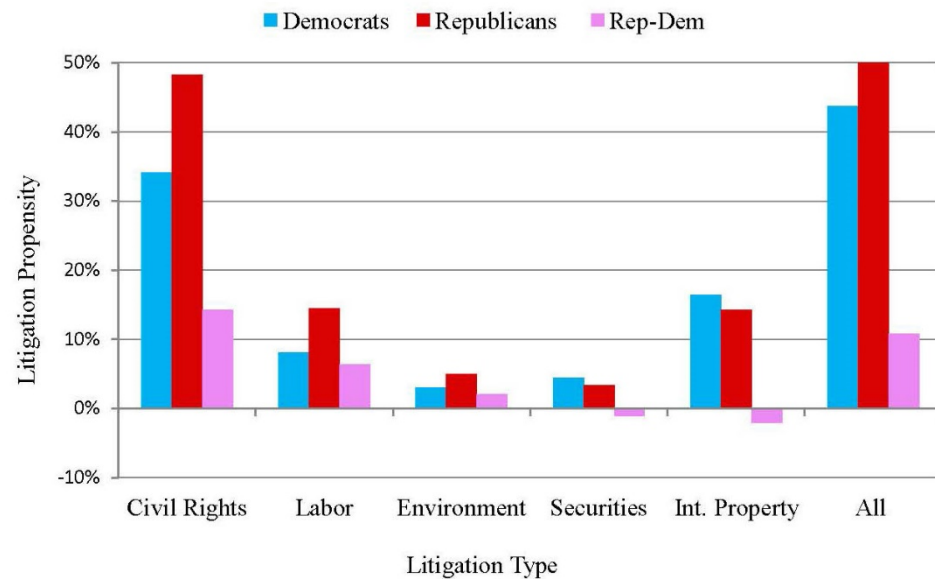
- **Political Values, Culture, and Corporate Litigation**
- **Corporations with “Democratic” Political leaning**
 - **Less likely to be sued for environmental, labor, or civil rights-related litigation**
- **Corporations with “Republican” Political leaning**
 - **Less likely to be sued for securities fraud and intellectual property rights violations**
- **Irena Hutton, Danling Jiang, Alok Kumar (2012), Villanova University Press**

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- **Political Values, Culture, and Corporate Litigation**

Data Set:

Civil Rights	31343
Labor Law	3449
Environmental	960
Securities	2927
IP	5050



Influence of Litigation on Corporate Behavior

- **Conclusions:**
 - **Litigation Risk Tolerance influences behavior**
 - **Useful tool in attempting to change institutional culture**
 - **Not a good tool to “get rich quick”**



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- **Thank you**
 - **Questions or a referral to a Plaintiff's Attorney?**

