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Dedication

To my wife, Jin Du,
and to our new twins: Ziva and Xavier
New to the Tenth Edition

This tenth edition of Business Law is a significant revision of Professor Cheeseman’s business law and legal environment textbook that includes many new cases and features.

New U.S. Supreme Court Cases

More than 15 new U.S. Supreme Court cases, including:

- **Equal Employment Opportunity Commission v. Abercrombie & Fitch Stores, Inc.** (Title VII applies to prevent religious employment discrimination against a Muslim female job applicant who was not hired because she wore a head scarf, which would have violated the clothing store’s policy against sales personnel wearing head caps.)
- **Fisher v. University of Texas at Austin** (Race-conscious university admissions policy does not violate the Equal Protection Clause.)
- **Maryland v. Kulbicki** (Criminal defense attorneys are required to provide reasonable competent representation to criminal defendants and not perfect advocacy as asserted by a defendant convicted of murder.)
- **Michigan v. Environmental Protection Agency** (The EPA acted unreasonably when it did not consider cost when it ordered power plants to spend $9 billion per year to reduce hazardous air pollutants that would yield benefits of reduced air pollution by only $6 million per year.)
- **Obergefell v. Hodges** (The U.S. Supreme Court held that same-sex couples may exercise the fundamental right to marry and held that state laws that did not permit or recognize same-sex marriages violated the Due Process and Equal Protection clauses to the U.S. Constitution.)
- **Samsung Electronics Co., Ltd. v. Apple Inc.** (Samsung’s smartphones infringed Apple’s design patents, and the damages could be either the entire profits made from the sale of the product or the profits attributable to the infringing components.)
New State and Federal Court Cases

More than 35 new state and federal court cases including:

- **United States v. Apple, Inc.** (Apple, who orchestrated a conspiracy among five major publishing companies to enter a price-fixing agreement to raise the retail price of digital books sold on Apple’s iBookstore engaged in a per se price-fixing in violation of antitrust law.)
- **Grady v. Green Acres, Inc.** (Assumption of the risk applies to snow tubing and precludes plaintiff from recovering damages for injuries he suffered while snow tubing.)
- **Kolodziej v. Mason** (A lawyer who, during an NBC interview, stated a $1 million challenge to anyone who could prove his theory of a case he was involved in was wrong, made the challenge in jest and it did not constitute an offer.)
- **Smith v. Delta Tau Delta, Inc.** (No agency existed between a national fraternity and one of its local college chapters, so the national fraternity was not liable for death of a pledge of the local chapter that occurred during a hazing incident.)
- **Wade v. Wal-Mart Stores, Inc.** (The court granted summary judgment to Wal-Mart where the plaintiff tripped and sustained injuries from an open and obvious hazard in the store’s parking lot.)
- **Wal-Mart Stores v. Henle** (A worker was awarded permanent total disability workers’ compensation benefits after she was severely injured on the job when a 60-pound stack of plastic totes fell 15 feet, striking her on the head.)

New Special Features on Critical Legal Thinking, Ethics, and Information Technology

More than 20 new special features, including:

- Critical Legal Thinking: Are FedEx Drivers Independent Contractors?
- Critical Legal Thinking: Payment of Overtime Pay to Workers
- Ethics: Ponzi Scheme Defrauds $200 Million From Investors
- Ethics: Volkswagen Emissions Scandal
- Global Law: Union of South American Nations
Preface

Information Technology: "Google" Trademark Is Not a Generic Name

Information Technology: Social Media Posting and Photographs are Discoverable Evidence

Reach Every Student by Pairing This Text with MyLab Business Law

MyLab is the teaching and learning platform that empowers you to reach every student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and improves results for each student. Learn more about MyLab Business Law

Deliver Trusted Content

You deserve teaching materials that meet your own high standards for your course. That’s why we partner with highly respected authors to develop interactive content and course-specific resources that you can trust—and that keep your students engaged.

• UPDATED! Mini Sims put your students in business professional roles and give them the opportunity to apply course concepts as they make decisions about real-world business challenges. The simulations branch based on each decision, creating various scenario paths and helping students understand the impact of their decisions on an organization—strengthening their critical thinking skills. These book-specific Mini Sims now come with a new design and workflow and are available for select titles.

Empower Each Learner

Each student learns at a different pace. Personalized learning pinpoints the precise areas where each student needs practice, giving all students the support they need—when and where they need it—to be successful.

• The Study Plan acts as a tutor, providing personalized recommendations for each of your students based on his or her ability to master the learning objectives in your course. This allows students to focus their study time by pinpointing the precise areas they need to review, and allowing them to use customized practice and learning aids—such as videos, eText, tutorials, and more—to get them back on track.

• Dynamic Study Modules help students study effectively on their own by continuously assessing their activity and performance in real time. Here’s how it works: students complete a set of questions with a unique answer...
format that also asks them to indicate their confidence level. Questions repeat until the student can answer them all correctly and confidently.

**Teach Your Course Your Way**

Your course is unique. So whether you’d like to build your own assignments, teach multiple sections, or set prerequisites, MyLab gives you the flexibility to easily create your course to fit your needs.

- **MediaShare for Business**—Consisting of a curated collection of business videos tagged to learning outcomes and customizable, auto-scored assignments, MediaShare for Business helps students understand why they are learning key concepts and how they will apply those in their careers.

  Instructors can also assign favorite YouTube clips or original content and employ MediaShare’s powerful repository of tools to maximize student accountability and interactive learning, and provide contextualized feedback for students and teams who upload presentations, media, or business plans.

**Improve Student Results**

When you teach with MyLab, student performance improves. That’s why instructors have chosen MyLab for over 15 years, touching the lives of over 50 million students.

**Developing Skills for Your Career**

If you haven’t yet decided on a major, you may be thinking that this section isn’t relevant to you. Let me assure you it is. Whether or not you plan on a career in business, the lessons you learn in this course will help you (in business and/or in your life in many ways). Moreover, it is only through the aggregate of your educational experience that you will have the opportunity to develop many of the skills that employers have identified as critical to success in the workplace. In this course, and specifically in this text you’ll have the opportunity to develop and practice these skills through features such as Critical Thinking Legal Questions and Information Technology Law cases.
## Instructor Resources

*Business Law* comes with the following teaching resources.

<table>
<thead>
<tr>
<th>Supplements available to instructors at <a href="http://www.pearsonhighered.com">www.pearsonhighered.com</a></th>
<th>Features of the Supplement</th>
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<tbody>
<tr>
<td><strong>Instructor’s Manual</strong></td>
<td><img src="#" alt="Features" /></td>
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| authored by Carolyn Mendelson from University of Pittsburgh | - Chapter-by-chapter summaries  
- Examples and activities not in the main book  
- Teaching outlines  
- Teaching tips  
- Solutions to all questions and problems in the book |
| **Case Solutions** | Solutions to the end-of-chapter content. |
| authored by Henry Cheeseman from University of Southern California | ![Features](#) |
| **Test Bank** | ![Features](#) |
| authored by David Dieteman from Pennsylvania State University and Leila Lawlor from Georgia State University | 4,000 multiple-choice, true/false, short-answer, and graphing questions with these annotations:  
- Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis)  
- Type (Multiple-choice, true/false, short-answer, essay)  
- Topic (The term or concept the question supports)  
- Learning outcome  
- AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge)  
- Page number in the text |
| **Computerized TestGen** | ![Features](#) |
| TestGen allows instructors to:  
- Customize, save, and generate classroom tests  
- Edit, add, or delete questions from the Test Item Files  
- Analyze test results  
- Organize a database of tests and student results. |
| **PowerPoints** authored by Abbey Stemler from Indiana University | Slides include the graphs, tables, and equations in the textbook.  
PowerPoints meet accessibility standards for students with disabilities. Features include, but not limited to:  
- Keyboard and Screen Reader access  
- Alternative text for images  
- High color contrast between background and foreground colors |

*Business Law*, 10th edition, is available as an eBook and can be purchased at most eBook retailers.
To the Students

Contemporary students have different needs than previous generations. Having been exposed to the electronic world for your entire lives, you think, learn, and process information in different ways than prior generations. This new tenth edition of Business Law and its electronic supplements have been designed especially for your needs.

Many of you may be apprehensive about taking a law course because it may seem daunting or different from studying many of your other courses. But it is not. As you embark on your study of the law, you will learn that this course presents the “real world,” that is, real legal disputes involving real people like yourselves. The course also offers you an opportunity to develop your critical thinking skills that will serve you in addressing legal and other issues that you may encounter. And lastly, learning the subject matter of this course will help you make more informed and confident decisions in your business and personal life.

Each semester, as I stand in front of a new group of students in my business law and legal environment classes, I am struck by the thought that I draw as much from them as they do from me. Their youth, enthusiasm, and questions—and even the doubts a few of them hold about the relevance of law to their futures—fuel my teaching. They don’t know that every time they open their minds to look at an issue from a new perspective or critically question something, I have received a wonderful reward for the work I do.

I remind myself of this every time I sit down to work on writing and revising Business Law, as well. My goal is to present business law, the legal environment, business ethics, and digital law in a way that will spur students to ask questions, to go beyond rote memorization.

Business law is an evolving outgrowth of its environment, and the legal environment keeps changing. This new tenth edition of Business Law emphasizes coverage of online law, e-commerce, and information technology as key parts of the legal environment. In addition, this book covers social, ethical, and global issues that are important to the study of business law.

It is my wish that my commitment to these goals shines through in this labor of love, and I hope you have as much pleasure in using it as I have had in creating it for you.

Henry Cheeseman
ABOUT THE AUTHOR

Henry R. Cheeseman is professor emeritus of the Marshall School of Business of the University of Southern California (USC), Los Angeles, California.

Professor Cheeseman earned a bachelor’s degree in finance from Marquette University, both a master’s in business administration (MBA) and a master’s in business taxation (MBT) from the University of Southern California, a juris doctor (JD) degree from the University of California at Los Angeles (UCLA) School of Law, a master’s degree with an emphasis on law and economics from the University of Chicago, and a master’s in law (LLM) degree in financial institutions law from Boston University.

Professor Cheeseman was director of the Legal Studies in Business Program at the University of Southern California. He taught business law, legal environment, and ethics courses in both the Master of Business Administration (MBA) and undergraduate programs of the Marshall School of Business of the University of Southern California. At the MBA level, he developed and taught courses on corporate governance, securities regulation, mergers and acquisitions, and bankruptcy law. At the undergraduate level, he taught courses on business law, the legal environment of business, ethics, business organizations, cyberlaw, and intellectual property.

Professor Cheeseman received the Golden Apple Teaching Award on many occasions by being voted by the students as the best professor at the Marshall School of Business of the University of Southern California. He was named a fellow of the Center for Excellence in Teaching at the University of Southern California by the dean of the Marshall School of Business. The USC’s Torch and Tassel Chapter of the Mortar Board, a national senior honor society, tapped Professor Cheeseman for recognition of his leadership, commitment, and excellence in teaching.

Professor Cheeseman writes leading business law and legal environment textbooks that are published by Pearson Education, Inc. These textbooks include Business Law; Contemporary Business Law; and Legal Environment of Business.

Professor Cheeseman is an avid traveler and amateur photographer. All of the photographs that appear in this textbook (except the book cover photo) were taken by Professor Cheeseman.
ACKNOWLEDGMENTS

When I first began writing this book, I was a solitary figure, researching cases online and in the law library and writing text on the computer and by hand at my desk. As time passed, others entered upon the scene—copyeditors, developmental editors, reviewers, and production personnel—and touched the project and made it better. Although my name appears on the cover of this book, it is no longer mine alone. I humbly thank the following persons for their contributions to this project.

The Exceptional Pearson Professionals

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I would especially like to thank the professionals of the sales staff of Pearson Education, Inc., particularly all the knowledgeable sales representatives, without whom the success of this textbook would be impossible.

Personal Acknowledgments

My Family

I would like to dedicate this book to my wife, Jin Du, and my twins, Ziva and Xavier.

My Relatives

I thank my parents—Henry B. and Florence, deceased—who had a profound effect on me and my ability to be a professor and writer.

I also thank other members of my family, particularly my brother Gregory—with whom a special bond exists as twins—and the rest of my family, including my sister Marcia, deceased; Gregory’s wife Lana; my nephew Gregory and his wife Karen; my niece Nicky and her husband Jerry; and my great nieces Lauren, Addison, and Shelby.

Students

I’d like to acknowledge the students at the University of Southern California (USC) and the students at other colleges and universities in the United States and around the world. Their spirit, energy, and joy are contagious. I love teaching my students (and, as important, my students teaching me). At the end of each semester, I am sad that the students I have come to know are moving on. But each new semester brings another group of students who will be a joy to teach. And thus, the cycle continues.
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Certain people and colleagues are enjoyable to work with and have made my life easier as I have endeavored to write this new tenth edition of Business Law.

I would like to thank Kerry Fields, my colleague who teaches business, international, real estate, and employment law courses at the University of Southern California, who is a superb professor and a wonderful friend.

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Business Law Professors
I would also like to thank the professors who teach business law, legal environment of business, and other law-related courses at undergraduate and MBA programs at colleges and universities in the United States and around the world for their dedication to the discipline. Their experience in the law and teaching ability make them some of the greatest professors on any college or university campus.

Author’s Personal Statement
While writing the preface and acknowledgments, I have thought about the thousands of hours I have spent researching, writing, and preparing this manuscript. I’ve loved every minute, and the knowledge gained has been sufficient reward for the endeavor.

I hope this book and its supplementary materials will serve you as well as they have served me.

With joy and sadness,
emptiness and fulness,
honor and humility,
I surrender the fruits of this labor

Henry R. Cheeseman