Dedication

To my wife, Jin Du, and to our new twins

Ziva and Xavier
# BRIEF CONTENTS

PREFACE xiii

## Part I  LEGAL ENVIRONMENT, JUDICIAL SYSTEM, DISPUTE RESOLUTION, AND BUSINESS ETHICS 1

1 Legal Heritage and the Information Age 2
2 Ethics and Social Responsibility of Business 20
3 Courts, Jurisdiction, and Administrative Law 34
4 Judicial, Alternative, and E-Dispute Resolution 61

## Part II  CONSTITUTIONAL LAW, TORTS, CRIMES, AND INTELLECTUAL PROPERTY 85

5 Constitutional Law for Business and E-Commerce 86
6 Torts and Strict Liability 109
7 Criminal Law and Cybercrime 134
8 Intellectual Property and Information Technology 163

## Part III  CONTRACTS, UCC TRANSACTIONS, CREDIT, AND E-COMMERCE 189

9 Formation and Requirements of Contracts 190
10 Performance and Breach of Contracts 214
11 Digital Law and E-Commerce 237
12 Sales Contracts, Leases, and Warranties 253
13 Credit, Secured Transactions, and Bankruptcy 276

## Part IV  BUSINESS ORGANIZATIONS, PARTNERSHIPS, CORPORATIONS, COMPANIES, AND SECURITIES LAW 303

14 Small Business, General Partnerships, and Limited Partnerships 304
15 Limited Liability Companies, Limited Liability Partnerships, and Special Forms of Business 330
16 Corporations and Corporate Governance 355
17 Securities Law and Investor Protection 383

## Part V  AGENCY, EMPLOYMENT, EQUAL OPPORTUNITY, AND LABOR LAW 409

18 Agency Law 410
19 Equal Opportunity in Employment 435
20 Employment Law and Worker Protection 464
21 Labor Law and Immigration Law 482

## Part VI  GOVERNMENT REGULATION, CONSUMER SAFETY, ENVIRONMENTAL PROTECTION, AND REAL PROPERTY 501

22 Antitrust Law and Unfair Trade Practices 502
23 Consumer Protection and Product Safety 524
24 Environmental Protection 543
25 Real Property and Land Use Regulation 559

## Part VII  GLOBAL ENVIRONMENT AND INTERNATIONAL COMMERCE 583

26 International and World Trade Law 584

## Part VIII  ACCOUNTING PROFESSION 609

27 Accountants’ Duties and Liability 610

## Appendix A  THE CONSTITUTION OF THE UNITED STATES OF AMERICA 629

GLOSSARY 639
CASE INDEX 675
SUBJECT INDEX 677
### CONTENTS

**Part I  LEGAL ENVIRONMENT, JUDICIAL SYSTEM, DISPUTE RESOLUTION, AND BUSINESS ETHICS**

#### 1 LEGAL HERITAGE AND THE INFORMATION AGE

- Introduction to Legal Heritage and the Information Age
- What is Law?
- Contemporary Environment • Functions of the Law
- Flexibility of the Law
- Schools of Jurisprudential Thought
- Critical Legal Thinking • Brown v. Board of Education
- Global Law • Command School of Jurisprudence of Cuba
- History of American Law
  - Landmark Law • Adoption of English Common Law in America
  - Global Law • Civil Law System of France and Germany
- Sources of Law in the United States
  - Contemporary Environment • How a Bill Becomes Law
  - Doctrine of Stare Decisis
  - Law in the Information Age
  - Critical Legal Thinking
  - Developing Skills for Your Career
- Key Terms and Concepts
- Law Case with Answer • Minnesota v. Mille Lacs Band of Chippewa Indians
- Critical Legal Thinking Cases
- Ethics Cases
- Notes

#### 2 ETHICS AND SOCIAL RESPONSIBILITY OF BUSINESS

- Introduction to Ethics and Social Responsibility of Business
- Ethics and the Law
- Business Ethics
  - Case 2.1 • U.S. Supreme Court Case • Moral Theory of Law and Ethics • POM Wonderful LLC v. Coca-Cola Company
  - Case 2.2 • U.S. Supreme Court Case • Nondisclosure of Evidence • Goodyear Tire & Rubber Company v. Haeger
- Social Responsibility of Business
  - Critical Legal Thinking • Volkswagen Emissions Scandal
  - Global Law • Is the Outsourcing of U.S. Jobs to Foreign Countries Ethical?
- Ethics • Sarbanes-Oxley Act Requires Public Companies to Adopt Codes of Ethics
- Public Benefit Corporations
- Key Terms and Concepts
- Law Case with Answer • Starbucks Corporation v. Wolfe's Borough Coffee, Inc.
- Critical Legal Thinking Cases
- Ethics Cases
- Notes

#### 3 COURTS, JURISDICTION, AND ADMINISTRATIVE LAW

- Introduction to Courts, Jurisdiction, and Administrative Law
  - Business Environment • Delaware Courts Specialize in Business Disputes
- State Court Systems
- Federal Court System
  - Contemporary Environment • Foreign Intelligence Surveillance Court
- Supreme Court of the United States
  - Contemporary Environment • Process of Choosing a U.S. Supreme Court Justice
  - Contemporary Environment • "I'll Take You to the U.S. Supreme Court!"
- Jurisdiction of Federal and State Courts
- Standing to Sue, Jurisdiction, and Venue
  - Critical Legal Thinking • International Shoe Company v. State of Washington
  - Case 3.1 • Federal Court Case • Forum-Selection Clause • Carter's of New Bedford, Inc. v. Nike, Inc.
- Jurisdiction in Digital Commerce
  - Information Technology • Jurisdiction Over an Internet eBay Seller
  - Administrative Law
  - Landmark Law • Administrative Procedure Act
  - Global Law • Judicial System of Japan
- Key Terms and Concepts
- Law Case with Answer • Carnival Cruise Lines, Inc. v. Shute
- Critical Legal Thinking Cases
- Ethics Cases
- Notes

#### 4 JUDICIAL, ALTERNATIVE, AND E-DISPUTE RESOLUTION

- Introduction to Judicial, Alternative, and E-Dispute Resolution
- Attorney Representation
- Pretrial Litigation Process
- Pleadings
  - Critical Legal Thinking • Statute of Limitations
- Class Action
  - Case 4.1 • U.S. Supreme Court Case • Class Action • Tyson Foods, Inc. v. Bouaphakeo
- Discovery
  - Information Technology • E-Discovery
  - Information Technology • Cellphone Texts are Discoverable Evidence in an Automobile Accident Case
  - Information Technology • Social Media Postings and Photographs are Discoverable Evidence
- Pretrial Motions
  - Case 4.2 • State Court Case • Summary Judgment • Wade v. Wal-Mart Stores, Inc.
- Settlement Conference
  - Contemporary Environment • Cost– Benefit Analysis of a Lawsuit
- Trial
  - Ethics • Nondisclosure of Evidence by Wal-Mart
- E-Courts

---

**Notes**
Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part II  CONSTITUTIONAL LAW, TORTS, CRIMES, AND INTELLECTUAL PROPERTY</td>
<td>85</td>
</tr>
<tr>
<td>5 CONSTITUTIONAL LAW FOR BUSINESS AND E-COMMERCE</td>
<td>86</td>
</tr>
<tr>
<td>Introduction to Constitutional Law for Business and E-Commerce</td>
<td>87</td>
</tr>
<tr>
<td>Constitution of the United States of America</td>
<td>87</td>
</tr>
<tr>
<td>Critical Legal Thinking • Checks and Balances</td>
<td>89</td>
</tr>
<tr>
<td>Supremacy Clause</td>
<td>90</td>
</tr>
<tr>
<td>Commerce Clause</td>
<td>90</td>
</tr>
<tr>
<td>Case 5.1 • U.S. Supreme Court Case • Supremacy Clause • Mutual</td>
<td>91</td>
</tr>
<tr>
<td>Pharmaceutical Company, Inc. v. Bartlett</td>
<td></td>
</tr>
<tr>
<td>Critical Legal Thinking • Heart of Atlanta Motel v. United States</td>
<td>93</td>
</tr>
<tr>
<td>E-Commerce and the Constitution</td>
<td>94</td>
</tr>
<tr>
<td>Information Technology • E-Commerce and the Commerce Clause</td>
<td>94</td>
</tr>
<tr>
<td>Bill of Rights and Other Amendments to the U.S. Constitution</td>
<td>95</td>
</tr>
<tr>
<td>Freedom of Speech</td>
<td>96</td>
</tr>
<tr>
<td>Information Technology • Free Speech and Video Games</td>
<td>98</td>
</tr>
<tr>
<td>Freedom of Religion</td>
<td>98</td>
</tr>
<tr>
<td>Equal Protection</td>
<td>99</td>
</tr>
<tr>
<td>Due Process</td>
<td>100</td>
</tr>
<tr>
<td>Case 5.2 • U.S. Supreme Court Case • Due Process and Equal Protection</td>
<td>101</td>
</tr>
<tr>
<td>Clauses • Obergefell v. Hodges</td>
<td></td>
</tr>
<tr>
<td>Government Taking of Property</td>
<td>102</td>
</tr>
<tr>
<td>Privileges and Immunities</td>
<td>103</td>
</tr>
<tr>
<td>Global Law • Human Rights Violations</td>
<td>103</td>
</tr>
<tr>
<td>Key Terms and Concepts</td>
<td>104</td>
</tr>
<tr>
<td>Law Case with Answer • Reno, Attorney General of the United States</td>
<td>104</td>
</tr>
<tr>
<td>v. Condon, Attorney General of South Carolina</td>
<td></td>
</tr>
<tr>
<td>Critical Legal Thinking Cases</td>
<td>105</td>
</tr>
<tr>
<td>Ethics Cases</td>
<td>106</td>
</tr>
<tr>
<td>Notes</td>
<td>107</td>
</tr>
<tr>
<td>6 TORTS AND STRICT LIABILITY</td>
<td>109</td>
</tr>
<tr>
<td>Introduction to Intentional Torts and Negligence</td>
<td>110</td>
</tr>
<tr>
<td>Intentional Torts</td>
<td>110</td>
</tr>
<tr>
<td>Case 6.1 • State Court Case • False Imprisonment</td>
<td>111</td>
</tr>
<tr>
<td>Wal-Mart Stores, Inc. v. Cockrell</td>
<td></td>
</tr>
<tr>
<td>Ethics • Intentional Misrepresentation (Fraud)</td>
<td>113</td>
</tr>
<tr>
<td>Unintentional Torts (Negligence)</td>
<td>115</td>
</tr>
<tr>
<td>Ethics • Ouch! McDonald’s Coffee Is Too Hot!</td>
<td>116</td>
</tr>
<tr>
<td>Case 6.2 • State Court Case • Negligence • Jones v. City of Seattle,</td>
<td>117</td>
</tr>
<tr>
<td>Washington</td>
<td></td>
</tr>
<tr>
<td>Information Technology • Proximate Cause and Violent Video Games</td>
<td>119</td>
</tr>
<tr>
<td>Special Negligence Doctrines</td>
<td>119</td>
</tr>
<tr>
<td>Critical Legal Thinking • Good Samaritan Laws</td>
<td>122</td>
</tr>
<tr>
<td>Assumption of the Risk</td>
<td>123</td>
</tr>
<tr>
<td>Case 6.3 • State Court Case • Assumption of the Risk • Grady v. Green</td>
<td>123</td>
</tr>
<tr>
<td>Acres, Inc.</td>
<td></td>
</tr>
<tr>
<td>Contributory and Comparative Negligence</td>
<td>124</td>
</tr>
<tr>
<td>Strict Liability and Product Liability</td>
<td>124</td>
</tr>
<tr>
<td>Case 6.4 • Federal Court Case • Supervening Event • Cummins v. BIC USA</td>
<td>128</td>
</tr>
<tr>
<td>Law Case with Answer • Birchfield v. North Dakota</td>
<td>130</td>
</tr>
<tr>
<td>Critical Legal Thinking Cases</td>
<td>132</td>
</tr>
<tr>
<td>Notes</td>
<td>133</td>
</tr>
<tr>
<td>7 CRIMINAL LAW AND CYBERCRIME</td>
<td>134</td>
</tr>
<tr>
<td>Introduction to Criminal Law and Cybercrime</td>
<td>135</td>
</tr>
<tr>
<td>Definition of a Crime</td>
<td>135</td>
</tr>
<tr>
<td>Contemporary Environment • Criminal Acts as the Basis for Tort Actions</td>
<td></td>
</tr>
<tr>
<td>Criminal Procedure</td>
<td>139</td>
</tr>
<tr>
<td>Case 7.1 • U.S. Supreme Court Case • Search • Maryland v. King</td>
<td>140</td>
</tr>
<tr>
<td>Ethics • Plea Bargain Agreements in Criminal Cases</td>
<td>142</td>
</tr>
<tr>
<td>Criminal Trial</td>
<td>142</td>
</tr>
<tr>
<td>Common Crimes</td>
<td>143</td>
</tr>
<tr>
<td>Critical Legal Thinking • First-Degree Murder</td>
<td>144</td>
</tr>
<tr>
<td>Business and White-Collar Crimes</td>
<td>146</td>
</tr>
<tr>
<td>Ethics • Ponzi Scheme Defrauds Investors</td>
<td>148</td>
</tr>
<tr>
<td>Contemporary Environment • Racketeering Influenced and Corrupt</td>
<td>149</td>
</tr>
<tr>
<td>Organizations Act (RICO)</td>
<td></td>
</tr>
<tr>
<td>Business Environment • Corporate Criminal Liability</td>
<td>150</td>
</tr>
<tr>
<td>Regulatory Crimes</td>
<td>150</td>
</tr>
<tr>
<td>Cybercrimes</td>
<td>150</td>
</tr>
<tr>
<td>Information Technology • The Internet and Identity</td>
<td></td>
</tr>
<tr>
<td>Theft</td>
<td>151</td>
</tr>
<tr>
<td>Case 7.2 • Federal Court Case • Computer Crime • United States v.</td>
<td>152</td>
</tr>
<tr>
<td>Barrington</td>
<td></td>
</tr>
<tr>
<td>Fourth Amendment Protection From Unreasonable Search and Seizure</td>
<td>152</td>
</tr>
<tr>
<td>Information Technology • Electronic Communications Privacy Act</td>
<td>153</td>
</tr>
<tr>
<td>Case 7.3 • U.S. Supreme Court Case • Search of Cellphones • Riley v.</td>
<td>154</td>
</tr>
<tr>
<td>California</td>
<td></td>
</tr>
<tr>
<td>Fifth Amendment Privilege Against Self-incrimination</td>
<td>155</td>
</tr>
<tr>
<td>Contemporary Environment • Miranda Rights</td>
<td>155</td>
</tr>
<tr>
<td>Ethics • Immunity from Prosecution</td>
<td>157</td>
</tr>
<tr>
<td>Other Constitutional Protections</td>
<td>157</td>
</tr>
<tr>
<td>Key Terms and Concepts</td>
<td>158</td>
</tr>
<tr>
<td>Law Case with Answer • Birchfield v. North Dakota</td>
<td>159</td>
</tr>
<tr>
<td>Critical Legal Thinking Cases</td>
<td>160</td>
</tr>
<tr>
<td>Ethics Cases</td>
<td>162</td>
</tr>
<tr>
<td>Notes</td>
<td>162</td>
</tr>
<tr>
<td>8 INTELLECTUAL PROPERTY AND INFORMATION TECHNOLOGY</td>
<td>163</td>
</tr>
<tr>
<td>Introduction to Intellectual Property and Information Technology</td>
<td>164</td>
</tr>
<tr>
<td>Intellectual Property</td>
<td>164</td>
</tr>
<tr>
<td>Trade Secret</td>
<td>165</td>
</tr>
<tr>
<td>Information Technology • Defend Trade Secrets Act</td>
<td>166</td>
</tr>
<tr>
<td>Ethics • Coca-Cola Employee Tries to Sell Trade Secrets to PepsiCo</td>
<td>167</td>
</tr>
</tbody>
</table>
Part III CONTRACTS, UCC TRANSACTIONS, CREDIT, AND E-COMMERCE 189

9 FORMATION AND REQUIREMENTS OF CONTRACTS 190

Introduction to Formation and Requirements of Contracts 191

Definition of a Contract 191

Case 9.1 • Federal Court Case • Contract • Facebook, Inc. v. Winklevoss 192

Classifications of contracts 193

Case 9.2 • State Court Case • Express Contract • McKeel v. Isle of Capri Casinos, Inc. 196

Contemporary Environment • Implied-in-Law Contract (Quasi-Contract) 197

Agreement 198

Case 9.3 • Federal Court Case • Objective Theory of Contract • Kolodziej v. Mason 199

Business Environment • Option Contract 201

Consideration 203

Case 9.4 • State Court Case • Consideration • Ferguson v. Carnes 203

Capacity to Contract 205

Legality 207

Case 9.5 • State Court Case • Exculpatory Agreement • DeCormier v. Harley-Davidson Motor Company Group, Inc. 208

Unconscionable Contracts 209

E-Commerce 209

Critical Legal Thinking • Interest Rates of Over 1,000% Per Year on Consumer Loans is Unconscionable 210

Digital Law • Electronic Contracts and Licenses 210

Key Terms and Concepts 211

Law Case with Answer • Ford Motor Company v. Ghreiwati Auto 211

Critical Legal Thinking Cases 212

Ethics Cases 213

Notes 213

10 PERFORMANCE AND BREACH OF CONTRACTS 214

Introduction to Performance and Breach of Contracts 215

Genuineness of Assent 215

Case 10.1 • Federal Court Case • Fraud in the Inducement • Portugués-Santana v. Rekordiv International, Inc. 218

Statute of Frauds 219

Case 10.2 • Federal Court Case • Parol Evidence • In the Matter of Pilgrim’s Pride Corporation 222

Third-Party Rights 222

Covenants and Conditions 224

Discharge of Performance 225

Breach of Contract 225

Monetary Damages 227

Case 10.3 • Federal Court Case • Liquidated Damages • Burke v. 401 N. Wabash Venture, LLC 228

Equitable Remedies 229

Case 10.4 • State Court Case • Specific Performance • Alba v. Kaufmann 230

Arbitration of Contract Disputes 232

Case 10.5 • Federal Court Case • Arbitration of a Contract Dispute • Mance v. Mercedes-Benz USA 232

Key Terms and Concepts 233

Law Case with Answer • SAMS Hotel Group, LLC v. Environ, Inc. 233

Critical Legal Thinking Cases 234

Ethics Case 236

Notes 236

11 DIGITAL LAW AND E-COMMERCE 237

Introduction to Digital Law and E-Commerce 238

The Internet 238

Email and Text Contracts 239

Information Technology • Email Acceptance Creates an Enforceable Contract 239

Information Technology • Regulation of Email Spam 240

E-Commerce and Web Contracts 240

Case 11.1 • State Court Case • Web Contract • Hubben v. Dell Corporation 241

Information Technology • E-SIGN Act: Statute of Frauds and Electronic Contracts 242

Information Technology • E-SIGN Act: E-Signatures and Electronic Contracts 242

E-Licensing of Software and Information Rights 243

Domain Names 244

Information Technology • Specific Top-Level Domain Names 246

Information Technology • Sale of Domain Names 247

Information Technology • Anticybersquatting Consumer Protection Act 248

Case 11.2 • National Arbitration Forum • Domain Name • New York Yankees Partnership d/b/a The New York Yankees Baseball Club 248

Global Law • Internet in Foreign Countries 249

Key Terms and Concepts 250

Law Case with Answer • E. & J. Gallo Winery v. Spider Webs Ltd. 250

Critical Legal Thinking Cases 251

Ethics Cases 252

Notes 252
## 12 SALES CONTRACTS, LEASES, AND WARRANTIES

**Introduction to Sales Contracts, Leases, and Warranties** ........................................ 253

- Uniform Commercial Code (UCC) .................................................. 254
- Article 2 (Sales) .............................................................................. 254
- Landmark Law • Uniform Commercial Code (UCC) ..................... 255
- Article 2A (Leases) ....................................................................... 256

**Formation of Sales and Lease Contracts** .................................................. 257

- Business Environment • UCC Firm Offer Rule ......................... 258
- Business Environment • UCC Permits Additional Terms ............. 258
- Business Environment • UCC “Battle of the Forms” .................... 259
- Business Environment • UCC Written Confirmation Rule .......... 259

**Electronic Sales and Lease Contracts** .................................................. 260

**Risk of Loss** .............................................................................. 260

**Business Environment • Commonly Used Shipping Terms** .......... 261

**Sale of Goods by Nonowners** ....................................................... 262

**Remedies for Breach of Sales and Lease Contracts** ......................... 263

**Warranties** ............................................................................... 265

**Express Warranty** ...................................................................... 266

- Case 12.1 • Federal Court Case • Implied Warranty of
  Merchantability • Osoirio v. One World Technologies, Inc............. 267
- Case 12.2 • Federal Court Case • Implied Warranty of
  Merchantability • Gesheke v. Crocs, Inc....................................... 267

**Warranty Disclaimers** ................................................................. 269

- Case 12.3 • State Court Case • Warranty Disclaimer •
  Roberts v. Lanigan Auto Sales...................................................... 270
- Landmark Law • Magnuson-Moss Warranty Act......................... 270
- Global Law • United Nations Convention on Contracts
  for the International Sale of Goods (CISG).................................. 271

**Key Terms and Concepts** ............................................................. 272

**Law Case with Answer • Manley v. Doe** ....................................... 272

**Critical Legal Thinking Cases** ....................................................... 273

**Ethics Cases** ............................................................................... 274

**Note** .......................................................................................... 275

## 13 CREDIT, SECURED TRANSACTIONS, AND BANKRUPTCY

**Introduction to Credit, Secured Transactions, and Bankruptcy** ............ 276

**Unsecured and Secured Credit** ..................................................... 277

**Security Interests in Real Property** ................................................. 278

- Contemporary Environment • Antideficiency Statutes ................. 281
- Business Environment • Construction Liens on
  Real Property .................................................................................. 282

**Secured Transactions in Personal Property** .................................... 283

- Landmark Law • Revised Article 9—Secured Transactions .......... 284
- Case 13.1 • State Court Case • Filing a Financing
  Statement • Pankratz Implement Company v. Citizens National Bank ..................................................... 286
- Contemporary Environment • Buyer in the Ordinary
  Course of Business ........................................................................ 287
- Business Environment • Artisan’s Liens on Personal Property .... 288

**Surety and Guaranty Arrangements** .............................................. 289

**Bankruptcy** .................................................................................. 289

- Landmark Law • Bankruptcy Code .............................................. 290
- Case 13.2 • Federal Court Case • Bankruptcy
  Discharge • Speedsporitz v. Lieben ............................................. 292

---

### Part IV BUSINESS ORGANIZATIONS, PARTNERSHIPS, CORPORATIONS, COMPANIES, AND SECURITIES LAW

#### 14 SMALL BUSINESS, GENERAL PARTNERSHIPS, AND LIMITED PARTNERSHIPS

**Introduction to Small Business, General Partnerships, and Limited Partnerships** ......................... 304

**Entrepreneurship** ....................................................................... 305

**Sole Proprietorship** .................................................................... 305

- Business Environment • “d.b.a.” Trade Name ......................... 307
- Case 14.1 • State Court Case • Sole Proprietorship •
  Bank of America, N.A. v. Barr ............................................. 308

**General Partnership** .................................................................... 309

- Landmark Law • Uniform Partnership Act and
  Revised Uniform Partnership Act .............................................. 310
- Business Environment • General Partnership Agreement......... 312

**Liability of General Partnerships and General Partners** .................... 313

**Dissolution and Winding up of General Partnerships** ....................... 315

**Business Environment • Right of Survivorship of General Partners** ........... 317

**Limited Partnership** ..................................................................... 318

- Landmark Law • Revised Uniform Limited Partnership
  Act and Uniform Limited Partnership Act (2001) .................... 318
- Business Environment • Limited Partnership Agreement ...... 320
- Business Environment • Limited Partners Permitted
  Management Powers ................................................................. 322

**Liability of Limited Partnerships, General Partners, and Limited Partners** .................. 322

**Dissolution and Winding up of Limited Partnerships** ....................... 324

**Contemporary Environment • Family Limited Partnership** .......... 325

**Limited Liability Limited Partnership** ......................................... 325

**Key Terms and Concepts** ............................................................. 326

- Law Case with Answer • Edward A. Remmier
  Memorial Foundation v. Mitchell ............................................. 327

**Critical Legal Thinking Cases** ....................................................... 327

**Ethics Case** ............................................................................... 329

#### 15 LIMITED LIABILITY COMPANIES, LIMITED LIABILITY PARTNERSHIPS, AND SPECIAL FORMS OF BUSINESS

**Introduction to Limited Liability Companies, Limited Liability Partnerships, and Special Forms of Business** .......... 330
Limited Liability Company (LLC) ........................................332
Landmark Law • Uniform Limited Liability
Company Act........................................................................332
Business Environment • Limited Liability
Operating Agreement .........................................................334
Limitation of Liability Companies and
Limited Liability of Members ...............................................335
Case 15.1 • State Court Case • Limited Liability
Company • Siva v. 1138 LLC .............................................336
Management of a Limited Liability Company ....................337
Dissolution and Winding up of Limited Liability
Companies ........................................................................339
Business Environment • Advantages of Operating a
Business as an LLC ..........................................................340
Limited Liability Partnership (LLP) ..........................................341
Landmark Law • Uniform Limited Liability Partnership
Amendments ........................................................................341
Business Environment • Limited Liability Partnership
Agreement ..........................................................................342
Liability of Limited Liability Partnerships and Limited
Liability of Partners ...............................................................343
Business Environment • Accounting Firms Operate
as LLPs ...............................................................................345
Dissolution and Winding up of Limited Liability
Partnerships ........................................................................345
Franchise ............................................................................346
Licensing .............................................................................348
Case 15.2 • State Court Case • Franchise Liability •
Rainey v. Domino’s Pizza, LLC ............................................349
Joint Venture .......................................................................350
Strategic Alliance .................................................................351
Key Terms and Concepts .....................................................351
Law Case with Answer • Creative Resource
Management, Inc. v. Soskin .................................................352
Critical Legal Thinking Cases ...............................................352
Ethics Cases .......................................................................354

16 CORPORATIONS AND CORPORATE
GOVERNANCE ..................................................................355
Introduction to Corporations and Corporate
Governance .........................................................................356
Nature of the Corporation .....................................................356
Landmark Law • Revised Model Business
Corporation Act ..................................................................357
Limited Liability of Shareholders ........................................358
Incorporation Procedure .....................................................358
Case 16.1 • State Court Case • Shareholder’s Limited
Liability • Menendez v. O’Neill ............................................359
Business Environment • S Corporation Election for
Federal Tax Purposes ...........................................................362
Financing the Corporation .....................................................363
Business Environment • Preferred Stock Preferences ..........364
Business Environment • Delaware Corporation Law ..........366
Shareholders .......................................................................367
Business Environment • Straight versus Cumulative Voting 368
Critical Legal Thinking • Shareholder Resolutions ................369
Board of Directors ...............................................................370
Information Technology • Corporate E-Communications 371
Corporate Officers ................................................................371
Fiduciary Duties Of Directors And Officers .........................372
Critical Legal Thinking • Business Judgment Rule ...............373
Sarbanes-Oxley Act .............................................................373
Ethics • Sarbanes-Oxley Act Improves Corporate
Governance .........................................................................374
Mergers And Acquisitions ...................................................375

17 SECURITIES LAW AND INVESTOR
PROTECTION ....................................................................383
Introduction to Securities Law and Investor
Protection ............................................................................384
Securities Law .....................................................................384
Landmark Law • Federal Securities Laws ...............................385
Definition of Security ...........................................................386
Initial Public Offering (IPO) ..................................................387
Emerging Growth Company ...............................................389
Regulation A+ Securities Offering ........................................390
Small Company Offering Registration ...................................390
Well-Known Seasoned Investor .............................................391
Crowdfunding ....................................................................391
Information Technology • Regulation Crowdfunding ..........391
Exempt Securities ................................................................392
Exempt Transactions .............................................................393
Information Technology • Initial Coin Offering (ICO) ...........395
Liability For Violations of The Securities Act
of 1933 ..............................................................................396
Business Environment • Government Actions for Violations
of the Securities Act of 1933 .................................................397
Trading In Securities ............................................................397
Business Environment • Government Actions for Violations
of the Securities Exchange Act of 1934 .................................398
Insider Trading ....................................................................398
Case 17.1 • U.S. Supreme Court Case • Tippee Trading •
Salman v. United States ......................................................400
Ethics • Stop Trading on Congressional
Knowledge Act ....................................................................401
Short-Swing Profits ...............................................................401
State “Blue-Sky” Laws ..........................................................402
Key Terms and Concepts .....................................................403
Law Case with Answer • United States v. Kluger .................404
Critical Legal Thinking Cases ...............................................405
Ethics Cases .......................................................................406
Notes ..................................................................................407

Part V AGENCY, EMPLOYMENT, EQUAL
OPPORTUNITY, AND LABOR
LAW ..................................................................................409

18 AGENCY LAW ............................................................410
Introduction to Agency Formation and Termination ..................411
Employment and Agency Relationships ..................................411
Formation of an Agency ..........................................................412
Contemporary Environment • Power of Attorney .................413
Case 18.1 • State Court Case • Independent Contractor •
Smith v. Delta Tau Delta, Inc. ................................................414
Case 18.2 • State Court Case • Agency • Eco-Clean, Inc.
v. Brown ............................................................................415
Apparent Agency ..................................................................416
Case 18.3 • State Court Case • Agency Relationship •
Bosse v. Brinker Restaurant Corporation, d.b.a. Chili’s Grill and Bar...417
Contents

Principal’s Duties .......................................................... 417
Agent’s Duties .................................................................. 419
Ethics • Agent’s Duty of Loyalty ........................................... 420
Tort Liability of Principals and Agents ................................. 420
Case 18.4 • State Court Case • Scope of Employment • Matthews v. Food Lion, LLC .................................................. 421
Contemporary Environment • Coming and Going Rule ......... 422
Liability for Intentional Torts .................................................. 423
Contract Liability of Principals and Agents ............................. 424
Independent Contractor ..................................................... 426
Critical Legal Thinking • Are FedEx Drivers Independent Contractors? .......................................................... 427
Termination of an Agency .................................................... 429
Contemporary Environment • Impossibility of Performance .......................................................... 430
Key Terms and Concepts .................................................... 431
Law Case with Answer • Desert Cab, Inc. v. Marino ............... 431
Critical Legal Thinking Cases ............................................... 432
Ethics Cases ..................................................................... 433

19 EQUAL OPPORTUNITY IN EMPLOYMENT ................................................ 435
Equal Employment Opportunity Commission .......................... 436
Title VII of the Civil Rights Act of 1964 ............................... 437
Landmark Law • Title VII of the Civil Rights Act of 1964 ......... 438
Race and Color Discrimination ............................................. 439
Case 19.1 • Federal Court Case • Race Discrimination • Bennett v. Nucor Corporation .................................................. 441
Landmark Law • Civil Rights Act of 1866 ................................ 442
National Origin Discrimination ............................................. 442
Business Environment • English-Only Rules in the Workplace .......................................................... 443
Gender Discrimination .......................................................... 443
Landmark Law • Pregnancy Discrimination Act ..................... 444
Sexual Orientation and Gender Identity Discrimination .......... 444
Critical Legal Thinking • Sexual Orientation Protected by Title VII .......................................................... 445
Harassment ...................................................................... 445
Critical Legal Thinking • Sexual Harassment ......................... 446
Case 19.2 • Federal Court Case • Sexual Harassment • Waldo v. Consumers Energy Company ........................................... 449
Information Technology • Offensive Electronic Communications Constitute Sexual and Racial Harassment .......................................................... 449
Religious Discrimination ...................................................... 450
Case 19.3 U.S. Supreme Court Case • Religious Accommodation • Equal Employment Opportunity Commission v. Abercrombie & Fitch Stores, Inc ................. 451
Defenses to a Title VII Action ................................................. 452
Equal Pay Act .................................................................... 453
Age Discrimination ............................................................. 454
Discrimination Against Individuals with Disabilities ............. 454
Landmark Law • Title I of the Americans with Disabilities Act .......................................................... 455
Genetic Information Discrimination ...................................... 457
Protection From Retaliation ................................................. 458
Veterans and Military Personnel .......................................... 458
Affirmative Action .............................................................. 459
Key Terms and Concepts .................................................... 460
Law Case with Answer • Thompson v. North American Stainless, LP .......................................................... 460
Critical Legal Thinking Cases ............................................... 461
Ethics Cases ..................................................................... 461
Notes ............................................................................. 463

20 EMPLOYMENT LAW AND WORKER PROTECTION .................................. 464
Introduction to Employment Law and Worker Protection ........ 465
Term Employment and Employment at Will ............................ 465
Contemporary Environment • At-Will Employment ................ 466
Case 20.1 • State Court Cases • At-Will Employment • Dore v. Arnold Worldwide, Inc .......................................................... 467
Workers’ Compensation ...................................................... 466
Case 20.2 • State Court Case • Workers’ Compensation • Wal-Mart Stores v. Henise .......................................................... 469
Case 20.3 • State Court Case • Workers’ Compensation • Kelley v. Coca-Cola Enterprises, Inc .......................................................... 469
Occupational Safety ............................................................ 471
Case 20.4 • Federal Court Case • Specific Duty Standard • R. Williams Construction Company v. Occupational Safety and Health Review Commission .......................................................... 471
Fair Labor Standards Act ...................................................... 472
Case 20.5 • Federal Court Case • General Duty Standard • SeaWorld of Florida, LLC v. Perez, Secretary, United States Department of Labor .......................................................... 473
Critical Legal Thinking • Payment of Overtime Pay to Workers .......................................................... 475
Family and Medical Leave Act ............................................. 476
Consolidated Omnibus Budget Reconciliation Act .................. 477
Employee Retirement Income Security Act .......................... 477
Unemployment Compensation ............................................. 478
Social Security .................................................................. 478
Key Terms and Concepts .................................................... 478
Law Case with Answer • Smith v. Workers’ Compensation Appeals Board .......................................................... 479
Critical Legal Thinking Cases ............................................... 480
Ethics Cases ..................................................................... 480
Notes ............................................................................. 481

21 LABOR LAW AND IMMIGRATION LAW ............................................. 482
Introduction to Labor Law and Immigration Law ...................... 483
Labor Law ....................................................................... 483
Landmark Law • Federal Labor Law Statutes ......................... 483
Organizing A Union ............................................................ 484
Ethics • Illegal Interference with an Election .......................... 485
Case 21.1 • Federal Court Case • Unfair Labor Practice • National Labor Relations Board v. Starbucks Corporation .......................................................... 486
Collective Bargaining ........................................................... 487
Critical Legal Thinking • State Right-to-Work Laws ................. 488
Strikes ............................................................................. 489
Business Environment • Illegal Strikes .................................. 490
Picketing ......................................................................... 490
Case 21.2 • Federal Court Case • Union Picketing • Ahern, National Labor Relations Board v. International Longshore and Warehouse Union .......................................................... 491
Ethics • Labor Union Picketing and the First Amendment ......... 492
Internal Union Affairs .......................................................... 493
Business Environment • Worker Adjustment and Retraining Notification Act .......................................................... 493
Immigration Law and Employment ........................................ 494
Business Environment • Employment Eligibility Verification .......................................................... 494
Key Terms and Concepts .................................................... 494
Law Case with Answer • Marquez v. Screen Actors Guild, Inc .......................................................... 497
Contents

22 ANTITRUST LAW AND UNFAIR TRADE PRACTICES ........................................... 502
Introduction to Antitrust Law and Unfair Trade Practices ........................................... 503
Federal Antitrust Law .................................................................................. 503
Landmark Law • Federal Antitrust Statutes ........................................... 504
Restraints of Trade: Section 1 of the Sherman Act ........................................... 504
Business Environment • Rule of Reason and Per Se Rule ........................................... 505
Case 22.1 • Federal Court Case • Price Fixing • United States v. Apple, Inc. .................. 506
Ethics • High-Tech Companies Settle Antitrust Charges ........................................... 507
Business Environment • Conscious Parallelism ........................................................ 508
Monopolization: Section 2 of the Sherman Act ........................................... 511
Mergers: Section 7 of the Clayton Act ........................................................................ 513
Business Environment • Premerger Notification ........................................... 516
Tying Arrangements: Section 3 of the Clayton Act ........................................... 516
Price Discrimination: Section 2 of the Clayton Act ........................................... 516
Federal Trade Commission Act ........................................................................ 519
Exemptions From Antitrust Law ........................................................................ 519
State Antitrust Laws .................................................................................. 520
Global Law • European Union Antitrust Law ........................................... 520
Key Terms and Concepts .................................................................................. 520
Law Case with Answer • Palmer v. BRG of Georgia, Inc. ........................................... 521
Critical Legal Thinking Cases ........................................................................ 522
Ethics Cases .................................................................................. 522
Notes .................................................................................. 523

23 CONSUMER PROTECTION AND PRODUCT SAFETY ........................................... 524
Introduction to Consumer Protection and Product Safety ........................................... 525
Food Safety .................................................................................. 526
Case 23.1 • Federal Court Case • Adulterated Food • United States v. LaGrou Distribution Systems, Incorporated ........................................... 526
Food, Drugs, and Cosmetics Safety ........................................................................ 527
Landmark Law • Food, Drug, and Cosmetic Act ........................................... 527
Contemporary Environment • Nutrition Facts Label ........................................... 528
Ethics • Restaurants Required to Disclose Calories of Food Items .............................. 529
Critical Legal Thinking • Family Smoking Prevention and Tobacco Control Act ........................................... 530
Product Safety .................................................................................. 530
Automobile and Vehicle Safety ........................................................................ 531
Contemporary Environment • Federal Motor Vehicle Safety Standards (FMVSS) ........................................... 532
Unfair and Deceptive Practices ........................................................................ 533
Case 23.2 • Federal Court Case • Deceptive Advertising • Federal Trade Commission v. Bronson Partners, LLC ........................................... 533

24 ENVIRONMENTAL PROTECTION ........................................... 543
Introduction to Environmental Protection ........................................... 544
Environmental Protection ........................................................................ 544
Environmental Impact Statement ........................................................................ 544
Air Pollution .................................................................................. 545
Case 24.1 • U.S. Supreme Court • Case Air Pollution • Michigan v. Environmental Protection Agency ........................................... 546
Contemporary Environment • Indoor Air Pollution ........................................... 548
Water Pollution .................................................................................. 547
Case 24.2 • Federal Court Case • Environmental Pollution • United States v. Maury ........................................... 548
Ethics • Do Oil Spill in the Gulf of Mexico ........................................... 551
Toxic Substances And Hazardous Wastes .................................................................. 552
Landmark Law • Superfund ........................................................................ 553
Endangered Species .................................................................................. 553
Critical Legal Thinking • Should Endangered Species Be Saved? ........................................... 554
State Environmental Protection Laws ........................................................................ 555
Key Terms and Concepts .................................................................................. 556
Law Case with Answer • Solid Waste Agency of North Cook County v. United States Army Corps of Engineers ........................................... 556
Critical Legal Thinking Cases ........................................................................ 557
Ethics Cases .................................................................................. 557
Notes .................................................................................. 558

25 REAL PROPERTY AND LAND USE REGULATION ........................................... 559
Introduction to Real Property and Land Use Regulation ........................................... 560
Real Property .................................................................................. 560
Estates in Land .................................................................................. 561
Concurrent Ownership .................................................................................. 563
Contemporary Environment • Community Property ........................................... 564
Future Interests .................................................................................. 565
Transfer of Ownership of Real Property .................................................................. 566
Contemporary Environment • Recording Statutes ........................................... 568
Case 25.1 • State Court Case • Reformation of a Deed • Robenolt v. Zynar .................................................................................. 568
Adverse Possession .................................................................................. 569
Case 25.2 • State Court Case • Adverse Possession • Paine v. Sexton .................................................................................. 570
Easements .................................................................................. 570
Case 25.3 • State Court Case • Easement • The Willows, LLC v. Byg .................................................................................. 571
Landlord–Tenant Relationship ......................................................................... 572
Civil Rights and Fair Housing Laws ..................................................................... 576
Contents

Zoning .............................................................................. 576
Government Taking of Real Property ......................... 577
Critical Legal Thinking • Eminent Domain .................. 578
Key Terms and Concepts .............................................. 579
Law Case with Answer • Solow v. Wellner ...................... 580
Critical Legal Thinking Cases ................................... 580
Ethics Cases .................................................................. 581
Notes ............................................................................. 581

Part VII GLOBAL ENVIRONMENT AND INTERNATIONAL COMMERCE ... 583

26 INTERNATIONAL AND WORLD TRADE LAW ........................................... 584
Introduction to International and World Trade Law ... 585
The United States and Foreign Affairs ......................... 585
United Nations .............................................................. 586
Global Law • World Bank .............................................. 588
Global Law • International Monetary Fund .................. 589
European Union .......................................................... 589
North American Free Trade Agreement ...................... 591
Association of Southeast Asian Nations ....................... 592
Organization of the Petroleum Exporting Countries .... 593
South American, Central American, and Caribbean Trade Organizations ............................ 594
African Trade Organizations ....................................... 595
World Trade Organization ............................................ 596
Jurisdiction of U.S. Courts to Decide International Disputes ................................................. 598
Critical Legal Thinking • Act of State Doctrine .......... 599
Case 26.1 • Federal Court Case • Act of State Doctrine
Glen v. Club Mediterranee, S.A. .................................... 599
Critical Legal Thinking • Doctrine of Sovereign Immunity ..................................................... 600
Case 26.2 • U.S. Supreme Court Case • Sovereign Immunity • OBB Personenverkehr AG v. Sachs ............. 601
International Religious Laws ........................................ 602
Global Law • Jewish Law and the Torah ....................... 602
Global Law • Islamic Law and the Qur'an .................... 603
Global Law • Christian and Canon Law ....................... 604
Global Law • Hindu Law—Dharmasastra ..................... 604
Key Terms and Concepts .............................................. 605
Law Case with Answer • Republic of Argentina v. Weltover, Inc. ............................................. 605
Critical Legal Thinking Cases ................................... 606
Ethics Cases ................................................................. 607
Notes ............................................................................. 607

Part VIII ACCOUNTING PROFESSION ...... 609

27 ACCOUNTANTS’ DUTIES AND LIABILITY ................................................. 610
Introduction to Accountants’ Duties and Liability ........ 610
Public Accounting ......................................................... 611
Accounting Standards and Principles ....................... 612
Accountants’ Liability to Their Clients ......................... 613
Liability to Clients: Accounting Malpractice
(Negligence) ................................................................. 614
Accountants’ Liability to Third Parties ......................... 614
Case 27.1 • State Court Case • Accountants’ Liability to a Third Party • Cast Art Industries, LLC v. KPMG LLP ...... 617
Securities Law Violations ............................................. 619
Ethics • Accountant’s Duty to Report a Client’s Illegal Activity ................................................... 620
Criminal Liability of Accountants ............................... 621
Sarbanes-Oxley Act ...................................................... 622
Business Environment • Public Company Accounting
Oversight Board .......................................................... 622
Business Environment • Audit Committee
Accountants’ Privilege and Work Papers ................. 623
Contemporary Environment • Accountant–Client Privilege ......................................................... 624
Key Terms and Concepts .............................................. 624
Law Case with Answer • Johnson Bank v. George
Korbakes & Company, LLP ............................................... 625
Critical Legal Thinking Cases ................................. 626
Ethics Cases ................................................................. 627
Notes ............................................................................. 627

APPENDIX A THE CONSTITUTION OF THE UNITED STATES OF AMERICA ............. 629
GLOSSARY ................................................................. 639
CASE INDEX ................................................................. 675
SUBJECT INDEX ........................................................... 677
New to the Ninth Edition

This ninth edition of *Legal Environment of Business* is a significant revision of Professor Cheeseman’s legal environment textbook that includes many new cases and features.

New U.S. Supreme Court Cases

Seven 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.)
- **Salman v. United States** (In a situation where an investment banker who gave insider trading tips of impending mergers to his brother who traded on the information and in turn tipped another person who also traded on the information, the last tippee can be held liable for illegal tippee trading even though the tipper did not personally receive money or property from the last tippee.)
- **OBB Personenverkehr AG v. Sachs** (A U.S. citizen who purchased a rail pass from an internet seller in Massachusetts to use in Europe and was seriously injured when she fell at a train station in Innsbruck, Austria, is barred from suing the Austrian railroad in U.S. district court based on sovereign immunity.)
- **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.)
- **Tyson Foods, Inc. v. Bouaphakeo** (Class certified to bring a class action lawsuit against an employer to recover overtime pay.)
- **Goodyear Tire & Rubber Company v. Haeger** (Calculation of an award of lawyer’s fees to a plaintiff as a sanction against a defendant for not disclosing evidence.)
New State and Federal Court Cases

Twenty new state and federal court cases, including:

- Carter’s of New Bedford, Inc. v. Nike, Inc. (A forum-selection clause was enforced that required a Massachusetts resident to bring a lawsuit against Nike in Oregon.)
- DeCormier v. Harley-Davidson Motor Company Group, Inc. (An exculpatory clause signed by a rider prior to participating at a Harley-Davidson motorcycle course was enforceable to prevent recovery of damages for injuries suffered by the rider in an accident.)
- Federal Trade Commission v. Bronson Partners, LLC (Several companies and their owners were found to have engaged in deceptive advertising for making miraculous and unverifiable weight loss claims about their products.)
- Geshke v. Crocs, Inc. (Crocs footwear does not present a heightened risk of danger to wearers riding escalators, so no breach of the implied warranty of merchantability occurred when a person wearing the footwear was injured while using an escalator.)
- 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.)
- McKee v. Isle of Capri Casinos, Inc. (A patron playing a slot machine at a casino won $1.85; even though the machine malfunctioned and the screen showed $41,779,550, the casino’s gambling contract, which stated that a “malfunction voids all pays,” was enforced.)
- SeaWorld of Florida, LLC v. Perez, Secretary, United States Department of Labor (SeaWorld was held to have violated the general duty clause of the Occupation Safety and Health Act when a killer whale caused the death of a trainer during a water performance.)
- United States v. Apple, Inc. (Apple, which 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.)

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

Twenty new special features, including:

- Ethics: Nondisclosure of Evidence by Wal-Mart
- Information Technology: “Google” Trademark is Not a Generic Name
Solving Teaching and Learning Challenges
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>
</tr>
</thead>
<tbody>
<tr>
<td>Instructor's Manual</td>
<td>• Chapter-by-chapter summaries</td>
</tr>
<tr>
<td>Jeff Penley, J.D., Senior Professor of Business Law and Ethics</td>
<td>• Examples and activities not in the main book</td>
</tr>
<tr>
<td>Catawba Valley Community College</td>
<td>• Teaching outlines</td>
</tr>
<tr>
<td>Hickory, North Carolina 28602</td>
<td>• Teaching tips</td>
</tr>
<tr>
<td></td>
<td>• Solutions to all questions and problems in the book</td>
</tr>
<tr>
<td>Case Solutions</td>
<td>Solutions to the end-of-chapter content.</td>
</tr>
<tr>
<td>Henry Cheeseman, Professor Emeritus, Marshall School of Business, University of Southern California</td>
<td></td>
</tr>
<tr>
<td>Test Bank</td>
<td>4,000 multiple-choice, true/false, short-answer, and graphing questions with these annotations:</td>
</tr>
<tr>
<td>William J. Kresse, JD, MS, CPA/CFF, CFE, CGMA, Esq.</td>
<td>• Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis)</td>
</tr>
<tr>
<td>College of Business</td>
<td>• Type (Multiple-choice, true/false, short-answer, essay)</td>
</tr>
<tr>
<td>Governors State University</td>
<td>• Topic (The term or concept the question supports)</td>
</tr>
<tr>
<td>University Park, Illinois, USA</td>
<td>• Learning outcome</td>
</tr>
<tr>
<td></td>
<td>• 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)</td>
</tr>
<tr>
<td></td>
<td>• Page number in the text</td>
</tr>
<tr>
<td>Computerized TestGen</td>
<td>TestGen allows instructors to:</td>
</tr>
<tr>
<td></td>
<td>• Customize, save, and generate classroom tests</td>
</tr>
<tr>
<td></td>
<td>• Edit, add, or delete questions from the Test Item Files</td>
</tr>
<tr>
<td></td>
<td>• Analyze test results</td>
</tr>
<tr>
<td></td>
<td>• Organize a database of tests and student results.</td>
</tr>
<tr>
<td>PowerPoint Presentation</td>
<td>Slides include the graphs, tables, and equations in the textbook.</td>
</tr>
<tr>
<td>Dr. Julie Boyles, Assistant Professor, University Studies</td>
<td>PowerPoints meet accessibility standards for students with disabilities.</td>
</tr>
<tr>
<td>Portland State University</td>
<td>Features include, but not limited to:</td>
</tr>
<tr>
<td></td>
<td>• Keyboard and Screen Reader access</td>
</tr>
<tr>
<td></td>
<td>• Alternative text for images</td>
</tr>
<tr>
<td></td>
<td>• High color contrast between background and foreground colors.</td>
</tr>
</tbody>
</table>

Legal Environment of Business, Ninth Edition, is available as an eBook and can be purchased at most eBook retailers.
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.
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**

I appreciate the ideas, encouragement, effort, and decisions of the management team at Pearson: Stephanie Wall, Director of Portfolio Management, and Melissa Feiner, Managing Producer, for their support in the publication of this book.

I’d also like to thank Lori Eschholz for her excellent copy editing of the manuscript, Natalie Doel for her outstanding proof-reading of this revision, and Gladys Soto, Content Producer at Pearson, for her many contributions to the book.

And a special thanks to Leah Grace Salazar, Editorial Project Manager at SPI Global, and Prince John William Carey, Downstream Project Manager at SPI Global, for their excellent work on producing the book. It was a delight working with such professionals, who I now consider friends.

I would especially like to thank the professionals of the sales staff of Pearson Education, particularly all the knowledgeable sales representatives.

**Personal Acknowledgments**

**My Family**

I would like to dedicate this book to my wife, Jin Du, and our 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.

**Colleagues**

Certain people and colleagues are enjoyable to work with and have made my life easier as I have endeavored to write this new ninth edition of Legal Environment of Business.
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.

I also thank Kevin Fields, my colleague who teaches business, corporation, and real estate law courses at the University of Southern California, who is an excellent professor and a close friend.

And I give special thanks to Helen Pitts, Debra Jacobs, Terry Lichvar, and Jean Collins, at the Marshall School of Business, who are always a joy to work with.

**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 fullness,  
honor and humility,  
I surrender the fruits of this labor.*

Henry R. Cheeseman