

A BUSINESS-ORIENTED TEXT

The fourth edition of *Business Law: Principles and Cases in the Legal Environment* provides students with a business-oriented introduction to the legal and ethical topics that affect business. This perspective may seem obvious. However, not all business law textbooks focus on the *practice* of business. Some fail to show students how the law will affect their future careers as businesspeople. Our goal as business law and legal environment instructors is not to teach lawyers, but to teach future businesspeople. The book is not organized along the lines of law school classes—for example, administrative law, agency, and remedies. Instead it is organized along the lines of how businesspeople should think about the law. For example, torts material may be in the agency chapters and remedies material may be in the contracts chapters.

Businesspeople need to be able to anticipate and avoid legal problems. If legal problems occur, businesspeople need to know how to recognize the nature of these problems and how to work with lawyers to achieve solutions. Legal problems, including lawsuits, are business problems that can and should be strategically managed.

Our goals in this text are:

- To present in a student-friendly fashion a current and comprehensive introduction to the legal topics relevant to business;
- To demonstrate how these topics apply to business enterprises and transactions;
- To offer legal strategies for business owners and managers;
- To provide approaches for analyzing legal topics encountered in the practice of business; and
- To develop critical thinking skills and habits.

We also support the students and instructors using this text. Aspen offers a wide variety of supplementary materials for students and instructors.

Secret Sentinel Business Cases

We have included an integrated, continuous business case or scenario. The Secret Sentinel case is threaded throughout the text. The individual threads profile the experiences of a hypothetical business, Secret Sentinel, owned and operated by a “local” group of student entrepreneurs. The entrepreneurs and their products, Nanny Cam and Doorbell Cam, are introduced before Chapter 1. Each chapter begins with an Agenda that highlights some major legal issues from the chapter that are likely to be relevant to Secret Sentinel (and many real businesses). Within each chapter there are at least three Secret Sentinel application boxes that address particular legal issues and call for students to offer guidance to the firm. Each application box is categorized by the relevant functional area of business—accounting, finance, international business, management, manufacturing, marketing, personal law, and sales. Application boxes pose questions including Business Considerations and Ethical Considerations. These questions ask students to go beyond the text and apply the concepts to a business entity. Many of the questions ask students to make strategic business decisions informed by their knowledge of the law.

Students in business schools often focus on one subject at a time. When they are in accounting class they think about accounting problems and when they are in business law they focus on business law. Operationally, problems in a business generally overlap more than one functional area. A problem can be both a business law problem and a marketing problem. The problems are interdependent, not separate. In addition, business problems do not arise with labels attached. Businesspeople need to be able to identify the subjects that are involved. Working with the Secret Sentinel thread case helps students recognize the interdependent nature of business problems and business decision making. Students may not be able to provide a full answer to some of the questions posed. Some questions might require additional information or research to fully respond.

Secret Sentinel thread cases are not intended to encourage business students to practice law without a license. (It is illegal to practice law without a license and

we are not advocating that students break this or any other law.) However, application is an important aspect of mastering material. Knowledge of the law is of little use if students do not know how or when to apply the knowledge. College students should ask themselves “how can I use this information?” The Secret Sentinel case provides an opportunity for students to practice applying their knowledge of the law. Like our Secret Sentinel entrepreneurs, businesspeople do not call their attorneys to discuss every decision that may have legal ramifications. They often rely on their own knowledge and the information they gain from their friends and the Internet. (As we know, not all friends or all Internet sites are well informed and they do not always provide up-to-date and/or accurate information.)

Exhibits

There are numerous exhibits in the text. These exhibits assist students in comprehending the material, but they are not intended to replace the text. They provide a visual aid to comprehension and learning.

TOPICAL COVERAGE

Our first goal is to present a current and comprehensive introduction to the legal topics relevant to business in a readable, accessible style. To achieve this goal, the book is divided into nine parts based on the typical topical coverage of undergraduate business law courses.

Part I: Foundations of Law and the U.S. Legal System Part I presents an overview of law and the legal system. Chapter 1, Business and Its Legal Environment, includes a discussion of ways to look at the law. It includes a discussion of theories of jurisprudence and how the law is viewed in different countries. Chapter 2, Business Ethics, focuses on how businesspeople might apply ethical theories in making business decisions. Chapter 3 examines the U.S. court system and how courts obtain jurisdiction over cases. Chapter 4 introduces a civil trial through a hypothetical accident involving our Secret Sentinel entrepreneurs. It also discusses alternatives to the court system that businesspeople can use. Chapter 5 discusses the constitutional bases for government regulation of business. Chapter 6 examines potential liability for torts. Chapter 7 addresses business crimes including computer crimes, espionage, and the

Racketeer Influenced and Corrupt Organizations Act (RICO). Chapter 8 deals with international business and various topics of international law.

Part II: Contracts Part II examines contract law and its importance in business transactions. The material includes an in-depth discussion of the common law of contracts and information about how contract law is changing in response to the increase in e-commerce. Chapter 9 is an introduction to the law of contracts. Chapter 10 covers offer, acceptance, and consideration. Chapter 11 deals with capacity to contract, the reality of consent, and illegal contracts. Chapter 12 addresses contract writings, including techniques courts use to interpret contracts. Chapter 13 discusses the rights and obligations of third parties. The section concludes with Chapter 14, Discharge, Breach, and Remedies.

Part III: Sales and Leases Part III addresses the law of sales and leases. Each of the first three chapters examines aspects of Article 2 of the Uniform Commercial Code (UCC), dealing with the Law of Sales. Each chapter includes coverage of Article 2A, the Law of Leases, and compares it to Article 2. Finally, each of these chapters compares the UCC to the law of the international sale of goods, as embodied in the United Nations Convention on Contracts for the International Sales of Goods (CISG). Warranties and Product Liability is the final chapter in this part. It highlights the potential impact that breach of warranty or product liability disputes can have on a business. A breach of warranty case or a case involving product liability may result in substantial damages.

Part IV: Negotiables Part IV discusses Articles 3, 4, and 4A of the UCC. It includes a discussion of bank-customer relations, electronic fund transfers, and how the UCC revisions have changed the law of negotiable instruments. It also covers the Electronic Fund Transfer Act (EFTA), a federal statute that addresses debit card and other electronic payment methods.

Part V: Debtor-Creditor Relations Chapters 24 and 25 examine debtor-creditor relations by looking at secured transactions under revised Article 9 of the UCC with its significant revisions. Next is Chapter 26 dealing with Other Credit Transactions. This discussion includes payday loans, credit a business may extend to its customers, and credit a business may use to acquire assets or inventory. Chapter 27 addresses the federal protections available for honest debtors under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005.

The discussion compares Chapters 7, 11, and 13 of the Bankruptcy Act.

Part VI: Agency Part VI explains the agency relationship and its importance in operating a business. It includes a discussion of the distinction between employees and independent contractors and why it is critical to correctly categorize workers. This is an important issue that is evolving as the gig economy grows and there are political pressures to treat the workers as employees. Part VI emphasizes the liability of the principal and agent for contracts entered into by the agent. It also focuses on the liability of employers and employees for torts and crimes committed by employees. Policies underlying the rules are also addressed. Protection of the business's confidential information and covenants not to compete are also discussed.

Part VII: Business Organizations Part VII treats the various types of business organizations in a unique manner. Rather than have separate chapters dealing with each business form, the text treats the types of organizations in a compare-and-contrast fashion within the chapters. The focus is on the strategic advantages and disadvantages of the different structures for the operation of a business. The coverage includes the more traditional business forms, such as sole proprietorships, partnerships, and corporations. It also includes the newer business forms such as limited liability companies, limited partnerships, limited liability partnerships, and limited liability limited partnerships. This section also includes a discussion of securities regulation in Chapter 34.

Part VIII: Government Regulation of Business Part VIII addresses the regulatory issues commonly faced by businesses. Antitrust law is addressed in Chapter 35. Chapter 36, Consumer Credit Protection, is devoted to consumer law and stresses concepts that relate back to Chapter 26, Other Credit Transactions. Chapter 37, Environmental Protection, addresses many of the major environmental statutes. Chapter 38, Labor and Fair Employment Practices, examines the rights and responsibilities of businesses and their employees. It includes laws dealing with formation and operation of unions. It also discusses laws prohibiting discrimination in employment.

Part IX: Property Protection Chapter 39 addresses the types of property and the rights that property owners have. It also discusses government regulation of real

property. It includes a discussion of the forms of joint ownership and transfer on death ownership. It also explains bailments of personal property. Chapter 40 focuses on types of intellectual property, including copyrights, patents, trademarks, and trade secrets.

APPLICATIONS

Our second goal is to demonstrate how the legal topics presented in the text apply to the practice of business. In addition to the thread case, *Business Law* includes the following features:

Court Cases

Each chapter contains two court cases. After the learning objectives, chapter outline, and Secret Sentinel Agenda, the chapter begins with a Classic Case. This is an older court case, often a landmark legal decision. Each chapter then ends with a Contemporary Case, a more recent decision showing how courts today are applying concepts to current legal disputes.

All the court cases show how the courts apply chapter concepts to actual disputes between litigants. Many of them are also illustrative as to how the parties could have avoided the dispute in the first place, such as avoiding ambiguities in drafting a contract or a deed. Court cases are organized into the following parts:

- Facts—the facts of the case
- Issue(s)—the question(s) that the court is deciding
- Holding(s)—the court's answer to the issue(s)
- Reasoning—the reasoning the court used in analyzing the question, reaching a decision, and explaining the decision to the public

The reasoning is excerpted from the language of the court. We have summarized the other three parts of the case.

You Be the Judge

After the Contemporary Case, each chapter has a You Be the Judge box. Many of the You Be the Judge boxes take their materials directly from current events, focusing on cases that encourage students to think critically about a

variety of topics. Examples include (1) whether Amazon is liable as a seller for third party products sold through its website, and (2) whether Geico's insurance policy covers transmission of an STD if the sex occurs in an insured vehicle. The boxes ask students to prepare an opinion that applies the law to the facts presented in the "box." Students have the opportunity to play the roles of trial judges, appellate justices, and legislators offering them different vantage points to view the issues. By doing so, students will gain a greater appreciation for the difficulties involved in considering the alternatives and drafting an opinion or statute.

Discussion Questions and Case Problems and Writing Assignments

Each chapter concludes with five Discussion Questions that ask students to test their knowledge of chapter material. The Discussion Questions are followed by three Case Problems and Writing Assignments. These questions ask students to apply ethical and legal concepts to actual situations. All the end-of-chapter materials can be used as study tools in reviewing the material, as class or small-group discussion material, or as writing assignments.

SUPPLEMENTAL RESOURCES

Instructor resources to accompany this text include a comprehensive Instructor's Manual, Test Bank, and PowerPoint slides. Please visit the product page that accompanies this book at aspenpublishing.com for additional resources.

AACSB CURRICULAR STANDARDS

In 2020, the AACSB implemented new accreditation standards with the adoption of the AACSB 2020 Guiding Principles and Standards for Business Accreditation, effective July 28, 2020. The Curriculum Standard says, "The school delivers content that is current, relevant, forward-looking, globally-oriented, aligned with program

competency goals, and consistent with its mission, strategies, and expected outcomes. The curriculum content cultivates agility with current and emerging technologies." (Curriculum Standard 4.1, at 37.) We believe *Business Law: Principles and Cases in the Legal Environment, Fourth Edition*, uniquely satisfies these standards in a readable yet rigorous format.

Under the standards, two of the important guiding principles for accredited schools are a Global Mindset and Diversity and Inclusion. According to the standards, a Global Mindset includes an "understanding of other cultures and values, and learners are educated on the global nature of business and the importance of understanding global trends." (*Id.*, at 16).

Global issues are treated in several areas, beginning with Chapter 1 and its introduction to different legal systems, including those based on various religions, and international examples. Chapter 4 covers international alternate dispute resolution. Global issues continue with Chapter 8, International Law; the discussion of CISG in Chapters 15 through 18; and letters of credit in Chapters 8 and 26. Chapter 2, Business Ethics, addresses the ethical theories and how they can be applied in business. It stresses the importance of recognizing that individuals have varying ethical perspectives. Ethics questions follow each of the thread cases.

According to the standards on Diversity and Inclusion, "diversity is a culturally-embedded concept rooted in historical and cultural traditions, legislative and regulatory concepts, ethnicity, gender, socioeconomic conditions, religious practices, and individual and shared experiences." (*Id.*).

This text is dedicated to diversity and inclusion. Chapter 1 addresses different legal systems, including those based on religious teachings. Chapter 2 discusses various ethical perspectives that individuals and entities may have. Chapter 36 discusses Consumer Credit Protection. Included in the coverage is the Fair Credit Reporting Act and the Equal Credit Opportunity Act, each of which addresses protection against discrimination in the granting of credit, especially discrimination based on gender and age. Chapter 38 discusses current trends in protecting employees from discrimination, including the 2020 Supreme Court decision regarding discrimination against employees who are gay, transgender, or in a transitioning status and Creating a Respectful and Open World for Natural Hair Acts (also called CROWN Acts).

The AACSB curricular standards relevant to business law and the legal environment of business state that the business curriculum should include ethical and global issues; the influence of political, social,

legal and regulatory, environmental, and technology issues; and the impact of demographic diversity on organizations.

There are numerous examples of this coverage including Chapter 2 on Business Ethics, Chapter 3's discussion of the balance of power among the branches of government, Chapter 5 on Constitutional Regulation of Business, and Chapter 37 on Environmental Protection. Chapter 32 has a number of current topics including the business trend to consider and report on the firm's environmental, social, and governance factors (ESG) and the You Be the Judge box on legislative attempts to diversify boards of directors by requiring boards of many companies to add women members. There are a number of Discussion Questions which ask students to assume the role of governmental officials in making decisions for their community or state.

The focus on applications, evidenced in the Agenda and the Secret Sentinel business application thread case, uniquely contributes to showing how demographic diversity affects organizations. In the Secret Sentinel case, the principals must understand the cultural and political challenges that a larger domestic and international market (and workforce) pose for them. These include issues ranging from employee privacy to labor law, and from employee use of Secret Sentinel computers to sexual harassment. By following the case, students

are immersed in these problems and are asked to offer advice as questions arise. This encourages sensitivity and an understanding of other points of view.

On another level, the entrepreneurs and students learn that successful businesses today are often cross-functional. In this case, Kaylah, Ramon, and Robin need to recognize how the law applies to accounting, finance, international business, management, manufacturing, marketing, personal law, and sales. They also must be able to make strategic decisions using this knowledge. By assuming an advisory role with Secret Sentinel, students have a unique glimpse at the cross-functional nature of many business activities today. *Business Law* supports the current trend in many schools of integrating business disciplines.

We have created a text that we hope is intuitive, engaging, and oriented toward providing the legal skills students will need in the business world. Consequently, the contents of the book stretch beyond the mere presentation of "legal topics" to encompass the spectrum of "political, social, legal and regulatory, environmental, and technology issues." The pedagogical features are intentionally designed to support this approach.

We believe *Business Law Principles and Cases* satisfies the new AACSB standards in a readable yet rigorous format. It will align well with the goals of most business schools.