



## Contents

*About the Authors* xxvii  
*Preface* xxix  
*Acknowledgments* xxxi

## Part I: Introduction to Law

### Chapter 1: The Legal Environment of Business: Laws and Regulations 3

- Chapter Outline 3
- Learning Objectives 3
- Introduction 3
- What Is the Law? 4
- Sources of Business Law 5
- The Role of Government 9
- Common Law 9
- Classifications of Law 11
- Briefing a Case 12
- Key Terms and Concepts 15
- Applying the Law 15

### Chapter 2: Business Ethics 17

- Chapter Outline 17
- Learning Objectives 17
- Introduction 17
- The Origins of Ethical Theory 18
- Ethical Frameworks 19

*Case 2.1: MG Altus Apache Co. v. United States* 25

- *Management Application: Why Society Promotes Business Enterprises* 28
- **The Process of Reaching an Ethical Decision** 28
  - *Management Application: Special Purpose Corporations* 30
- **Developing an Ethical Business Culture** 31
- **Key Terms and Concepts** 33
- **Applying the Ethics and the Law** 33

## Chapter 3: Courts, Litigation, and Alternative Dispute Resolution 37

- **Chapter Outline** 37
- **Learning Objectives** 37
- **Introduction** 37
- **Standing** 38
- **Jurisdiction** 38
  - *Case 3.1: Ford Motor Co. v. Montana Eighth Judicial District* 40
  - *Case 3.2: Sun v. Advanced China Healthcare, Inc.* 44
    - *Management Application: Personal Jurisdiction Factors* 46
    - *Management Application: Choice of Law Rules* 48
- **The State and Federal Court Systems** 51
  - *Management Application: Specialized U.S. Courts* 52
- **Civil Litigation and Procedure** 54
- **Alternative Dispute Resolution** 62
  - *Management Application: Other Forms of ADR* 64
- **Key Terms and Concepts** 64
- **Applying the Law** 65

## Chapter 4: Constitutional Law for Businesses 69

- **Chapter Outline** 69
- **Learning Objectives** 69
- **Introduction** 70
- **Commerce Clause** 71
  - *Case 4.1: United States v. Lopez* 73
  - *Case 4.2: South Dakota v. Wayfair* 76
- **Supremacy Clause** 78
- **Taxing and Spending Clause** 79

- Privileges and Immunities Clause 80
  - *Management Application: Is Higher Tuition for Out-of-State Residents Unconstitutional?* 81
- Full Faith and Credit Clause 81
- Bill of Rights 81
- Due Process and Equal Protection Clauses 86
- Key Terms and Concepts 89
- Applying the Law 89

## Chapter 5: Torts 91

- Chapter Outline 91
- Learning Objectives 91
- Introduction 92
- Intentional Torts Against Persons 93
  - *Management Application: Who Can Be Sued?* 95
    - *Case 5.1: Brokers' Choice of America, Inc. v. NBC Universal, Inc.* 98
  - *Management Application: Managing Sales Presentations* 101
- Intentional Torts Against Property 102
- Interference with Business Relations 104
- Defenses to Intentional Torts 105
- Negligence—The Unintentional Tort 106
  - *Case 5.2: Dorsey v. Reider* 110
- Defenses to Negligence 111
- Tort Remedies 113
- Online Torts 115
- Key Terms and Concepts 115
- Applying the Law 116

## Chapter 6: Strict and Products Liability 119

- Chapter Outline 119
- Learning Objectives 119
- Introduction 119
- Strict Liability 120
- Strict Products Liability 121
- Negligence 125

- *Management Application: Avoiding Product Liability Claims* 126
- Misrepresentation 127
- Defenses to Products Liability Claims 127
  - *Case 6.1: Lindholm v. BMW of North America, LLC* 130
  - *Case 6.2: Mutual Pharmaceutical Co. v. Bartlett* 131
- Key Terms and Concepts 134
- Applying the Law 134

## Chapter 7: Intellectual Property 137

- Chapter Outline 137
- Learning Objectives 137
- Introduction 138
- Trademarks 138
  - *Case 7.1: Matal v. Tam* 141
  - *Management Application: Challenges to Ownership of Intellectual Property* 145
- Trade Secrets 146
  - *Management Application: Trade Secret Agreement* 147
- Copyrights 151
  - *Management Application: Artist Disputes* 153
  - *Case 7.2: Authors Guild v. Google* 154
- Patents 156
  - *Case 7.3: TC Heartland LLC v. Kraft Foods LLC* 159
- Licensing 160
- International Intellectual Property 161
- Internet Law 163
- Key Terms and Concepts 163
- Applying the Law 164

## Chapter 8: Criminal Law 167

- Chapter Outline 167
- Learning Objectives 167
- Introduction 167
- Differences Between Civil Law and Criminal Law 168
- General Principles of Criminal Liability 170

- The Penal Code 172
- Types of Crimes 173
  - Case 8.1: United States v. Philip Morris USA Inc.* 178
- Defenses to Criminal Charges 181
- Constitutional Rights and Protections 184
  - Case 8.2: Gamble v. United States* 185
- Criminal Procedure 190
- Key Terms and Concepts 192
- Applying the Law 193

## Part II: Contracts

### Chapter 9: Contract Formation 197

- Chapter Outline 197
- Learning Objectives 197
- Introduction 198
  - *Management Application: Unilateral and Bilateral Contracts: What Is the Significance?* 199
    - Case 9.1: Kolodziej v. Mason* 200
    - Case 9.2: Stepp v. Freeman* 203
- Agreement 206
  - *Management Application: Making a Clear Offer* 213
  - *Management Application: Drafting an Offer* 216
  - *Management Application: Contract Interpretation* 216
- Consideration 217
  - Case 9.3: Gross v. Diehl Specialties International, Inc.* 220
  - *Management Application: Best Efforts Clause as Consideration* 222
    - Case 9.4: Brueck v. John Maneely Co.* 223
- Capacity of the Parties 225
- Legality of the Subject Matter 227
- Statute of Frauds for Non-Commercial Contracts 230
- Third Party Rights 232
- Key Terms and Concepts 235
- Applying the Law 236

## Chapter 10: Contract Performance and Breach 239

- Chapter Outline 239
- Learning Objectives 239
- Introduction 240
- Mistake 240
- Fraudulent Misrepresentation 243
- Undue Influence 246
- Duress 246
  - *Case 10.1: McDonald v. Whitewater Challengers, Inc.* 247
- Unconscionability 249
- Rules Governing Performance 250
- Discharge 251
- Breach of Contract 253
- Damages 256
  - Management Application: Calculating Compensatory Damages Based on the Type of Contract 258
    - *Case 10.2: Lava Trading Inc. v. Hartford Fire Ins. Co.* 260
    - Management Application: Sample Consequential Damages Disclaimer 262
    - Management Application: Sample Liquidated Damages Clause 263
    - *Case 10.3: Uzan v. 845 UN Limited Partnership* 264
- Equitable Remedies: When Money Fails to Right the Wrong 266
  - *Case 10.4: Oliver v. Ball* 268
    - Management Application: Non-Compete Agreements 270
- Defenses to Breaches of Contract 271
- Key Terms and Concepts 271
- Applying the Law 272

## Part III: Agency and Employment Law

### Chapter 11: Agency Relationships 277

- Chapter Outline 277
- Learning Objectives 277

- Introduction 277
- The Definition of Agency 278
- How Agency Relationships Are Formed 279
- Distinguishing Agency from Other Types of Relationships 282
- Duties of Agents and Principals 283
- Liability Arising from Agency 287
  - *Case 11.1: Koricic v. Beverly Enters.* 289
- Termination of the Agency Relationship 295
  - *Case 11.2: Parlato v. Equitable Life Assur. Soc’y of the United States* 296
- Key Terms and Concepts 299
- Applying the Law 300

## Chapter 12: Employment, Immigration, and Labor Law 303

- Chapter Outline 303
- Learning Objectives 303
- Introduction 304
- Classifying the Worker 304
- At-Will Employment 304
- Wage and Hour Laws 306
- Layoffs and Leaves of Absence 308
- Occupational Safety and Health Act 310
- Workers’ Compensation 312
  - *Case 12.1: Beasley v. Nezi, LLC* 313
- Medicare and Social Security 314
- Employee Benefit Plans 314
- Immigration Law in the Workplace 315
  - *Management Application: U.S. Employment of Foreign Nationals* 316
- Labor Law in the Workplace 317
  - *Case 12.2: MCPc, Inc. v. NLRB* 319
- Key Terms and Concepts 322
- Applying the Law 323

## Chapter 13: Employment Discrimination 327

- Chapter Outline 327
- Learning Objectives 327
- Introduction 328
- Title VII of the Civil Rights Act of 1964 328
- Defining Employment Discrimination and Harassment 329
- Types of Employment Discrimination 330
  - *Case 13.1: Griggs v. Duke Power Co.* 332
  - *Case 13.2: Burlington Northern & Santa Fe Ry. Co. v. White* 334
- Prohibited Forms of Discrimination 336
  - *Case 13.3: Bostock v. Clayton County, Georgia* 339
    - *Management Application: Sexual Harassment Policy* 341
- The Equal Employment Opportunity Commission 346
- Management's Affirmative Defenses 347
- Affirmative Action 349
- Key Terms and Concepts 349
- Applying the Law 350

## Chapter 14: Privacy in the Workplace 353

- Chapter Outline 353
- Learning Objectives 353
- Introduction 354
- What Is Workplace Privacy? 354
- Constitutionally Protected Rights and Rights Under Tort Law 354
  - *Management Application: Federal Right to Privacy Laws* 357
- Collecting and Handling Employee Information 359
  - *Management Application: What Information Must Be Specially Protected from Disclosure?* 359
- Pre-Hiring Screenings 360
- Employee Searches and Investigations 364
  - *Case 14.1: United States v. Yudong Zhu* 364
    - *Management Application: Workplace Search Policy and Consent* 366
  - *Case 14.2: Reed v. Toyota Motor Credit Corp.* 368
- Controlling the Employee's Lifestyle 370
- Key Terms and Concepts 372
- Applying the Law 372



## Part IV: Business Organizations

### Chapter 15: Forming the Small Business and Operating Franchises 377

- Chapter Outline 377
- Learning Objectives 377
- Introduction 378
- Overview of Starting a Business 378
  - Management Application: Conducting Market Research and Competitive Analysis 380
  - Management Application: What to Include in a Business Plan 381
- Selecting the Legal Structure 383
- Sole Proprietorships 384
  - Management Application: Trade Names 384
  - Case 15.1: *Bank of America, N.A. v. Barr* 386
- Operating Franchises 388
  - Case 15.2: *DiFederico v. Marriott International, Inc.* 393
  - Management Application: Exercising the Right to Terminate 395
- Key Terms and Concepts 396
- Applying the Law 396

### Chapter 16: Partnerships and Limited Liability Companies 399

- Chapter Outline 399
- Learning Objectives 399
- Introduction 400
- Forming and Operating a Partnership 400
  - Management Application: Checklist for Drafting a Partnership Agreement 402
- Rights of Partners 404
  - Management Application: Management Committee in a Partnership 405
- Authority of Partners 408
- Duties and Liabilities of Partners 408
  - Case 16.1: *McBeth v. Carpenter* 410
- Dissociation and Termination of Partnership 412

- *Management Application: Notice of Buyout and Estimated Payment for Partnership Interest* 414
- Types of Partnerships 416
  - *Case 16.2: Apcar Investment Partners VI, Ltd. v. Gaus* 419
- Formation of an LLC 421
- Characteristics of an LLC 423
  - *Case 16.3: Demir v. Schollmeier* 424
  - *Management Application: Choosing the Management Form* 429
  - *Management Application: Limited Partnership Compared to an LLC* 429
- Liabilities Relating to an LLC 430
- Fiduciary Duties 430
- Dissociation and Dissolution of an LLC 432
  - *Case 16.4: Vila v. BVWebTies LLC* 432
  - *Management Application: Excerpted Operating Agreement — Purchase of Membership Interest Clause* 434
- Key Terms and Concepts 435
- Applying the Law 435

## Chapter 17: Corporations and their Governance 439

- Chapter Outline 439
- Learning Objectives 439
- Introduction 440
- Characteristics of a Corporation 440
- The Incorporation Process 441
  - *Management Application: Why Delaware Is an Attractive State for Incorporation of Large and Publicly Held Companies* 442
  - *Management Application: Bylaw Provisions Regarding Indemnification of Directors* 444
  - *Case 17.1: Caudill v. Sinex Pools, Inc.* 446
- Corporate Classifications 448
- The Corporation as a Separate Entity 450
  - *Case 17.2: Walkovszky v. Carlton* 452
  - *Management Application: Allegations in a Complaint Asserting Alter Ego Liability* 453
- Financing a Corporation 454
- The S-Corp as a Tax Efficient Entity 456
- Corporate Directors and Officers 457
  - *Case 17.3: Kamin v. American Express Co.* 461
  - *Management Application: Corporate Controversies* 464
- Shareholders 464

- *Management Application: How Do Investors Stay Informed?* 467
- *Management Application: Climate Issues* 468
- **Rights of Shareholders** 468
  - *Case 17.4: Saito v. McKesson HBOC, Inc.* 470
- **Fiduciary Duties of Controlling Shareholders** 472
- **Key Terms and Concepts** 472
- **Applying the Law** 473

## Chapter 18: Securities Laws and Investor Protection 477

- **Chapter Outline** 477
- **Learning Objectives** 477
- **Introduction** 478
- **The Securities and Exchange Commission** 478
- **What Is a “Security”?** 478
  - *Case 18.1: SEC v. Edwards* 479
- **The Securities Act of 1933** 481
  - *Management Application: Registration Statements (Form S-1)* 483
- **The Securities Act of 1934** 488
  - *Case 18.2: Ridler v. Hutchinson Technology Inc.* 489
  - *Management Application: Tender Offers Compared with Proxy Solicitations* 491
  - *Case 18.3: Lorenzo v. Securities and Exchange Commission* 493
- **State Securities Laws** 497
- **Key Terms and Concepts** 497
- **Applying the Law** 498

## Chapter 19: Mergers and Acquisitions 525

- **Chapter Outline** 501
- **Learning Objectives** 501
- **Introduction** 502
- **The Beginning: The Letter of Intent** 502
  - *Management Application: Advantages and Disadvantages of a Letter of Intent* 502
  - *Management Application: Excerpted Letter of Intent* 503

- *Management Application: Preliminary Due Diligence List* 505
- Mergers, Consolidations, and Share Exchanges 506
  - *Case 19.1: Athlon Sports Commc'ns, Inc. v. Duggan* 508
- Acquisitions 510
  - *Management Application: Drafting a Purchase Agreement* 510
    - *Case 19.2: Nationwide Mutual Insurance Co. v. Eagle Window & Door, Inc.* 512
  - *Management Application: Role of Representation and Warranty Insurance* 514
- Takeovers 514
  - *Case 19.3: Yucaipa American Alliance Fund II, L.P. v. Riggio* 516
- Break-up Fees 519
- Required Approvals for Mergers and Acquisitions 519
- Special Purpose Acquisition Company (SPAC) 520
- Key Terms and Concepts 521
- Applying the Law 522

## Part V: Commercial Law and Transactions

### Chapter 20: The Law of Sales and Warranties 527

- Chapter Outline 527
- Learning Objectives 527
- Introduction 528
- UCC Definitions 528
- Forming Sales and Lease Contracts 529
- Interpretation of Contracts Under the UCC 533
  - *Case 20.1: Starbucks Corp. v. Amcor Packaging Distribution* 534
- CISG Compared to the UCC 536
- Title, Risk, and Insurable Interest 537
- Performance Obligations of Contracting Parties 544
- Remedies of the Sellers-Lessors and Buyers-Lessees 549
- Sales Warranties 554
  - *Case 20.2: French v. Ben's Supercenter, Inc.* 558
- Key Terms and Concepts 560
- Applying the Law 561

## Chapter 21: Creditors' Rights and Secured Transactions 563

- Chapter Outline 563
- Learning Objectives 563
- Introduction 563
- Liens, Garnishments, and Guaranties 564
- Secured Transactions 568
  - *Management Application: What Happens When There Is a Name Change?* 572
- Defaults and Remedies 577
  - *Case 21.1: Icon Agents, LLC v. Kanza Construction, Inc.* 579
- Key Terms and Concepts 582
- Applying the Law 582

## Chapter 22: Bankruptcy 585

- Chapter Outline 585
- Learning Objectives 585
- Introduction 585
- Overview of Bankruptcy Law 586
- Common Types of Bankruptcy Proceedings 586
  - *Management Application: Small Business Reorganization Act of 2019* 587
- Parties to a Bankruptcy Case 588
- Bankruptcy Procedures 591
  - *Case 22.1: In re Crest by the Sea, LLC* 594
    - *Management Application: Selected Additional Federal Exemptions* 597
    - *Management Applications: Strategic Planning for Delinquent Debtors* 598
  - *Case 22.2: Venture Bank v. Lapidus* 600
    - *Management Application: Nondischargeable Debts in Bankruptcy* 603
- Key Terms and Concepts 604
- Applying the Law 605

## Part VI: Government Regulation

### Chapter 23: Antitrust Law 609

- Chapter Outline 609
- Learning Objectives 609
- Introduction 610
- Enforcement of Antitrust Laws 610
  - *Management Application: Consumers Sue Over App Store Antitrust Concerns* 611
- The Sherman Antitrust Act 611
  - *Case 23.1: American Needle, Inc. v. NFL* 612
- Unlawful Restraints of Trade (Section 1 of the Sherman Act) 614
  - *Case 23.2: United States v. Apple, Inc.* 616
- Monopolies (Section 2 of the Sherman Act) 621
- The Clayton Antitrust Act 623
  - *Management Application: How Businesses May Violate the Robinson-Patman Act* 625
- Federal Trade Commission Act 629
  - *Management Application: Antitrust Compliance Programs* 629
- Exemptions from Antitrust Laws 629
  - *Case 23.3: Miranda v. Selig* 630
- Key Terms and Concepts 632
- Applying the Law 632

### Chapter 24: Consumer Laws and Regulations 635

- Chapter Outline 635
- Learning Objectives 635
- Introduction 636
- The Federal Trade Commission 636
- Deceptive Advertising 636
  - *Case 24.1: Bowring v. Sapporo U.S.A., Inc.* 637
  - *Management Application: Endorsements and Sponsored Advertising* 640
  - *Management Application: Children's Online Privacy (COPPA)* 641
- Labeling and Packaging 644
- Sales 645

- Legislation Aimed at Protection of Health and Safety 645
- Consumer Credit Protection 647
  - *Case 24.2: Pedro v. Equifax, Inc.* 648
- Key Terms and Concepts 652
- Applying the Law 652

## Chapter 25: Environmental Law 675

- Chapter Outline 655
- Learning Objectives 655
- Introduction 655
- Environmental Regulators 656
- Legislation 657
  - *Case 25.1: Burlington Northern and Santa Fe Railway Co. v. United States* 658
  - *Case 25.2: Michigan v. EPA* 660
- Hazardous Substance Laws and Regulation 662
  - *Management Application: Asbestos Due Diligence* 663
- Water Pollution Laws and Regulations 666
- Solid Waste and Disposal and Brownfield Sites 668
  - *Management Application: Due Diligence When Purchasing Real Property* 670
- State Environmental Protection Laws 670
- Key Terms and Concepts 671
- Applying the Law 672

## Part VII: Special Topics

## Chapter 26: Property: Real and Personal 677

- Chapter Outline 677
- Learning Objectives 677
- Introduction 678
- Real Property 678
- Real Property Estates 679
- Concurrent Ownership 680

- **Nonpossessory Interests** 681
  - *Management Application: Easement Agreement (Excerpt)* 683
- **Transfer of Ownership of Real Property** 684
  - *Case 26.1: Roche v. Town of Fairfield* 686
- **Landlord-Tenant Law** 689
  - *Case 26.2: Terry v. O'Brien* 692
- **Personal Property** 694
  - *Case 26.3: Cooley v. Tucker* 696
  - *Management Application: Think Before You Say “I Do”* 697
- **Bailments** 698
  - *Management Application: The Trouble with Park-and-Lock Facilities* 699
  - *Case 26.4: Akiva v. Jurenci* 701
  - *Management Application: Pets and Bailment* 702
- **Lost, Mislaid, and Abandoned Property — Finders and Owners** 703
- **Key Terms and Concepts** 705
- **Applying the Law** 706

## Chapter 27: Administrative Law 709

- **Chapter Outline** 709
- **Learning Objectives** 709
- **Introduction** 710
- **History of Administrative Agencies** 710
- **Administrative Agencies** 710
  - *Management Application: Rent Control* 715
- **Administrative Agency Creation** 715
- **Administrative Agency Powers** 716
  - *Case 27.1: Moore v. K-Mart Corp.* 718
  - *Management Application: The SEC’s Whistleblower Program* 720
  - *Management Application: Sample Letter Accompanying a Subpoena to Produce Business’s Records* 722
  - *Case 27.2: Huntley v. Social Security Administration, Commissioner* 724
- **Administrative Agencies and Judicial Deference** 725
- **Public Disclosure of Agency Actions** 726
- **Key Terms and Concepts** 729
- **Applying the Concepts** 729



## Chapter 28: International Business Transactions 733

- Chapter Outline 733
- Learning Objectives 733
- Introduction 734
- Transacting Business with Foreign Governments 734
  - *Case 28.1: Chettri v. Nepal Rastra Bank* 735
- The International Sales Contract 737
  - *Management Application: Choice of Law and Forum Selection Clause* 739
  - *Case 28.2: Topp Paper Co. v. ETI Converting Equipment* 740
- Transacting Business Abroad 742
  - *Management Application: International Franchising* 743
- Trade Regulations 744
- International Dispute Resolution 745
- The FCPA and the UK Bribery Act 2010 746
- Key Terms and Concepts 747
- Applying the Law 747

*Glossary* 751

*Table of Cases* 787

*Index* 795