

We are pleased to introduce this third edition of *The Legal and Ethical Environment of Business: An Integrated Approach*. The approach taken in this textbook was developed in response to the realities of learning to do business in the contemporary global context. The book covers, comprehensively and crisply, all the topics traditionally found in the legal environment of business textbooks, presented in a readable, accessible writing style. In addition, it integrates that law with two themes of paramount importance in today's business world: the pursuit of ethical business practice and the understanding of the international dimensions of business and law.

To prepare students for the new realities of the workplace, regulatory and legal environment curricula must include meaningful coverage of ethics and issues relating to diversity, equity, and inclusion. This edition adopts a new, contemporary approach to ethical theories and the incorporation of ethical considerations into business decision making and practices. Throughout the text, references to compliance and ethics programs and codes of ethics and conduct help students understand the basic internal documents and company framework for addressing ethical issues and questions. Other thematic elements include legal and ethical compliance training programs, maintenance of ethical standards company-wide, and reputational management. Several of the Case Illustrations, Manager's Ethics and Compliance Meetings, Ethical Insights, and other features incorporate new material that raises issues relating to diversity, equity, and inclusion.

Thoughtful ethics coverage integrated throughout the text prepares students for the business world they will encounter. Additionally, ethical coverage in many legal environments of business texts has been limited to a single chapter, perhaps coupled with brief case questions on ethics scattered elsewhere in the book. *The Legal and Ethical Environment of Business* takes a different approach. Here, a foundational chapter is devoted entirely to ethical theory and analysis, and ethics coverage is integrated throughout the book and featured in nearly every chapter. Ethical theory is interwoven with practical applications using novel pedagogical tools we developed to promote focused, thoughtful inquiry and to highlight the interplay of ethics and law. We have found in our own teaching that these methods can help students learn to analyze judicial opinions more effectively and to achieve a deeper understanding of the legal environment of business:

- *An Ethical Insight*. Boxes throughout the text spotlight the thinking of selected ethicists and business executives, illustrating the basis of legal

and business strategies in ethical theory, principle, or practice. With this edition, this feature incorporates multiple voices on issues central to coverage of diversity, equity, and inclusion issues.

- *Manager's Compliance and Ethics Meeting.* Frequent simulations of managers' meetings address ethical issues, along with applicable law, to help readers explore fundamental ethical dilemmas, often through multiple perspectives.
- *In-Depth Ethical Case Analysis.* These extended case reviews identify the ethical issue in an appellate decision and review the case from an ethical perspective, applying ethical principles and theory to the judicial decision and case holding. Many of these also raise issues relating to diversity, equity, and inclusion.

Although a thorough and deep understanding of the ethical and legal environment of business in the United States is fundamental to this text and course, this knowledge has today an ever-widening applicability. Economic interdependence, advances in technology and transportation, liberalization of international trade law, and greater political freedom in many countries around the globe are just a few of the factors contributing to the enormous increase in and reliance on international business transactions. This book pursues two distinct approaches to international business. First, it integrates international coverage by including, in addition to a chapter devoted to international business transactions, relevant international law components at the ends of most chapters. Second, and more important, the international coverage offered goes beyond the usual comparative law topics. Instead, most chapters include substantial coverage of a central topic in international business law, such as bribery and the Foreign Corrupt Practices Act, key provisions of the Convention on Contracts for the International Sales of Goods, and a comparison of the Uniform Commercial Code and the UN Convention on Contracts for the International Sale of Goods. Selected for their relevancy, practicality, and importance, knowledge of these international topics will help prepare students to embark on a career in the expanding world of business. Although there is some comparative law in this text, the focus is on those aspects of international law that help students understand the workings of international business and the legal challenges, strategies, and solutions relating to international business.

The accreditation requirements of business schools reinforce the need for thorough ethical coverage within the Legal Environment of Business context. In April 2013, the Association to Advance Collegiate Schools of Business adopted new accreditation standards, and this textbook was written in part to help academic institutions comply with those standards. In particular, the book addresses Standard 9: "Curriculum content is appropriate to general expectations for the degree program type and learning goals." The standard further specifies:

- *General Skill Area. Ethical* understanding and reasoning (able to identify ethical issues and address the issues in a socially responsible manner)
- *General Business and Management Knowledge Area.* Economic, political, regulatory, legal, technological, and social contexts of organizations *in a global society* and *social responsibility*, including *sustainability*, and *ethical* behavior and approaches to management.

This textbook is also an ideal choice for schools holding or aspiring to achieve EQUIS accreditation from the European Foundation for Management Development. It provides the comprehensive coverage of international law expected of schools holding EQUIS accreditation, and this coverage is woven throughout the text.

Our objectives in writing this book were to provide comprehensive legal and ethical coverage of the business environment, to convey information clearly and concisely, to integrate ethical and international perspectives throughout the book, to develop an appreciation of the engaging nature of law and ethics, and to share with students the insights we have gained from our many cumulative years of study and experience in the field.

This third edition includes coverage of a number of important developments affecting the legal environment of business, as well as current examples that bring these developments to life. In Chapter 1, “The United States Legal System,” we provide a more in-depth look at jurisdiction issues. Chapter 2, “Ethics in Business,” has been extensively revised. Some of the important philosophical theories remain from the previous edition; others have been introduced in this edition to broaden the scope of ethical discourse and to provide voices to influential thinkers and theories not traditionally covered in legal ethics discussions. For example, the sub-Saharan African philosophy Ubuntu is introduced in Chapter 2 and revisited throughout the text. The third edition continues a pragmatic approach to ethical analysis, allowing students not just to learn the basics of the theories we have chosen, but also to understand how those theories apply to business issues and decisions. In Chapter 2, the relationship between ethics and law is explored, followed by a description of those theories that are developed further throughout the text. The theories include virtue ethics, natural law, categorical imperatives, Ubuntu, utilitarianism and stakeholder theory, and equal liberty principles. The chapter concludes with new discussions of diversity, equity, and inclusion; corporate social responsibility; and business and human rights.

Chapter 4, “Administrative Law,” considers limits to agency regulation of commercial drone use, illustrates the efforts of the Securities and Exchange Commission to oversee the financial disclosures of a Chinese coffee chain, explains the role of the Internal Revenue Service in enforcing the health insurance coverage mandate of the Affordable Care Act, and provides coverage of an executive order issued by President Donald Trump and revoked by President Joe Biden that briefly limited the ability of federal agencies to promulgate regulations.

Chapter 5, “Legal Aspects of the Global Business Environment,” includes new WTO examples and problems based on current cases, a new problem on the Foreign Sovereign Immunity Act, and updates on the ongoing Texaco/Chevron environmental litigation involving plaintiffs from Ecuador. In Chapter 7, “Business Organizations,” we have added a recent case, *Howard Industries, Inc., v. BADW Group, LLC and Brandon Waldrop*, which helps students understand what it means for a court to “pierce the corporate veil.” Chapter 8, “Intellectual Property,” includes new sections describing how businesses can monetize intellectual property and explaining how businesses can seek to invalidate patents using *inter partes* review, a faster and much less expensive administrative (rather than judicial) proceeding that has risen dramatically in importance since its creation in 2011.

Chapter 9, “Sale of Securities and Investor Protection,” provides new illustrations of what can happen when individuals like former Congressman Christopher Collins are charged with and sentenced for insider trading. A new In-Depth Ethical Case Analysis (*Oklahoma Law Enforcement Retirement System v. Papa John’s International, Inc.*) explores whether executives’ knowledge of toxic workplace culture could be enough to show a violation of securities law under Rule 10b-5. Chapter 10, “Business Crimes,” includes new Case Illustrations exploring such business crimes as (1) mail fraud, (2) securities fraud, (3) wire fraud, (4) accounting fraud, (5) COVID-19 relief fraud, (6) money laundering, and (7) bribery.

Chapter 11, “Antitrust,” provides new coverage of the landmark 2021 decision in *National Collegiate Athletic Association [NCAA] v. Alston*, in which the Supreme Court held that some of the NCAA’s cartel-like restrictions on student-athlete compensation violated the antitrust laws.

Chapter 12, “Agency Law,” offers revised and updated material on independent contractor versus employee classification, including a Manager’s Compliance and Ethics Meeting and In-Depth Ethical Case Analysis feature on this topic. Insights into the new legal issues presented by the sharing economy, including an example exploring the liability issues that arise when an Uber driver is involved in a motor vehicle accident. Chapter 13, “Employment Law,” raises questions about the potential impact of COVID-19 on workers’ compensation coverage as well as privacy concerns resulting from employers’ ability to monitor employees in the remote work environment. Chapter 14, “Discrimination in the Workplace,” adds a discussion of the Supreme Court’s decision in *Bostok v. Clayton County*. The chapter also includes protections added to state laws in response to the #MeToo movement.

Chapters 15 and 16, covering the law of contracts, provide several updates incorporating contemporary issues such as a Manager’s Compliance and Ethics Meeting on supply chain management issues, based on the *Nestlé USA, Inc. v. Doe I* decision and the ethical dilemmas raised by global supply sourcing. Also featured is a new Manager’s Compliance and Ethics Meeting raising ethical issues involved in consumer lending and a Case Illustration featuring a start-up gone awry. New coverage in Chapter 17, “Sales Law,”

involves an ethical marketing dilemma. Chapter 18, “The Debtor-Creditor Relationship,” includes a new case demonstrating the use and application of a mechanic’s lien, *Service Steel Warehouse Co., L.P. v. United States Steel Corp.* A recent case, *Victor P. Kearney v. Unsecured Creditors Committee, Louis Abruzzo and Benjamin Abruzzo, Trustees*, illustrates the rationale of the U.S. Bankruptcy Court in deciding to reject a debtor’s request to convert a Chapter 11 bankruptcy filing to a Chapter 7 filing. Finally, a new In-Depth Ethical Case Analysis explores the devastating impact of opioids in the United States and beyond.

Chapter 19, “Business Torts,” includes a new Case Illustration demonstrating the elements of the business tort of fraudulent misrepresentation, *Pasadena Boat Works v. Carolina Skiff, LLC*. Also new is an In-Depth Ethical Case Analysis (*Mattinen v. Kari*) that explores the legal and ethical question of “where does a seller’s responsibility end and a buyer’s begin?” Chapter 20, “Product Liability and Warranties,” includes a new In-Depth Ethical Case Analysis, *Markel v. Douglas Technologies Group, Inc.*, that examines the legal and ethical issues involving (1) product liability, (2) negligence, (3) breach of implied warranty, and (4) failure to warn.

Finally, in Chapter 21, “Environmental Law and Sustainability,” we have increased emphasis on climate change. This edition introduces recent international climate litigation cases as well as a Manager’s Compliance and Ethics Meeting focused on whether a corporation should disclose data on how they respond to climate change threats.

Every chapter has several updated Questions for Review based on recent cases.

We welcome instructors and students to this text and to the fascinating and challenging journey it represents: pursuit of a deep understanding of and appreciation for the productive integration of law, ethics, and global issues in the twenty-first-century legal and ethical environment of business.

