Contents

Preface xli Acknowledgments xlvii About the Authors xlix

Part I

Foundations of Law and the U.S. Legal System 1

Chapter 1: Business and Its Legal Environment 3

Agenda 3
Classic Case: Barlow v. United States 4
Business and the Law 5
Business 5
Law 5
Why Study the Law of Business? 6
Role of the Attorney 9
Legal Systems 9
Traits of a Legal System 9
The Needs of a Legal System 10
Compliance with the Law 11
The Purposes of a Legal System 11
Legal Systems in Other Countries 13
Jurisprudence 15
Natural Law Theory 15
Legal Positivism 15
Sociological Theory 16
Historical Theory 16
Law and Economics Theory 16
Feminist Legal Theory 16
Critical Legal Studies Theory 17
Sources of Law 18
Constitutions 18
Treaties 18
Statutes 18
Ordinances 18
Administrative Regulations 19
Common Law 19
Case Law 19
Equity 20

1 4	2 - 4		- C T	.aw	00
lassii	ıcatı	ons	ot L	aw	-20

Federal versus State Law 20 Common versus Statutory Law 20 Civil versus Criminal Law 20 Substantive versus Procedural Law 22 Public versus Private Law 22

Contemporary Case: State v. Ellington 23

You Be the Judge 24

Summary 25
Discussion Questions 25
Case Problems and Writing Assignments 26
Notes 28

Chapter 2: Business Ethics 31

Agenda 31

Classic Case: A. P. Smith Mfg. Co. v. Barlow 32

Introduction 33

Ethics and Morality 33

Ethical Theories 34

Consequential and Nonconsequential Principles 35 Consequential Ethics 35 Nonconsequential Ethics 36

A Synthesis for Ethical Decision Making 38

The Game Theory of Business 40

Business as an Amoral Institution 40 The "Game Theory" 41

The Social Contract Theory 42

The Changing Social Environment 44 Problems with Business Ethics 45

Multinational Ethics 47

A Recommendation for Business 48

Contemporary Case: United States v. Sidoo 50

You Be the Judge 51

Summary 51
Discussion Questions 52
Case Problems and Writing Assignments 52
Notes 54

Chapter 3: The U.S. Legal System and Court Jurisdiction 55

Agenda 55

Classic Case: International Shoe Co. v. State of Washington 56

The Federal Constitution 57 Allocation of Power 58 Original Constitution 61 Selected Amendments to the Constitution 62 The Courts and Jurisdiction 63 Subject Matter Jurisdiction 63 Jurisdiction over the Persons or Property Concurrent versus Exclusive Jurisdiction 67 Venue 68 Choice of Laws 68 Federal Jurisdiction 68 The Federal Court System 69 The Supreme Court 70 State Courts How to Find the Law 73 Federal Court Cases 73 State Court Cases 75 Computerized Legal Research 75 Contemporary Case: Uzuegbunam v. Preczewski 75 You Be the Judge 77 Summary 77 Discussion Questions 78 Case Problems and Writing Assignments 78 Notes 80 Chapter 4: Dispute Resolution Agenda Classic Case: Allied-Bruce Terminix Companies, Inc. v. Dobson 84 Litigation 85 Costs of Litigation 85 The Problem 86 Before Trial 87 The Trial 95 Post-Trial Proceedings 98 A Comment on Finality **Small Claims Court** 100 Alternate Dispute Resolution (ADR) 101 The Need for Alternatives to a Civil Suit 101 Negotiation 102 Mediation 102 Arbitration 104 Minitrial 106 Rent-a-Judge Trial 106 Online ADR 106 Disadvantages of ADR 107 Contemporary Case: Grabowski v. Kaiser Foundation Health Plan, Inc. 107

You Be the Judge 110

Summary 111
Discussion Questions 111
Case Problems and Writing Assignments 111
Notes 113

Chapter 5: Constitutional Regulation of Business 115

Agenda 115

Classic Case: Marbury v. Madison 116

An Historical Perspective 117

Should Government Regulate Business? 118

The Commerce Clause 118

Exclusive Federal Power 120 Concurrent State Power 122 Exclusive State Power 123

The Equal Protection Clause 123

The Rational Basis Test 124
Strict Scrutiny: The "Compelling State Interest" Test 124
An Intermediate Level: The Substantially Important State Interest Test 126

The Due Process Clause 126

Procedural Due Process 127 Substantive Due Process 127

The Takings Clause 128

Speech Under the First Amendment 129

Administrative Agencies 131

Contemporary Case: Cedar Point Nursery v. Hassid 132

You Be the Judge 134

Summary 135
Discussion Questions 135
Case Problems and Writing Assignments 136
Notes 138

Chapter 6: Torts 141

Agenda 141

Classic Case: New York Times Co. v. Sullivan 142

Objectives of Tort Law 143

Theories of Tort Liability 144

The Role of Duty 145

The Role of Foreseeability 145

Intentional Torts 145

Assault 145

Battery 145 Conversion 146 Defamation 146 Disparagement 147 False Imprisonment 147 Fraud 147 Infliction of Emotional Distress 148 Intentional Interference with Contractual Relations 148 Interference with Prospective Advantage 149 Invasion of Privacy 149 Misappropriation of Trade Secrets 150 Racketeer Influenced and Corrupt Organizations Act (RICO) Violations 150 Trespass 151 Defenses to Intentional Torts 151 Negligence 152 Duty 154 Res Ipsa Loquitur 155 Causation 156 Harm 156 Defenses to Negligence 156 Strict Liability 157 Nuisance 157 **Product Liability** 158 Tort Liability of Business Entities 159 Contemporary Case: Coral Ridge Ministries Media, Inc. v. Amazon. Com, Inc. 159 You Be the Judge 161 Summary 162 Discussion Questions 162 Case Problems and Writing Assignments 163 Notes 165

Chapter 7: Crimes and Business

Agenda 169

Classic Case: New York v. Burger 170

Introduction 171

Crimes versus Torts 171

Objectives of Criminal Law 173

Protection of Persons and Property 173 Deterrence of Criminal Behavior 174 Punishment of Criminal Activity 174 Rehabilitation of the Criminal 175

Seriousness of the Offense 175

Infractions 175 Misdemeanors 175 Felonies 175 Treason and Sedition 175

The Act 176
The Mental State 176
Selected Crimes and Defenses 176
Murder/Manslaughter 177
Arson 177 Burglary 177
Embezzlement 177
Forgery 177
Credit Card and Check Legislation 177
Identity Theft 178
Criminal Fraud 178
Larceny 179
Robbery 179
Espionage 180 Computer Crime 180
Corporate Liability for Crimes 181
Racketeer Influenced and Corrupt Organizations Act (RICO) 182
Currency Crimes 183
Defenses 183
Entrapment and Outrageous Government Conduct 184
Criminal Procedure 185
Constitutional Guarantees 185
Searches and Seizures 185
Stages of a Criminal Case 185
Contemporary Case: Lange v. California 187
You Be the Judge 189
Summary 189
Discussion Questions 190
Discussion Questions 190 Case Problems and Writing Assignments 191
Discussion Questions 190
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in International Trade 197
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in International Trade 197 Agenda 197
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in International Trade 197 Agenda 197 Classic Case: W.S. Kirkpatrick v. Environmental Tectonics Corp. 198 Introduction 199 Business in a Global Village 199
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in International Trade 197 Agenda 197 Classic Case: W.S. Kirkpatrick v. Environmental Tectonics Corp. 198 Introduction 199 Business in a Global Village 199 Going "Global" 200
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in International Trade 197 Agenda 197 Classic Case: W.S. Kirkpatrick v. Environmental Tectonics Corp. 198 Introduction 199 Business in a Global Village 199 Going "Global" 200 Doing Business in a Global Market 200
Discussion Questions 190 Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in International Trade 197 Agenda 197 Classic Case: W.S. Kirkpatrick v. Environmental Tectonics Corp. 198 Introduction 199 Business in a Global Village 199 Going "Global" 200 Doing Business in a Global Market 200 Cross-Cultural Negotiations 202
Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in International Trade 197 Agenda 197 Classic Case: W.S. Kirkpatrick v. Environmental Tectonics Corp. 198 Introduction 199 Business in a Global Village 199 Going "Global" 200 Doing Business in a Global Market 200 Cross-Cultural Negotiations 202 Extraterritoriality: International Applications of U.S. Laws 202
Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in International Trade 197 Agenda 197 Classic Case: W.S. Kirkpatrick v. Environmental Tectonics Corp. 198 Introduction 199 Business in a Global Village 199 Going "Global" 200 Doing Business in a Global Market 200 Cross-Cultural Negotiations 202 Extraterritoriality: International Applications of U.S. Laws 202 Antitrust Law 202
Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in International Trade 197 Agenda 197 Classic Case: W.S. Kirkpatrick v. Environmental Tectonics Corp. 198 Introduction 199 Business in a Global Village 199 Going "Global" 200 Doing Business in a Global Market 200 Cross-Cultural Negotiations 202 Extraterritoriality: International Applications of U.S. Laws 202 Antitrust Law 202 The Foreign Corrupt Practices Act 203
Case Problems and Writing Assignments 191 Notes 193 Chapter 8: Legal Considerations in International Trade 197 Agenda 197 Classic Case: W.S. Kirkpatrick v. Environmental Tectonics Corp. 198 Introduction 199 Business in a Global Village 199 Going "Global" 200 Doing Business in a Global Market 200 Cross-Cultural Negotiations 202 Extraterritoriality: International Applications of U.S. Laws 202 Antitrust Law 202

Free Trade Zones 205
Objectives Within the EU 205
Competition (Antitrust) Law in the EU 205
The United States, Mexico, and Canada Trade Agreement (USMCA) 207
Other Free Trade Zones 208

The General Agreement on Tariffs and Trade 208

World Trade Organization 209

International Statutes and Standards 209

UNCITRAL 209
The International Organization for Standardization 210

Exports 210 Imports 211 Letters of Credit 211

Information and Technology 212

International Doctrines and Practices 213

Nationalization 213 Act of State Doctrine 214 Sovereign Immunity 214 Comity 214

Dispute Resolution 215

The International Court of Justice 215
National Courts 215
Arbitration 215
Online Dispute Resolution 216

Contemporary Case: Enka Insaat Ve Sanayi As v. 000 "Insurance

Company Chubb" & Ors 216

You Be the Judge 217

Summary 218
Discussion Questions 218
Case Problems and Writing Assignments 219
Notes 220

Part II

Contracts 223

Chapter 9: Introduction to Contract Law 225

Agenda 225

Classic Case: Miller v. Stevens 226

The Importance of Contract Law 227

The Development of Contract Law 228

Definition of a Contract 230 Elements of a Contract 231

Classifications of Contracts 231

Formal versus Informal Contracts 231 Unilateral versus Bilateral Contracts 233 Valid, Voidable, Void, and Unenforceable Contracts 234 Express versus Implied in Fact Contracts 234 Executory versus Executed Contracts 234 Quasi Contracts 235

Contemporary Case: Hanson v. Maeder 238

You Be the Judge 239

Summary 240
Discussion Questions 240
Case Problems and Writing Assignments 241
Notes 243

Chapter 10: Offer, Acceptance, and Consideration 245

Agenda 245

Classic Case: Hoffman v. Red Owl Stores, Inc. 246

The Agreement 247

Mutual Assent 247
The Objective Theory of Contracts 247

Offer 248

Clear Intention to Contract and Definiteness of the Offer 248
Advertisements and Auctions 248
UCC Variations to the Common-Law Rules 249
Communication of the Offer to the Offeree 250
Termination of the Offer 250

Acceptance 252

Mirror-Image Rule 253
UCC Variations to the Common-Law Rules 253
Manner and Time of Acceptance 253
Silence 254
Bilateral versus Unilateral Contracts 254
UCC Variations to the Common-Law Rules 255

Consideration 256

Consideration as an Act or a Forbearance to Act 256 Adequacy of Consideration 256 Consideration in Special Contexts 257 Absence of Consideration 258 Special Circumstances 260

Contemporary Case: Carrone v. UnitedHealth Grp. Inc. 262

You Be the Judge 263

Summary 264
Discussion Questions 264
Case Problems and Writing Assignments 265
Notes 267

Chapter 11: Capacity, Reality of Consent, and Legality 269

Agenda 269

Classic Case: Lewis and Queen v. N.M. Ball Sons 270

Legal Capacity 271

Minors 271

Insane Persons 273

Intoxicated Persons 274

Aliens 274

Convicts 274

Married Women 274

Reality of Consent 276

Fraud 276

Misrepresentation 278

Mistake 279

Duress 280

Undue Influence 281

Unconscionability 281

Legality of Subject Matter 282

Components of Illegality 282

Mala in Se and Mala Prohibita Bargains 283

Agreements That Violate Statutes 283

Agreements That Violate Public Policy 285

Exceptions: Upholding Illegal Agreements 287

Contemporary Case: Rossi v. University of Utah 289

You Be the Judge 291

Summary 292

Discussion Questions 292

Case Problems and Writing Assignments 293

Notes 295

Chapter 12: Contract Writings and Interpretations 297

Agenda 297

Classic Case: Nelson v. Boynton 298

The Importance of Form 298

The Statute of Frauds 299

Statute of Frauds Under the Common Law 299
Statute of Frauds Under the Uniform Commercial Code 302
Statute of Frauds Under the Convention on Contracts for the International Sale of Goods 303

The Writing Requirement 303
The Signature Requirement 304
The Statute of Frauds in e-Commerce 304
Contract Amendments 304

Judicial Interpretation 306

Standards 306 Rules of Interpretation 307 Conduct and Usage of Trade 307

The Parol Evidence Rule 307

Rules of Integration 308

Total Integration 308

Partial Integration 308

Exceptions to the Parol Evidence Rule 309

Parol Evidence Under the Uniform Commercial Code 311

Contemporary Case: Castle Restoration, LLC v. Castle Restoration & Constr., Inc. 311

You Be the Judge 312

Summary 312
Discussion Questions 313
Case Problems and Writing Assignments 313
Notes 316

Chapter 13: The Rights and Obligations of Third Persons 317

Agenda 317

Classic Case: Lawrence v. Fox 318

Introduction 318

Third-Party Beneficiary Contracts 318

An Incidental Beneficiary 319
An Intended Beneficiary 319
A Donee Beneficiary 320
A Creditor Beneficiary 321
Analysis of Third-Party Beneficiary Contracts 321

Recognizing Assignments and Delegations 322

Assignments 323

Formalities Required for Assignments 323
Notice of the Assignment 323
Multiple Assignments of the Identical Right 324
Assignable Rights 325
Contract Clauses Restricting Assignments 326
Warranties Implied by the Assignor 326
Rights Created by the Assignment 327
Waiver of Defenses Clause 327
The Federal Trade Commission Holder Rule 328

Delegations 329

Analysis of Assignments and Delegations 330

Uniform Commercial Code Provisions 330

337

Contemporary Case: Heinz v. Driven Auto Sales, LLC 331 You Be the Judge 332 Summary 333 Discussion Questions 333 Case Problems and Writing Assignments Notes 335 Chapter 14: Discharge, Breach, and Remedies Agenda 337 Classic Case: Hadley v. Baxendale Discharge of the Contract 339 Discharge by Performance 339 Discharge by Agreement of the Parties Discharge by Operation of Law 342 Discharge by Nonperformance **Introduction to Remedies** 347 Damages 347 Compensatory Damages 349 Consequential Damages Punitive Damages 350 Duty to Mitigate 351 Liquidated Damages Clause Nominal Damages 351 Equitable Remedies 352 Rescission and Restitution 352 Specific Performance 353 Quasi Contract/Reformation/Injunction **Limitations on Remedies 353** Waiver of Breach 353 Contemporary Case: AGW Sono Partners, LLC v. Downtown Soho, LLC 355 You Be the Judge 356 Summary 357 Discussion Questions 358 Case Problems and Writing Assignments

Part III

Sales and Leases 363

Chapter 15: Formation of the Sales Contract: Contracts for Leasing Goods 365

Agenda 365

Notes 360

Classic Case: Application of Doughboy Industries, Inc. 366

Introduction 368

The Scope of Article 2 369

Forming the Sales Contract 370

Standard Form Contracts 371 Firm Offers 373

Statute of Frauds 373

Special Rules Under Article 2 376

Open Terms 376 Options 378 Cooperation 378

The Scope of Article 2A 378

Contracts for Leasing Goods 379

Contracts for the Sale of Goods in an International Setting 380

The United Nations Convention on Contracts for the International Sale of Goods 380

Scope of the CISG 381

Contemporary Case: Salco Distributers, LLC v. iCode, Inc. 383

You Be the Judge 384

Summary 385 Discussion Questions 385 Case Problems and Writing Assignments 386 Notes 387

Chapter 16: Title and Risk of Loss 389

Agenda 389

Classic Case: Alamo Rent-A-Car, Inc. v. Mendenhall 390

Introduction 391

Title to Goods Under Article 2 of the UCC 391

Historic Importance 391
The Modern Rule Under the UCC 391
Retention of the Goods by the Seller 392
Sellers with Voidable Title 393

Insurable Interest 394

Risk of Loss Under Article 2 of the UCC 395

Breach of Contract 396 No Breach of Contract 396

Special Problems 398

Sale on Approval 398 Sale or Return 398 Consignment 398 Auctions 399

Leases Under Article 2A of the UCC 399

Title to Goods Under the CISG 400

Risk of Loss Under the CISG 400

Standard Shipping Terms 401

Standard Terms Under the UCC 401 FOB 401 FAS 401 Ex-Ship 402 CIF and C & F 402 No Arrival, No Sale 402 COD 402 Standard Shipping Terms in International Trade (Incoterms) Contemporary Case: PoppingFun, Inc. v. Integracion de Marcas, S.A. de C.V. 406 You Be the Judge 408 Summary 409 Discussion Questions 409 Case Problems and Writing Assignments 410 Notes 411 Chapter 17: Performance and Remedies Agenda 413 Classic Case: Maple Farms, Inc. v. City School District 414 Performance of a Sales Contract 415 General Obligations 415 Sales Under Article 2 of the UCC 415 Cooperation 415 Seller's Duties 415 Intervening Rights 416 Buyer's Duties 417 Leases Under Article 2A of the UCC 419 Sales Under the CISG 419 Obligations of the Seller 419 Obligations of the Buyer 420 Remedies in Sales Contracts Under Article 2 420 Seller's Remedies 421 Buyer's Remedies **Modifications** 425 Special Problems 426 (Anticipatory) Repudiation 426 Excused Performance 427 Adequate Assurances 427 Duty to Particularize 427 Statute of Limitations 427 Remedies in Leasing Contracts Under Article 2A 427 Lessor's Remedies 427 Lessee's Remedies Remedies Under the CISG 428 Remedies for Breach by the Seller 428 Remedies for Breach by the Buyer 428 Damages 429

Contemporary Case: Scott Anderson Trucking, Inc. v. Nielson Construction 430

You Be the Judge 432

Summary 433 Discussion Questions 433 Case Problems and Writing Assignments 434 Notes 435

Chapter 18: Warranties and Product Liability 437

Agenda 437

Classic Case: Webster v. Blue Ship Tea Room 438

Introduction 439

Express Warranties 440

Implied Warranties 442

Warranty of Title 442

Warranty Against Infringement 443

Warranty of Merchantability 444

Warranty of Fitness for a Particular Purpose 444

Warranty Exclusions 445

Scope of Warranty Protection 445

Statutory Warranty Provisions 447

Product Liability 447

Negligence 448

Strict Liability in Tort 449

Leases 449

The CISG 450

ISO 9000 451

Contemporary Case: Williams v. Amazon, Inc. 451

You Be the Judge 453

Summary 454

Discussion Questions 454

Case Problems and Writing Assignments 455

Notes 456

Part IV

Negotiables 457

Chapter 19: Introduction to Negotiable Instruments: UCC Article 3 459

Agenda 459

Classic Case: State v. Family Bank of Hallandale 460

Historic Overview 462

The Scope of Article 3 463

Uses of Negotiable Instruments 464

Checks 464

Drafts 465

Promissory Notes 466

Certificates of Deposit 466

Functions and Forms 466

Paper Containing an Order ("Three-Party" Paper) 467

Drafts 467

Checks 467

Paper Containing a Promise ("Two-Party" Paper) 469

(Promissory) Notes 470 Certificates of Deposit 470

Contemporary Case: Binns v. BB&T Bank 472

You Be the Judge 475

Summary 476

Discussion Questions 476

Case Problems and Writing Assignments 476

Notes 477

Chapter 20: Negotiability 479

Agenda 479

Classic Case: Master Homecraft Company v. Zimmerman 480

Introduction 481

Formal Requirements for Negotiability: Article 3 482

Writing Requirement 483

Signature Requirement 485

Unconditional Promise or Order Requirement 486

Fixed Amount of Money Requirement 487

Words of Negotiability Requirement: "Pay to the Order of" or "Pay to Bearer" 489

Determinable Time Requirement: "Payable On Demand" or "Payable at a Definite

Time" 490

The "Exclusive Obligation" Requirement 491

Construction and Interpretation: Article 3 491

Check Truncation and Check 21 491

Contemporary Case: CadleRock Joint Venture LP v. Esperanza Architecture &

Consulting, Inc. 493

You Be the Judge 494

Summary 495

Discussion Questions 495

Case Problems and Writing Assignments 496

Notes 497

Chapter 21: Negotiation and Holders in Due Course 499

Agenda 499

Classic Case: Doyle v. Resolution Trust Corp. 500

Transfer 501

Negotiation 501

Indorsements 502

Special Indorsements 503 Blank Indorsements 504 Restrictive Indorsements 505

Holder 508

Holder in Due Course 509

For Value 510 In Good Faith 510

Without Notice of Defenses or Defects 511

Effect of Holder in Due Course Status 513

Personal Defenses 513 Recoupment 513

Real Defenses 514

The Shelter Provision 515

Statutory Limitations 515

Contemporary Case: Leger v. Bank of New York Mellon as Trustee of GSAMP Trust 516

You Be the Judge 519

Summary 519

Discussion Questions 520

Case Problems and Writing Assignments 520

Notes 522

Chapter 22: Negotiables: Liability and Discharge 523

Agenda 523

Classic Case: Cockrell v. First Tennessee Bank 524

Basic Concepts 525

The Chains of Liability 525

Primary Liability 525

Secondary Liability 526

Obligation of the Drawer 526

Obligation of the Indorser 527

Establishing Liability 528

Presentment 528

Acceptance 530

Dishonor 530

Notice 530

Types of Liability 532

Indorsement Liability 532 Warranty Liability 533

Special Problems 535

Discharge 538

Payment 538

Tender of Payment 538

Cancellation and Renunciation 538

Impairment 538

Other Discharges 538

Contemporary Case: Deutsche Bank Nat'l Trust Co. v. Harris 539

You Be the Judge 541

Summary 541

Discussion Questions 542

Case Problems and Writing Assignments 542

Notes 544

Chapter 23: Bank-Customer Relations/Electronic Fund Transfers 545

Agenda 545

Classic Case: Curde v. Tri-City Bank & Trust Company 546

Basic Concepts 547

The Customer: Rights and Duties 548

Wrongful Dishonor 548

Stop Payment Orders 549

The Duty to Inspect Bank Statements 550

The Bank: Rights and Duties 552

Stale Checks 552

Death or Incompetence of a Customer 552

The Bank's Right of Subrogation 553

The Bank's Rights with Legal Notice 553

The Account Contract 554

Special Problems 554

Certified Checks 554

Unauthorized Signatures 554

Fund Transfers: Article 4A 554

Fund Transfers: Electronic Fund Transfer Act (EFTA) 556

Point-of-Sale (POS) Transactions 556

Debit/ATM Cards 556

Telephonic Transactions 556

Preauthorized Transactions 556

Online (Electronic) Banking 557

Rights and Duties with EFTs 557

The Expedited Funds Availability Act 557

Check Truncation 558

Transferable Records 558

Contemporary Case: *Mayfield v. Worthen* **559**

You Be the Judge 561

Summary 561

Discussion Questions 562

Case Problems and Writing Assignments 562

Notes 564

Part V

Debtor-Creditor Relations 565

Chapter 24: Secured Transactions: Attachment and Perfection 567

Agenda 567

Classic Case: In re County Green Limited Partnership 568

The Need for Security 569

Credit Financing and Article 9 570

Scope of Article 9 571

Definition of a Secured Transaction 573

Attachment: The Creation of a Security Interest 573

The Security Agreement 574

The Secured Party Gives Value 576

The Debtor Acquires Rights in the Collateral 576

Perfection 576

Perfection by Filing 577

Perfection by Possession 579

Perfection by Control 579

Automatic Perfection 580

Lease Intended as Security 581

Proceeds 582

Contemporary Case: Doerhoff v. Concannon (In re Estate of Lindner) **583**

You Be the Judge 585

Summary 586

Discussion Questions 586

Case Problems and Writing Assignments 586

Notes 588

Chapter 25: Secured Transactions: Priorities and Enforcement 589

Agenda 589

Classic Case: Borg-Warner Acceptance Corp. v. Tascosa Nat'l Bank 590

Introduction 591 **Priorities 592** Conflicting Security Interests 592 Exceptions 593 Purchase Money Security Interests 593 Buyers in the Ordinary Course of Business Bona Fide Purchasers of Consumer Goods 596 Other Exceptions 597 Conflicts Between Security Interests and Liens 598 Judicial Liens 598 Statutory Liens 599 Consensual Liens 599 Conflicts Between Security Interests and the Trustee in Bankruptcy 599 **Enforcement of the Security Interest** 600 Default 600 Non-Code Remedies 601 Code Remedies 602 Right of Repossession 602 "Realizing" on the Collateral 603 Debtors' Rights 604 Secured Parties' Duties 604 Contemporary Case: Connex Credit Union v. Thibodeau 605 You Be the Judge 608 Summary 609 Discussion Questions 610 Case Problems and Writing Assignments 610 Notes 612 Chapter 26: Other Credit Transactions Agenda 613 Classic Case: Mason v. General Finance Corp. 614 **Introduction 616** Letters of Credit 617 Commercial Letter of Credit 617 Standby Letter of Credit 617 Uniform Customs and Practices 617

Unsecured Credit 619
Installment Loans 620
Mortgage Loans 621
Credit Cards 621
FTC Consumer Credit Rules 623
Payday Loans and Title Loans 625

UCC Article 5 618

Summ	ary 630
Discus	ssion Questions 630
Case 1	Problems and Writing Assignments 631
Notes	632
Cho	apter 27: Bankruptcy 633
Ageno	da 633
Classi	ic Case: National City Bank v. Hotchkiss 634
Histo	rical Background 635
Bankı	ruptcy Amendments and Federal Judgeship Act of 1984 636
The B	ankruptcy Reform Act of 1994 636
	ankruptcy Abuse Prevention and Consumer Protection Act of 2005 637
The C	onsumer Bankruptcy Reform Act 637
_	ter 7: Liquidation, a "Straight" Bankruptcy 638
	ling Fees 638
	bluntary Bankruptcy Petition 638
	voluntary Bankruptcy Petition 639
	ankruptcy Proceeding 640 ne Trustee 640
	utomatic Stay Provision 640
	ne Creditors' Meeting 640
Th	ne Debtor 640
	ecured Creditors 641
	xemptions 641 llowable Claims 641
	ecovery of Property 642
	istribution of Assets 643
Th	ne Discharge Decision 643
Chapt	ter 11: Reorganization Plans 645
	ne Proceedings 646
	ne Plan 648
	hapter 11 as a Corporate Strategy 650
_	ter 13: Individual Debt Adjustment 650 ne Proceedings 651
	ne Plan 651
	984 Bankruptcy Amendments 652
Bankı	ruptcy in the International Environment 654
Conte	emporary Case: Bear Creek Trail, LLC v. BOKF (In re Bear Creek Trail, LLC) 65
You B	e the Judge 656
	pary 657
	ssion Questions 658
	Problems and Writing Assignments 658
Notes	660

Part VI

Agency 661

Chapter 28: Agency: Creation and Termination 663

Agenda 663

Classic Case: Baxter v. Morningside, Inc. 664

Agency Law and Agency Relationships 665

Analysis of Agency Relationships 665

Restrictions on Creating an Agency Relationship 666

Capacity to Be a Principal 666 Capacity to Be an Agent 666 Duties an Agent Can Perform 666

Types of Agency Relationships 667

General and Special Agents 667 Gratuitous Agents 668

Employees and Independent Contractors 668

Employees 668 Independent Contractors 669 Responsibility for Independent Contractors 671

Duties of the Agent to the Principal 673

Fiduciary Duties 673 Other Duties of the Agent to the Principal 674

Duties of the Principal to the Agent 674

Terminating the Relationship 676

Agreement of the Parties 676
Agency at Will 676
Fulfillment of the Agency Purpose 677
Revocation 677
Renunciation 678
Operation of Law 678
Importance of Notice 679
Breach of Agency Agreement 679

Contemporary Case: Kloppel v. HomeDeliveryLink, Inc. 680

You Be the Judge 682

Summary 683
Discussion Questions 683
Case Problems and Writing Assignments 684
Notes 686

Chapter 29: Agency: Liability for Contracts 689

Agenda 689

Classic Case: Livingston v. Fuhrman 690 A Framework for Contractual Liability 691 Types of Authority 691

Actual Authority 692
Express Authority 692
Incidental Authority 693
Implied Authority 693
Ratification Authority 693
Emergency Authority 694 Apparent Authority 694
Authority by Estoppel 695
Imputing the Agent's Knowledge to the Principal 695
Disclosed Principal 696
Liability of the Agent 696
Warranty of Authority 698
Liability of the Third Party 699
Undisclosed Principal 699
Liability of the Agent 700
Liability of the Principal 701 Liability of the Third Party 701
Unidentified Principal 701
•
Analysis of Agent's Contracts with Third Parties 702
Contract Between the Principal and the Agent 703 The Need for a Writing 703
Covenants Not to Compete 703
Contemporary Case: Adams Outdoor Advertising L.P. v. RPM Realty Company 705
You Be the Judge 707
Summary 708
Discussion Questions 709
Case Problems and Writing Assignments 709 Notes 710
Notes 710
Classitation 20. Again of a Lightlite for Torota
Chapter 30: Agency: Liability for Torts
Chapter 30: Agency: Liability for Torts and Crimes 713
and Crimes 713
and Crimes 713 Agenda 713
and Crimes 713 Agenda 713 Classic Case: Pacific Mutual Life Insurance Company v. Haslip 714
and Crimes 713 Agenda 713 Classic Case: Pacific Mutual Life Insurance Company v. Haslip 714 A Framework for Tort Liability 715
Agenda 713 Classic Case: Pacific Mutual Life Insurance Company v. Haslip 714 A Framework for Tort Liability 715 Employee's Liability 715 Employer's Liability Under Respondent Superior 716 Time and Place of Occurrence 717
Agenda 713 Classic Case: Pacific Mutual Life Insurance Company v. Haslip 714 A Framework for Tort Liability 715 Employee's Liability 715 Employer's Liability Under Respondent Superior 716 Time and Place of Occurrence 717 Failure to Follow Instructions 717
Agenda 713 Classic Case: Pacific Mutual Life Insurance Company v. Haslip 714 A Framework for Tort Liability 715 Employee's Liability 715 Employer's Liability Under Respondeat Superior 716 Time and Place of Occurrence 717 Failure to Follow Instructions 717 Failure to Act 718
Agenda 713 Classic Case: Pacific Mutual Life Insurance Company v. Haslip 714 A Framework for Tort Liability 715 Employee's Liability 715 Employer's Liability Under Respondeat Superior 716 Time and Place of Occurrence 717 Failure to Follow Instructions 717 Failure to Act 718 Defenses Available to the Employer 718
Agenda 713 Classic Case: Pacific Mutual Life Insurance Company v. Haslip 714 A Framework for Tort Liability 715 Employee's Liability 715 Employer's Liability Under Respondeat Superior 716 Time and Place of Occurrence 717 Failure to Follow Instructions 717 Failure to Act 718
Agenda 713 Classic Case: Pacific Mutual Life Insurance Company v. Haslip 714 A Framework for Tort Liability 715 Employee's Liability 715 Employer's Liability Under Respondeat Superior 716 Time and Place of Occurrence 717 Failure to Follow Instructions 717 Failure to Act 718 Defenses Available to the Employer 718 Identifying the Employer 719 Crimes and Intentional Torts 720
Agenda 713 Classic Case: Pacific Mutual Life Insurance Company v. Haslip 714 A Framework for Tort Liability 715 Employee's Liability 715 Employer's Liability Under Respondeat Superior 716 Time and Place of Occurrence 717 Failure to Follow Instructions 717 Failure to Act 718 Defenses Available to the Employer 718 Identifying the Employer 719 Crimes and Intentional Torts 720

Negligent Promotion, Retention, and Entrustment 723 Indemnification 723 Employer's Right to Indemnification Employee's Right to Indemnification Analysis of an Employee's Torts 724 Injury to the Employee on the Job 725 Worker's Compensation 726 Contemporary Case: Pauna v. Swift Transportation Co. of Arizona LLC 727 You Be the Judge 728 Summary 729 Discussion Questions 729 Case Problems and Writing Assignments Notes 732 **Business Organizations** Chapter 31: Formation of a Business 737 Agenda 737 Classic Case: Firestone Tire & Rubber Company v. Webb 738 Selecting a Business Form 739 Sole Proprietorships 739 Partnerships 740 The Development of Partnerships 740 Partnerships 741 General Partnerships 742 Limited Partnerships 742 Partnership Property 743 The Partnership Agreement 743 Express Terms 743 Limited Liability Partnerships (LLPs) 743 Limited Liability Limited Partnerships (LLLPs) 744 Taxation of Partnerships 744 Partnerships by Estoppel 745 Joint Ventures 746 Corporations 746 The Development of Corporations 746 Corporate Nature 746 Advantages of the Corporate Form Formation of a Corporation Types of Corporations 747 Promoters 748 Articles of Incorporation 748 Corporate Charter/Certificate of Incorporation 748 Organizational Meeting 749 Bylaws 749

Part VII

De Jure versus De Facto Corporations 749

Corporate Powers 750

Ultra Vires Acts 750

Taxation of Corporations 750

Disregarding the Corporate Entity 751

Limited Liability Companies (LLCs) 751

Management of Limited Liability Companies 753 Taxation of Limited Liability Companies 753

Flexibility and Variance 753

Contemporary Case: Alishaev Brothers Inc. v. LA Girl Jewelry Inc. 758

You Be the Judge 761

Summary 762

Discussion Questions 762

Case Problems and Writing Assignments 763

Notes 764

Chapter 32: Operation of a Business Organization 767

Agenda 767

Classic Case: Meinhard v. Salmon 70

Operation of a Partnership 769

Rights of the Partners 769

Duties of the Partners 770

Rights of Third Persons Who Deal with Partnerships 771

Operation of a Limited Partnership 773

Operation of a Corporation 773

Stock Ownership 774

Shareholders' Meetings 775

Preemptive Stock Rights 778

Inspection of Corporate Books and Records 780

Transfer of Shares 780

Liabilities of Shareholders 781

Rights and Duties of the Board of Directors 783

Environmental, Social, and Governance Factors (ESG) 786

Rights and Duties of the Officers 786

Fiduciary Duties Owed to the Corporation 787

Operation of a Limited Liability Company (LLC) 791

Contemporary Case: AmerisourceBergen Corporation v. Lebanon County Employees'

Retirement Fund 791

You Be the Judge 793

Summary 794

Discussion Questions 794

Case Problems and Writing Assignments 795

Notes 796

Chapter 33: Business Terminations and Other Extraordinary Events 799

Agenda 799

Classic Case: Page v. Page 800

Termination of a Sole Proprietorship 801

Termination of a Partnership 801

Termination Under UPA (1997) 801

Continuation of the Partnership Business 802

Winding Up the Partnership 803

Creditors 804

Examples 804

Changes in Corporate Structure 806

Liquidation of the Corporation 806

Dissolution of the Corporation 808

Corporate Merger and Consolidation 810

Procedure 811

Sale of Substantially All the Assets 813

Stock Acquisition 813

Termination of a Limited Liability Company (LLC) 814

Contemporary Case: Fir Tree Value Master Fund, LP v. Jarden Corporation 815

You Be the Judge 816

Summary 818

Discussion Questions 818

Case Problems and Writing Assignments 819

Notes 821

Chapter 34: Securities Regulation 825

Agenda 825

Classic Case: Securities and Exchange Commission v. Universal Service Ass'n 826

What are "Securities" and Why Regulate Their Sale? 827

Federal Law: General Requirements of the '33 and '34 Acts 827

The Sarbanes-Oxley Act of 2002 828

Insider Trading 829

State Regulation of Securities 832

The Foreign Corrupt Practices Act 832

Wall Street Reform and Consumer Protection Act of 2010 833

Contemporary Case: Constr. Indus. & Laborers Joint Pension Trust v. Carbonite, Inc. 835

You Be the Judge 838

Summary 838

Discussion Questions 839

Case Problems and Writing Assignments 839

Notes 841



Government Regulation of Business 843

Chapter 35: Antitrust Law 845

Agenda 845

Classic Case: Warner-Lambert Company v. Federal Trade Commission 846

The Basis of Regulatory Reform 847

The Sherman Antitrust Act 847

Section 1: Contracts, Combinations, or Conspiracies in Restraint of Trade 847

Foreign Trade Antitrust Improvement Act 850

Section 2: Monopolizing and Attempts to Monopolize 850

Remedies 852

The Clayton Act 853

Section 2: Price Discrimination 853

Section 3: Exclusive Dealings and Tying Arrangements 854

Section 7: Antimerger Provisions 855

Section 8: Interlocking Directorates 856

The Federal Trade Commission Act 856

The Criminal Antitrust Anti-Retaliation Act 857

Unfair Trade Practices 857

Exemptions 858

Contemporary Case: Host Int'l, Inc. v. MarketPlace, PHL, LLC 858

You Be the Judge 860

Summary 861

Discussion Questions 862

Case Problems and Writing Assignments 862

Notes 864

Chapter 36: Consumer Credit Protection 865

Agenda 865

Classic Case: Beach v. Ocwen Federal Bank 866

Introduction 867

The Consumer Credit Protection Act (TILA) 868

Regulation Z 868

The Fair Credit Reporting Act 869

The Fair and Accurate Credit Transactions Act (FACTA) 871

The Equal Credit Opportunity Act 872

The Fair Debt Collection Practices Act 873

Credit Card Protections 875

The Consumer Product Safety Act 876

Contemporary Case: State Ex Rel. Morrisey v. Diocese of Wheeling-Charleston 878

You Be the Judge 879

Summary 879
Discussion Questions 880
Case Problems and Writing Assignments 880
Notes 882

Chapter 37: Environmental Protection 883

Agenda 883

Classic Case: Dalehite v. United States 884

Introduction 885

A World of Environmental Law and Regulations 885

The Environmental Protection Agency 886

Toxic Substances 886

The Toxic Substances Control Act 887

Right to Know Laws: Community and Employees 887

Emergency Planning and Community Right-to-Know Act (EPCRA) of 1986 887

America's Water Infrastructure Act of 2018 (AWIA) 887

Common Law Actions 888

Employee Right to Know Laws 888

The International Organization for Standardization (ISO) 888

Recycling, Disposal, and the Environment 889

Hazardous Waste Disposal 890

Brownfields Legislation 891

Food Grade Products 892

Transportation 893

Motor Vehicles 894

Hazardous Pollutants 894

Penalties for Violations 894

The National Environmental Policy Act 895

Environmental Impact Statement 896

Clean Air 896

Clean Water 896

Navigable Waters 897

Drinking Water 897

Wetlands 897

Ocean Dumping 897

Penalties for Violations 898

Protected Land and Wildlife 898

Protected Land 898

Wildlife Conservation 898

Noise Pollution 899

International Considerations 899

Sustainability 900

Contemporary Case: Ingham v. Johnson & Johnson 900

You Be the Judge 901

Summary 903
Discussion Questions 904
Case Problems and Writing Assignments 904
Notes 906

Chapter 38: Labor and Fair Employment Practices 909

Agenda 909

Classic Case: Griggs v. Duke Power Co. 910

Introduction 911 Labor Laws 911

> Federal Labor Laws 911 State Labor Laws 913

Fair Employment Practices Laws 914

The Civil Rights Act of 1964 914

The Pregnancy Discrimination Act of 1978 920

The Immigration Reform and Control Act of 1986 921

The Equal Pay Act of 1963 921

The Age Discrimination in Employment Act of 1967 922

The Lilly Ledbetter Fair Pay Act of 2009 922

The Civil Rights Act of 1991 922

The Americans with Disabilities Act of 1990 922

The Family and Medical Leave Act of 1993 923

The Occupational Safety and Health Act of 1970 924

International and State Application of U.S. Employment Laws 924

Employee Benefits and Protections 924

Group Health Insurance through Employers 924

Health Care Reform 925

Social Security and Medicare 925

Unemployment Compensation 925

Worker's Compensation 926

Contemporary Case: Bey v. City of New York 927

You Be the Judge 928

Summary 929

Discussion Questions 929

Case Problems and Writing Assignments 930

Notes 931

Part IX

Property Protection 935

Chapter 39: Property and Joint Ownership 937

Agenda 937

Classic Case: Lucas v. South Carolina Coastal Council 938

Property Rights 939

Classification of Property 939

Real Property Defined 940 The Nature of Plants 942

Acquisition and Transfer of Property 942

Original Occupancy of Real Property 942
Original Possession of Personal Property 942
Voluntary Transfers of Possession 943
Title Evidence for Real Property 944
Title Evidence for Personal Property 946
Abandonment 946
Escheat and Unclaimed Property 947

Protection of Property 947

Involuntary Transfers by Operation of Law 947 Involuntary Transfers by Government Action 947 Nongovernmental Transfers and Restrictions 948

Rental of Real Property 950

Types of Tenancies 950
Rights and Duties of Tenants 950
Rights and Duties of Landlords 952
Discrimination in Housing 952

Americans with Disabilities Act Provisions 953

Bailments of Personal Property 954

Bailee's Duty of Care 954
Classifications of Bailments 954
Constructive Bailments 955
Limitations on a Bailee's Liability 956
Termination of a Bailment 956
Bailee's Duty to Return the Property 957

Joint Ownership of Property 957

Tenancy in Common 957

Joint Tenancy with Rights of Survivorship 959

Tenancy by the Entireties 960

Community Property 960

Distinguishing among the Forms of Joint Ownership 961

Transfer on Death Ownership 961

Contemporary Case: PennEast Pipeline Company, LLC v. New Jersey 961

You Be the Judge 963

Summary 963
Discussion Questions 964
Case Problems and Writing Assignments 964
Notes 966

Chapter 40: Protection of Intellectual Property 969

Agenda 969

Classic Case: The Coca-Cola Company v. The Koke Company of America 970

Introduction 971

Patents 971

The Standards of Patentability 971
Patent Procedures 972
America Invents Act 973
Protection from Infringement 973
Remedies for Infringement 974
International Dimensions 974
Computers 974

Copyrights 974

Protection from Infringement 975 Remedies for Infringement 976 International Dimensions 977 Computers 977

Trademarks, Service Marks, and Trade Dress 978

Protection from Infringement 978 Remedies for Infringement 981 International Dimensions 982

Trade Secrets 982

Protection of Trade Secrets 982 Liability for Misappropriation 983 Civil and Criminal Remedies 983 Computers 983

Contemporary Case: Google LLC v. Oracle America, Inc. 987

You Be the Judge 990

Summary 990 Discussion Questions 991 Case Problems and Writing Assignments 992 Notes 994

Table of Cases 997 Index 1003