

We are pleased to introduce this fourth 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 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.

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 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. Several of the Case Illustrations, Manager's Ethics and Compliance Meetings, Ethical Insights, and other features incorporate fresh examples of the application of ethics to real-world business situations. 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, world leaders, scholars, thinkers, and business executives, exploring the basis of legal and business strategies in ethical theory, principle, or practice.

- *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.

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. This edition, for example, includes several references to new technology, such as Artificial Intelligence, and cases are updated to ensure the issues and the law discussed are current and contemporary.

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 fourth 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 to include the Supreme Court’s decision in *Mallory*. Chapter 2, “Ethics in Business,” has been updated with more examples and additional material on Virtue Ethics. As with the previous editions, the fourth 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 3, “Constitutional Issues in Business,” expands the discussion of free speech to include coverage of the Supreme Court’s decision in *303 Creative LLC*.

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 Joe Biden that required federal agencies to promote the responsible use of artificial intelligence. The chapter includes coverage of recent developments, including the Supreme Court’s 2024 decision overruling the deferential *Chevron* standard, the 2024 FTC investigation of large technology companies regarding their use of artificial intelligence, and Congressional expansion of FDA authority in

2022 to include the regulation of synthetic nicotine (commonly found in e-cigarettes).

Chapter 5, “Legal Aspects of the Global Business Environment,” includes a new case illustration based on the recent United States Supreme Court decision *Turkiye Halk Bankasi A.S. v. United States*, questions about ethics in offshore manufacturing and in international supply chain management, a new chart comparing WTO rules on dumping and subsidies, new WTO problems based on current cases, and updates on the ongoing Texaco/Chevron environmental litigation involving plaintiffs from Ecuador. Chapter 6, “Corporate Social Responsibility,” has been updated to introduce students to the Environmental, Social, and Governance (ESG) standards. In Chapter 7, “Business Organizations,” we have added a new case illustration about Samuel Bankman-Fried (referred to as SBF), the founder of cryptocurrency exchange FTX and the cryptocurrency trading firm Alameda Research who was sentenced on March 28, 2024, to serve 25 years in prison followed by three years of supervised released. He was also ordered to pay \$11 billion in forfeiture. The sentencing related to one of the largest financial frauds in history, involving the theft of over \$8 billion of his customers’ money.

Chapter 8, “Intellectual Property,” includes new mention of the ability to obtain intellectual property protection of works or inventions created with the use of artificial intelligence, as well as new discussion of the right of publicity, which has become more vulnerable given technological advances that facilitate the creation of “deep fakes.”

Chapter 9, “Sale of Securities and Investor Protection,” includes a new case illustration about the CEO of a California biotechnology company, Decision Diagnostics Corp, who was sentenced to seven years in prison for a securities fraud scheme that resulted in approximately \$28 million in investor losses. Through his control of Decision Diagnostics Corp., the CEO engaged in a scheme to defraud investors by falsely claiming that the company had developed a 15-second test to detect COVID-19 in a finger prick sample of blood when, in reality, no such test existed.

Chapter 10, “Business Crimes,” includes a new case illustration about Changpeng Zhao, the founder and Chief Executive Officer of Binance Holdings Limited (Binance), who pleaded guilty to criminal charges involving violations of the Bank Secrecy Act of 1970. As part of the plea agreement, both Zhao and Binance agreed to the following terms: 1) pay \$4.3 billion in penalties; 2) participate in a compliance enhancement and remediation program; and 3) retain an independent monitor. Significantly this case represents the largest corporate guilty plea that involves both the company and its Chief Executive Officer.

Chapter 11, “Antitrust,” provides new coverage of the landmark 2024 decision holding that fee splitting by real estate agents violated the antitrust laws, actions by the FTC and European regulators to reign in the allegedly monopolistic behavior of big tech firms, and emerging legal challenges to the use of artificial intelligence by landlords to set rental rates.

Chapter 12, “Agency Law,” offers revised and updated material on new Department of Labor rules regarding independent contractor versus employee classification and a new Case Illustration on that topic. A new case on the question of the apparent authority of an employee to bind the employer to a contract helps illustrate this thorny legal issue, and there is also a new case relating to respondeat superior. Chapter 13, “Employment Law,” introduces students to the Federal Trade Commission’s April 2024 final rule prohibiting noncompete agreements nationwide and the corresponding pending legal challenges to that rule. New material also alerts students to the adoption of the EU’s Artificial Intelligence Act which went into effect on August 1, 2024. A new question requires the students to consider whether an employer who opened their premises in violation of a governor’s closure orders during the COVID pandemic could lawfully terminate an employee who refused to return to the workplace. Chapter 14, “Discrimination in the Workplace,” adds a discussion of the amendments to the Federal Arbitration Act that prevent the mandatory arbitration of claims related to sexual assault or sexual harassment as well as a discussion of the Speak Out Act that prohibits court enforcement of pre-dispute nondisclosure clauses or non-disparagement clauses in workplace sexual assault or harassment cases. A new case discussing social media postings as a source of workplace harassment has also been added.

Chapters 15 and 16, covering the law of contracts, have been re-worked slightly to balance the length of the chapters. The section on illegal agreements and unconscionability has been moved from the beginning of Chapter 16 to the end of Chapter 15. More importantly, these chapters provide several updates incorporating contemporary issues. There is a new Case Illustration in Chapter 15 regarding the unconscionability of arbitration clauses in emergency situations – an issue that has gained increasing attention in recent years. There is also a new problem in Chapter 15 relating to contract formation and new problems in Chapter 16 on fraud and on contract interpretation. A signature new section in Chapter 16 is an explanation of how Artificial Intelligence is being used in the formation, management and implementation of contracts. New coverage in Chapter 17, “Sales Law,” involves an interesting case about whether a contract has been breached in a deal involving the sale of a large quantity of sports trading cards and a Case Illustration involving counterfeit masks bought by a medical facility during the pandemic. Chapter 17 also has new problems on the issues of notification of defective products and of passage of title. Chapter 18, “The Debtor-Creditor Relationship,” includes updates to Article 9 of the Uniform Commercial Code and describes a new provision added to the UCC (Article 12), which addresses emerging technologies such as digital assets. Article 12 provides a set of new rules for digital assets such as crypto-currencies and non-fungible tokens (NFTs). Article 12 refers to these forms of digital assets as “controllable electronic records” (CERs). In accordance with the introduction of CERs, Article 9 now recognizes digital assets as a basis for

providing collateral for loans, which in turn facilitates the perfecting a security interest when digital assets are used. Additionally, chattel paper, which traditionally has been defined as a “record” that includes a monetary obligation and a security interest in goods, now includes an expanded definition that incorporates the use of digital assets.

Chapter 19, “Business Torts,” includes new end-of-chapter questions dealing with intentional interference with contractual relations and fraudulent misrepresentation. Chapter 20, “Product Liability and Warranties,” now includes a new section on consumer protection laws.

Finally, Chapter 21, “Environmental Law and Sustainability,” includes a discussion of the Supreme Court’s decision in *Sackett v. EPA* that narrows the definition of “waters of the United States.” Also added is a discussion of the Ninth Circuit’s resolution of the *Juliana* case.

Many Questions for Review have been updated to incorporate recent cases. Throughout the text, we have carefully selected updated cases and problems involving fact patterns we think will be engaging and interesting to students. Last, we have edited every chapter to condense the text where appropriate and convey material as crisply, clearly, and succinctly as possible.

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.