

Preface

Welcome to Business Law, 3rd edition! We believe this edition of the text is worthy of the trust you have placed in us to deliver clearly contemporary aspects of business law in a comprehensive manner appropriate for a variety of learning styles. This book is based on a textbook, written by co-authors Peter Shedd and Robert Corley, which enjoyed strong popularity in university and college classrooms for decades. Using this strong, and tested foundation and adding James Morgan as an author to further update and refine the content, we have created *Business Law* not only to present traditional principles of business law but also to delve into new arenas pertaining to the interaction of law and business appropriate for business leaders of the twenty-first century.

Purpose of the Text

Business Law is written with a realization of the forces that have shaped, and continue to mold, our Legal Studies discipline and with a full understanding of the challenges students face when studying this subject. Therefore, we hope to offer a text that is *contemporary* in approach, *comprehensive* in coverage, and *clearly* presented.

First, we desire to offer a *contemporary* text. Issues associated with globalization, diversity, and the Internet, among others, provide tremendous challenges to members of the business community today. Moreover, within the legal studies discipline, significant changes have occurred recently in a variety of areas—including the laws of bankruptcy, intellectual property, limited liability business structures, negotiable instruments, to name just a few. Transformation is occurring in business and within the legal studies discipline, and we attempt to capture major developments on both fronts within this text.

While we certainly wish to present a contemporary text, we strive also to offer a *comprehensive* legal studies book. Each author has taught business law on university campuses to both undergraduate and graduate students for over two decades. Further, each of us has associated for years with scores of colleagues from across the nation and has participated in numerous legal studies conferences where we have discussed with others the teaching of business law. What do we conclude from our collective experience? One thing for sure: each instructor of a course in business law (or legal environment of business or legal studies in business) has a slightly different (well ... sometimes *widely* different) group of topics that they present in a single quarter or semester class. That is the nature of our discipline; and we believe the wide array of topics that might be included in a business law course, the varying emphasis that might be provided to a subject area, and the degree of instructor passion associated with specific legal topics— all enrich the student learning experience.

In *Business Law* we embrace this diversity of approaches to the discipline because students, ultimately, benefit if the instructor can teach a selection of business law topics with which they have a familiarity and that they believe are most relevant to students of business. For example, many of our

colleagues desire that their students be most familiar with private law topics, including contracts, torts, partnerships, and corporations. Others hold the position that matters of public law are most critical, so they focus their course on consumer law, environmental law, employment law, and antitrust law. A large number of those who teach business law, not surprisingly, attempt to cover in considerable detail both private law and government regulation topics. The point is, regardless of the topics an instructor selects to cover (in a one quarter, one semester, course, or in a full year course), this text provides comprehensive coverage of the topics generally captured by the terms “business law” and “legal environment of business.”

Lastly, we desire to present the subject matter *clearly*. The reader will note that plain language is the norm; and where legal terms are employed, they are defined. Fact-based examples of legal doctrines are used liberally. Also, on average each chapter has at least one visual depiction of the specific subject area being addressed, with the hope of being able to assist those who learn more easily through a diagram, table, or other visual form of presentation.

Further, in terms of readability, we recognize that this text is aimed at students from various levels within a campus community. Some students will be studying selected chapters within the context of a business law or legal environment class as part of the general business curriculum at a community college or university. For the chapters most often used in such a course of study (e.g., Chapter 14 “The Agreement: Offer and Acceptance”), we write at a level that respects the preliminary stage of business education for the most typical reader of such a chapter. For those students near the end of their four-year degree or in graduate school, we offer a more sophisticated presentation for chapters that are often read by those students (e.g., Chapter 37 “Secured Transactions”). For all readers, though, we trust you will find the material presented in a clear fashion.

Pedagogical Design

The chapters in *Business Law* are made up of three basic parts: text, cases, and problems. First, the *text* is written in a style designed for business students and students in related disciplines, introducing them to the legal issues they will face throughout their careers. However, as mentioned above, this text is written without much of the legalese to which law school students become so familiar.

Second, most chapters contain three edited *cases*. These case opinions, included in the judge’s actual language, illustrate a point of law discussed in the text. In order to improve readability, the authors have lightly edited the prose in the official opinion of the court, particularly regarding the elimination of citations to many cases and statutes not important for our purposes. The reader will discover each case consists of basic facts (set forth in *italics* for ease of understanding). This portion of the case provides a true-to-life view of business, almost always in a fairly contentious setting. Each case then presents the legal analysis of a judge or justice, allowing the student to experience the legal process as the law is explained and applied.

A further comment or two about the cases included in *Business Law*—while almost all of the cases were decided recently, a small number of judicial opinions are classic cases from prior decades. We feature those cases to illustrate the rich history associated with many legal doctrines we take for granted today. Also, the cases come from both state and federal courts and from all reaches of the United States (there is an occasional case from outside the United States to illustrate how other countries make legal decisions).

Third, *review problems*, including questions and factual scenarios, are included at the end of each chapter. Many students learn best by being able to apply what they have read in a book, so

we have crafted various types of learning exercises to allow students to use the legal principles explained in the text.

Numerous aspects of this text were designed to help enhance the “reader-friendly” and “student-centered” nature we hope is conveyed throughout the book. Of particular interest, in this pedagogical sense, are the following items:

- A *Chapter Outline* to provide a detailed list of the subject matter covered
- A *Chapter Preview* to serve as an introductory statement to help students understand how the chapter’s topic fits into the overall business transaction
- A *Business Management Decision* to whet students’ appetites for the chapter’s discussion
- *Marginal Definitions* to reinforce the meaning of key terms and phrases
- A *Case Concepts Review* follows every case with questions to assist students in their comprehension of the case’s major points
- A *Chapter Summary* to assist in the review process
- A *Matching Problem* at the outset of the review questions to provide students with a quick method to test their knowledge of key terms and phrases
- Numerous factual-oriented *Review Problems* to allow students to become comfortable in applying their understanding to business transactions.

We are particularly excited about two changes incorporated in this 3rd edition. We have *italicized* significant words, phrases, and sentences throughout the text in an effort to assist the reader in recognizing particularly important aspects of the text. Also, as commented previously, we have added a large number of *visual depictions* of legal principles—sometimes in the form of a diagram showing the relationship between and among principles, sometimes in the form of a chart geared at comparing principles, and sometimes in other forms aimed at further enhancing the learning process.

In addition to these pedagogical devices, *Business Law* includes a detailed set of *appendices*. A glossary for student referral is also provided.

Coverage of Text

The forty-three chapters in *Business Law* are divided into nine distinctive parts. These divisions permit the material to be covered in the order that professors feel best meets their students’ needs. We believe this organization provides the flexibility for courses on either the semester or quarter calendar. Also, this structure allows students to have a logical skeleton with which to see the “big picture” of business law along with major divisions of the subject area.

Part I serves as an *introduction to our legal system*. Topics of particular importance include the structure of the courts (Chapter 2), the litigation procedure (Chapter 3), alternatives to litigation (Chapter 4), and the Constitution (Chapter 5). This part can be deleted if the students have had a Legal Environment of Business course, or it can serve as a quick review.

Part II consists of seven chapters discussing some of the *basic legal concepts* that we believe essential for students to understand prior to their coverage of the other topics in this text. Chapter 6 is on criminal law because of the increasing importance of white-collar crime and the problems business managers face as the result of the high crime rate. Chapters 7 and 8 place special emphasis on the various theories that are used to impose tort liability on businesspeople and their organizations. Chapters 9 and 10 introduce the reader to the law of property, including the

topics of personal, real, and intellectual property. In a rather unique offering, we include a single chapter (11) that introduces various forms of organizations that can be used to operate business activities and present factors that make one organizational form preferable to the other forms. Finally, Chapter 12 on international business transactions provides students with an appreciation for the growing importance of the globalization of business. As with the chapters in Part I, these seven chapters can be deleted or reviewed quickly if the students have already completed a course in business law or the legal environment of business.

Part III, on *contracts*, is designed to give students an understanding of the basic and traditional concepts of contracts as well as of recent developments from the closely related topic of sales under the Uniform Commercial Code. This Code is included as an appendix, and appropriate sections are referred to in brackets within the text. Also, the impact of the digital age on traditional notions of contract law is explored within this part. After an introductory chapter (13), the next four chapters (14 through 17) discuss the essential requirements for every valid contract. Chapter 18 involves issues of form and interpretation of contracts; and Chapter 19 includes a discussion of contractual performance, along with a presentation of the methods of discharging or excusing the performance of promises. Finally, issues created when third parties become involved in contracts are discussed in Chapter 20.

Part IV consists of three chapters that present additional material on the *sale of goods*. Without repeating the details contained in the chapters on contracts, Chapters 21 and 22 emphasize the provisions of Article 2 of the Uniform Commercial Code necessary to understand formational and operational aspects of sales and leases of goods. Chapter 23 is an in-depth examination of the law of warranties.

Part V contains four chapters on legal principles directed at dealing with *people* within a business environment. Chapter 24 covers the creation, termination, and general principles of the agency relationship. Chapter 25 discusses liability principles associated with an agency relationship from the perspective of the law of contracts and the law of torts. Employment-related concepts follow in the next two chapters, with Chapter 26 examining general employment and labor law subjects and Chapter 27 focusing on discrimination.

Part VI discusses *business organizations* in three stages. These stages are (1) the methods of creating the various forms of organizations, (2) the legal aspects of operating the various forms of organizations, and (3) the law as it relates to dissolution of business organizations. This material is covered in Chapters 28 through 31. Recognizing the explosion in the use of limited liability companies, most of Chapter 31 is devoted to this exciting mechanism for conducting business. Chapter 32, on security regulations, is designed to assist students in their understanding of the government's regulation of corporate securities.

Part VII consists of four chapters devoted to *negotiable instruments*. Chapter 33 serves as an introduction to terminology and to an understanding of the scope of Articles 3 and 4 of the Uniform Commercial Code. Chapters 34 and 35 discuss the basic elements and advantages of negotiable instruments. Chapter 36 concentrates on the liability of the parties involved in the commercial paper transaction.

Part VIII contains three chapters dealing with the law as it relates to *creditors and debtors*. The first chapter (37) examines Article 9 of the Uniform Commercial Code on secured credit transactions. Chapter 38 presents additional laws assisting creditors, emphasizing the complex area of suretyship. Finally, Chapter 39 discusses bankruptcy.

Part IX contains four chapters on the subject of *government regulation of business*. Chapter 40 covers administrative law, with an emphasis on the operation and impact of administrative agen-

cies. The subject of antitrust law is dealt with in Chapter 41. Two areas of comparatively recent vintage, consumer law (Chapter 42) and environmental law (Chapter 43), conclude this part.

Supplements for Instructors

1. Instructor's Manual The Instructor's Manual can be used by the first-time instructor for structuring the course or by the seasoned instructor who simply wants to have another perspective on the materials. Each section of the Instructor's Manual coincides with a chapter in the textbook. The user-friendly format begins by providing a section on the overall purpose of the chapter. Then, a detailed outline of the chapter is presented, including a summary of the principal cases presented in the text. Following the outline, sample answers to the end-of-chapter questions are provided, along with citations to the section or sections of the chapter that provide the rationale for the sample answer. Finally, Internet addresses for additional resources are suggested where appropriate.

2. Test Bank An extensive test bank of approximately 1700 questions is available to instructors in both hard copy and electronic forms. Each chapter consists of a variety of multiple choice, true/false and essay questions.

3. Distance Learning Solutions BVT Publishing is committed to providing the ability to administer tests and quizzes over the Internet. We have a strong relationship with Respondus, whose Course Management Software allows for the creation of randomly-generated tests and quizzes, that can be downloaded directly into a wide variety of course management environments, such as Blackboard, Web CT, Desire 2 Learn, Angel, E Learning and others.

4. PowerPoints These slides, developed by one of the authors, provide an outline of learning objectives/topics for the chapter, a comprehensive framework for each of the legal doctrines addressed in the chapter, and definitions of salient terms employed in the materials. We have crafted the slides to avoid being "busy" with an overabundance of information; instead, they provide a template for lectures and discussions in an "eye-pleasing" format.

5. Customize This Book If you have additional material you'd like to add (handouts, lecture notes, syllabus, etc) or if you would like to simply rearrange and delete content, BVT Publishing's custom publishing division can help you modify this book's content to produce a book that satisfies your specific instructional needs. BVT Publishing has the only custom publishing division that puts your material exactly where you want it to go, easily and seamlessly. Please visit www.bvtpublishing.com or call us at 1-800-646-7782 for more information on BVT Publishing's Custom Publishing Program.

Supplements for Students

BVT Publishing is pleased to provide students with a free, comprehensive online tutorial that can be found at www.bvtstudents.com. This website offers the following:

1. eBook editions Save time, money and paper by purchasing an eBook version of this text directly from our convenient online store, located on our student website.

2. Shopping Cart For the student's convenience and pocketbook, the student website also contains a shopping cart where they have the added option of purchasing the traditional paper textbook directly from the publisher if they prefer.

3. Self Testing Students can test their knowledge of this book's content on our student website. The Self Test questions are designed to help improve students' mastery of the information in the book.

Business Law, NEW 3/e
Chapter 1
Please answer all questions, and click the "Check Answers" button to grade your test.

1. It is good practice to include in a contract which states law will govern disputes that arise under the contract.
 True
 False
2. State decisis is typically of lesser importance to the Supreme Court in deciding constitutional issues than to trial courts in deciding specific controversies.
 True
 False
3. It is a violation of the separation of powers doctrine for State A to adopt a law identical to one adopted by State B.
 True
 False
4. Many areas of law important to businesses are governed by the Uniform Commercial Code.
 True
 False

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 True
 False

4. Chapter Outlines Chapter outlines are available for students to use either on our website or they can be downloaded directly from our website. They are designed to serve as a helpful outline approach to getting an overview of each chapter's content.

5. Flash Cards We also feature Flash Cards on our student website. The Flash Cards are an easy way for students to spot-check their understanding of common and important Business Law terms, as well as effectively retain the information.

Business Law, NEW 3/e
Chapter 18
There are 7 flashcards for chapter 18.

Course of dealing

Show Answer

Business Law, NEW 3/e
Chapter 18
There are 7 flashcards for chapter 18.

Course of dealing

A sequence of previous conduct between the same parties to a particular transaction

I was incorrect
I was correct

6. Chapter Summaries The Chapter Summaries are another tool designed to give the students an overview of each chapter's content, further aiding the students in content comprehension and retention.

Acknowledgments

We owe to all the dedicated staff at BVT Publishing, including Jason James, Suzanne Morse, Brae Buhnerkemper, and Robert Rappeport, considerable gratitude for their insight in creating the concept for this book and working so tirelessly to make that concept the reality you hold in your hands today. We also wish to express our heartfelt appreciation to our immediate families for the support they have offered during the writing process.

Welcome to *Business Law!* Good luck as you embark on a most fascinating journey!

James F. Morgan
Peter J. Shedd
Robert N. Corley

