



Preface

Welcome to Business Law, Seventh Edition

New to the Seventh Edition

We are excited to bring you the seventh edition of this book. The previous edition was used in Business Law and Legal Environment of Business courses throughout the nation. Reviewers of that text praised its readability, currency, and comprehensive scope. We hope the revisions included in this seventh edition continue the tradition of offering a complete text that presents, in an interesting manner, the fascinating and ever-changing world of law within the business community.

Six new aspects of the seventh edition are particularly noteworthy:

New United States Supreme Court Decisions. The **seventh edition** features **fourteen new Supreme Court** cases. A sampling includes:

- Chapter 1 *Bostock v. Clayton County, Georgia* (2020) Does Title VII of the 1964 Civil Rights Act protect employees who are homosexual or transgender?
- Chapter 6 *Cedar Point Nursery v. Hassid* (2021) Is a state regulation requiring a business owner to allow union organizers onto their property constitutional?
- Chapter 12 *Unicolors, Inc. v. H&M Hennes & Mauritz, L.P.* (2022) Is a certificate of registration for a copyright valid even though it contains inaccurate information that the copyright holder did not know was inaccurate?
- Chapter 33 *National Federation of Independent Business v. Department of Labor, Occupational Safety and Health Administration (OSHA)* (2022) Does OSHA possess the power to enact a vaccine mandate in the face of the COVID pandemic?
- Chapter 41 *Lorenzo v. Securities and Exchange Commission* (2019) Does liability under SEC Rule 10b-5 extend to an individual who made false statements to investors even though those statements were drafted by that individual's boss?
- Chapter 42 *National Collegiate Athletic Association (NCAA) v. Alston* (2021) Does the NCAA policy restricting the compensation colleges and universities may offer the student-athletes who play for their teams violate federal antitrust laws?
- Chapter 42 *Apple v. Pepper* (2019) Has Apple exercised monopoly power in the retail market for the sale of apps and unlawfully used its monopoly power to force iPhone owners to pay Apple higher-than-competitive prices for apps?
- Chapter 44 *West Virginia v. Environmental Protection Agency* (2022) Did the Environmental Protection Agency exceed its constitutional authority by compelling the transfer of power from existing sources to wind and solar in order to address global warming?
- Chapter 45 *Nestle USA, Inc. v. Doe* (2021) May residents of another country use the federal court system to pursue claims of human rights violations against a United States corporation when those alleged violations occurred in another country?

New Lower Federal and State Court Decisions. In addition to comprehensive coverage of recent decisions from the nation's highest court, the **seventh edition** provides the reader with **more than 30 new** opinions from **lower federal and state courts**. Cutting-edge issues addressed in these cases from across the country cover a wide range of topics, including:

- Chapter 4 *Website Sales and Court Jurisdiction*: Were personal jurisdiction requirements satisfied for a trademark infringement case where only two sales occurred in the state and those sales were to plaintiff's attorney? United States Court of Appeals, Fifth Circuit (2022).
- Chapter 9 *Smartphone Causation*: Can a driver's neurobiological response to a smartphone notification be a cause in fact of a car crash? United States Court of Appeals, Fifth Circuit (2018).
- Chapter 9 *Amazon Liability*: Is Amazon liable as a seller of a defective hoverboard? United States Court of Appeals, Sixth Circuit (2019).
- Chapter 11 *Housing Access to Disabled*: Has a landlord violated the implied warranty of habitability by refusing or failing to provide accessible equipment and entrances to a disabled resident? United States District Court for the District of Columbia (2022).
- Chapter 13 *COVID Impact on Contract*: Might university students have a cause of action against the university for moving to all online classes and closing campus facilities because of the pandemic? Court of Appeals of Indiana (2022).
- Chapter 14 *Objective Manifestation of Agreement*: Was there a meeting of the minds in an employment agreement as to the role of the employee? Court of Appeals of Washington (2020).
- Chapter 19 *Assignment of Contract Rights*: Is the obligor of an assignment secondarily liable for performance? United States District Court (Colorado) (2021).
- Chapter 20 *COVID Impact on Contract*: Was performance of a contract made impossible because of the pandemic? United States District Court (Illinois) (2021).
- Chapter 21 *Risk of Loss*: Applying provisions of the Code, was risk of loss effectively transferred? United States District Court (New Mexico) (2022).
- Chapter 23 *Warranty*: Do provisions of an express warranty extend beyond the original purchaser of a product? United States District Court (Utah) (2022).
- Chapter 27 *Accommodation Party*: Based on provisions of the Code, was a party an accommodation party or a guarantor on promissory notes? Court of Appeals of Arkansas (2021).
- Chapter 29 *Continuing Guarantee*: Was document a "continuing guarantee" for party to pay debts of another? United States District Court (New York) (2022).
- Chapter 31 *Fiduciary Duty*: Did an employment relationship give rise to the existence of a fiduciary relationship? Court of Appeals of Michigan (2022).
- Chapter 32 *Scope of Employment*: Was party acting within the scope of employment when party attacked another while performing part of the job? United States Court of Appeals, Tenth Circuit (2022).
- Chapter 33 *Joint Employment*: Should the "ABC" test of determining independent contractor status or the "economic realities" test of determining employee status be used to establish whether an entity is a joint employer? Supreme Judicial Council of Massachusetts (2021).
- Chapter 36 *Partner Joint and Several Liability*: Within the context of the Bernie Madoff scandal, can a party be jointly and severally liable as a general partner? United States District Court (New York) (2022).
- Chapter 37 *Alter Ego Theory*: Do the facts of this case warrant the lifting of the corporate veil based on the alter ego theory? California Court of Appeals (2022).
- Chapter 39 *Valuation of LLC Interest*: How should the value of a LLL's member's interest be determined? Court of Appeals of Oregon (2021).
- Chapter 40 *Administrative Agency Powers*: Do Securities and Exchange Commission actions violate constitutional provisions dealing with the right to a jury, delegation of legislative powers, and presidential authority? United States Court of Appeals for the Fifth Circuit (2022).
- Chapter 46 *Start-Up Tax Deductions*: Under Internal Revenue Rules, how may an entrepreneur properly document and take tax deductions for start-up activities? United States Tax Court (2022).
- Chapter 46 *Limited Liability Company Member Liability*: Was a member of a limited liability company shielded from personal liability for claims against the business? United States Court of Appeals for the Eleventh Circuit (2019).

New Treatment of Key Areas of Law. As you might expect, over the past few years the law in the United States and within the international community has evolved, and exciting dimensions of the business/law dynamic have developed. The seventh edition captures the latest developments on the judicial, legislative, administrative fronts. However, three areas of business law continue to deserve special attention: diversity, global business, and cyberlaw. Examples of new treatment contained in the seventh edition addressing these three critical topics is presented below.

Diversity

- Chapter 1 Case: United States Supreme Court (2020). *Rights of Homosexual and Transgender Employees*: Does Title VII of the 1964 Civil Rights Act protect employees who are homosexual or transgender?
- Chapter 1 New section explores the roots of the United States legal system to ancient cultures in the Near East, China, and India.
- Chapter 1 New “Touchstone” exploring the concept of website platform immunity under federal law (Section 230 of the Communication Decency Act).
- Chapter 11 Case: United States District Court for the District of Columbia (2022). *Housing Access to Disabled*: Has landlord violated the implied warranty of habitability by refusing or failing to provide accessible equipment and entrances to a disabled resident?

Global Business

- Chapter 12 Greater coverage of both the World Trade Organization’s (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the World Intellectual Property Organization (WIPO) Copyright Treaty.
- Chapters 13, 21, and 22 Expanded treatment of the United Nations Convention on Contracts for the International Sale of Goods (commonly known as CISG), which was codified by the United States Congress.
- Chapter 24 New section regarding international regulation of electronic funds transfers.
- Chapter 24 New material pertaining to international dimensions of cryptocurrency and its regulation.
- Chapter 45 Case: United States Supreme Court (2021). *Alien Access to Federal Courts*: May residents of another country use the federal court system to pursue claims of human rights violations against a United States corporation when those alleged violations occurred in another country?

Cyberlaw

- Chapter 7 New section devoted to cybercrime, including identity theft, computer fraud, extortion threats, and unauthorized computer access.
- Chapter 9 Case: United States Court of Appeals, Fifth Circuit (2018). *Smartphone Causation*: Can a driver’s neurobiological response to a smartphone notification be a cause in fact of a car crash?
- Chapter 9 Case: United States Court of Appeals, Sixth Circuit (2019). *Amazon Liability*: Is Amazon liable as a seller of a defective hoverboard?
- Chapter 13 Case: United State Court of Appeals, Eighth Circuit (2021). *Digital Transmission of Terms*: Is an arbitration clause found on a seller’s website enforceable where a physical gift card of the seller directs purchasers to the website?
- Chapter 24 New section pertaining to cryptocurrency and its regulation.
- Chapter 28 Extensive coverage throughout the chapter of proposed revisions to Article 9 (Secured Transactions) and new Article 12 (Controllable Electronic Records) covering aspects of digital assets.
- Chapter 42 Case: United States Supreme Court (2019). *Monopoly Power*: Has Apple exercised monopoly power in the retail market for the sale of apps and unlawfully used its monopoly power to force iPhone owners to pay Apple higher-than-competitive prices for apps?

New Topics Addressed. Among the host of legal issues arising in the past few years, no two subjects will have more of an impact on the business law community in the next decade than the COVID pandemic and proposed changes to the Uniform Commercial Code. The seventh edition addresses both of these important topics.

COVID Pandemic. The pandemic has impacted aspects of both private law (e.g., contract law) and public law (e.g., administrative law). Illustrations of the legal response to the pandemic included in the seventh edition include:

- Chapter 13 Case: Court of Appeals of Indiana (2022). *COVID Impact on Contract*: Might university students have a cause of action against the university for moving to all online classes and closing campus facilities because of the pandemic?
- Chapter 20 Case: United States District Court (Illinois) (2021). *COVID Impact on Contract*: Was performance of a contract made impossible because of the pandemic?
- Chapter 33 Case: United States Supreme Court (2022). *National Vaccine Mandate*: Does OSHA possess the power to enact a vaccine mandate in the face of the COVID pandemic?

Proposed Revisions to the Uniform Commercial Code. Emerged and emerging technologies triggered the American Law Institute and the Uniform Law Commission to draft proposals that would significantly change commercial law. As of the summer of 2022, the work of these two entities is complete (including amendments to existing Articles and a new Article 12). Moving forward over the next few years, it is expected most states will adopt the proposed changes to the Code. A sampling of materials from the seventh edition exploring the proposed changes include:

- Chapter 24 New material on proposed Code revisions to Article 3 (negotiable Instruments), Article 4 (Bank Deposits and Collections, and Article 4A (Funds Transfers).
- Chapter 24 New section pertaining to cryptocurrency and its regulation, both domestically and globally.
- Chapter 28 Extensive coverage throughout the chapter of proposed revisions to Article 9 (Secured Transactions)
- Chapter 28 An explanation of new Article 12 (Controllable Electronic Records) covering aspects of digital assets.

New Visual Illustrations. The seventh edition contains many more tables, exhibits, and other visual depictions of important legal concepts and processes that did the previous edition. In fact, many chapters have more than double the number of illustrations.

New Feature: “Digital Gem.” At least two “Digital Gems” are included in each chapter. This innovative feature is designed to connect the reader of the textbook to the relevant material existing on the internet. A Digital Gem may direct a student to a specific website containing basic legal information (e.g., a posted video on a particular legal issue), or it may ask the student to explore a legal subject more deeply by probing the internet using a specific search term.

Those are the six new aspects of the seventh edition we believe are particularly noteworthy. Again, welcome to the seventh edition!

Continuing Strengths from Previous Editions

For more than twenty years, three strong threads have run through each previous edition of this book: a commitment to high quality, comprehensive coverage, and a host of distinguishing features. The seventh edition continues this tradition of recognized strengths.

Our Commitment to High Quality. We believe the seventh edition of this text is worthy of the trust you have placed in us for several decades to clearly deliver contemporary aspects of business law/the legal environment of business in a dynamic manner appropriate for a variety of learning styles.

The reader should note at the outset that *Business Law* was created not only to present traditional principles of legal studies as they relate to business but also to delve into new arenas pertaining to the interaction of law and business appropriate for business leaders of the twenty-first century. Some legal topics covered in the text have changed little in decades—in fact, some topics have changed little over centuries. Other topics are new to business law and are evolving at a quick pace in order to meet the changing needs of the commercial world and society in general.

We strive to accurately present important legal principles that have weathered successful use in the business environment for many years while also stating popular precepts of law that are forming in yet unsettled areas of jurisprudence. This combination of age-old principles and cutting-edge developments is a characteristic of our legal system that makes its study exciting.

The text has a distinguished and long history, with the first edition being published more than twenty years ago by two faculty from the University of Georgia, Professors Peter Shedd and Robert Corley. The current author, Professor James F. Morgan, was brought onboard to contribute to the second edition, using the firm foundation provided by Shedd and Corley. Each successive edition has embraced the original goal of creating a textbook of the highest quality in terms of scholarship and readability. We believe that *Business Law*, seventh edition continues that tradition.

Comprehensive Coverage. As with previous editions, *Business Law*, seventh edition presents:

- the entire array of topics appropriate for a traditional business law course, which focuses on **private law topics**, such as contracts, torts, and property.
- extensive material from the **public law arena**, including antitrust law, environmental law, and consumer law.
- the **Uniform Commercial Code** pertaining to sales, negotiable instruments, secured transactions, and digital assets, presented with a sensitivity to those who will be taking the CPA exam.
- recently passed **legislation** and cutting-edge **administrative agency actions**.
- a large number of insightful **cases**, most of which were recently decided so students can see the current state of the law. Sometimes, however, we employ older, classic legal opinions that articulate particularly well a rule of law and the rationale supporting the decision of a judge or justice.
- probing **ethical issues**, with coverage concentrated in a portion of Chapter 2 and spread throughout remaining chapters. Chapter 2 also presents extensive treatment of **social responsibility** and its relationship with the law.
- current perspectives relating to **diversity and inclusion**, represented in principal cases, textual materials, and review problems.
- strong treatment of **critical thinking**, including a focused presentation of legal reasoning in Chapter 2 and numerous illustrations of critical thinking throughout the book.
- the most current aspects of **cyberlaw**, with coverage of both civil and criminal aspects.

Our hope is that the comprehensive nature of the text will not only continue to provide a foundation for the student to understand the state of the law as it relates to conducting business today but also offer tools students can employ to better understand the law as it continues to evolve in this decade and into the next.

Distinguishing Features. *Business Law*, seventh edition, continues attributes reviewers (judges, attorneys, and academics), faculty, and students of previous editions have found beneficial and that are either unique to this textbook or rarely found in the business law/legal environment of business textbooks. For example, the treatment of:

- **Legal Reasoning.** The subject of legal reasoning is rarely examined as a specific area of study in competing offerings. In this book the subject is examined conspicuously in a large portion of one chapter (Chapter 2), presenting aspects of jurisprudence, deductive reasoning, analogical reasoning, and dialectical reasoning.
- **Ethics and Social Responsibility.** These two subjects are focal points in one chapter early in the book (Chapter 2). A framework for making ethical decisions, along with popular models of social responsibility, is presented in this chapter. Ethics and social responsibility also are addressed in numerous places throughout the text, including in case discussions and end-of-chapter problems.
- **Intellectual Property.** This topic, while addressed in a variety of contexts throughout the text, is examined in considerable detail in a separate chapter (Chapter 12), where legal and business aspects of patent, trademark, copyright, and trade secret law are discussed. This chapter also covers cyberlaw and internet-related aspects of intellectual property law.
- **Global Aspects.** This area is covered in many chapters of the text. For example, Chapter 45 is devoted specifically to legal aspects of international business. In other chapters, sections within the chapters touch on specific aspects of conducting business on an international scale. For example, all three chapters devoted specifically to the sale and lease of goods (Chapters 21, 22, and 23) contain materials focused on global aspects of the law of sales.

- **Law for the Entrepreneur.** This subject is covered in a specific chapter (Chapter 46). It is rare for a textbook to devote coverage to this increasingly important topic, addressing significant issues that the small business owner or entrepreneur will face early in the life of a new commercial endeavor.
- **Forms of Business Organization.** Legal aspects of organizing a business is presented using two complementary approaches. In a separate chapter (Chapter 35), elementary aspects of all principal forms of business are presented and compared, which is a distinctive formula for a chapter allowing the student to achieve an overview. Then, over four chapters (Chapters 36–39), details of law pertaining to general partnerships, corporations, and limited liability companies is covered, which is the more traditional approach.
- **Touchstones.** One unique offering of the text is the Touchstones, which are spread throughout each chapter. Each Touchstone presents a situation where the law is being applied in a particularly interesting context or where considerable social controversy surrounds the application of a legal principle. This unique feature of the text serves as a starting place for in-class or internet-based discussions of important legal points mentioned in the chapter.

A Special Note to Students

I remember being seated where you are now—a student in a business law/legal environment of business class. The thought that I would be on the “other side”—teaching courses in legal studies—never entered my mind when I was a student. Much less did I ever contemplate being involved in writing a business law textbook! However, I want to share with you two perspectives as the principal author of this text.

First, make no mistake, this seventh edition of *Business Law* was written from your perspective—from the viewpoint of a student. I thought back to my time in the classroom and attempted to present legal information and perspectives in the manner I would have liked to have had the subject presented to me years ago. I remembered what I liked about the business law class—and what I did not like. I remembered what I liked about the textbook for the class—and what I did not.

In conceptualizing and writing this book for you, I paid attention to my perspectives based on memory, but also—and far more important—I have listened closely to the perceptions of students in my business law classrooms. I have found students are generally ready to offer their thoughts on what they liked about previous editions of the textbook—along with what they would like to see changed. So, in preparing this new edition, I remembered aspects of my experience as a student of business law and also incorporated the insights of students I have taught. Thus, this edition is written with you in mind.

I also am able to write this book from the viewpoint of someone who has amassed information and perspectives from my experience as a legal professional. As an attorney, I have appeared in court representing clients and performed transactional work assisting clients in matters that have touched on all the principal subjects covered in this textbook. I have worked as a law clerk to a judge, served as a pro tem judge hearing cases, and lobbied state legislators. Thus, I have an idea of how the legal system works from the “inside.” I have taught at a law school, within a graduate (MBA) program in the College of Business, and at the undergraduate level (teaching almost exclusively Pre-Business and Business students). Finally, I have written articles, published both in the United States and internationally, for audiences of business managers, lawyers, and faculty in law and business schools. So, I sincerely trust that you find this text very readable and highly relevant to your studies in business or a related field.

As you proceed through these pages, my hope is that you not only read but also think about the subjects presented. Think about how a particular aspect of the law you are studying impacts individuals, businesses, and society. Think about why a specific legal doctrine or rule exists and what interests are served through its application. Think about whether the specific legal rule being studied is beneficial: Does it serve well the interests of individuals (e.g., employees), business (e.g., ownership), and society (e.g., potential customers)? And, if those interests are not served well, think about how the law could be changed to do better.

Is studying law as it relates to business a challenging endeavor? Yes, it is. But I leave you with one observation. The ancient Greeks (including Socrates, Plato, and Aristotle) believed that education should consist of “conversations.” Conversations with books, with fellow students, with the outside world, and with instructors—a total immersion in the subject area. These ancient scholars believed that “education” was not one-way communication; instead, they considered education a dynamic process with a variety of exchanges. The study of the legal aspects of business is well-suited to the types of conversations envisioned by the Greeks, and the burden of learning the material will be eased if you undertake the variety of “conversations” contemplated by the ancient Greeks.

Welcome to the beginning of a truly fascinating voyage!

A Special Note to Faculty Colleagues

We hope to provide you a high-quality companion to your own classroom instruction. Previous editions have been subject to the eyes of thousands of students, scores of instructors, and numerous reviewers of previous editions of this book (judges, attorneys, and university-level instructors). We trust you will share in our belief that *Business Law*, seventh edition continues our efforts to present a textbook that represents well the discipline of legal studies in business. More specifically, we strive to offer to you a business law/legal environment of business textbook that is *contemporary*, *comprehensive*, *clear*, and *compelling*.

First, we want to offer a *contemporary* text. Issues associated with ethics, globalization, diversity, and the internet, among others, provide tremendous challenges to members of the legal and business communities today. More specifically, significant changes have occurred recently in a variety of areas—including health-care law, intellectual property, cyberlaw (including treatment of digital assets), limited liability business structures, federal income taxation, and negotiable instruments—to name just a few. Many principal cases featured in the seventh edition have been decided within the past few years, and most Touchstones in this text address contemporary issues. Transformation is occurring in business and within the legal studies discipline, and we attempt to capture major developments on both fronts within this seventh edition of the text.

We offer a *comprehensive* legal studies book that presents to instructors a wide array of topics for possible examination with students. Why are so many legal topics included in the text? Because we know that 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 may wish to cover in a single quarter, semester, or year-long class. That is the nature of our discipline, and we view that diversity of subject areas as a strength. We believe the large number of possible topics that might be included in a business law course, the varying emphasis that might be provided to a specific legal subject area, and the degree of instructor passion associated with certain legal topics all enrich the student learning experience.

So, in writing *Business Law*, we embraced this variety 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. In addition, a large number of those who teach business law attempt, not surprisingly, to cover, in considerable detail, both private-law and public-law topics. The point is, regardless of the topics an instructor selects to cover (in a one-quarter course, a one-semester course, or a full-year course), this text provides comprehensive coverage of the topics generally captured by the terms “business law” and “legal environment of business.”

Next, we desire to present the subject matter in a *clear* fashion. While the law is certainly complicated, that characteristic does not mean that the subject cannot be offered to the reader unambiguously. The reader will note that plain language is the norm; where legal terms are employed, they are defined. Fact-based examples of legal doctrines are used liberally. Also, each chapter has, on average, at least one visual depiction of the specific subject area being addressed, with the hope of assisting those who learn more easily through a diagram, table, or other visual form of presentation.

In terms of readability, we recognize that this text is aimed at students of various academic 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, “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 28, “Secured Transactions”). For all readers, though, we trust you will find the material presented in a clear fashion.

Lastly, we believe you will find the material *compelling*. The study of law within the business environment is an exciting enterprise that requires the student to do far more than memorize rules. In point of fact, rules are just the beginning of our system of justice. Within this text, you will explore the almost endless number of interests that must be addressed within a vibrant society, particularly within the realm of business, and these interests often compete with one another. For example, within the realm of bankruptcy, the law must strike a balance between allowing a debtor hope for a new financial life and holding the debtor responsible for past financial obligations made to creditors. Sometimes, interests within a particular relationship are treated differently by the law because of the status of the parties. Within the employer-employee relationship, for example, an employee may quit working for an employer for no reason. An employer, however, may have to possess a reason to legally terminate certain types of employees. The employer and employee are both parties within the same relationship, yet the law imposes different obligations. Or, take a third example: As a general rule, the law attempts to provide a system characterized by both structure and fairness. However, structure

and fairness cannot always coexist. A variety of strident rules govern the formation of a contract. The law recognizes that although certain promises may fall short of meeting the formal requirements of a contract, a court will enforce those same promises in order to prevent unjust enrichment of one of the parties. These are just three scenarios that illustrate the dynamic nature of law where the law is recognized as a complex mechanism for expressing societal interests; the law is so much more than simply a set of rules. There is considerable depth in the law, and that richness should be part of any study of law. We write the text in a manner that attempts to capture this fascinating aspect.

Pedagogical Design of the Textbook

The chapters in *Business Law*, seventh edition, consist 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. We have composed the text of this book without much of the legalese to which law school students become so familiar. The textual material is crafted to present both the richness of the law and the dynamic interaction between law and business. To the extent possible, the focus of the writing is directed toward introducing students of today to the legal issues they will face throughout their careers.

Second, each chapter contains at least three edited *cases*. These case opinions, presented in the justice's or judge's actual language, illustrate a point (or points) of law discussed in the text. To allow the student to focus on the relevant portion of each case, we have eliminated unnecessary paragraphs and sections from the opinion. In order to improve readability, we have lightly edited the prose in the opinions and deleted references to cases and statutes not important for our purposes. The reader will discover that 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 justice or judge, 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*, seventh edition. While almost all of the cases were decided recently, a small number of judicial opinions are classic cases from prior decades (e.g., *Palsgraf v. Long Island Railroad Co.* [1928]). These cases are featured in order 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 even 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 chapter, 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 student-centered nature we hope is conveyed throughout the book. Of particular interest, in this pedagogical sense, are the following items:

- A Chapter Outline provides a detailed list of the subject matter covered in each chapter.
- A Chapter Preview serves as an introductory statement to help students understand how the chapter's topic fits into the overall business transaction.
- A Business Management Decision, which starts each chapter, whets students' appetites for the chapter's discussion.
- Marginal definitions reinforce the meaning of key terms and phrases.
- Touchstones, found in each chapter, may consist of an edited case, newspaper article, law review article, or other source of legal information. The purpose of this feature is to highlight interesting aspects of the legal subject being presented. Each chapter generally has three Touchstones.
- Digital Gems are framed to entice the reader to explore legal topics available on the internet. Sometimes the Gems are postings of digital addresses, sometimes they are suggestions to conduct a general search on a specific legal topic. Each chapter has at least two Digital Gems.
- A Case Concepts Review, which follows every case, asks questions to assist students in their comprehension of the case's major points.
- A Chapter Summary assists in the review process.
- Strategic Focal Points provide students an opportunity to review an extended fact situation, consider relevant legal factors, and then see how business responds.
- A Matching Problem at the outset of the review questions in almost all chapters provides students with a quick method to test their knowledge of key terms and phrases.
- Numerous fact-oriented Review Problems allow students to become comfortable in applying their understanding to business transactions.

For further ease of learning, the reader will quickly discover two characteristics of this textbook. 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*, seventh edition, includes a detailed set of appendices. A glossary for student referral also is provided.

Topics Covered

The forty-six chapters in *Business Law*, seventh edition are divided into ten distinctive parts that permit the reader to view chapters within a broader context as represented by the term chosen to describe the part. In other words, this structure allows students to have a logical skeleton with which to see the “big picture” of business law, consisting of the major parts of the discipline along with specific chapters presented in each part of the text.

Most instructors will wish to cover all chapters within a particular division; however, there is sufficient flexibility in this scheme of organization to allow an instructor to select only specified chapters within a particular part. Further, we believe that dividing the text into ten parts provides maximum flexibility for ease of coverage, regardless of whether one is structuring a course for a single quarter, one semester, or an entire academic year.

Part I serves as an *introduction to our legal system*. Chapter 1 presents the importance of studying the legal environment of business, the purpose of law, a brief history of law, and the principal sources of law employed today. This chapter also explores general aspects of the relation of our legal system to the global community and its functioning in the digital age. Chapter 2 approaches three critical topics: ethical behavior, social responsibility, and legal reasoning. Addressing the area of procedural law, the text includes material explaining the structure of the court system (Chapter 3), the litigation process (Chapter 4), and alternatives to litigation as a method of resolving disputes (Chapter 5). The U.S. Constitution is the focus of Chapter 6, with a specific emphasis on the constitutional grounds available for government to regulate business.

Part II consists of six chapters discussing *foundational legal concepts* that are essential for students to understand prior to their coverage of the remaining topics in this text. Chapter 7 covers criminal law, since society is increasingly holding business owners and managers, as well as business entities, responsible for criminal violations. Chapters 8 and 9 place special emphasis on the various theories used to impose tort liability on employees, managers, owners, and their organizations. Chapters 10, 11, and 12 provide a treatment of the law of property. Chapter 10 delves into basic aspects of property law, the nature of personal property, and the transfer of property upon death. Chapter 11 is devoted to real property (land, buildings, and related interests). The last chapter in Part II, Chapter 12, explores the fascinating topic of intellectual property (patents, trademarks, copyrights, and trade secrets), with particular attention paid to cyberlaw aspects of intellectual property.

Part III, dealing with *contract law*, is designed to give students a basic understanding of traditional concepts of contract law, as well as an introduction to the closely related topic of sales under the Uniform Commercial Code. Also, the impact of the digital age on traditional notions of contract law is explored within Part III. After an introductory chapter that includes extensive coverage of contract remedies (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, whereas issues created when third parties become involved in contracts are discussed in Chapter 19. Chapter 20 includes a discussion of contractual performance, along with a presentation of the methods of discharging or excusing the performance of promises.

Part IV consists of three chapters that delve deeply into the law of the *sale and lease of goods* under the Uniform Commercial Code. Without repeating material contained in the chapters on the general law of contracts, Chapters 21 and 22 emphasize the provisions of Article 2 and Article 2A of the Uniform Commercial Code, which is 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. Domestic and global aspects are presented in each of these three chapters.

Part V consists of four chapters devoted to *negotiable instruments* (commercial paper). Chapter 24 serves as an introduction to terminology and to an understanding of the scope of Articles 3, 4, and 4A of the Uniform Commercial Code. Domestic and international regulation of electronic funds transfers is discussed in the chapter, along with probing treatment of cryptocurrency. Proposed Article 12 of the Uniform Commercial Code dealing with digital assets is also a focal point. Chapters 25 and 26 discuss the basic elements and strategic importance of negotiable instruments. Chapter 27 concentrates on potential liability of the parties in a transaction involving a negotiable instrument.

Part VI contains three chapters dealing with the law as it relates to *creditors* and *debtors*. The first, Chapter 28, examines Article 9 of the Uniform Commercial Code in addition to the use and regulation of digital assets. Chapter 29 presents additional laws assisting creditors, emphasizing the complex area of suretyship. Finally, Chapter 30 discusses elementary aspects of the law of bankruptcy.

Part VII contains four chapters on legal principles directed at dealing with people within a business environment, falling under the umbrella of *agency* and *employment*. Chapter 31 covers the creation, termination, and general principles of the agency relationship. Chapter 32 discusses liability principles associated with an agency relationship from the perspectives of both the law of contracts and the law of torts. Employment-related concepts follow in the next two chapters, with Chapter 33 examining general employment and labor law subjects and Chapter 34 focusing on discrimination.

Part VIII surveys laws relating to *business organizations*. We begin with Chapter 35, offering a unique and dynamic presentation comparing various forms of conducting business. In the chapter we progress from the sole proprietorship to the publicly held corporation, examining a range of issues from ease of formation to income tax consequences to owner liability for business debts. Then we move on in Chapters 36, 37, and 38 to an in-depth discussion of the two traditional methods of organizing a business: the general partnership and the corporation. For both of these forms of business, we use a three-stage model: (1) the method of creating the entity, (2) the legal aspects of operating the specific type of business, and (3) the law as it relates to dissolution of the business organization. Recognizing the explosion in the use of limited liability companies, most of Chapter 39 is devoted to this exciting mechanism for conducting business.

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 agencies. Chapter 41 deals with the regulation of corporate securities. The subject of antitrust law is dealt with in Chapter 42. Two areas of comparatively recent vintage, consumer law (Chapter 43) and environmental law (Chapter 44), conclude Part IX.

Part X presents two subject areas that are more and more relevant to doing business today. Chapter 45 examines legal aspects of *international business*, while Chapter 46 presents important legal subjects that an *entrepreneur* may wish to consider.