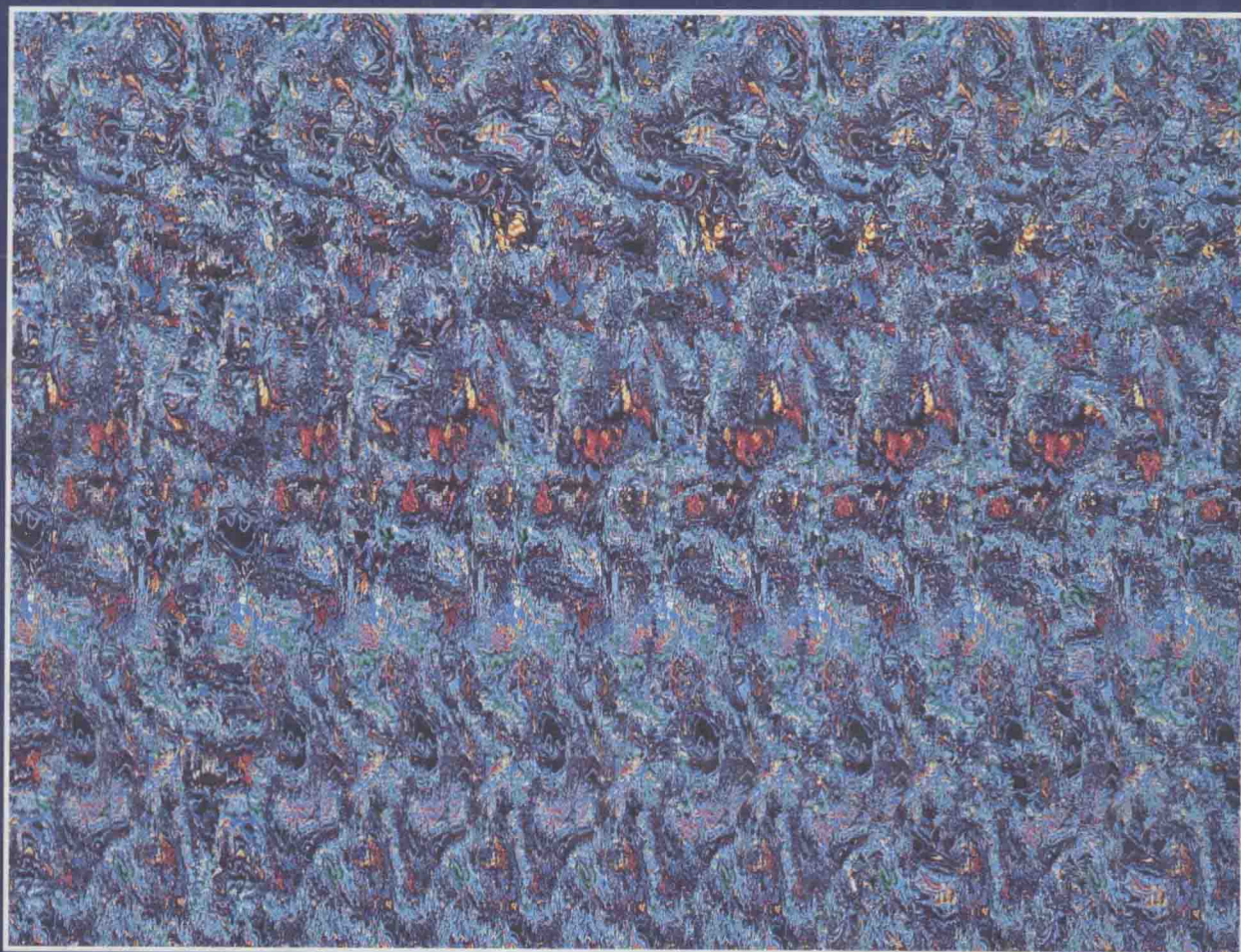


CONTEMPORARY BUSINESS LAW



MANN • ROBERTS

Contemporary Business Law

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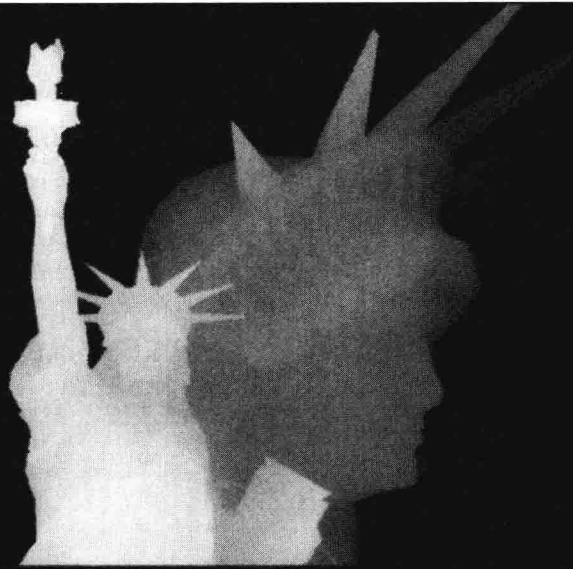
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About the Authors

Preface

Contemporary Business Law has been written and designed to provide you with a textbook that offers an easy-to-under-

stand, comprehensive, in-depth look at business law in the United States today. For your convenience, we have designed *Contemporary Business Law* to be flexible, accessible, and up-to-date. To heighten interest we have also used to fullest advantage the four-color format.

We have developed our new textbook to be used in business law and legal environment courses offered in universities, colleges, community colleges, and other schools of business and commerce. Because of its scope and depth, *Contemporary Business Law* may also be readily adapted for specially designed courses in business law. The textbook lends itself to the assignment and emphasis of different combinations of the topics included within it. In addition, this new textbook prepares the student for the Business Law section of the CPA exam.

Contemporary Business Law clearly and thoroughly explains the basic principles of business law. What most distinguishes this book from other business law books is a coordinated set of features that explore the dynamic social, political, historical, and technological forces that have brought about business regulation in the United States.

Benefits of This Text

This textbook is intended to provide students with the following benefits and skills:

- 1 Perception and appreciation of the scope, extent, and importance of the law.
- 2 Basic knowledge of the fundamental concepts, principles, and rules of law as they apply to business transactions.
- 3 Knowledge of the function and operation of the courts and governmental agencies.
- 4 Ability to recognize potential legal problems that may arise in doubtful or complicated situations and the necessity of consulting a lawyer and obtaining competent professional legal advice.
- 5 Development of enhanced analytical and reasoning skills.
- 6 Understanding of the importance of ethics, economics, and social values in forming our legal system.

- 7 An overview of international business law and the increasing effect of technology on the law.

Accessibility of This Text

We have designed the textual material to be authoritative yet nontechnical. We have striven particularly to eliminate all unnecessary “legalese.” To help students more easily grasp significant legal principles we have also incorporated a number of reader aids, such as

- informative headings, which organize the text into easy-to-follow sections,
- key terms, highlighted in color for additional emphasis,
- marginal definitions, corresponding with the initial appearance of key terms,
- bulleted lists, for ease in reading and retention,
- specific examples, designed to relate the text to real-life experiences,
- pronunciation guides, given after the introduction of unfamiliar legal terms,
- introductory quotes, chosen to be insightful and thought-provoking, and
- four-color figures, illustrating clearly and succinctly the concepts under discussion. These classroom-tested figures not only summarize principles discussed in the text but also indicate relationships between different legal rules.

Cases

Based on long classroom experience, we believe students can best learn fundamental legal principles from primary text and legal cases that offer human interest, contemporary relevance, and sufficient analysis. Consequently, we have included a large number of recent cases in *Contemporary Business Law*. On the other hand, we have not neglected landmark cases.

Within each chapter, we brief and integrate from three to six cases. We consider cases to form an essential part of the elucidation of legal thinking and practice. But we also believe most students of business law today appreciate some prior analysis of the case at hand.

Accordingly, each case begins with the facts, summarized in clear, readable language, using the names of the parties involved. Next we state the pivotal issue brought into question by the legal dispute. Following that, the decision of the court is announced, revealing for students how the particular issue under consideration was resolved. Then, the opinion of the court is summarized, allowing students to understand the court's reasoning in reaching its decision. Although we have paraphrased the court's language, we have also made every attempt to retain the distinctive flavor of each opinion. Finally, we offer students an interpretation of the ruling, in which we point out the decision's significance and how it relates to the text.

In-Depth Features

First and foremost, *Contemporary Business Law* covers the essential legal principles of current business regulation in the United States. In addition, our book gives students a firsthand look at important cases. As teachers and authors, we believe that students are also interested in learning how business regulation works in the real world and what specific issues are at stake. As a result, we have included a number of in-depth features. These features are designed to show the *historical forces* that have led to important legal principles related to business, the *current forces* shaping the regulatory environment of business, the *ethical questions* that confront the legal and business communities, the important effects of legal decisions and disputes on *managers* and *consumers*, and the impact of *international* and *technological* forces on law and regulation.

LAW IN THE NEWS A feature popular with students, Law in the News provides recent newspaper and news magazine articles that cover thorny legal and business issues. Each article has been chosen for its timely nature, its human interest, and its detailed reporting of real-life questions that surround legal principles discussed in the text. Examples include "The Limits of Commerce," "More Minorities, Women Named to U.S. Courts," "U.S. Prodding Companies to Activism on Portfolios," "High Court Ruling Sharply Curbs Suits on Securities Fraud," and "Ruling on Rap Song, High Court Frees Parody from Copyright Law."

ETHICAL DILEMMAS A good opportunity for provoking classroom discussion, this particular feature gives students a chance to apply the legal principles discussed

in the text to ethical questions that often arise in business. Each Ethical Dilemma outlines the facts involved in a hypothetical situation, then asks students to consider the social, ethical, and policy questions raised. We wish to acknowledge and thank the following professors for their contribution in preparing the Ethical Dilemmas:

Sandra K. Miller
Assistant Professor of Accounting and Taxation
Widener University

Gregory P. Cermignano
Associate Professor of Accounting
Widener University

THE LAW AND YOU This feature excerpts legal information from public service pamphlets published by various state bar associations. The Law and You provides students with practical information about how the law affects them in their professional and personal lives. Topics include buying a car, renting a home or apartment, applying for credit, dealing with an automobile accident, facing arrest, and buying and selling real estate.

INSIGHTS This collection of features includes four types of stories and essays that reveal the impact of the social, political, historical, and technological forces that underlie the regulation of business today.

- ❶ **Managerial Insights** take a look at business regulation from a manager's perspective. Each Managerial Insight gives future and current managers legal information that will be helpful, and at times crucial, in the performance of their jobs. Topics include international sales, contract essentials, sexual harassment, predatory pricing, licensed trademark protection, punitive damages, employment references, risk management, electronic data interchange, incorporating a business, creditor status, and repossessing property.
- ❷ **Consumer Insights** complement the above feature by looking at business regulation from a consumer's perspective. Topics include ATM fraud, charitable pledges, prenuptial agreements, bounced checks, initial public offerings, bond ratings, and new food labels.
- ❸ **Historical Insights** give students a close-up view of the historical forces that have driven the development of important legal principles. With

each Historical Insight, we have tried to take the student back in time, re-creating the cross-current of political influences and human decisions that produce law. Topics include the unveiling of Mr. Ponzi's scheme, the origin of the frustration of purpose doctrine, the evolution of contract law, the development of the Uniform Commercial Code, the establishment of workers' rights in the United States, and the development of *respondeat superior*.

- **Topical Insights** focus on the many recent developments taking place in legislatures and courtrooms across America. Each Topical Insight provides the student with a detailed look at the legal issues under debate in our time. Topics include tort reform, dispute settlement and mediation, surrogate motherhood, corporate sentencing guidelines, contracting by fax, product liability reform, adjustable rate mortgages, corporate bankruptcy, abuses of securities registration requirements, limited liability companies, and shareholder activism.

ALMANACS This feature offers students a first hand look at the numbers behind the social and political forces that shape legislation in the United States. These four-color charts and graphs dramatically reveal the shifting outline of American society. Almanacs include statistics on such areas as the U.S. Supreme Court caseload, property crime rates, international merchandise trade balances, commercial paper, business entities, mergers and acquisitions, bankruptcy filings, securities issues, union membership, and property ownership.

PHOTOGRAPHS To illustrate and enlarge the text, we have included a number of four-color photographs, carefully chosen to depict recent and historical events that relate to the course of law in the United States. Each photograph is accompanied by a caption that points out the significance of the particular event, action, or item pictured. The photographs bring home the immediacy of law in our everyday lives.

End-of-Chapter Material

CHAPTER SUMMARY Each chapter ends with a summary that gives students an annotated outline to use in previewing, studying, and reviewing the chapter. We believe the summaries to be an important study guide

and have designed them to provide key information at a glance. For each chapter, we have summarized both the important legal points and the key terms contained in the chapter.

PROBLEMS Each chapter contains classroom-tested problems designed to enhance a student's understanding of significant legal concepts. Many of these problems have been taken from decided cases. Others have been based on hypothetical situations. We have used these problems in our own classrooms and have found them to be an excellent way to encourage classroom discussion. Students see the problems as a helpful way to apply the basic rules of law in various factual situations.

DISCUSSION QUESTIONS Each chapter has five or ten discussion questions written to provide students with another opportunity to assess their comprehension of the material and examine the implications of the concepts covered in the chapter.

Coverage

To prepare students for the often complex, and at times frustrating, world of business, *Contemporary Business Law* clearly, thoroughly, and accurately covers each main area of the legal and regulatory environment of business. Our primary goal is to help students gain an in-depth understanding of the legal intricacies involved in business. To this end we have included all standard areas of business law in a friendly, nonintimidating manner. We have also emphasized legal issues that have emerged as the scope of global trade has widened and the exchange of information has become instantaneous and worldwide.

LEGAL ENVIRONMENT OF BUSINESS Part One (the first six chapters) introduces the legal environment of business, and Part Seven (Chapters 28 to 33) thoroughly addresses the area of government regulation of business, including a chapter on environmental law. We thank Lisa Brachman for her contributions to this chapter. Other chapters that are particularly appropriate for legal environment courses include Product Liability (Chapter 14), Management Structure of Corporations (Chapter 25), Bankruptcy (Chapter 27), and Intellectual Property (Chapter 36).

INTERNATIONAL BUSINESS LAW In addition to the International Business Law chapter we have integrated

many of the global aspects of business law into other chapters. We have done this in the textual material, Insights (for example, a Topical Insight examines the European Union), Law in the News (“The ABCs of the GATT Pact”), and Almanacs (Merchandise Trade Balance, Corporate Ownership, Mergers and Acquisitions, Consumer Price Changes, Use of Computers by Business, and International Property Prices).

TECHNOLOGY AND THE LAW We recognize the tremendous impact that rapid changes in technology have made upon the legal structure. Because of the pace of change, the law is struggling to catch up and legal rules consequently are in a state of flux. We have addressed these issues by including a number of features that explore the impact of technology—computers in particular—upon the law. Examples include

- **Law in the News:** “Putting Seal of Authenticity on Computer Documents,” “A Lesson for Intel,” “Computers Churn Out Counterfeit Checks,” “No Checks. No Cash. No Fuss?” “Microsoft’s Divorce Court,” and “Market Opening on the Internet for Pollution-Credit Trades.”
- **Insights:** Electronic Data Interchanges, ATM Fraud, and Contracting by Fax.
- **Almanac:** Use of Computers by Business.

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Richard A. Mann
Barry S. Roberts

Supplemental Materials

Instructor's Manual Each chapter begins with a statement of purpose, and a brief overview of the topics to be covered. The text is then outlined in lecture-note format. In addition, we have included specific responses to questions suggested by the text and complete answers to all of the problems at each chapter's end. Moreover, the Instructor's Manual includes additional resource information, such as additional examples for classroom use, as well as room to make notes.

The **Study Guide**, prepared by Robert R. Wills, Broward Community College, provides for each chapter a brief statement of purpose, chapter checkpoints, study tips, chapter outlines, key term definitions, and true/false, multiple choice, and short essay questions. Each part has optional integrated questions and a sample test bank of twenty cumulative test questions. The study guide also includes a CPA exam business law review.

The **Test Bank**, prepared by Robert P. Hamill, Brescia College, bound in a separate volume, includes true/false, multiple choice, short essay, and challenge test questions.

Computerized Testing—WESTEST provides the complete test bank on disk, allowing professors to generate a variety of tests using floppy diskettes for either IBM PCs and compatibles or for Apple II-family microcomputers. This is available to qualified adopters.

Transparency Masters and four-color acetates highlight text illustrations. Recommendations for using these items appear in the Instructor's Manual.

Library of Cases provides, on computer disk, the full text of all cases upon which end-of-chapter problems have been based.

Instructor's Manual for *Drama of the Law* Video Series.

Multimedia Planning Guide.

Other available supplements:

Business Law Videodisk*

Complete video library*

Legal REVIEW Software*

“You Be the Judge” Software*

Spanish Dictionary* of Key Legal Terms

Interactive Software on Contracts and Sales*

Ten free hours of WESTLAW™*

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WESTMATE for DOS and WESTMATE for Windows
tutorials*

CD-ROM Resources for Business Law and the Legal
Environment of Business*

Business Law and the Legal Environment Audio
Cassettes Library*

*Available to qualified adopters. Please consult your local sales representative.

Contents in Brief

The Law and You xiii
 Insights xiii
 Law in the News xv
 List of Figures xv
 Ethical Dilemmas xviii
 Table of Cases xviii
 Preface xxi

PART ONE

The Legal Environment of Business 1

- 1 Introduction to Law 2
- 2 Business Ethics 25
- 3 The Judicial System 46
- 4 Business Crimes 77
- 5 Intentional Torts 95
- 6 Negligence and Strict Liability 117

PART TWO

Contracts 141

- 7 Introduction to Contracts and Mutual Assent 142
- 8 Consideration 175
- 9 Written Contracts and Third Parties 193
- 10 Contractual Defenses 228
- 11 Discharge and Remedies 258

PART THREE

Sales 298

- 12 Introduction to Sales 290
- 13 Title, Risk of Loss, and Performance 313
- 14 Product Liability 344
- 15 Remedies 370

PART FOUR

Commercial Paper 391

- 16 Form and Content 392
- 17 Holder in Due Course 411
- 18 Liability of Parties 438
- 19 Banking and Electronic Funds Transfers 459

PART FIVE

Agency and Partnership 485

- 20 Agency 486

- 21 Formation and Termination of General and Limited Partnerships 518
- 22 Rights and Duties of General and Limited Partners 546

PART SIX

Corporations 573

- 23 Formation and Fundamental Changes 574
- 24 Financial Structure of Corporations 613
- 25 Management Structure of Corporations 633

PART SEVEN

Debtors and Creditors 663

- 26 Secured Transactions and Suretyship 664
- 27 Bankruptcy 699

PART EIGHT

Regulation of Business 729

- 28 Securities Regulation 730
- 29 Employment Law 759
- 30 Antitrust 784
- 31 Consumer Protection 807
- 32 International Business Law 831
- 33 Environmental Law 850

PART NINE

Property 873

- 34 Introduction to Property and Property Insurance 874
- 35 Interests in Real Property 900
- 36 Intellectual Property 939
- 37 Trusts and Wills 957

APPENDIX A

The Constitution of the United States of America A-1

APPENDIX B

Uniform Commercial Code A-10

APPENDIX C

Uniform Partnership Act A-63

APPENDIX D

Revised Model Business Corporation Act A-71

Dictionary of Legal Terms D-1

Index I-1

Contents

Insights xiii
 The Law and You xiii
 Law in the News xv
 List of Figures xv
 Ethical Dilemmas xviii
 Table of Cases xviii
 Preface xxi



PART ONE

The Legal Environment of Business 1

1 INTRODUCTION TO LAW 2

Nature of Law 2
Classification of Law 6
Sources of Law 8
Legal Analysis 22
 Chapter Summary 23
 Questions 24

2 BUSINESS ETHICS 25

Law versus Ethics 26
Ethical Theories 26
Ethical Standards in Business 32
Ethical Responsibilities of Business 34
 Chapter Summary 42
 Questions 44
 Problems 44

3 THE JUDICIAL SYSTEM 46

The Court System 46
The Federal Courts 46
State Courts 51
Jurisdiction 55
Subject Matter Jurisdiction 55
Jurisdiction over the Parties 58
Civil Dispute Resolution 61
Civil Procedure 61
Alternative Dispute Resolution 68
 Chapter Summary 73
 Questions 74
 Problems 75

4 BUSINESS CRIMES 77

Nature of Crimes 78
Crimes against Business 86
Criminal Procedure 88

Chapter Summary 92
 Questions 94
 Problems 94

5 INTENTIONAL TORTS 95

Harm to the Person 99
Harm to the Right of Dignity 102
Harm to Property 107
Harm to Economic Interests 109
 Chapter Summary 113
 Questions 114
 Problems 114

6 NEGLIGENCE AND STRICT LIABILITY 117

Negligence 118
Breach of Duty of Care 119
Causation 126
Injury 129
Defenses to Negligence 129
 Strict Liability 133
Activities Giving Rise to Strict Liability 133
Defenses to Strict Liability 135
 Chapter Summary 136
 Questions 138
 Problems 138



PART TWO

Contracts 141

7 INTRODUCTION TO CONTRACTS AND MUTUAL ASSENT 142

Introduction to Contracts 142
Law Governing Contracts 144
Classification of Contracts 146
Essentials of a Contract 150
Noncontractual Obligations 150
Mutual Assent 152
Essentials of an Offer 152
Duration of Offers 156
Essentials of Acceptance 161
 Chapter Summary 168
 Questions 171
 Problems 171

8 CONSIDERATION 175

Bargained-for Exchange 175
Legal Sufficiency 176
Promises Enforceable without Consideration 185
 Summary 190
 Questions 191
 Problems 191

9 WRITTEN CONTRACTS AND THIRD PARTIES 193

- Statute of Frauds 193
- Contracts within the Statute of Frauds* 194
- Compliance with the Statute of Frauds* 199
- Parol Evidence Rule 204
- The Rule* 204
- Situations to Which the Rule Does Not Apply* 205
- Supplemental Evidence* 207
- Interpretation of Contracts 207
- Third Parties to Contracts 209
- Assignment of Rights* 209
- Delegation of Duties* 214
- Third-Party Beneficiary Contracts* 215
- Chapter Summary 220
- Questions 223
- Problems 223

10 CONTRACTUAL DEFENSES 228

- Conduct Invalidating Assent 228
- Duress* 228
- Undue Influence* 229
- Fraud* 230
- Nonfraudulent Misrepresentation* 233
- Mistake* 234
- Capacity 236
- Minors* 237
- Incompetent Persons* 240
- Intoxicated Persons* 241
- Illegal Bargains 242
- Violations of Statutes* 242
- Violations of Public Policy* 246
- Effect of Illegality* 250
- Chapter Summary 251
- Questions 253
- Problems 253

11 DISCHARGE AND REMEDIES 258

- Conditions 258
- Express Conditions* 259
- Implied Conditions* 260
- Discharge 261
- Discharge by Performance* 261
- Discharge by Agreement of the Parties* 261
- Discharge by Operation of Law* 263
- Discharge by Breach* 265
- Remedies 267
- Monetary Damages* 268
- Remedies in Equity* 273
- Restitution* 277
- Limitations on Remedies* 279
- Chapter Summary 282

- Questions 285
- Problems 285

**PART THREE****Sales 289****12 INTRODUCTION TO SALES 290**

- Nature of Sales Contracts 290
- Definitions* 290
- Fundamental Principles of Article 2* 293
- Formation of a Sales Contract 297
- Manifestation of Mutual Assent* 297
- Consideration* 302
- Form of the Contract* 302
- Fundamentals of Article 2A—Leases* 305
- Chapter Summary 308
- Questions 310
- Problems 311

13 TITLE, RISK OF LOSS, AND PERFORMANCE 313

- Transfer 313
- Transfer of Title* 313
- Risk of Loss* 318
- Bulk Sales* 323
- Performance 323
- Performance by the Seller* 325
- Performance by the Buyer* 330
- Termination of Performance Obligation* 333
- Chapter Summary 337
- Questions 339
- Problems 339

14 PRODUCT LIABILITY 344

- Warranties 344
- Types of Warranties* 345
- Obstacles to Warranty Actions* 349
- Strict Liability in Tort 352
- Requirements of Strict Liability in Tort* 353
- Obstacles to Recovery in Strict Liability* 358
- Chapter Summary 364
- Questions 366
- Problems 366

15 REMEDIES 370

- Remedies of the Seller* 370
- Remedies of the Buyer* 375
- Contractual Provisions Affecting Remedies* 383
- Chapter Summary 386
- Questions 388
- Problems 388

**PART FOUR****Commercial Paper 391****16 FORM AND CONTENT 392***Types of Commercial Paper 393**Negotiability 397**Formal Requirements of Commercial Paper 399**Roles of Terms and Omissions in Negotiability 404**Chapter Summary 406**Questions 408**Problems 408***17 HOLDER IN DUE COURSE 411***Holder in Due Course Requirements 411**Holder 412**Value 420**Good Faith 422**Lack of Notice 422**Holder in Due Course Status 424**The Preferred Position of a Holder in Due Course 426**Real Defenses 426**Personal Defenses 430**Limitations on Rights of Holder in Due Course 431**Chapter Summary 434**Questions 435**Problems 436***18 LIABILITY OF PARTIES 438***Contractual Liability 438**Signature 439**Parties with Primary Liability 441**Parties with Secondary Liability 442**Liability Based on Warranty 445**Warranties on Transfer 445**Warranties on Presentment 447**Termination of Liability 450**Discharge by Performance 451**Tender of Payment 451**Cancellation and Renunciation 452**Impairment of Recourse or Collateral 454**Reacquisition 454**Other Methods of Discharge 454**Chapter Summary 454**Questions 456**Problems 456***19 BANKING AND ELECTRONIC FUNDS TRANSFERS 459***Bank Deposits and Collections 459**Collection of Items 460**Relationship between Payor Bank and Its Customer 464**Electronic Funds Transfers 468**Types of Electronic Funds Transfers 469**Consumer Funds Transfers 474**Article 4A 476**Chapter Summary 479**Questions 481**Problems 481***PART FIVE****Agency and Partnership 485****20 AGENCY 486***Relationship of Principal and Agent 487**Nature of Agency 487**Creation of Agency 489**Duties of Agent to Principal 490**Duties of Principal to Agent 492**Termination of Agency 494**Relationship with Third Parties 496**Contract Liability of the Principal 496**Contract Liability of the Agent 502**Tort Liability of the Principal 505**Tort Liability of Agent 511**Rights of Agent against Third Person 512**Chapter Summary 512**Questions 515**Problems 515***21 FORMATION AND TERMINATION OF GENERAL AND LIMITED PARTNERSHIPS 518***General Partnerships 519**Nature of General Partnerships 519**Formation of General Partnerships 522**Dissolution of General Partnerships 529**Winding Up 530**Continuation after Dissolution 532**Limited Partnerships 534**Nature of Limited Partnerships 536**Formation of Limited Partnerships 536**Dissolution of Limited Partnerships 539**Chapter Summary 541**Questions 543**Problems 544***22 RIGHTS AND DUTIES OF GENERAL AND LIMITED PARTNERS 546***General Partnerships 546**Duties among Partners 546**Rights among Partners 548**Contracts of Partnership 551*

Torts of Partnership 555
Liability of Incoming Partner 558
 Limited Partnerships 558
Rights 558
Duties and Liabilities 564
 Chapter Summary 567
 Questions 569
 Problems 569

PART SIX

Corporations 573

23 FORMATION AND FUNDAMENTAL CHANGES 574

Nature of Corporations 576
Corporate Attributes 576
Classification of Corporations 578
 Formation of a Corporation 582
Organizing the Corporation 582
Formalities of Incorporation 586
 Recognition or Disregard of Corporateness 589
Defective Incorporation 589
Piercing the Corporate Veil 591
 Corporate Powers 593
Sources of Corporate Powers 593
Ultra Vires Acts 594
Liability for Torts and Crimes 595
 Fundamental Changes 595
Charter Amendments 595
Combinations 596
Dissolution 603
 Chapter Summary 606
 Questions 609
 Problems 610

24 FINANCIAL STRUCTURE OF CORPORATIONS 613

Debt Securities 614
Equity Securities 616
Dividends and Other Distributions 625
 Chapter Summary 629
 Questions 630
 Problems 630

25 MANAGEMENT STRUCTURE OF CORPORATIONS 633

Corporate Governance 633
Role of Shareholders 636
Voting Rights of Shareholders 636
Enforcement Rights of Shareholders 644
 Role of Directors and Officers 648
Function of the Board of Directors 649
Election and Tenure of Directors 650
Exercise of Directors' Functions 651

Officers 652
Duties of Directors and Officers 653
 Chapter Summary 659
 Questions 660
 Problems 660

PART SEVEN

Debtors and Creditors 663

26 SECURED TRANSACTIONS AND SURETYSHIP 664

Secured Transactions in Personal Property 665
Essentials of Secured Transactions 665
Classification of Collateral 666
Attachment of a Security Interest 668
Perfection 672
Priorities among Competing Interests 676
Default 681
 Suretyship 684
Nature and Formation 686
Rights of Creditor and Surety 687
Defenses of Surety 689
 Chapter Summary 692
 Questions 696
 Problems 696

27 BANKRUPTCY 699

Federal Bankruptcy Law 699
Chapter 3—Case Administration 700
Chapter 5—Creditors, the Debtor, and the Estate 701
Chapter 7—Liquidation 707
Chapter 9—Municipalities 709
Chapter 11—Reorganization 710
Chapter 12—Adjustment of Debts of a Family Farmer 713
Chapter 13—Adjustment of Debts of Individuals 713
 Creditors' Rights and Debtor's Relief Outside of Bankruptcy 719
Creditors' Rights 719
Debtor's Relief 722
 Chapter Summary 724
 Questions 726
 Problems 726

PART EIGHT

Regulation of Business 729

28 SECURITIES REGULATION 730

The Securities Act of 1933 731
Definition of a Security 732
Registration of Securities 733

Exempt Securities 734
Exempt Transactions for Issuers 735
Liability 735
 The Securities Exchange Act of 1934 740
Disclosure 741
Liability 745
 Chapter Summary 755
 Questions 756
 Problems 757

29 EMPLOYMENT LAW 759

Labor Law 759
Employment Discrimination Law 762
Employee Protection 772
 Chapter Summary 779
 Questions 781
 Problems 781

30 ANTITRUST 784

Sherman Act 784
Section 1—Restraint of Trade 785
Section 2—Monopolies 793
Clayton Act 796
Robinson-Patman Act 800
Federal Trade Commission Act 801
 Chapter Summary 802
 Questions 804
 Problems 804

31 CONSUMER PROTECTION 807

State and Federal Consumer Protection Agencies 807
Warranties and Rights Relating to Consumer Purchases 812
Regulation of Consumer Credit Transactions 818
Creditors' Remedies 823
 Chapter Summary 827
 Questions 828
 Problems 828

32 INTERNATIONAL BUSINESS LAW 831

The International Environment 831
Jurisdiction over Actions of Foreign Governments 836
Transacting Business Abroad 840
Forms of Multinational Enterprises 844
 Chapter Summary 846
 Questions 847
 Problems 847

33 ENVIRONMENTAL LAW 850

Common Law Actions for Environmental Damage 850
Nuisance 851
Trespass to Land 852

Strict Liability for Abnormally Dangerous Activities 852
Problems Common to Private Causes of Action 852
 Federal Regulation of the Environment 852
The National Environmental Policy Act 853
Environmental Impact Statements 853
The Clean Air Act 856
Hazardous Substances 863
International Protection of the Ozone Layer 868
 Chapter Summary 870
 Questions 871
 Problems 871



PART NINE

Property 873

34 INTRODUCTION TO PROPERTY AND PROPERTY

INSURANCE 874

Introduction to Property 874
Kinds of Property 875
Concurrent Ownership 877
 Personal Property 878
Transfer of Title to Personal Property 878
Bailments 881
 Property Insurance 887
Nature of Insurance Contracts 888
Fire and Property Insurance 890
 Chapter Summary 895
 Questions 897
 Problems 897

35 INTERESTS IN REAL

PROPERTY 900

Interests in Real Property 901
Freehold Estates 901
Leasehold Estates 906
Concurrent Ownership 911
Nonpossessory Interests 915
 Transfer and Control of Real Property 917
Transfer of Real Property 919
Deeds 920
Secured Transactions 922
Adverse Possession 924
 Public and Private Controls 926
Zoning 926
Eminent Domain 928
Private Restrictions on Land Use 930
 Chapter Summary 932
 Questions 935
 Problems 935