

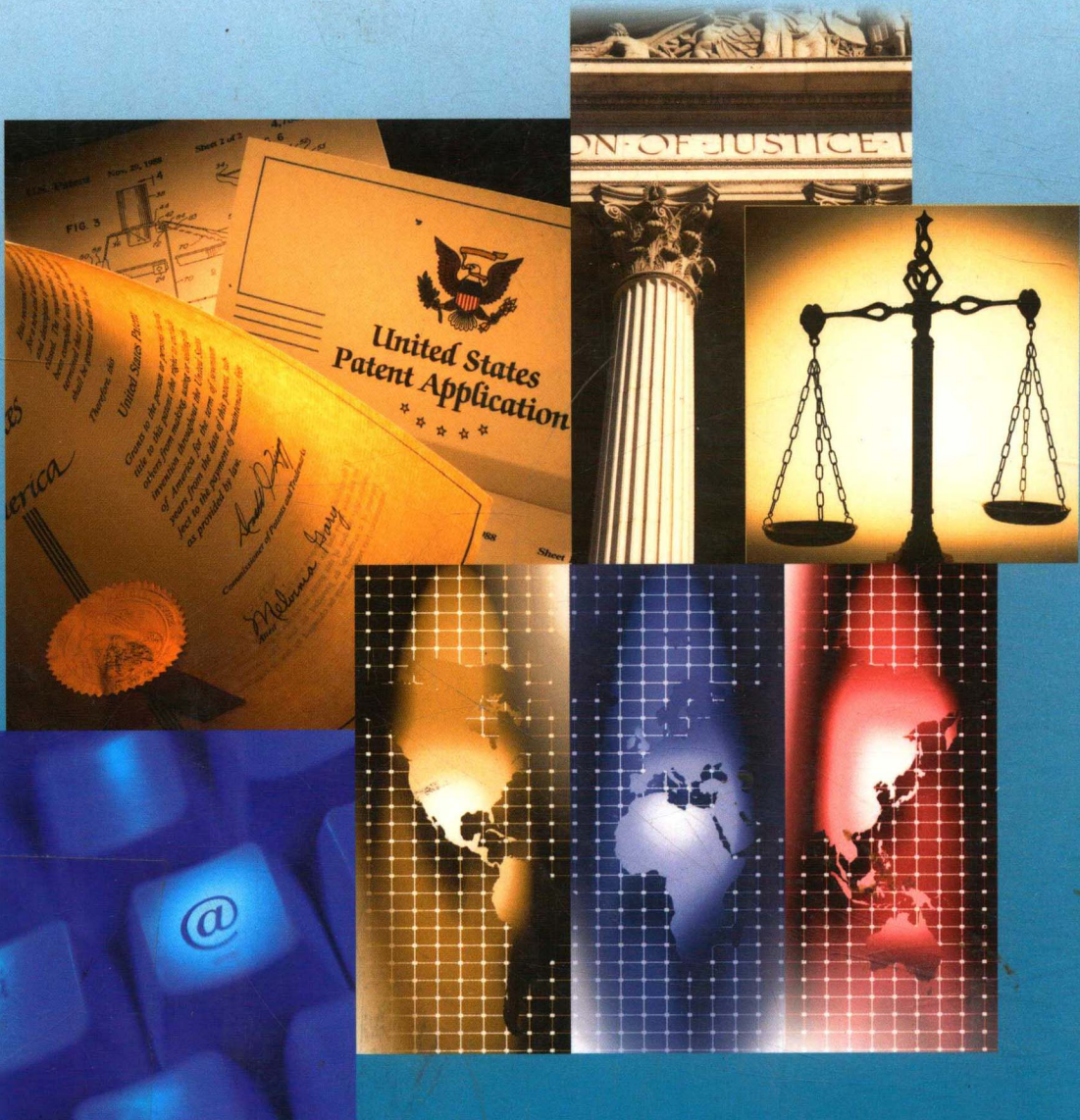
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# **BUSINESS LAW**

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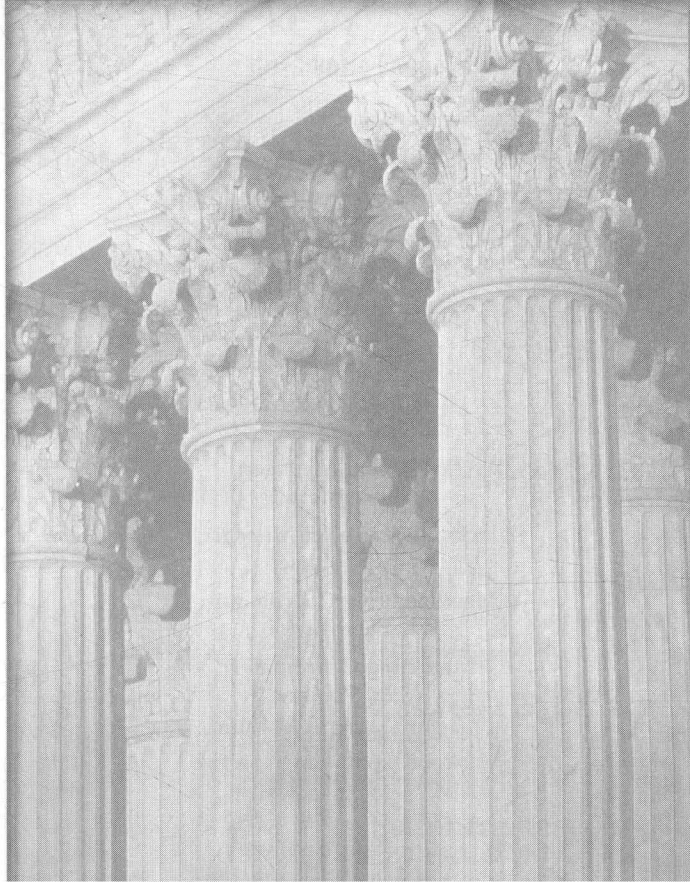
**Roger LeRoy Miller / William Eric Hollowell**



# Business Law

## TEXT & EXERCISES

FIFTH EDITION



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Institute for University Studies  
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### FIFTH EDITION

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# Preface to the Instructor

Today's legal world is changing at an unprecedented pace. In many ways, technology is driving this change. The increasing use of the Internet for business transactions in the twenty-first century is leading to new laws to govern the ways in which business is conducted.

Even for those students who do not enter the business world using the Internet, legal problems will arise. Thus, a solid background in business law is essential for everyone. In *Business Law: Text and Exercises*, Fifth Edition, we present business law in a straightforward, practical manner. The essential aspects of every important topic are covered without overburdening the reader with numerous details and explanations of arcane exceptions.

## DIGITAL VIDEO LIBRARY

For this Fifth Edition of *Business Law: Text and Exercises*, we have added special new *Video Questions* at the end of selected chapters. Each of these questions directs students to the text's Web site (at [academic.cengage.com/blaw/te](http://academic.cengage.com/blaw/te)) to view a video relevant to a topic covered in the chapter. This instruction is followed by a series of questions based on the video. The questions are again repeated on the Web site, when the student accesses the video. An access code for the videos can be packaged with each new copy of this textbook for no additional charge. If Digital Video Library access did not come packaged with your textbook, it can be purchased online at [digitalvideolibrary.westbuslaw.com](http://digitalvideolibrary.westbuslaw.com).

These videos can be used as homework assignments, discussion starters, or classroom demonstrations and are useful for generating student interest. Some of the videos are clips from actual movies, such as *The Money Pit* and *Bowfinger*. By watching a video and answering the questions, students will gain an understanding of how the legal concepts they have studied in the chapter apply to the real-life situation portrayed in the video. **Suggested answers for all of the Video Questions are given in the Instructor's Manual that accompanies this text.** The videos are part of the Digital Video Library, a compendium of more than sixty-five video scenarios and explanations.

## A PRACTICAL APPROACH

Each of the forty-two short chapters in this book has a number of special features. These features are designed to help your students master the legal concepts and doctrines presented in *Business Law: Text and Exercises*, Fifth Edition, and to give them experience in applying basic legal principles to frequently encountered situations.

## Learning Objectives

Every chapter starts out with four or five learning objectives. Within the body of the text, when the material being discussed relates to a specific learning objective, we indicate this clearly in the page margin.



## Facing (and Answering) a Legal Problem

Each chapter opens with an appropriate and straightforward legal problem that will be answered later in the text. It is set off in a manner that makes it distinct from the text materials. At the end of the chapter, the problem is stated again, and the answer to the problem is given.

## In the Courtroom

Within each chapter, there are three to six special features called *In the Courtroom*. They are set off from the rest of the text and provide easy-to-understand examples.

## In the Courtroom—Actual Case Example

In each chapter, this feature sets out the facts and the ruling of a recent case in a distilled format that provides a basic straightforward example of an application of the law. Each of these features includes the title of the case. A citation to the court's decision is provided in the *Instructor's Manual*.

## Chapter Summary

Every chapter ends with a chapter summary in a special format to make it easy to understand.

## Legal Terminology Defined

Legal terminology is often a major stumbling block in the study of business law. We have used an important pedagogical device—*margin definitions*—to help the student understand this terminology. Whenever an important legal term or concept is introduced, it is printed in boldfaced type. A definition for the term is given in the page margin, alongside the paragraph in which the boldfaced term appears. Additionally, all boldfaced terms are again defined in a *Glossary* at the end of the text.

At the end of each chapter, all terms that were boldfaced in the chapter text are listed in alphabetical order under the heading *Terms and Concepts for Review*. The page on which the term or concept is defined is indicated after each term. Students can briefly examine the list to make sure they understand all important terms introduced in the chapter and can immediately review terms that they do not completely understand by turning to the proper page.

## Exhibits and Forms

When appropriate, we have illustrated important aspects of the law in graphic or summary form in exhibits. These exhibits will help your students grasp the essential concepts pertaining to a specific area of the law or a particular legal doctrine. We have also included examples of forms commonly used by businesspersons.

## Questions and Case Problems

Each chapter ends with two easy-to-understand *Hypothetical Questions* that lend themselves to straightforward applications of the law. Following these are one or more *Real-World Case Problems* that are based on actual cases, which students are asked to analyze. Next, each chapter includes two or more *Ethical Questions*. These questions offer opportunities to discuss practical applications of ethical principles in business and legal contexts. The concluding *Ethical Question* in every chapter typically provides the background on an actual case and then prompts students to consider ethical perspectives.

Finally, as discussed previously, more than one-third of the chapters include *Video Questions*, which refer students to the text's Web site (at [academic.cengage.com/blaw/te](http://academic.cengage.com/blaw/te)) to view a video on a subject discussed in the chapter and answer related questions. The *Instructor's Manual* provides answers to all of these questions and problems.

## Accessing the Internet

Every chapter ends with a feature entitled *Accessing the Internet*, in which students are directed to useful online resources. Additionally, this section directs students to the text's Web site (at [academic.cengage.com/blaw/te](http://academic.cengage.com/blaw/te)) for *Internet Exercises* that they can perform to explore specific legal sources on the Web and for a number of *Before the Test* interactive quizzes for each chapter.

## A STUDY GUIDE IS INCLUDED

A unique feature of this text is the inclusion of a *Study Guide* within the text itself. At the end of each chapter, there is a tear-out sheet, called a *Work Set*. These tear-out sheets can be handed in and graded. All of the answers to the questions in the *Work Sets* are included in the *Instructor's Manual*.

## APPENDICES

To enhance the value of *Business Law: Text and Exercises*, Fifth Edition, as a reference source for your students, we have included the following appendices:

- A The Constitution of the United States
- B Article 2 of the Uniform Commercial Code (including excerpts from key sections in the 2003 amendments)

## SUPPLEMENTS

*Business Law: Text and Exercises*, Fifth Edition, provides a comprehensive supplements package. The supplements were created with a single goal in mind: to make the tasks of teaching and learning more enjoyable and efficient. The supplements package includes printed supplements, software, and videocassettes.

## Supplements for Instructors

We describe here the supplements that are available for use by instructors in conjunction with *Business Law: Text and Exercises*, Fifth Edition.

***Instructor's Resource CD-ROM*** The *Instructor's Resource CD-ROM*, or *IRCD*, contains the *ExamView*, *Test Bank*, the *Assignment Handouts*, and the *Instructor's Manual*—including the appendices that feature the “Answers to Hypothetical Questions, Real-World Case Problems, Ethical Questions, and Video Questions,” and the “Answers to the Work Set Questions.”

***Instructor's Manual*** The *Instructor's Manual* has been written by text authors Roger LeRoy Miller and William Eric Hollowell. Having the authors of the main text write the *Instructor's Manual* has resulted in complete agreement between what is stressed in the text and what is fully outlined in the *Instructor's Manual*. Each chapter of the manual contains the following features:

- An introductory section, which highlights the main concepts and importance of the law covered in the chapter.



- “Video Supplements” boxes in most chapters, which pinpoint selections in Digital Video Library that relate to topics covered in the individual chapters.
- A lecture outline.
- A detailed, explanatory outline of the chapter contents, which is keyed very closely to the text.
- Additional background on significant persons, statutes, and concepts that are mentioned or referred to within the text.
- The citation to the case summarized in the chapter’s *In the Courtroom—Actual Case Example*, with points or questions for discussion.
- In most chapters, one or more “Enhancing Your Lecture” features, which review in detail cases, issues, or practical steps on subjects covered in the text.
- Added questions and points to engage students more fully in a discussion of the problem or resolution presented in the chapter’s *Facing a Legal Problem* feature.
- “Special Exhibits” in a few chapters, which focus on, and illustrate, specific concepts dealt with in those chapters.
- Teaching suggestions, including points to be stressed, hypothetical questions to elicit class discussion, and discussion questions keyed closely to the text and based on information contained within the text.
- Suggested activities and research assignments.

The *Instructor’s Manual* also includes the answers to the questions in the *Work Sets*, as well as the answers to the *Hypothetical Questions*, *Real-World Case Problems*, *Ethical Questions*, and *Video Questions* that conclude each chapter.

**A Comprehensive Test Bank** Again, to ensure consistency between the teaching materials and the text, the authors have written the *Test Bank*. The *Test Bank* contains approximately fifteen hundred Multiple-Choice Questions with answers and one thousand True-False Questions with answers. The *Test Bank* is available in booklet form or, as discussed below, on software. The *Test Bank* includes eighty-four essay questions, many of which are new to this edition, as well as at least fourteen new True-False Questions or Multiple-Choice Questions in every chapter.

**Downloadable Instructor’s Manual** For qualified instructors, the *Instructor’s Manual* can be downloaded from the text’s Web site (at [academic.cengage.com/blaw/te](http://academic.cengage.com/blaw/te)) with the use of an access code. For further information, check with your Cengage Learning sales representative.

**ExamView** The *Test Bank* is on the latest version of ExamView, a highly acclaimed computerized testing system, which is offered for IBM PCs. Available only on the IRCD, ExamView allows instructors to tailor their exams using software compatible with Microsoft Windows, as well as administer tests online via the Internet or a wide-area or local-area network.

**VHS Videotapes** Qualified adopters using this text have access to the entire library of videos in VHS format, a vast selection covering most business law issues. For more information about these videotapes, visit [www.swlearning.com/blaw/video\\_library](http://www.swlearning.com/blaw/video_library).

**WebTutor® ToolBox**

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## FOR USERS OF THE FOURTH EDITION

We thought that those of you who have been using the Fourth Edition of this book would like to know about some of the major changes that have been made for the Fifth Edition. This new edition continues the coverage of the essential legal topics

covered in the previous edition, but we think that we have improved it, thanks in part to the reviews and other comments that we have received.

## New International Law Chapter

New to the Fifth Edition of *Business Law: Text and Exercises* is **Chapter 42**, titled **International Law**. This chapter examines a number of important topics in the international law area, including international principles and doctrines, methods for doing business internationally, contracts in an international setting, making payment in international transactions, regulation of international business activities, and U.S. laws in the global context.

## Significantly Revised Chapters

- **Chapter 1, Introduction to the Law and Our Legal System**, includes a new section entitled “Business Activities and the Legal Environment.” This section explains that many different areas of the law can affect a single business transaction and helps students understand how ethics plays a part in business decision making.
- **Chapter 2, Ethics**, now sets out some of the requirements of the Sarbanes-Oxley Act of 2002.
- **Chapter 3, The Role of Courts in Our Legal System**, has a new section that covers electronic evidence and discovery issues. A section and an exhibit on the exclusive and concurrent jurisdiction of the federal and state courts have been added. The discussion of online courts has been revised to update this subject.
- **Chapter 5, Torts and Cyber Torts**, includes a new review of the federal CAN-SPAM Act of 2003 in the section on cyber torts.
- **Chapter 7, Criminal Law**, has been updated with new and revised sections under the heading “Cyber Crime.” Among the added and expanded topics are financial crimes, identity theft, cyberstalking, hacking, cyberterrorism, and the prosecution of cyber criminals.
- **Chapter 8, Introduction to Contracts**, includes a new exhibit that illustrates the classification of enforceable, voidable, unenforceable, and void contracts. Overall, five exhibits were added to the contracts unit to demonstrate visually the legal principles discussed in the chapters.
- **Chapter 17, E-Contracts**, has been revised to emphasize the increasing significance of the Uniform Electronic Transactions Act and the decreased influence of the Uniform Computer Information Transactions Act. Also, a major new section on partnering agreements has been added.
- **Chapter 22, Consumer Protection**, now includes a section on the Fair and Accurate Credit Transactions Act of 2003, which concerns identity theft, and a brief description of the national Do Not Call registry.
- **Chapter 27, Employment Law**, has added coverage of the new federal rules governing overtime pay and the important requirements of the Health Insurance Portability and Accountability Act.
- **Chapter 28, Discrimination and Labor Law**, features new sections that explore the issues of online harassment and constructive discharge.
- **Chapter 29, Sole Proprietorships, Partnerships, and Limited Liability Companies**, has been reorganized and rewritten to feature the provisions of the most recent version of the Uniform Partnership Act, which is now in effect in most states. These provisions alter and clarify the law of partnership in important new ways.
- **Chapter 34, Bankruptcy**, updates the dollar amounts of various provisions of the Bankruptcy Code and includes revisions to the text to reflect the changes to the Code implemented in the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005.
- **Chapter 41** has been newly titled **Antitrust Law** and thoroughly expands on our previous review of this area of the law. This chapter contains new features



to enhance the expanded coverage, including margin definitions, *Hypothetical Questions*, *Real-World Case Problems*, and *Ethical Questions*.

## What Else Is New?

In addition to the changes noted above, you will find other new features and changes in *Business Law: Text and Exercises*, Fifth Edition, as listed below.

- New business-related *Facing a Legal Problem*, *In the Courtroom*, and *In the Courtroom—Actual Case Example* features have been added to, or substituted for, existing features in many chapters.
- New **Exhibits** have been added to ten chapters to illustrate basic concepts in the law and enhance your students' comprehension.
- The *Ethical Questions* are now at the end of the chapters and identified by a distinctive design.
- New *Hypothetical Questions* have replaced 30 percent of the previous questions in twenty-four of the chapters.
- New *Video Questions* have been added to fifteen chapters. Most of these are based on clips from Hollywood-produced films, including such feature films as *Jaws*, *The Jerk*, *Casino*, *Double Indemnity*, and *Fast Times at Ridgemont High*.
- All of the URLs to law-related Web sites have been moved to the *Accessing the Internet* sections at the end of the chapters.
- In every *Work Set*, at least one *True-False Question* or *Multiple-Choice Question* has been added or replaced.
- **Appendix B, Article 2 of the Uniform Commercial Code**, now includes excerpts from important provisions of the new 2003 amendments.

## Business Law: Text and Exercises on the Web

When you visit this text's Web site at [academic.cengage.com/blaw/te](http://academic.cengage.com/blaw/te), you will find a broad array of teaching/learning resources, including the following:

- **Internet Exercises** for each chapter.
- **Interactive Quizzes** for each chapter.
- **Case updates** from various legal publications.
- **Hot links** to other important legal resources available for free on the Web.
- A **"Talk to Us"** feature that allows you to e-mail your questions about *Business Law: Text and Exercises*, Fifth Edition, to the authors.
- **Crossword Puzzles** that focus on legal terms.
- **Video Questions** that relate to topics covered in nearly half of the chapters in *Business Law: Text and Exercises*, Fifth Edition.
- **Legal reference materials**, including a Spanish/English legal terms glossary and links to selected statutes.

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*Business Law: Text and Exercises* could never have been written without the extremely helpful criticisms, comments, and suggestions that we received from the following professors on the previous editions:

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Finally, we know we are not perfect. If you find something you don't like or want us to change, write to us via e-mail, using the "Talk to Us" feature on the text's Web site. That is how we can make *Business Law: Text and Exercises* an even better book in the future.





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