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韦斯特商法学

(第七版)

WEST'S BUSINESS LAW



(SEVENTH EDITION)

KENNETH W. CLARKSON

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世界财经与管理教材大系



东北财经大学出版社

世界财经与管理教材大系

内容提要

“商法”讲述企业的法律环境，是商务管理乃至会计类专业的必修课程，本书是美国最有影响的“商法”标准教材，它的主要优点是：

- * 全面把握企业经营所面临的法律背景；
- * 扼要概括商法的实质精神；
- * 为企业依法经营提供一个观念和实务指南；
- * 精心设计篇章结构，并附大量丰富案例，便于教学；
- * 超脱于特定法律的细节规定，注重从整体和实质上讲述和介绍，因而适用于所有法制化的市场经济社会。

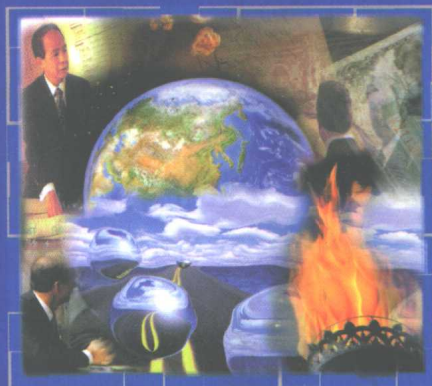
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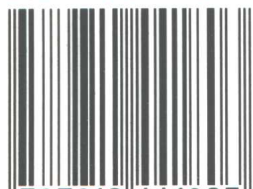
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2. 商务沟通
3. 商务英语
4. 商务决策的数量方法
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West's Business Law
Seventh Edition

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出版者的话

但凡成事，均缘于势。得势则事成，失势则事不顺。顺势而行，如顺水行舟；借势而动，如假梯登高；造势而为，如太空揽月。治学、从政、经商、置业，均不可一日失势。势者，长处、趋势也。

今日中国，是开放的中国；当今世界，是开放的世界。改革开放，大势所趋，势不可挡。经济开放、文化开放、政治开放，世界需要一个开放的中国，中国更要融入开放的世界。借鉴国际惯例，学习他人之长，已经到了不可不为之时。

借鉴国际惯例，学习他人之长，已属老生常谈，但学什么、如何学、以何为蓝本为众多志士仁人所关注。可喜的是，由赤诚图文信息有限公司精心策划，ITP、McGraw-Hill及Simon & Schuster等国际出版公司特别授权，东北财经大学出版社荣誉出版的“世界财经与管理教材大系”现已隆重面世！她以“紧扣三个面向，精选五大系列，奉献百部名著，造就亿万英才”的博大胸襟和恢弘气势，囊括经济学、管理学、财务与会计学、市场营销学、商务与法律等财经、管理类主干学科，并根据大学教育、研究生教育、工商管理硕士（MBA）和经理人员培训项目（ETP）等不同层次的需要，相应遴选了具有针对性的教材，可谓体系完整，蔚为大观。所选图书多为哈佛、斯坦福、麻省理工、伦敦商学院、埃维商学院等世界一流名校的顶尖教授、权威学者的经典之作，在西方发达国家备受推崇，被广为采用，经久不衰，大有“洛阳纸贵”之势。

借鉴国际惯例，毕竟只是因势而动；推出国粹精品，才是造势而为。在借鉴与学习的同时，更重要的是弘扬民族精神，创建民族文化。“民族的，才是国际的”。我们提倡学他人之长，但更希望立自己之势。

势缘何物，势乃人为。识人、用人、育人、成人，乃人本之真谛。育人才、成能人，则可造大势。育人、成人之根本在教育，教育之要件在教材，教材之基础在出版。换言之，人本之基础在书本。

凡事均需讲效益，所谓成事，亦即有效。高效可造宏基，无效难以为继，此乃事物发展之规律。基于此，我们崇尚出好书、出人才、出效益！

东北财经大学出版社

1998年4月

Dedication

R.L.M. dedicates this edition to Lesley Andrus, lawyer *extraordinaire*, mogul wizard, supermom, and special friend.

Gaylord A. Jentz dedicates this edition to his wife, JoAnn; his children, Kathy, Gary, Lori, and Rory; and his grandchildren, Erin Marie, Megan Kathleen, Eric Edward, and Emily Elizabeth.

Frank B. Cross dedicates this book to his parents and sisters.

PREFACE TO THE INSTRUCTOR

Business law and, more generally, the legal environment of business have universal applicability. A student entering virtually any field of business must have at least a passing understanding of business law in order to function in the real world. Additionally, students preparing for a career in accounting, government and political science, economics, and even medicine can fruitfully use much of the information they learn in a business law and legal environment course. In fact, every individual throughout a lifetime can use a knowledge of contracts, real property law, landlord-tenant relationships, and the like. Consequently, we have fashioned this text as a useful “tool for living” for all students (including those taking the CPA exam).

KEY AREAS OF EMPHASIS

To make sure that instructors and students alike can rely on the coverage, accuracy, and applicability of *West’s Business Law*, Seventh Edition, we emphasize the following throughout the text:

- **Cyberlaw**—Your students will find that the Seventh Edition of *West’s Business Law* offers the most up-to-date coverage of technological developments as they affect business law. Throughout this text, whenever relevant, we have incorporated discussions of the new legal challenges created by cyberspace transactions via the Internet and the growing body of *cyberlaw* governing such transactions.
- **Access to Technology**—Just as the content of *West’s Business Law* is up to date, so is the manner in which the content can be accessed. Students have the option of using *West’s Business Law* Interactive CD-ROM Edition (which we discuss shortly) as either a complement to the printed text or even as a substitute for it. Additionally, most of the chapters in the text conclude with a special section, called *Accessing the Internet: Business Law and Legal Environment*. These sections describe—and provide Internet addresses for—resources available on the Internet relating to topics covered in the chapters. Finally, instructors and students alike can access the *West’s Business Law* Home Page at <http://www.westbuslaw.com> (see below).
- **Entrepreneurship**—For this edition, we have added a capstone chapter bringing together the elements that have been taught in the book and showing how these elements apply in the real-world context of small business enterprises. The chapter, called “Law for Entrepreneurs” (Chapter 56), also explores areas that are not treated elsewhere in the text. Topics covered in this new chapter include the importance of obtaining legal counsel, the factors to be considered in choosing a business form, how to establish a business entity, how to raise financial capital for a new entrepreneurial venture, contract law and the entrepreneur, the extension of credit and debt collection, and employment issues that arise in the entrepreneurial context.
- **Comprehensiveness**—Virtually every important topic in business law and the legal environment is covered in this book. We have made the text extremely comprehensive to allow instructors complete flexibility in choosing those areas of the law and legal environment that they wish to emphasize.
- **Authoritativeness**—We have fully researched every aspect of business law and the legal environment included in this text. Instructors can rely on its accuracy and can find references to case and statutory law, as needed, for any authority. Complete parallel citations are given throughout the text. An extensive set of appendices includes the Uniform Commercial Code and other uniform codes and statutes. Accuracy is the watchword of *West’s Business Law*.

- **Ethics**—Because of the importance of ethics, there is an early chapter on the subject, with continuing references to ethics throughout. Many of the cases presented in the text conclude with a section entitled *Ethical Considerations*, in which the authors indicate some of the ethical implications of the issue being addressed by the court. Additionally, a special question, called *A Question of Ethics*, concludes the *Questions and Case Problems* sections in about one-third of the chapters. Finally, *Focus on Ethics* sections, which conclude all of the units in the text, deal solely with ethical aspects of selected topics covered within the unit.
- **International and Comparative Law**—As the world gets smaller, a knowledge of the international and comparative aspects of the law must become part of any student's background. To this end, *West's Business Law* includes a full chapter on comparative law (Chapter 11); integrates the United Nations Convention on Contracts for the International Sale of Goods (CISG) throughout all of the chapters covering sales and lease contracts (Chapters 21 through 25); and presents a full chapter on international law (Chapter 55). Additionally, *International Considerations*, which conclude many of the cases presented in the text, offer further glimpses at comparative law. Finally, as will be discussed next, several of the cases are preceded by a special section entitled *Historical and International Setting*.
- **AACSB Curriculum Requirements**—This text explicitly addresses the AACSB's broad array of curriculum requirements by focusing on the global, political, ethical, social, environmental, technological, and cultural-diversity context of many of the cases presented. Specifically, selected cases are preceded by a *Historical and [Social, Economic, Political, Technological, Environmental, or International] Setting*, which places the case in a particular political, ethical, social, or other setting. Additionally, *Company Profiles* precede many of the cases in this edition. Finally, the materials in Unit One (Chapters 1 through 11) explore virtually every facet of the AACSB's curriculum requirements. The AACSB's emphasis on the global and ethical context of the law is addressed throughout the rest of the text in features already mentioned: the *International* and *Ethical Considerations* that follow many of the cases and the *Focus on Ethics* section found at the end of each unit.

- **Personal Law**—To make sure that your students get a sense of how the law can affect them on a personal level, we have developed a *Guide to Personal Law*, which is placed just following Chapter 56.

WEST'S BUSINESS LAW ON THE WEB

When you visit us at <http://www.westbuslaw.com> you will find, at a minimum, the following:

- Current legal events updated regularly and keyed to chapters in this text.
- Summaries of new cases from various West legal publications, as well as many other legal publications, all linked to this text.
- Professors' Exchange: You will be able to e-mail your questions about *West's Business Law* to Frank Cross.
- A variety of classroom material will be made available.
- There will be more as we continue to improve our Home Page to make it better for you and your students.

THE WEST'S BUSINESS LAW INTERACTIVE CD-ROM EDITION

Increasingly, students and instructors alike are turning to the CD-ROM format to obtain information and to study. Your students can now order *West's Business Law* in its entirety as an electronic book on CD-ROM. But simply transferring the text files of this book to a CD-ROM does little good. Consequently, West Publishing Company has developed the first truly interactive electronic book in business law and the legal environment. The CD-ROM Edition provides the following:

- Direct links to the Internet. Students can click on any of the URLs given in the CD-ROM's *Accessing the Internet* sections and be directly linked to the Internet site.
- Video segments.
- Voice/audio accompaniment where appropriate (for example, excerpts of oral arguments before the United States Supreme Court).
- Biographical enrichment material of important jurists and others.

- Advanced topics as enrichment materials.
- The availability of full case presentation.
- Appropriate statute excerpts corresponding to their particular references within the text.
- A notebook function so that students can make their own notes.
- Full-text search capability that allows students to easily search for topics or key words.
- A built-in study guide.
- Selected supplements that accompany *West's Business Law*.

The *West's Business Law Interactive CD-ROM Edition*, which reflects all of the elements in the printed text of *West's Business Law*, Seventh Edition, can be ordered as a substitute for the printed text. Alternatively, your students can obtain it for an additional charge as a supplement to the printed text. In this way, they can use the printed text to read the assigned material and go to the electronic book to obtain enrichment videos, audios, and the like.

AN EFFECTIVE CASE FORMAT

To ensure that *West's Business Law*, Seventh Edition, meets the needs of instructors and students alike, we have devoted significant efforts to finding cases that not only effectively illustrate the principles of law discussed in the text but also are of high interest to students. Our selection includes classic, landmark cases as well as some of the most modern examples of business law. For those instructors who like to see the entire court opinions for cases presented in the text, we also offer a supplement called *Case Printouts to Accompany West's Business Law*, Seventh Edition. This supplement contains the output from WESTLAW (without headnotes) for virtually every case that is included in each chapter. If the instructor wishes, the full court opinions may be copied and handed out to students.

BASIC CASE FORMAT

Each case in *West's Business Law* is presented in the following basic format:

- *Case Title and Full Case Citation*—The case title and full case citation (including all parallel citations) are presented at the beginning of each case.
- *Background and Facts*—This section contains a summary, in the authors' own words, of the events leading up to the lawsuit.
- *In the Language of the Court*—Following the summary of the background of the case, an excerpt from the actual court opinion is presented—in a contrasting type size to differentiate it from the surrounding textual material. Whenever the court opinion contains a term or phrase that may be difficult for the student to understand, we provide a brief explanation of the term in brackets. When important phrases and sentences are italicized, bracketed notes clearly indicate that the emphasis was added by the authors, not by the court.
- *Decision and Remedy*—In this section, the authors summarize, in their own words, the outcome of the case.

ADDITIONAL SECTIONS IN THE CASES

Many cases include one of the following sections, which have already been described.

- *Company Profiles*—Numerous companies are profiled before appropriate cases. Each profile, which describes the history of the company involved in a particular case, is designed to give your students the real-world context of the case before the court.
- *Historical and [Social or Other] Settings*—When appropriate, the global, political, ethical, social, environmental, technological, or cultural context of a case is presented in one of these *Settings*.
- *Ethical Considerations*—These sections, as mentioned previously, discuss ethical aspects of the law or laws under consideration.
- *International Considerations*—As explained above, these sections let your students know how the particular issue at bar is treated in other countries.

OTHER SPECIAL FEATURES OF THIS TEXT

We have included in *West's Business Law*, Seventh Edition, a number of additional pedagogical devices and special features, including those discussed here.

EMERGING TRENDS

Many chapters in this edition include a special feature entitled *Emerging Trends in Business Law*. These two-page spreads emphasize policy issues that are currently arising with respect to certain aspects of business law and the legal environment. The following *Emerging Trends* are among those included in this edition:

- Jurisdictional Issues in Cyberspace (Chapter 3).
- Electronic Sales Contracts (Chapter 21).

- The Use of “Intelligent Agents” (Chapter 34).
- Elder Law (Chapter 53).

CONCEPT SUMMARIES

Whenever key areas of the law need additional emphasis, we provide a *Concept Summary*. These summaries have always been a popular pedagogical tool in this text. There are now fifty such summaries, including the following:

- The Common Law Tradition (Chapter 1).
- Performance of Sales and Lease Contracts (Chapter 23).
- Signature Liability (Chapter 28).
- Priority of Claims to a Debtor’s Collateral (Chapter 30).

EXHIBITS

When appropriate, we have illustrated important aspects of the law in graphic or summary form in exhibits. In all, ninety-four exhibits are featured in *West’s Business Law*, Seventh Edition, including the following:

- Civil and Criminal Law Compared (Exhibit 1–3).
- The Floating-Lien Concept (Exhibit 30–4).
- Steps Involved in the Sale of Real Estate (Exhibit 50–2).
- Trademark Application Form (Exhibit 56–1).

VOCABULARY STRESSED

In addition to including bracketed explanations of difficult terms and phrases within the court opinions presented in the text, we also boldface and fully define every important legal term when it is first introduced. Additionally, at the end of each chapter, all terms that were boldfaced within the chapter are listed in alphabetical order under the heading *Terms and Concepts to Review*. The page on which the term is defined is given after each term. For selected terms, particularly those of Latin origin, a special pronunciation guide has been included in footnotes within the chapters as well as in the Glossary at the end of the text. For the Seventh Edition, we have also increased, by almost 30 percent, the number of terms included in the Glossary.

QUESTIONS AND CASE PROBLEMS

Nearly every chapter of this text ends with ten or more questions and case problems. The first three to

six of these are hypothetical questions. The remainder are actual case problems, many of which are from 1995, 1996, and 1997. Complete answers are given in a separate manual for all questions and case problems in the text, including the ethical questions and case briefing assignments.

ALTERNATE PROBLEM SETS WITH ANSWERS

To expand the number of case problems available to instructors, for each chapter of *West’s Business Law*, Seventh Edition, we have created a set of five or more alternate case problems. These alternate case problems, along with their answers, are included at the end of the *Answers to Questions and Case Problems and Alternate Problem Sets with Answers*. They are presented on perforated pages for easy removal and copying.

CASE BRIEFING ASSIGNMENTS

Some professors prefer to have their students brief a few cases. To make these assignments more manageable for both students and professors, we provide in Appendix A a short explanation of how to brief a case, followed by a briefed version of the sample court case presented in Chapter 1 as Exhibit 1–6. We then present selected cases for briefing. Case briefing assignments, including questions that should be answered for each of the cases chosen for briefing, are found at the end of the problem sets in eleven of the chapters in the text (one for each unit). Sample answers to the questions listed in the case briefing assignments are found in the *Answers to Questions and Case Problems* manual.

UNIT-ENDING HYPOTHETICALS

New to this edition are unit-ending cumulative hypothetical questions. These questions first posit a scenario—such as a small business just getting underway—and then pose a series of questions for the student to answer. The questions provide an excellent means of reviewing legal concepts covered throughout the unit. Suggested answers for these hypotheticals are included in the *Answers to Questions and Case Problems*.

APPENDICES

Because the majority of students keep their business law texts as a reference source, we have included a

full set of appendices. Due to the growing importance of the limited liability company as a business organizational form, we have added a special new appendix to this edition. This appendix (Appendix I) presents excerpts from the Uniform Limited Liability Company Act. In all, the following appendices are included in *West's Business Law*, Seventh Edition:

- A How to Brief a Case and Selected Cases.
- B The Constitution of the United States.
- C The Uniform Commercial Code.
- D The United Nations Convention on Contracts for the International Sale of Goods (Excerpts).
- E The Uniform Partnership Act.
- F The Revised Uniform Partnership Act (Excerpts).
- G The Revised Uniform Limited Partnership Act.
- H The Revised Model Business Corporation Act (Excerpts).
- I The Uniform Limited Liability Company Act (Excerpts).
- J The Securities Act of 1933 (Excerpts).
- K The Securities Exchange Act of 1934 (Excerpts).
- L Title VII of the Civil Rights Act of 1964 (Excerpts).
- M The Americans with Disabilities Act of 1990 (Excerpts).
- N The Civil Rights Act of 1991 (Excerpts).
- O The Administrative Procedure Act of 1946 (Excerpts).
- P The General Agreement on Tariffs and Trade (Excerpts).
- Q The North American Free Trade Agreement (Excerpts).
- R Spanish Equivalents for Important Legal Terms in English.

THE COMPLETE SUPPLEMENTS PACKAGE

This edition of *West's Business Law* is accompanied by a vastly expanded number of teaching and learning supplements. We have already mentioned one of them—the CD-ROM Edition. In addition, there are numerous other supplements, including those listed below, that make up the complete teaching/learning package for the Seventh Edition. For further information on the *West's Business Law* teaching/learning package, contact your local West/ITP sales representative. An additional source of information is our

West's Business Law Home Page at
<http://www.westbuslaw.com>

PRINTED SUPPLEMENTS

- *Instructor's Course Planning Guide and Media Handbook.*
- *Instructor's Manual* (also available in computerized form).
- *Study Guide and Test Preparation with Quicken Business Law Partner CD-ROM* (prepared by Aaron Abrams, William Eric Hollowell, and text author Roger LeRoy Miller)—Includes a value-added CD-ROM, *Quicken Business Law Partner*. Exercises based on the CD-ROM are included in this *Study Guide*.
- *Study Guide with Quicken Business Law Partner CD-ROM* (prepared by Professor Barbara E. Behr, James A. Bernstein, and Susan Bernstein).
- A comprehensive *Test Bank* (co-written by text author Roger LeRoy Miller)—Contains approximately 2,500 multiple-choice questions with answers and over 1,600 true-false questions with answers; also available on software.
- *Alternate Test Bank*—Contains approximately 1,500 additional questions, including hypotheticals.
- *Answers to Questions and Case Problems and Alternate Problem Sets with Answers.*
- *Case Printouts.*
- *Internet Activities for West's Business Law.*
- *Lecture Outline System.*
- *Law and Women's Issues.*
- *Landmark Cases in Business Law and the Legal Environment.*
- *Business Law and the CPA Exam.*
- *Advanced Topics and Contemporary Issues: Expanded Coverage*, Third Edition, by Frank B. Cross.
- *Handbook of Selected Statutes.*
- *Handbook on Critical Thinking and Writing in Business Law and Legal Environment.*
- *Unrevised Articles 3 and 4 of the Uniform Commercial Code.*
- *Instructor's Manual* for the *Drama of the Law* video series.
- *Transparency Acetates.*
- *Regional Reporters.*

SOFTWARE AND VIDEO SUPPLEMENTS

- *Quicken Business Law Partner* (business forms on CD-ROM).

- Computerized *Instructor's Manual*.
- WESTEST (computerized versions of the Test Banks).
- *Lecture Outline System*.
- PowerPoint slides.
- "The Legal Tutor on Contracts" software.
- "The Legal Tutor on Sales" software.
- Interactive software—Contracts.
- Interactive software—Sales.
- "You Be the Judge" software.
- Case-Problem Cases on Diskette.
- WESTLAW.
- CD-ROM Resources for Business Law and Legal Environment.
- West's Business Law and Legal Environment Audiocassette Library.
- Videocassettes, including those discussed next.

CNN LEGAL ISSUES UPDATE VIDEO

You can update your coverage of legal issues, as well as spark lively classroom discussion and deeper understanding of business law, by using the *CNN Legal Issues* update video. This video is produced by Turner Learning, Inc., using the resources of CNN, the world's first twenty-four-hour, all-news network.

With the introduction of the *CNN Legal Issues* update video, West Educational Publishing is proud to be the educational partner of CNN for textbook/video integration for legal issues. By making use of the *CNN Legal Issues* update video, you can bring the power of CNN, the network known for providing live, in-depth coverage and analysis of breaking news events, to your classroom.

ADDITIONAL VIDEOS

South-Western's *Business Law* video series, a set of situational videos, covers a range of topics for the full business law course, including the Uniform Commercial Code, employment law, and the business law portion of the CPA exam.

FOR USERS OF THE SIXTH EDITION

First of all, we want to thank you for helping make *West's Business Law* the best-selling business law text in America today. Second, we want to make you aware of the numerous additions and changes that we have made in this edition. The major additions and changes are summarized below.

A NEW CHAPTER ON LAW FOR ENTREPRENEURS

As discussed earlier in this Preface, to ensure that your students understand how the legal principles discussed in this book apply to real-world business ventures, we have added an entirely new chapter entitled "Law for Entrepreneurs." The chapter shows how the laws discussed in greater detail in many of the chapters of *West's Business Law* apply in the small-business context.

SIGNIFICANTLY REVISED CHAPTERS

- Chapter 1 (Introduction to Law and Legal Reasoning)—This chapter has been revised and reorganized to streamline the presentation and to make the chapter more relevant to business law students. The section discussing jurisprudential thought has been condensed and rewritten. A new subsection explains the steps involved in the legal reasoning process and shows students how they can use this process when working through case problems or other assignments. We have also expanded the discussion of civil law versus criminal law—and added an exhibit—to clarify the differences between civil and criminal law actions.
- Chapter 2 (Business Ethics)—This chapter has been extensively revised to place more emphasis on the process of ethical decision making in the real-world context. New sections focus on how businesspersons can determine whether their actions are not only profitable and legal but also ethical; the distinction between maximum profits and optimum profits; and the role played by public opinion in establishing the boundaries of ethical business behavior. Also included in the chapter is a fold-out exhibit showing PriceCostco's Code of Ethics, which we have annotated to show how it relates to business law topics covered in this text.
- Chapter 3 (Courts and Alternative Dispute Resolution)—This chapter has been reorganized and rewritten as necessary to ensure that the topics covered flow more logically from one to another. The chapter now opens with a section explaining the judiciary's role in American government. A first-level section on "Basic Judicial Requirements" includes subsections focusing on the concepts of jurisdiction, venue, and standing to sue. The discussion of alternative dispute resolution (ADR) has been condensed, and more equal treatment is now given to the three major forms of ADR:

- negotiation, mediation, and arbitration. The growing importance of mediation as a preferred form of ADR in many areas (such as family law) is stressed. The chapter also includes an *Emerging Trends in Business Law* dealing with jurisdictional issues posed by online transactions.
- Chapter 5 (Constitutional Authority to Regulate Business)—The sections on freedom of speech and freedom of religion were revised to create more clarity and to make them more relevant to students. For example, the freedom of speech section was revised so that protected speech was discussed first; then commercial speech (advertising) and corporate political speech; and, finally, unprotected speech. In the freedom of religion section, we included some examples of church-state issues, such as prayer in the schools, evolution versus creation, and government aid to parochial schools. A major section entitled “Constitutional Law in Cyberspace” looks at some of the free speech issues that have arisen in the online context. The section discusses the latest case law on the topic, including the United States Supreme Court’s June 1997 decision on the unconstitutionality of key provisions of the 1996 Communications Decency Act.
 - Chapter 6 (Torts and Strict Liability) and Chapter 7 (Basic Business Torts)—Both of these chapters now include sections discussing online defamation, including (in Chapter 7) the liability of online service providers.
 - Chapter 9 (Intellectual Property and Cyberlaw)—Now included in this chapter is an entirely new section entitled “Cyberlaw: Protecting Intellectual Property in Cyberspace.” Topics discussed in this section include domain names and trademark law, patents for cyberproducts, and copyrights in cyberspace. This section is followed by an *Emerging Trends in Business Law* discussing online copyright infringement. Also included in the chapter are discussions of the Lanham Act, the Trademark Dilution Act of 1995, and an updated and expanded section on international protection for intellectual property.
 - Chapter 21 (The Formation of Sales and Lease Contracts)—This chapter now covers both sales and lease contracts and includes references to Article 2A of the Uniform Commercial Code (UCC), as well as references to Article 2. The remaining chapters in this unit (Chapters 22 through 25) also include coverage of lease contracts and references to Article 2A of the UCC.
 - Chapter 26 (Basic Concepts, Negotiability, and Transferability)—This chapter and the subsequent chapters on negotiable instruments have been revised and rewritten as necessary so that the law presented is based on the 1990 revision of Articles 3 and 4 of the UCC. Major differences between the revised and unrevised versions of these articles are indicated in footnotes.
 - Chapter 32 (Bankruptcy and Reorganization)—This chapter has been rewritten as necessary to conform with the Bankruptcy Code as amended by the 1994 Bankruptcy Reform Act. A new exhibit entitled “Collection and Distribution of Property in Most Voluntary Bankruptcies” has been added.
 - Chapter 35 (Employment and Labor Law)—This chapter now opens with a discussion of the employment-at-will doctrine, followed by sections discussing labor laws and unions. The discussion of labor law has been significantly expanded and now covers union organization, strikes, and other labor-management issues. A discussion of AIDS testing in the employment context has been added to the section discussing privacy issues.
 - Chapter 36 (Employment Discrimination)—An examination of the major provisions of the Equal Pay Act of 1963 has been added, as has a brief discussion of English-language-only policies in the workplace. The section on the Americans with Disabilities Act of 1990 has been expanded, and the *Emerging Trends in Business Law* on this topic has been totally rewritten to reflect current concerns. Also discussed are the latest developments in the area of affirmative action.
 - Chapter 37 (Forms of Business Organizations and Private Franchises)—This chapter has been reorganized and rewritten as necessary to include limited liability companies (LLCs) and limited liability partnerships (LLPs) as major business forms. Major sections on LLCs and LLPs present up-to-date discussions of the increased use of these business forms and their significance for businesspersons. Additionally, an *Emerging Trends in Business Law* looks at the implications of recent Internal Revenue Service tax rules that will make the use of LLCs even simpler in the future. A two-page exhibit offers a comparison of the six major business forms (sole proprietorship, partnership, limited partnership, corporation, LLC, and LLP) with respect to formation, liability of owners, taxation, and other characteristics.
 - Chapter 39 (Partnerships—Termination, Limited

Partnerships, and Limited Liability Partnerships)—A major section on limited liability partnerships (LLPs) presents further details on this business form, including the liability of the partners as well as the use of Family Limited Liability Partnerships (FLLPs). A major section on limited liability limited partnerships (LLLPs) has also been added.

- Chapter 43 (Securities Regulation and Investor Protection)—This chapter has been extensively revised and updated to include the latest developments in this area—including the United States Supreme Court’s June 1997 ruling on the misappropriation theory of liability. The key functions and expanding powers of the Securities and Exchange Commission (SEC) are now given fuller treatment, and the discussion of exempt transactions under the 1993 Securities Act has been streamlined to make these exemptions more understandable for students. The chapter also now offers expanded coverage of the sanctions and penalties that can be imposed for violations of securities laws and a discussion of the key provisions of the 1995 Private Securities Litigation Reform Act. The section on state securities now includes references to Article 8 of the UCC and examines the effect of the National Securities Markets Improvement Act of 1996 on state authority to regulate investment securities traded on national markets. Concluding the chapter is a new major section, entitled “Technology and Securities Law,” that discusses online developments with respect to securities transactions and applicable SEC rules.
- Chapter 44 (Administrative Law)—This chapter has been reorganized and, to a significant extent, rewritten to make it more manageable for business law students in terms of readability and clarity. A new exhibit entitled “Organization of the Federal Trade Commission” has been added, and the exhibit showing a page from the *Federal Register* (Exhibit 44-4) now shows a page from the Environmental Protection Agency’s recently proposed rule on particulate standards.
- Chapter 54 (Liability of Accountants and Other Professionals)—This completely updated chapter now includes a discussion of recent case law and legislation concerning the liability of aiders and abettors, as well as a discussion of the Private Securities Litigation Reform Act of 1995. The chapter also contains a section discussing how professionals can use professional corporations and

limited liability partnerships to limit their personal liability. A special addition to the chapter is an *Emerging Trends in Business Law* discussing ethical violations on attorneys’ home pages on the Internet.

WHAT ELSE IS NEW?

In addition to the changes already noted, we have included in the Seventh Edition text a number of new pedagogical features and have expanded the supplements package. The new features and elements are listed below.

NEW FEATURES We have added the following entirely new features to the Seventh Edition:

- *Accessing the Internet: Business Law and Legal Environment.*
- Unit-ending cumulative hypothetical questions.

NEW EMERGING TRENDS IN BUSINESS LAW

All of these features have been either newly created for the Seventh Edition or completely rewritten.

NEW CONCEPT SUMMARIES Of the fifty *Concept Summaries* included in this text, six are new to this edition. The new *Concept Summaries* are as follows:

- *Concept Summary 1.1*—The Common Law Tradition.
- *Concept Summary 12.1*—Types of Contracts.
- *Concept Summary 23.1*—Performance of Sales and Lease Contracts.
- *Concept Summary 28.1*—Signature Liability.
- *Concept Summary 30.1*—Perfecting a Security Interest.
- *Concept Summary 30.2*—Priority of Claims to a Debtor’s Collateral.

NEW EXHIBITS Of the ninety-seven exhibits in this edition, the following eighteen exhibits are new to the Seventh Edition:

- *Exhibit 1-1*—Equitable Maxims.
- *Exhibit 1-3*—Civil and Criminal Law Compared.
- *Exhibit 1-6*—A Sample Court Case.
- *Fold-Out Exhibit*—PriceCostco’s Code of Ethics, Annotated.
- *Exhibit 3-2*—The Federal and State Court Systems.
- *Exhibit 4-1*—Stages in a Typical Lawsuit.

- *Exhibit 6-1*—Tort Lawsuit and Criminal Prosecution for the Same Act.
- *Exhibit 11-4*—Hourly Labor Costs in Manufacturing in Selected Countries.
- *Exhibit 29-6*—The Check-Collection Process.
- *Exhibit 30-4*—The Floating-Lien Concept.
- *Exhibit 32-1*—Collection and Distribution of Property in Most Voluntary Bankruptcies.
- *Exhibit 37-2*—Major Business Forms Compared (extended to include limited partnerships, limited liability companies, and limited liability partnerships).
- *Exhibit 44-1*—Organization of the Federal Trade Commission.
- *Exhibit 44-4*—A Page from the *Federal Register*.
- *Exhibit 44-6*—The Process of Formal Administrative Adjudication
- *Exhibit 49-2*—A Sample Notice to Hotel Guests.
- *Exhibit 50-2*—Steps Involved in the Sale of Real Estate.
- *Exhibit 56-1*—Trademark Application Form.

NEW CASES Of the over 200 cases presented in the chapters of this text, 138 are new to the Seventh Edition. In all, approximately 65 percent of the cases presented in *West's Business Law*, Seventh Edition, are from 1995, 1996, and 1997. Many classic cases have been retained from the Sixth Edition, and some others have been added.

NEW CASE PROBLEMS Of the over 300 case problems included in this text, 121 are new to the Seventh Edition. Of the new case problems, 76 are from 1995, 1996, and 1997. In addition, alternate sets of five or more case problems (and answers) for each chapter are now available—see the list of new supplements below.

A NEW APPENDIX We have added to this edition a new appendix, Appendix I, entitled “The Uniform Limited Liability Company Act (Excerpts).”

A NEW LIST OF ABBREVIATIONS For the Seventh Edition, we have added a list of selected abbreviations to the inside front cover of the book.

EXPANDED GLOSSARY The Glossary of the Seventh Edition lists and defines about 30 percent more terms than were included in the Sixth Edition.

NEW SUPPLEMENTS AND SPECIAL RESOURCES

- CNN *Legal Issues* update video.
- South-Western's *Business Law* video series.
- “The Legal Tutor on Contracts” software.
- “The Legal Tutor on Sales” software.
- *Alternate Problem Sets with Answers*—Included, on perforated sheets, at the end of the *Answers to Questions and Case Problems and Alternate Problem Sets with Answers*.
- *Internet Activities for West's Business Law*.
- *Lecture Outline System*.
- PowerPoint slides.
- *Law and Women's Issues*.
- *Landmark Cases in Business Law and the Legal Environment*.
- *Business Law and the CPA Exam*.
- *Unrevised Articles 3 and 4 of the Uniform Commercial Code*.
- *Advanced Topics and Contemporary Issues: Expanded Coverage*, Third Edition, by Frank Cross.
- *Quicken Business Law Partner* (business forms on CD-ROM).
- *West's Business Law Internet Home Page*.

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