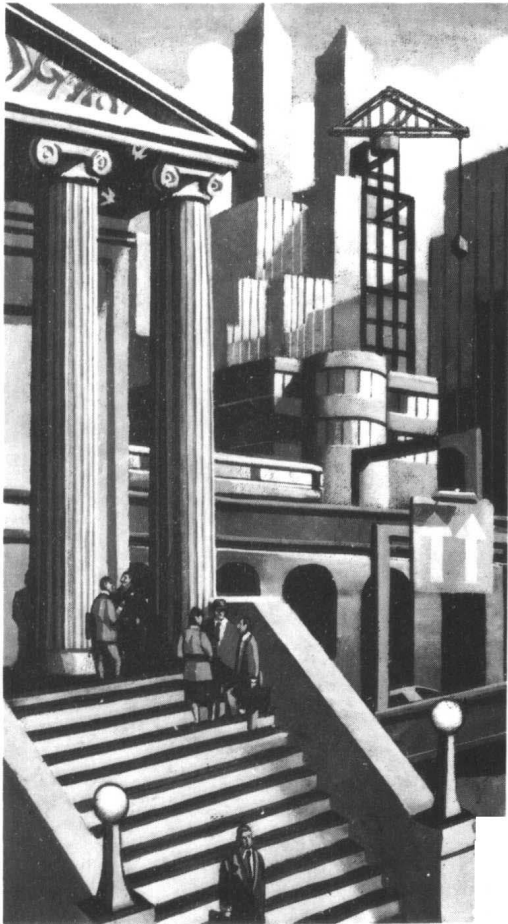




FOURTH EDITION

THE LEGAL ENVIRONMENT OF BUSINESS

- JOHN D. BLACKBURN
- ELLIOT I. KLAYMAN
- MARTIN H. MALIN



FOURTH EDITION
**THE
LEGAL
ENVIRONMENT
OF BUSINESS**

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PREFACE

This edition fills the need for quality teaching material for the legal environment of business course. It combines highly readable text with interesting cases suitable for business students.

Developments since publication of the last edition require revision of the text. To cite just one example, discussion of the Americans with Disabilities Act now appears in the chapter on equal employment opportunity law. Other chapters are also up to date.

Our teaching of the legal environment of business course and the shared experiences of our professional colleagues tell us what professors want in a text. For example, 10 years ago we learned that our colleagues shared our commitment to include ethics in the legal environment course. We provided a chapter on the subject. A decade later, the commitment to incorporate ethics into the legal environment course continues. The fourth edition now integrates this material by including ethics boxes.

THE BOOK RESPONDS TO ACCREDITATION STANDARDS

This is a mainline legal environment of business book. It responds to the accreditation standards of the American Assembly of Collegiate Schools of Business (AACSB). It also responds to those of the Association of Collegiate Business Schools and Programs (ACBSP).

THE BOOK IS ORGANIZED LOGICALLY

This book consists of 20 chapters organized into 5 parts.

- *Part I, Introduction to the American Legal System*, covers ethics, the nature of law and legal reasoning, and the legal system. It also surveys American constitutional and administrative law.

- *Part II, Introduction to Private Law and the Regulatory Environment*, presents the subjects of contracts and torts. They are the legal base for many areas of government regulation. Part II also includes a chapter on product liability and advertising and a chapter on environmental law. They show the integration of private and public law, typical of other substantive areas of law.
- *Part III, Business Organizations and Financial Markets*, consists of chapters on business associations, securities regulation, special topics in corporate law, and debtor-creditor relations.
- *Part IV, Business and Its Employees*, contains chapters on employment law, equal employment opportunity, and labor-management relations.
- *Part V, Business and the Marketplace*, discusses economic regulation of a business's relations with its customers, competitors, and suppliers. It contains chapters on trade restraints, monopolies and mergers, and other antitrust topics. It also includes a chapter on international business transactions.

THIS EDITION HAS BEEN REORGANIZED FOR GREATER LEARNING EFFICIENCY

Adopters of the last edition will find the book's contents reorganized. The chapter on product liability and advertising now follows the chapters on contracts and torts. This is because these subjects overlap.

The chapters on business associations, securities regulations, and debtor-creditor relations now appear with a new chapter on special topics in corporate law. They form a part on business organizations and financial markets.

The part on Business and Its Employees now comes before the part on Business and the Marketplace. In an era of minimal antitrust enforcement and exploding employee litigation, this reordering is proper.

However, the book's organization is not sacred. Instructors can rearrange the chapters without harm.

THE BOOK CONTINUES ITS PROVEN PEDAGOGICAL FEATURES

In revising the book we have retained the following features that proved so successful in the earlier editions:

- *Part introductions* orient the student to a part's subject matter and organization.
- *Excerpts of statutes set off in the text* allow easy reference to legislative material.
- *Charts and illustrations* help students visualize concepts.
- *Questions after cases* point out important aspects of a case.

- *Problems at the end of each chapter follow the chapter sequence*, allowing for an orderly review of the chapter.

NEW PEDAGOGICAL FEATURES APPEAR IN THIS EDITION

The following features are new:

- Each chapter includes a list of the *chapter objectives*. Experts in education point to the need for clear goals to focus student learning. One way to do this is with behaviorally described learning objectives.
- Chapter *outlines* appear on the title page of each chapter. Students can see at a glance a chapter's headings.
- *Important terms appear in bold* within chapters. They later appear in the chapter problems as terms the student must define. This helps students grasp major concepts.

THE BOOK PROVIDES A “BUILDING BLOCK” APPROACH TO LEARNING

The pedagogical elements just described provide the building blocks for learning. The text combines part introductions, learning objectives, chapter outlines, concept illustrations, cases, case questions, and chapter problems. These organize a student's learning. The student sees what to learn, how to organize study, and where to review. The book gives the student the “building blocks” educational experts say help students learn. They help students recall, apply, analyze, synthesize, and evaluate the concepts in legal environment courses.

THE BOOK'S CONTENT IS ENHANCED

The following are the major content changes in this edition:

- A *streamlined business ethics chapter* provides *straightforward discussion of ethics without jargon*.
- *Ethics boxes* containing ethical dilemmas allow integration of ethics throughout the course.
- A *new chapter on special topics in corporate law* covers white collar crime, RICO, corporate, and fiduciary duties. It also includes takeovers and defenses, minority shareholder rights, and corporate social responsibility. Professors wishing to delve more deeply into corporate law can do so with this chapter, or by covering parts of this chapter.
- A *new chapter on employment law* combines the material on labor standards and employee safety with new material on individual employment rights.

INTERESTING AND TEACHABLE CASES ILLUSTRATE LEGAL POINTS

Legal environment of business professors teach a dynamic field. Thus many new cases appear in this edition.

In selecting cases, we aim for highly teachable cases reflecting, for the most part, legal trends. However, previous adopters will find old favorites, such as:

- *Otis v. Clark* (holding an employer liable for the tort committed by an intoxicated employee who was driving home from work).
- *Soldano v. O'Daniels* (recognizing a duty to act on the part of a business).
- *Meinhard v. Salmon* (recognizing the fiduciary duty of partners).

The text now includes more great cases, such as

- *The Baby M Case* (on promise-keeping).
- *Luedtke v. Nabors Alaska Drilling, Inc.* (upholding employee drug testing against a claim of invasion of privacy).
- *A. A. Poultry Farms v. Rose Acre Farms* (on attempted monopolization).

Professors and students will enjoy reading the cases in this book.

THE BOOK'S CASES ARE CAREFULLY EDITED

We edited the cases carefully. We summarize the facts and court proceedings at the beginning of each case. Ellipsis points show where we omitted language from an opinion. (Where major omissions occur, the ellipsis points are in the form of blocks.) In general, we omitted citations and footnotes from the cases.

We reviewed all the cases carried over from the third edition. In some, *dissenting opinions* now appear. They provide students with alternative policy choices.

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John D. Blackburn
Elliot I. Klayman
Martin H. Malin

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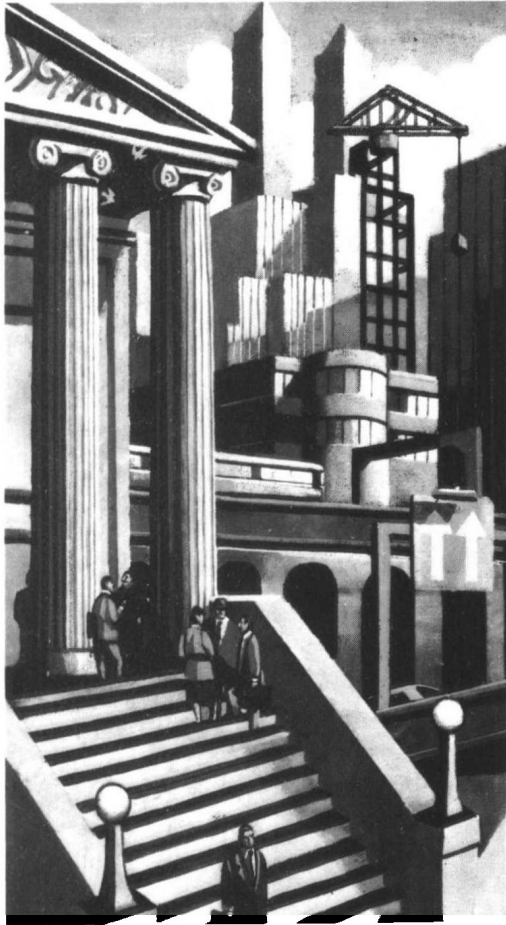
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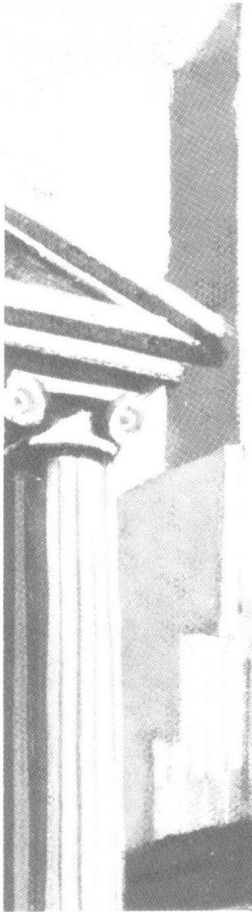
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THE LEGAL ENVIRONMENT OF BUSINESS



Introduction

■ CHAPTER OUTLINE

OBJECTIVES OF LEGAL STUDY BY BUSINESS STUDENTS

Why Study Law in a Business School?
What Are the Objectives of a Course on the Legal Environment of Business?

NATURE OF LEGAL STUDY

Reading Cases
A Sample Case
Briefing Cases
Topics Typically Covered in a Brief
A Sample Brief

■ LEARNING OBJECTIVES

After learning this chapter the student should be able to:

- Explain why law is studied in a business school.
- State the objectives of a course on the legal environment of business.
- Read a case.
- Brief a case.