

REGULATORY LAW AND CONTRACTS

DOUGLAS WHITMAN JOHN WILLIAM GERGACZ MURRAY LEVIN

The Legal Environment of Business

Regulatory Law and Contracts

Douglas Whitman

University of Kansas

John William Gergacz

University of Kansas

Murray Levin

University of Kansas

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About the Authors

DOUGLAS WHITMAN is Professor of Business Law at the University of Kansas, Lawrence, Kansas. He received his B.A. from Knox College, his M.B.A. from the University of Kansas, his J.D. from the University of Missouri, and his LL.M. from the University of Missouri at K.C. He is the author of numerous scholarly articles on the law. He is a coauthor of Modern Business Law (McGraw-Hill), Law and Business (McGraw-Hill), Commercial Law (John Wiley & Sons), The Legal Environment of Business (McGraw-Hill), and is the editor of the book Readings in Business Law and the Legal Environment of Business (McGraw-Hill).

IOHN WILLIAM GERGACZ is a Professor at the School of Business Administration of the University of Kansas and a member of the Illinois and Indiana bars. He was appointed as School of Business Alumni Faculty Scholar at the University of Kansas from 1984-1986. Since joining the KU faculty in 1978, he has received eight awards for excellence in teaching. Gergacz received his B.S. from the School of Business, Indiana University, Bloomington, Indiana, and his J.D. from the School of Law, Indiana University, Bloomington, Indiana, where he was an editor of the law review. He is currently senior articles editor for the American Business Law Journal, for which he previously served as staff editor and articles editor. He has also served as editor-in-chief of the Corporate Information and Privacy Reporter. He has written numerous scholarly articles in such journals as The Business Lawyer, Boston College Environmental Affairs Law Review, New Mexico Law Review, Wake Forest Law Review, Real Estate Law Journal, and the American Business Law Journal. Professor Gergacz is an authority on attorney-client privilege and has published on the topic, Attorney-Corporate Client Privilege, now in its second edition. He is coauthor of The Legal Environment of Business (McGraw-Hill).

MURRAY LEVIN is an Associate Professor at the School of Business Administration of the University of Kansas and a member of the Missouri bar. He received his B.A. and M.B.A. degrees from the University of Wisconsin and his J.D. from the University of Kansas, where he served as Note and Comment Editor of the Kansas Law Review and was elected to Membership in the Order of the Coif. He is currently a staff editor of the American Business Law Journal, business manager of the Midwest Law Review, and treasurer of the Midwest Business Law Association. He has written articles in such journals as The University of Colorado Law Review, The University of Miami Law Review, The University of Kansas Law Review, DePaul Law Review, The Journal of the Missouri Bar, The Journal of Legal Studies Education, Real Estate

Review, Journal of Risk and Insurance, and the American Business Law Journal. Professor Levin also is a consultant on real estate law and on alternative dispute resolution and serves as a mediator and arbitrator for several organizations, including the National Association of Securities Dealers, Inc., the American Arbitration Association, and the Council of Better Business Bureaus, Inc.

To
Doyle Collins Whitman and Anna Mary Whitman;
John W. Gergacz and Ann K. Gergacz;
Herman Levin and Rita Horwitz
our parents,
and to Joan M. Gergacz
Julie E. Levin and Paris Anna Levin

This text provides a unique approach for those professors who emphasize contracts in the beginning business law course. It combines the innovations of the Whitman/Gergacz text, The Legal Environment of Business, 3d edition, with a business manager-oriented, legal environment approach to traditional contract and tort materials. One might describe this book as a unique blend of contracts with the legal environment approach to teaching business law.

As with the Whitman/Gergacz text, the authors of this text selected key principles and developed them in a historical and business-oriented context. We presented the contracts rules in the same manner. Consequently, this text provides students with a business-oriented view of the legal environment with an emphasis on contracts principles, as opposed to merely a law-related view of contract law. Thus, Whitman, Gergacz, and Levin's The Legal Environment of Business: Regulatory Law and Contracts is a unique, traditional book that is aimed at future business managers.

WHAT BUSINESSPEOPLE AND SCHOLARS BELIEVE STUDENTS NEED TO KNOW

In response to the criticism of business schools in the Gordon and Howell report, and the Pierson report in the 1950s, business schools in America set about revising their courses. Business law, as well as other areas, received its share of criticism. Authors and professors responded to this criticism by adopting a variety of approaches to teaching law to business students. The 1960s intervened, and events of that era stimulated other approaches. In the late 1970s and early 1980s, of all of the different approaches on the market, one captured the marketplace: the legal environment of business.

The most recent critique of business schools, a comprehensive study of American business education conducted by Lyman W. Porter and Lawrence E. McKibbin, Management Education and Development: Drift or Thrust into the 21st Century, published by McGraw-Hill, makes additional suggestions for improving the quality of business school education. Among the many observations of the authors is that business students need exposure not only to the internal workings of the firm, but also to external factors that influence the performance of a firm, such as governmental relations, societal trends, the economic system, international developments, politics, and the legal climate.

WHAT THE A.A.C.S.B. REQUIRES STUDENTS TO KNOW

Likewise, the A.A.C.S.B. requires that schools include instruction on ethical and global perspectives, and the impact upon the business enterprise of the external

political and social environments, complex technologies, and demographic diversity. Thus, scholars, businesspeople, and the A.A.C.S.B. agree that students need a broad-based knowledge.

The legal environment of business approach to teaching exposes students to the legal climate of business, as well as such matters as ethics, the global marketplace, and the political and social environment of business.

OUR OBLIGATION TO SERVE THE ACCOUNTING PROFESSION

While industry clearly wants students to receive a broad-based education, we also have an obligation to serve the needs of students who wish to take the CPA examination. Thus, while many professors want to include some exposure to legal environment material, they do not want to do so if they must forgo teaching contracts in sufficient depth for their students to be able to prepare for the CPA examination. Furthermore, many professors prefer to spend at least one-third to one-half of the introductory course in law dealing with contracts because contract law is so central to the conduct of business.

For these reasons we created *The Legal Environment of Business: Regulatory Law and Contracts*. This text gives students an understanding of the legal and political systems, it touches upon many societal issues, but at the same time it allows a professor to examine a topic of critical importance to innumerable business transactions—contracts.

THE SURVEY NATURE OF THIS TEXT

In this text we strived for *less specificity* than one might find in a text devoted to a single area of law. It responds to the need of professors to give a broad-brush, less detailed coverage of a number of areas of law. We consistently strive to avoid touching upon every rule of law. Instead, we have chosen selected areas of law that we take great care to present as clearly as possible. This text thus emphasizes basic, timeless, fundamental concepts.

The legal environment course enables a professor to present a survey of the law. Thus, a professor needs to realize that he or she cannot possibly cover the rules of law in the same depth that one could cover the law in a course devoted to a single area of law. For this reason, the authors provide a dual emphasis within this text. First, for the regulatory material we do not attempt to cover every rule of law. Rather, we selected the most important issues in these areas of law for business managers. Second, we deviate from this approach to some extent in our coverage of torts and contracts by providing a more detailed analysis of the rules. These portions of the text give the instructor the opportunity to explore two areas of law in greater depth. This gives students the chance to see the complexity of the law in two important business law areas.

Throughout the text are cases dealing with the most interesting factual discussions possible. We believe that interesting facts encourage students to read the cases

and help make it easier for students to grasp the law. Furthermore, professors find it more stimulating to teach these cases because students enjoy discussing them.

DEVELOPING AREAS OF THE LAW

The rules in many of the topics covered in this text change from time to time. In fact, it is very often extremely difficult to determine exactly what the law is (black-letter rules) in areas of the law that are constantly changing. In some areas of the law, the rules seem to change from year to year. For this reason, we took great care in deciding what to cover and what not to cover in this text. We have attempted to limit our coverage to points that appear well settled. At the same time, we do discuss important emerging trends. We do not attempt to discuss every recent appellate court case or administrative ruling, as it is not possible in a survey course to examine every area of law in depth.

UNIQUE FEATURES OF THIS TEXT

- Unlike any other legal environment textbook on the market, this text not only includes the standard legal environment material, it also includes nine chapters on contracts and two chapters on torts.
- In all chapters of this text we include end-of-chapter questions, which are genuine review questions a student can answer by reading the material in the chapter.
- We use fact boxes to illustrate interesting points related to material discussed in the text.
- We use a writing style that clearly explains the rules covered in this text. To enhance the clarity of our writing we stress basic, timeless, fundamental rules of law. We discuss these rules in sufficient depth to give students a clear understanding of the material.
- We carefully selected the material we wanted to cover and the material we felt could be omitted in a survey course on business law. We were careful to explain new terms.
- This text contains the most interesting cases of any textbook on the market. The cases excite students. Rather than exclusively selecting the newest case on a point of law, we mix classic cases that announce basic rules of law with recent cases that illustrate current trends in the law. Where appropriate, we include dissenting as well as concurring opinions. In a few places, we include only the facts of a case and ask the student to suggest an appropriate resolution to the case. This tends to encourage a more stimulating class discussion of such cases.

Many classic cases from the Whitman/Gergacz text appear in this text as well. For example,

Regina v. Dudley & Stephens (conflict of rights)

Hoffman v. Red Owl Stores, Inc. (promissory estoppel) Fennings v. Radio Station KSCS (consideration)

With this edition we enhance the text by selecting the best possible new cases. For example,

Martin v. Republic of South Africa (the sovereign immunity doctrine)
Flip Side Productions, Inc. v. Jam Productions, Inc. (monopolies)
Brune v. Brown Forman Corp. (products liability)

CONTENTS OF THE TEXT

This book consists of twenty-six chapters organized in six parts:

- Part 1, Introduction to Law, introduces students to several recurrent themes that we discuss in the text.
- Part 2, The American Legal System, gives students a broad overview of the legal system so they can better understand how the legal system operates.
- Part 3, The Common Law Foundation: Torts and Contracts. This section of the text is unique to legal environment texts. It discusses two fundamental areas of business law in depth—torts and contracts.
- Part 4, Legal Aspects of the Firm and the Regulation of Its Power. In this section we focus on various forms of business organization, as well as two areas that restrict how one operates a business: antitrust and securities law. We also look at ethics.
- Part 5, Regulation of Business Activity. Here we examine several regulatory topics of interest to future managers—employment law, labor law, products liability law, and consumer law.
- Part 6, International Regulation of Business Activity. The text concludes with a discussion of international legal environment of interest to businesspeople.

TEACHING AIDS

Professors adopting this text can obtain an Instructor's Manual, a Test Bank, and Computerized Testing Materials prepared by the authors. The Test Bank includes short essay questions, and multiple choice and true-false questions. Additionally, a Study Guide has been written by Susan E. Grady of the University of Massachusetts at Amherst.

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Douglas Whitman John William Gergacz Murray Levin

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