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# Preface

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The twentieth century world continues to change rapidly. New fact situations and shifting values have produced significant changes in business law. These are presented in this Seventh Edition of **BUSINESS LAW PRINCIPLES AND CASES** in new chapters and in many new and expanded topics within chapters on traditional subjects.

## **Law and Law Enforcement Agencies**

The importance of law and law enforcement agencies is emphasized. Included is a comprehensive discussion of the federal and state court structure and the procedures involved in a lawsuit from commencement to execution of the judgment.

## **Social Forces**

The unique treatment of social forces in the prior editions is continued in this Seventh Edition. In Chapter 2, *Law As an Expression of Social Forces*, the specific objectives of the law are discussed against the background of the general objective of creating, maintaining, and restoring order, stability, and justice. The student also learns to think of the law as an evolutionary process and as a synthesis of prior law.

## **Consumer Protection**

The interests of the consumer are being increasingly recognized by federal and state legislation and by administrative regulation. The importance of this area of the law is recognized by Chapter 8, *Consumer Protection*, which embraces important provisions of the Uniform Consumer Credit Code and the federal Consumer Credit Protection Act. Bait advertising, games of chance as promotional devices, seals of approval, home solicitation sales, referral sales, mail order transactions, credit cards, balloon payments, preservation of consumer defenses, collection methods, protection of credit standing, and consumer remedies are some of the topics in this chapter.

The following topics are examples of those pertaining to consumer protection which are incorporated in other chapters: unordered goods, disclosure in a separate statement for an installment loan, fine print in contracts, domination by seller, unequal bargaining power, unconscionable and oppressive contracts, and consumer protection rescission.

## **Administrative Agencies**

The importance of administrative agencies, particularly those at the federal level, continues to grow. The special character of these agencies is recognized in

Chapter 6. Consideration is given to the administrator's power, the pattern of administrative procedure, and the finality of administrative determination.

### **Environmental Law**

Society increasingly recognizes the social importance of the conservation of natural resources and of the protection of our physical environment. The desire to obtain an unpolluted environment is becoming crystallized into a right, as set forth in Chapter 7, Environmental Law and Community Planning.

### **Malpractice Liability**

The growing area of malpractice lawsuits is recognized. The liability of professionals both to their clients and third persons is discussed fully in Chapter 19.

### **Franchises**

Numerous questions raised by the recent tremendous growth of franchising operations necessitate an understanding of the basic principles of the law involved. These are considered in Chapter 47.

### **Securities Regulation**

The growing importance to the business person of a knowledge of the provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 has been recognized by an expansion of the material on corporations.

### **Computers and Other New Topics**

The impact of electronic data processing, computers, and retrieval systems is recognized in such topics as defamation by computer, computer programs as property, and computers and corporate management.

Antidiscrimination legislation affects several areas of business law, as reflected by topics dealing with businesses serving the public (restaurants, common carriers of passengers, and hotels and motels), employment, deeds, leases, and insurance.

Numerous other topics include: transfer of title in self-service stores, condominiums, and no-fault insurance.

### **UCC and UCCC**

The rapid growth in the number of court decisions under the Uniform Commercial Code since the publication of the Sixth Edition has necessitated an expanded presentation of the law in such areas as sales, commercial paper, and secured transactions. More evident in the opinions too is the influence of the UCC on contracts in general. An appendix includes the complete 1972 Official Text of the Uniform Commercial Code. Where important to the student, differences found in the 1962 Official Text of the Code are stated in the footnotes.

The Uniform Consumer Credit Code has been adopted in several states. Regardless of the number of additional states that adopt the UCCC, this uniform act is having a definite influence on state legislation concerning consumer credit practices.

Chapter 14, Legality and Public Policy, and Chapter 8, Consumer Protection, incorporate provisions of the UCCC.

### **Authoritative**

The material in this edition has been made up-to-date through an examination of professional publications in the field, new federal legislation, administrative agency regulations, and every reported decision of the federal courts, the state supreme courts, and the intermediate state courts.

Reference is made by the footnotes to uniform statutes, model acts, and restatements of the law as well as to recent cases. In addition to the UCC and UCCC, the uniform statutes and model acts cited pertain to arbitration, anatomical gifts, gifts to minors, aeronautics, fraudulent conveyances, vendor and purchaser risks, disposition of unclaimed property, partnerships, limited partnerships, business corporations, probate, and simultaneous deaths.

### **Student Supplement**

An optional Student Supplement includes for each chapter a review of new legal terms, a study guide consisting of objective questions, and several case problems for which students are required to state in their own words the principle or rule of law that applies.

### **Tests and Supplementary Case Problems**

For evaluative purposes, printed objective tests have been prepared to accompany this text. The instructor may also wish to use selected supplementary case problems that are available.

### **Contributing Authors**

This edition has been enhanced by the outstanding participation of two Contributing Authors—Professor Ivan Fox of Pace University and Professor David P. Twomey of Boston College. Each brought to the project a unique blend of knowledge and experience that substantially facilitated the development of the publication.

### **A Special Tribute**

This edition is the first in over twenty-five years that does not carry the name of Walter A. Kumpf as coauthor. The thousands of students and instructors who have used the editions on which he labored are the beneficiaries of his many contributions to the teaching of business law. His efforts as coauthor and editor, and his friendship are gratefully acknowledged.

R. A. A

# Contents

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## **Part 1 LEGAL RIGHTS AND SOCIAL FORCES**

1	Law and Law Enforcement Agencies	1
2	Law as an Expression of Social Forces	17
3	Criminal Law and Business	34
4	The Law of Torts and Business	47

## **Part 2 GOVERNMENT, BUSINESS, AND SOCIETY**

5	Government Regulation	67
6	Administrative Agencies	83
7	Environmental Law and Community Planning	97
8	Consumer Protection	108

## **Part 3 CONTRACTS**

9	Nature and Classes of Contracts	127
10	The Agreement	142
11	Contractual Capacity	163
12	Genuineness of Assent	174
13	Consideration	190
14	Legality and Public Policy	206
15	Form of Contract	223
16	Interpretation of Contracts	239
17	Third Persons and Contracts	254
18	Discharge of Contracts	267
19	Breach of Contract and Remedies	285

## **Part 4 PERSONAL PROPERTY AND BAILMENTS**

20	Personal Property	305
21	Bailments	325
22	Special Bailments and Documents of Title	343

## **Part 5 SALES**

23	Nature and Form of Sales	359
24	Risk and Property Rights	378

25	Obligations and Performance	399
26	Warranties and Other Product Liabilities	414
27	Remedies for Breach of Sales Contract	438

## **Part 6 COMMERCIAL PAPER**

28	Kinds of Paper, Parties, and Negotiability	459
29	Transfer of Commercial Paper	476
30	Presentment of Paper for Payment and Acceptance	493
31	Rights of Holders and Defenses	510
32	Discharge of Commercial Paper	530
33	Checks and Bank Collections	542

## **Part 7 CREDITORS' RIGHTS AND SECURED TRANSACTIONS**

34	Secured Consumer Credit Sales	559
35	Other Secured Transactions, Suretyship, and Letters of Credit	577
36	Insurance	597
37	Kinds of Insurance	610
38	Bankruptcy	631

## **Part 8 AGENCY AND EMPLOYMENT**

39	Agency—Creation and Termination	647
40	Principal and Agent	662
41	Third Persons in Agency	678
42	Employment	701

## **Part 9 PARTNERSHIPS AND SPECIAL VENTURES**

43	Creation and Termination of Partnerships	717
44	Powers and Duties of Partners	734
45	Special Ventures	751

## **Part 10 CORPORATIONS**

46	Nature, Creation, and Termination of Corporations	767
47	Corporate Powers	789
48	Corporate Stock and Shareholders	801
49	Management of Corporations	824

## **Part 11 REAL PROPERTY**

50	Nature and Ownership of Real Property	841
51	Leases	865

**Part 12 ESTATES**

52	Decedents' Estates	<b>885</b>
53	Trusts	<b>905</b>

Appendix: How to Find the Law	<b>919</b>
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Glossary

Uniform Commercial Code

Index of Cases

Subject Index



# Part One • Legal Rights and Social Forces

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## 1 Law and Law Enforcement Agencies

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Law has developed because people and society have wanted relationships between people, and between people and government, to conform to certain standards. The rules or laws adopted for this purpose have expressed the social, economic, and moral standards and aspirations of society.

### A. NATURE OF LEGAL RIGHTS AND THE LAW

*Law* consists of the entire body of principles that govern conduct and can be enforced in the courts. If there were no society-made law, no doubt many persons would be guided by principles of moral or natural law. Most people would act in accordance with the dictates of conscience, the precepts of right living that are a part of religion, and the ethical concepts that are generally accepted in the community. Those who would choose to act otherwise, however, would constitute a serious problem for society.

**§ 1:1. Legal Rights.** What are legal rights? And who has them? In answering these questions, we tend to make the mistake of thinking of the present as being characteristic of what was and what will be. But consider the evolution of the concept of the “rights of the human being” and the right of privacy.

(a) **The “Rights of the Human Being” Concept.** Our belief in the American way of life and in the concepts on which our society or government is based should not obscure the fact that at one time there was no American way of life. While many religious leaders, philosophers, and poets spoke of the rights and dignity of people, rulers laughed at such pretensions and held people tightly in a society based on status. A noble had the rights of a noble. A warrior had the rights of a warrior. A slave had very few rights at all. In each case, the law saw only status; rights attached not to the human being but to the status.

In the course of time, serfdom displaced slavery in much of the Western world. Eventually feudalism disappeared and, with the end of the Thirty Years War, the

modern nation-state began to emerge. Surely one might say that, in such a “new order,” a human being had legal rights. No, not as a human being, but only as a subject did one have legal rights. Even when the English colonists settled in America, they brought with them not the rights of human beings but the rights of British subjects. Even when the colonies were within one year of war, the Second Continental Congress presented to King George III the Olive Branch Petition which beseeched the king to recognize the colonists’ rights as English subjects. For almost a year the destiny of the colonies hung in the balance with the colonists unable to decide between remaining loyal to the Crown, seeking to obtain recognition of their rights as English subjects (a “status” recognition), or doing something else.

Finally, the ill-advised policies of George III and the eloquence of Thomas Paine’s *Common Sense* tipped the scales and the colonies spoke on July 4, 1776, not in terms of the rights of English subjects but in terms of the rights of people existing independently of any government. Had the American Revolution been lost, the Declaration of Independence would have gone rattling down the corridors of time with many other failures. But the American Revolution was won, and the new government that was established was based upon “human beings” as the building blocks rather than upon “subjects.” Rights of human beings replaced the concept of rights of subjects. With this transition, the obligations of a monarch to faithful subjects were replaced by the rights of human beings existing without regard to will or authority of any kind. Since then, America has been going through additional stages of determining what is embraced by the concept of “rights of human beings.”

**(b) The Right of Privacy.** Today everyone recognizes that there is a right of privacy. Before 1890, however, this right did not exist in American law. Certainly those who wrote the Declaration of Independence and the Bill of Rights Amendments to the Constitution were conscious of rights. How can we explain that the law did not recognize a right of privacy until a full century later?

The answer is that at a particular time people worry about the problems which face them. Note the extent of the fears and concern of the framers of the Bill of Rights Amendments to the Constitution. The Fourth Amendment states, “The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched and the persons or things to be seized.” The people of 1790 were afraid of a recurrence of the days of George III.

The framers of the Fourth Amendment declared what we today would regard as a segment of privacy—protection from police invasion of privacy. The people of 1790 just were not concerned with invasion of privacy by a private person. While a snooping person could be prosecuted to some extent under a Peeping Tom statute, this was a criminal liability. The victim could not sue for damages for the invasion of privacy.

If we are honest with history, all that we can say is that modern people think highly of privacy and want it to be protected. And, knowing that the law is responsive to the wishes of society, we can also say that the right is protected by government. But note that we should go no further than to say that it is a right which society wishes to protect at the present time. If circumstances arise in our national life of

such a nature that privacy will hamper or endanger national defense, we can expect that the “right” of privacy will be limited or modified. We should therefore approach problems relating to rights with an open mind, realizing that there are only such legal rights as we the people, through our legal system, choose to recognize.

**§ 1:2. What is the Law?** The expression, “a law,” is ordinarily used in connection with a statute enacted by a state legislature or the Congress of the United States, such as an act of the federal Congress to provide old-age benefits. However, the statutes enacted by legislative bodies are not the only source of law.

*Constitutional law* includes the constitutions in force in the particular area or territory. In each state, two constitutions are in force, the state constitution and the national constitution.

*Statutory law* includes statutes adopted by the lawmakers. Each state has its own legislature and the United States has the Congress, both of which enact laws. In addition, every city, county, or other subdivision has some power to adopt ordinances which, within their sphere of operation, have the same binding effect as legislative acts.

Of great importance are the *administrative regulations*, such as rules of the Securities and Exchange Commission and the National Labor Relations Board. The regulations promulgated by national and state administrative agencies generally have the force of statute and are therefore part of “the law.”

Law also includes principles that are expressed for the first time in court decisions. This is *case law*. For example, when a court decides a new question or problem, its decision becomes a *precedent* and stands as the law for that particular problem in the future. This rule that a court decision becomes a precedent to be followed in similar cases is the doctrine of *stare decisis*.

Law also includes treaties made by the United States, and proclamations and orders of the President of the United States or of other public officials.

**§ 1:3. Uniform State Laws.** To secure uniformity as far as possible, the National Conference of Commissioners on Uniform State Laws, composed of representatives from all the states, has drafted statutes on various business subjects for adoption by the states. The best example of such laws is the Uniform Commercial Code (UCC).<sup>1</sup> The Code regulates the fields of sales of goods; commercial paper, such as checks; secured transactions in personal property; and particular aspects of banking, letters of credit, warehouse receipts, bills of lading, and investment securities.

National uniformity has also been brought about in some areas of consumer protection by the adoption of the federal Consumer Credit Protection Act (CCPA), Title I of which is popularly known as the Truth in Lending Act.<sup>2</sup> A Uniform Consumer Credit Code (UCCC) has been proposed and is now before the states for

<sup>1</sup> The Code has been adopted in every state except Louisiana. It has also been adopted in the Virgin Islands and for the District of Columbia. Louisiana has adopted Articles 1, 3, 4, and 5 of the Code. In 1972, a group of amendments to the Code was recommended. These have been adopted in Arizona, Arkansas, California, Colorado, Connecticut, Illinois, Iowa, Kansas, Maine, Minnesota, Mississippi, Nebraska, Nevada, New York, North Carolina, North Dakota, Oregon, Texas, Utah, Virginia, West Virginia, and Wisconsin. The changes made by the 1972 amendments to the UCC are confined mainly to Article 9 on secured transactions.

<sup>2</sup> 15 United States Code § 1601 et seq., and 18 USC § 891 et seq.

possible adoption. To the extent that it is adopted, it will complement the Uniform Commercial Code.<sup>3</sup>

**§ 1:4. Classifications of Law.** Law is classified in many ways. For example, *substantive law*, which defines the substance of legal rights and liabilities, is contrasted with *procedural law*, which specifies the procedure that must be followed in enforcing those rights and liabilities. The following additional classifications are useful:

(a) **Law and Equity.** Law is frequently classified as being “law” or “equity.” During the early centuries following the Norman Conquest, it was common for subjects of the English Crown to present to the King petitions requesting particular favors or relief that could not be obtained in the ordinary courts of law. The extraordinary or special relief granted by the chancellor, to whom the King referred such matters, was of such a nature as was dictated by principles of justice and equity. This body of principles was called *equity*. While originally applied by separate courts, today the same court usually administers both “law” and “equity.”

(b) **Classification Based Upon Historical Sources.** Law is sometimes classified in terms of its source as the *civil law*, which comes from the Roman civil law, and the *common law*, which is based upon the English common law or the common law that has developed in the United States.

The *law merchant*, which was recognized by early English merchants, has been absorbed to a large extent by the common law. During the centuries that the common law was developing in England, merchants of different nations, trading in all parts of the world, developed their own sets of rules to govern their business transactions. Much of our modern business law relating to commercial paper, insurance, credit transactions, and partnerships originally developed in the law merchant.

## B. AGENCIES FOR ENFORCEMENT OF LEGAL RIGHTS

Legal rights are meaningless unless they can be enforced. Government, therefore, provides a system by which the rights of the parties under the law can be determined and enforced. Generally the instrumentality of government by which this is accomplished is a court; the process involved is an action or a lawsuit. Administrative agencies have also been created to enforce law and to determine rights within certain areas. At the same time private agencies have developed as an out-of-court method of dispute determination.

**§ 1:5 Courts.** A *court* is a tribunal established by government to hear and decide matters properly brought before it, to give redress to the injured or enforce punishment against wrongdoers, and to prevent wrongs. A *court of record* is one in which the proceedings are preserved in an official record. A *court not of record* is a court of which the proceedings are not officially recorded.

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<sup>3</sup> As of January, 1978, the 1968 version of the Uniform Consumer Credit Code has been adopted in: Colorado, Idaho, Indiana, Oklahoma, South Carolina, Utah, Wisconsin, and Wyoming. This earlier version, however, has been replaced by a 1974 version, which has been adopted in Iowa, Kansas, and Maine.

Each court is empowered to decide certain types or classes of cases. This power is called *jurisdiction*. A court may have original or appellate jurisdiction, or both. A court with *original jurisdiction* has the authority to hear a controversy when it is first brought into court. A court having *appellate jurisdiction*, on the other hand, has authority to review the judgment of an inferior court.

The jurisdiction of a court may be general as distinguished from limited or special. A court having *general jurisdiction* has power to hear and decide all controversies involving legal rights and duties. A court of *limited* or *special jurisdiction* has authority to hear and decide only those cases that fall within a particular class, such as cases in which the amounts are below a specified sum.

Courts are frequently classified in terms of the nature of their jurisdiction. A *criminal court* is one that is established for the trial of crimes, which are regarded as offenses against the public. A *civil court*, on the other hand, is authorized to hear and decide issues involving private rights and duties and also noncriminal public matters. In like manner, courts are classified as equity courts, juvenile courts, probate courts, and courts of domestic relations, upon the basis of their limited jurisdiction.

Each court has inherent power to establish rules necessary to preserve order in the court or to transact the business of the court. An infraction of these rules or the disobedience to any other lawful order, as well as a willful act contrary to the dignity of the court or tending to pervert or obstruct justice, may be punished as *contempt of court*.

**§ 1:6. Administrative Agencies.** The difficulties of courts administering laws regulating business, labor, agriculture, public utilities, and other phases of the economy led Congress and the state legislatures to establish commissions or agencies of experts to make the rules and to pass upon violations of the rules. Thus we find the Interstate Commerce Commission regulating interstate commerce and passing upon whether conduct of a carrier is a violation of its regulations. The Commission is thus a lawmaker, an executive that enforces the law, and a court which interprets and applies the law. This is also true of the Civil Aeronautics Board, the Federal Trade Commission, the Securities and Exchange Commission, the National Labor Relations Board, and many other federal and state administrative agencies.

Generally an appeal may be taken to court from the action of such an administrative body. The action of the board is usually final, however, with respect to questions of fact when there is substantial evidence to support the decision; but such action may be reversed by the court when the latter disagrees with the board on questions of law.

**§ 1:7. Private Agencies.** Because of the rising costs, delays, and complexities of litigation, business people often seek to resolve disputes out of court.

(a) **Arbitration.** By the use of *arbitration* a dispute is brought before one or more arbitrators who make a decision which the parties have agreed to accept as final. This procedure first reached an extensive use in the field of commercial contracts. Parties to a contract which is to be in effect for some time may specify in the contract that any dispute shall be submitted to arbitrators to be selected by the parties. Arbitration today is encouraged as a means of avoiding expensive litigation and easing the

workload of courts. Arbitration enables the parties to present the facts before trained experts because the arbitrators are familiar with the practices that form the background of the dispute.

A Uniform Arbitration Act has been adopted in a number of states.<sup>4</sup> Under this Act and similar statutes, the parties to a contract may agree in advance that all disputes arising thereunder will be submitted to arbitration. In some instances the contract will name the arbitrators for the duration of the contract.

The growth of arbitration has been greatly aided by the American Arbitration Association not only in the development of standards, procedures, and forms for arbitration, but also by the creation of panels of qualified arbitrators from which the parties to a contract may select those who will settle their dispute.

**(b) Reference to Third Person.** An out-of-court determination of disputes under construction contracts is often made under a term of the contract that any dispute shall be referred to the architect in charge of the construction and that the architect's decision shall be final.

Increasingly, other types of transactions provide for a third person or a committee to decide rights of persons. Thus, employees and an employer may have agreed as a term of the employment contract that claims of employees under retirement and pension plans shall be decided by a designated board or committee. The seller and buyer may have selected a third person to determine the price to be paid for goods. Ordinarily the parties agree that the decision of such a third person or board shall be final and that no appeal or review may be had in any court. In most cases, the referral situation involves the determination of a particular fact in contrast to arbitration which seeks to end a dispute.

**(c) Association Tribunals.** Many disputes never reach the law courts because both parties to the dispute belong to a group or association and the tribunal created by the group or association disposes of the matter. Thus a dispute between members of a labor union, a stockbrokers' exchange, or a church, may be heard by some board or committee within the association or group. Courts will review the action of such tribunals to determine that a fair and proper procedure was followed but generally the courts will not go any further and will not examine the facts of the case to see if the association tribunal reached the same conclusion that the court would have reached.

## C. COURT ORGANIZATION

Courts in the United States are organized in two distinct systems: the federal courts and the state courts. Although created under separate governments, the methods of operation and organization of these two systems are similar.

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<sup>4</sup> The 1955 version of the Uniform Arbitration Act has been adopted in Alaska, Arizona, Arkansas, Colorado, Delaware, Idaho, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Mexico, North Carolina, South Dakota, Texas, and Wyoming. The earlier 1925 version of the Act is in force in Pennsylvania, Utah, and Wisconsin.

## § 1:8. Personnel of Courts.

(a) **Officers of the Court.** The *judge* is the primary officer of the court. A judge is either elected or appointed. *Attorneys* or counselors at law are also officers of the court. They are usually selected by the parties to the controversy—but in some cases by the judge—to present the issues of a case to the court.

The *clerk* of the court is appointed in some of the higher courts but is usually elected to office in the lower courts. The principal duties of the clerks are to enter cases upon the court calendar, to keep an accurate record of the proceedings, to attest the same, and, in some instances, to approve bail bonds and to compute the amount of costs involved.

The *sheriff* is the chief executive of a county. In addition to the duty of maintaining peace and order within the territorial limits of a county, the sheriff has many other duties in connection with the administration of justice in county courts of record: summoning witnesses, taking charge of the jury, preserving order in court, serving writs, carrying out judicial sales, and executing judgments. The *marshals* of the United States perform these duties in the federal courts. In county courts not of record, such as the courts of justices of the peace, these duties, when appropriate, are performed by a *constable*. Some of the duties of the sheriff are now performed by persons known as *court criers*; or by deputy sheriffs, known as *bailiffs*.

(b) **The Jury.** The *jury* is a body of citizens sworn by a court to try to determine by verdict the issues of fact submitted to them. A trial jury consists of not more than twelve persons. The first step in forming a jury is to make a *jury list*. This step consists of the preparation by the proper officers or board of a list of qualified persons from which a jury may be drawn.

A certain number of persons drawn from the jury list constitute the *jury panel*. A trial jury is selected from members of the panel.

## § 1:9. Federal Courts. The federal system of courts includes the following:

(a) **Supreme Court of the United States.** The Supreme Court is the only federal court expressly established by the Constitution. Congress is authorized by the Constitution to create other federal courts.

The Supreme Court has original jurisdiction in all cases affecting ambassadors, other public ministers, and consuls, and in those cases in which a state is a party. Except as regulated by Congress, it has appellate jurisdiction in all cases that may be brought into the federal courts in accordance with the terms of the Constitution. The Supreme Court also has appellate jurisdiction of certain cases that have been decided by the supreme courts of the states. Thousands of cases are filed with this court in a year.

(b) **Courts of Appeals.** The United States, including the District of Columbia, is divided into 11 judicial circuits. Each of the circuits has a court of appeals. These courts are courts of record.

A court of appeals has appellate jurisdiction only and is empowered to review the final decisions of the district courts, except in cases that may be taken directly to the Supreme Court. The decisions of the courts of appeal are final in most cases.



An appeal may be taken on certain constitutional questions. Otherwise, review depends on the discretion of the Supreme Court and, in some cases, of the court of appeals.

**(c) District Courts.** The United States, including the District of Columbia, is divided into a number of judicial districts. Some states form a single district, whereas others are divided into two or more districts. District courts are also located in the territories.

The district courts have original jurisdiction in practically all cases that may be maintained in the federal courts. They are the trial courts for civil and criminal cases.

Civil cases that may be brought in these district courts are (a) civil suits brought by the United States; (b) actions brought by citizens of different states claiming land under grants by different states; (c) proceedings under the bankruptcy, internal revenue, postal, copyright, and patent laws; (d) civil cases of admiralty and maritime jurisdiction; (e) actions against national banking associations; and (f) cases between citizens of different states or between citizens of one state and of a foreign state involving \$10,000 or more that arise under the federal Constitution, or laws and treaties made thereunder.

**(d) Other Federal Courts.** In addition to the Supreme Court, the court of appeals, and the district courts, the following tribunals have been created by Congress to determine other matters as indicated by their titles: Customs Court, Court of Customs and Patent Appeals, Court of Claims, Tax Court,<sup>5</sup> Court of Military Appeals, and the territorial courts.

**§ 1:10. State Courts.** The system of courts in the various states is organized along lines similar to the federal court system, although differing in details, such as the number of courts, their names, and jurisdiction.

**(a) State Supreme Court.** The highest court in most states is known as the Supreme Court. In a few states it may have a different name, such as “Court of Appeals” in New York. The jurisdiction of a supreme court is ordinarily appellate, although in a few instances it is original. In some states the supreme court is required to render an opinion on certain questions that may be referred to it by the legislature or by the chief executive of the state. The decision of the state supreme court is final in all cases not involving the federal Constitution, laws, and treaties.

**(b) Intermediate Courts.** In some states intermediate courts have original jurisdiction in a few cases but, in the main, they have appellate jurisdiction of cases removed for review from the county or district courts. They are known as superior, circuit, or district appellate courts. As a general rule, their decisions may be reviewed by the highest state court.

**(c) County and District Courts.** These courts of record have appellate jurisdiction of cases tried in the justice of the peace and police courts, as well as general original

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<sup>5</sup> This court was created originally as a Board of Tax Appeals with the status of an independent agency in the executive branch of the federal government. The Tax Reform Act of 1969 established the official name as United States Tax Court with the status of a court of record under Article I of the Constitution of the United States.



jurisdiction of criminal and civil cases. They also have jurisdiction of wills and guardianship matters, except when, as in some states, the jurisdiction of such cases has been given to special orphans', surrogate, or probate courts.

(d) **Other State Courts.** In addition to the foregoing, the following, which are ordinarily not courts of record, have jurisdiction as indicated by their titles: city or municipal courts, police courts, traffic courts, small claims courts, and justice of the peace courts.

## D. COURT PROCEDURE

Detailed laws specify how, when, and where a legal dispute can be brought to court. These rules of procedure are necessary in order to achieve an orderly, fair determination of litigation and in order to obtain, as far as humanly possible, the same decisions on the same facts. It is important to remember, however, that there is no uniform judicial procedure. While there are definite similarities, the law of each state may differ from the others. For the most part the uniform laws that have been adopted do not regulate matters of procedure.

In a lawsuit, the person suing is the *plaintiff*, and the person sued is the *defendant*. There may be more than one plaintiff and more than one defendant. If *A* and *B* jointly own an automobile which is damaged by *C*, both *A* and *B* must join in an action against *C*. It is improper for *A* or *B* to sue alone since it is "their" car and not the car of either one alone.

In some instances, several persons, such as shareholders or taxpayers, may bring a *class action* on behalf of themselves and all other persons having the same or similar interest. In some instances, a defendant has the right to bring another person into an action on the ground that such person also has a claim. For example, an insurance company, by the procedure of *interpleader*, may require a person claiming to be entitled to the proceeds of a policy to come into an action brought by another person as beneficiary of the same policy.

By another procedure, a seller sued by a customer for product liability may join the manufacturer as an additional defendant.

### § 1:11. Steps in a Lawsuit.

(a) **Commencement of Action.** In the common-law courts an action was commenced by filing an order with the keeper of the court records to issue a writ to the sheriff. This writ of summons ordered the sheriff to inform the defendant to appear before the court on a particular date. This method of commencing an action is still followed in many states.

By way of contrast, an action in a court of equity was begun when the plaintiff filed with the court a *complaint*. No writ was issued, but a copy of the complaint was served on the defendant. In many states and in the federal courts, the reforms of recent years have extended this equity practice to all legal actions. Such actions are today commenced by the filing of the plaintiff's complaint. Some states still preserve the former distinction between law and equity, while others give the plaintiff the option of commencing the action by either method.