

BEATTY
SAMUELSON

BUSINESS LAW

AND THE LEGAL ENVIRONMENT

FOR A NEW CENTURY



ALTERNATE EDITION

BUSINESS LAW

and the Legal Environment

**FOR A NEW CENTURY
ALTERNATE EDITION**

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Business Law and the Legal Environment for a New Century—Alternate Edition
by Jeffrey F. Beatty and Susan S. Samuelson

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Slected Chapter Elements. To see examples of the many attention-grabbing features in *Business Law and the Legal Environment for a New Century, Alternate Edition*, use these lists on the inside front and back covers. After these samples catch your interest, you can look at any chapter in the text to see more.

CYBERLAW COVERAGE

The computer has changed all of our lives forever, and the courts and statute books are full of fascinating cyberlaw issues. The book contains a full chapter on cyberlaw, Chapter 44. Chapter 45: Intellectual Property with Cyberlaw includes cyberlaw issues unique to that discipline.

CHAPTER
44

CYBERLAW

Jason always said that his computer was his best friend. He was online all the time, sending instant messages to his friends, listening to music, doing research for his courses, and, okay, maybe playing a few games now and again. Occasionally,

CHAPTER
45

INTELLECTUAL
PROPERTY
WITH
CYBERLAW

It is hard to imagine that a Goliath like the \$12 billion American music industry could see a 19-year-old college sophomore as a threat to its long-term financial health. But when Brian Matiash, a computer engineering major, boots up the computer in his dorm room at Syracuse University on a typical evening, several hundred e-mail messages will await him, each a request for digital copies of recorded music. He will fire up his computer, which is equipped with a hard drive that holds copies of literally hundreds of songs and a CD burner, a device

CYBERLAW



Throughout the text still more cyberlaw issues are discussed as they relate to the particular topic. Look for the Cyberlaw icons.

Communications Decency Act
Chapter 4, p. 92

Legality of Internet "Cookies"
Chapter 5, p. 123

Electronic Attacks by Hackers
Chapter 7, p. 159

Exporting Encryption Technology
Chapter 8, p. 179

Invasions of Electronic Privacy
Chapter 9, p. 215

Dangers of Electronic Auctions
Chapter 11, p. 251

Internet Gambling
Chapter 13, p. 288

Electronic Signatures and Contracts
Chapter 15, p. 342

Hardware and Software Liability
Chapter 21, p. 470

Digital Signatures and Online Checks
Chapter 23, p. 513

Monitoring Employees' E-mails
Chapter 29, p. 677

Electronic Communications Privacy Act
Chapter 30, p. 693

Electronic Delivery of Annual Reports
Chapter 37, p. 845

Dissident Shareholders Use the Internet
Chapter 37, p. 845

Electronic SEC Filings
Chapter 38, p. 869

The Internet Is Not Anonymous
Chapter 42, p. 958

Listing Chemical Storage Sites on the Net
Chapter 43, p. 984

Patenting Internet Business Techniques
Chapter 45, p. 1031

Infringing on Trademarks on the Web
Chapter 45, p. 1042

See the inside back cover for more examples of exciting features.

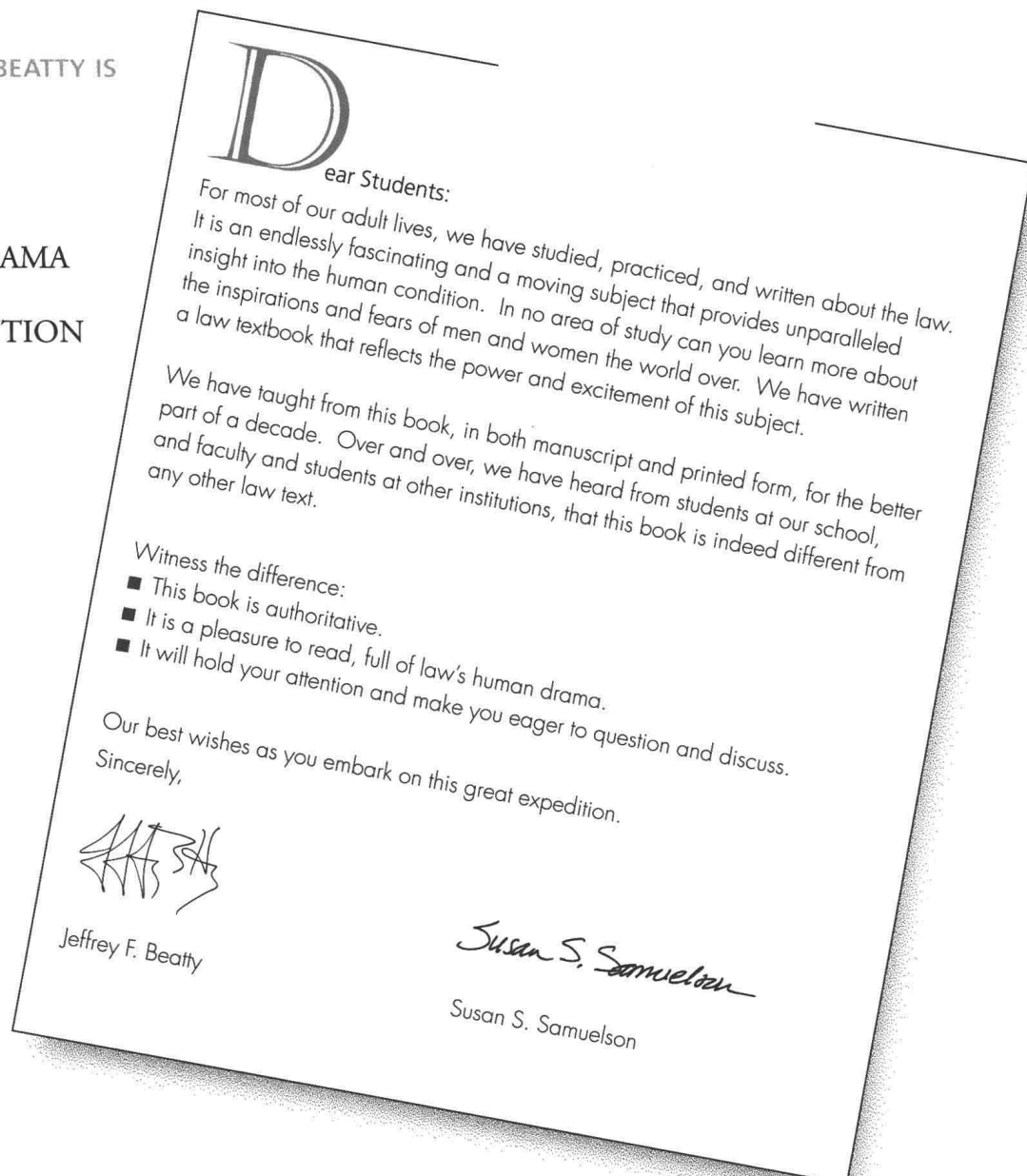
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WITNESS THE DIFFERENCE

WITH BEATTY AND SAMUELSON'S BUSINESS LAW AND
THE LEGAL ENVIRONMENT FOR A NEW CENTURY,
ALTERNATE EDITION

THREE GREAT REASONS WHY BEATTY IS
A WINNER:

- AUTHORITATIVE
- FULL OF HUMAN DRAMA
- HOLDS YOUR ATTENTION



AUTHORITATIVE COVERAGE

THIS BOOK IS ONE YOU CAN RELY ON—IT IS THE RESULT OF EXHAUSTIVE RESEARCH AND METICULOUS PRESENTATION.

MODERN & CLASSIC

Many of the cases are from the 1990s but the classics are here, too—you'll find both *Jones v. Clinton* (p. 40) and *Palsgraf* (p. 130).

HIGH INTEREST

Cases were chosen because they are interesting—this one is about a Hollywood dispute. (p. 852)

ON POINT

All cases are on point—and are carefully edited to focus on one or two issues.

852

UNIT 5 • BUSINESS ORGANIZATIONS

CASE SUMMARY

IN RE THE WALT DISNEY COMPANY DERIVATIVE LITIGATION
1998 Del. Ch. LEXIS 186
Court of Chancery of Delaware, New Castle, 1998

Facts: As head of Creative Artists Agency (CAA), a major talent agency, Michael Ovitz was often called the “Most Powerful Man in Hollywood.” Disney hired Ovitz to be its president. After 14 months, all parties agreed that the experiment had failed, so Ovitz left Disney—but not empty-handed. Under his employment contract, he was entitled to \$140 million in severance pay. The court described this severance payment as “larger than almost anyone anywhere will receive in the lifetime of any of the parties, and perhaps larger than any ever paid.”⁸ Shareholders of Disney sued to prevent payment. Disney filed a motion to dismiss the lawsuit.

Issue: **Did the Disney directors have the right to pay \$140 million to an employee who had worked at the company unsuccessfully and for only 14 months?**

Decision: Yes, the Disney directors had the right to pay Michael Ovitz \$140 million.

Reasoning: The same laws of science that govern Disney’s small Jungle Cruise ships also apply to its 85,000-ton Disney Magic and Disney Wonder. Likewise, the same corporate laws that permit the board to authorize a small loan also govern its decision to award a \$140 million severance package. Nature does not sink a ship because of its size, nor does a court overrule a board’s decision because of its magnitude.

The business judgment rule generally does not permit a court to second guess a board’s decision unless the decision was, on its face, obviously wrong.⁹ The board’s action must stand unless plaintiffs can show that the board was so corrupted it was unable to make a fair and independent decision in the best interests of the corporation. Plaintiffs argued that the board was so corrupted because

TOUGH ISSUES
Executive compensation is a contentious issue—why not discuss it in business school?

SUMMARIZED CASES
Cases are summarized by the authors and provide a clear presentation for better student understanding.

LEGAL RULES

Legal rules are in bold print, followed by clear explanations.

P. 227

CONTRACTS

THE PURPOSE OF A CONTRACT

Throughout this unit on contracts, we will consider issues like those raised in the Cassandra-Hard Body story. This long chain of mutually dependent people and companies exemplifies not only the law of contracts but the *purpose* of contracts. Parties enter into contracts attempting to control their future. **Contracts exist to make business matters more predictable.** Most contracts work out precisely as the parties intended because the parties fulfill their obligations. Most—but not all. In this unit we will study contracts that have gone wrong. We look at these errant deals to learn how to avoid the problems they manifest.

P. 268

A BARGAIN AND AN EXCHANGE

Consideration is a required element of any contract. **Consideration means that there must be bargaining that leads to an exchange between the parties.** "Bargaining" indicates that each side is obligating itself in some way to induce the other side to agree. Generally, a court will enforce one party's promise only if the other party did something or promised something in exchange. Without an exchange of mutual obligations, there is usually no deal.

How would the four Parsley examples in the introduction work out? In the

P. 376

Substantial Performance

Daniel, the house builder, won his case against Caitlin because he fulfilled most of his obligations, even though he did an imperfect job. Courts often rely on the substantial performance doctrine, especially in cases involving services as opposed to those concerning the sale of goods or land. **In a contract for services, a party that substantially performs its obligations will receive the full contract price, minus the value of any defects.** Daniel receives \$900,000, the contract price, minus the value of a ceiling that is one foot too low, a pool the wrong color, and so forth. It will be for the trial court to decide how much those defects are worth. If the court decides the low ceiling is a \$10,000 damage, the pool color worth \$5,000 and the cable television worth \$500, then Daniel receives \$884,500.

"I have never seen the complexity of contract law made this readable."

— Robert Fidrych, University of Wisconsin

STRONG NARRATIVE

THE LAW IS FULL OF GREAT STORIES, AND WE USE THEM.

P. 24

Was it an accident or was it a suicide? Will the right answer be revealed at trial?

Tony Caruso hadn't returned for dinner. His wife, Karen, was nervous. She put on some sandals and hurried across the dunes, a half mile to the ocean shore. She soon came upon Tony's dog, Blue, tied to an old picket fence. Tony's shoes and clothing were piled neatly nearby. Karen and friends searched frantically throughout the evening. A little past midnight, Tony's body washed ashore, his lungs filled with water. A local doctor concluded he had accidentally drowned. Karen and her

P. 245

Is it a contract or isn't it? Read the scene between the actress and the director to decide.

I nterior. A glitzy cafe, New York. Evening. Bob, a famous director, and Katrina, a glamorous actress, sit at a table, near a wall of glass looking onto a New York sidewalk that is filled with life and motion. Bob sips a margarita while carefully eyeing Katrina. Katrina stares at her wine glass.

P. 531

Producing a rock video seemed like a golden opportunity until checks started bouncing.

W illie groaned under his breath. How had he ever gotten into this mess? Producing a rock video for the Hot Tamales had seemed a golden opportunity. He loved the music, and he didn't even mind living in a trailer on location, but the business end was driving him to despair. That morning, he had glanced out his trailer window and seen Vidalia slinking across the set. How could he have been so stupid as to let her finance the video? "Willie, darling," she had purred, as a circle of smoke from her cigarette caught in his throat, "I know that your promissory note for \$50,000 isn't due 'til next month, but I simply do not like the music in this video, and I cannot support what I do not like. It would be so bad for my karma. But, take your time, dearest one, my driver will be back

P. 762

What happens when partners disagree? All students need to know the rules on business organizations.

Bailey was Chase's choice for the interior design; she could create the sleek, warm look he sought. With Zack's landscape plan, the house would appear to be a natural part of the site. At their first meeting, all three designers committed to the project and rapidly agreed to a deal: Chase would receive 50 percent of the profits, Bailey and Zack 25 percent each. All three would have veto

When you care about the material, you read it more eagerly.

P. 938

Full coverage of the Microsoft case, in easily understood language.

Does Microsoft Control a Market?

Ninety percent of the world's PCs use Windows, the Microsoft operating system. Microsoft also has 93 percent of the world market for office suites,⁵ 45 percent of global software sales, and 1 percent of the computer industry. The company's market share suggests that it may have a monopoly in both operating systems and office suites. However, the *Syufy* case says that a large market share is not sufficient proof of a monopoly. There must also be evidence that the company can control prices or exclude competitors. During a five-year period, the average price Microsoft charged PC manufacturers for licensing Windows rose from \$19.03 to \$49.40. As the cost of Microsoft software was increasing, the total cost of PCs generally was falling, with the result that Microsoft's share of the total cost of a PC grew fivefold, to 2.5 percent. This sounds as if Microsoft could indeed control prices.

P. 541

Liability rules for negotiable instruments are typically difficult to understand. Our presentation of these rules is the clearest you will ever see.

WARRANTY LIABILITY

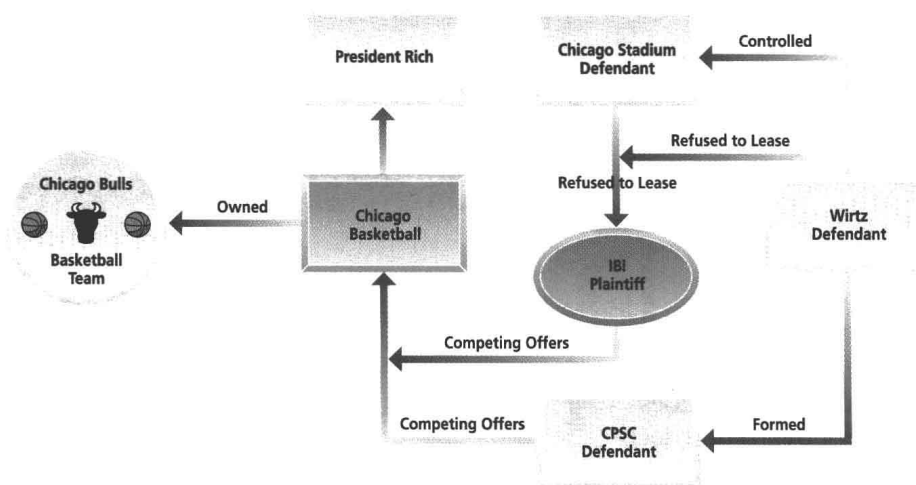
Warranty liability rules apply when someone receives payment on an instrument that is invalid because it has been forged, altered, or stolen.

BASIC RULES OF WARRANTY LIABILITY

1. **The culprit is always liable.** If a forger signs someone else's name to an instrument, that signature counts as the *forger's*, not as that of the person whose name she signed. The forger is liable for the value of the instrument plus any other expenses or lost interest that subsequent parties may experience because of the forgery. If Hope signs David's name on one of his checks, Hope is liable, but not David. Although this is a sensible rule, the problem is

P. 121

Diagrams that are rich in color and content elucidate complex issues.



"I highly recommend this book to anyone interested in understanding the important legal issues surrounding business transactions. It is well organized, timely, interesting, and most of all, useful to both the student and professional. A well-done resource that I value immensely."

– Brian Plumb, Senior Financial Analyst, NEES Companies

SEE THE RELEVANCE

IT'S EASIER TO LEARN SOMETHING WHEN YOU CAN SEE WHY IT IS IMPORTANT.

CHAPTER 44: CYBERLAW

An entirely new chapter on Cyberlaw illustrates the relevance of this emerging new topic.

CHAPTER


44

CYBERLAW

Jason always said that his computer was his best friend. He was online all the time, sending instant messages to his friends, listening to music, doing research for his courses, and, okay, maybe playing a few games now and again. Occasionally, the computer could be annoying. It would crash once in awhile, trashing part of a paper he had forgotten to save. And there was the time that a copy of an e-mail he sent Lizzie complaining about

CYBERLAW

Master the present and anticipate the future. How does current law govern new technology? See pages 342, 470, and 984.



Rich and Enza Hill bought a computer from Gateway 2000, using a credit card to make the purchase over the phone. The Hills complained that their computer was defective and eventually filed suit. The court, however, dismissed their case. Why? The box that arrived at their doorstep contained not only their chosen hardware but a contract from Gateway. The contract stated that the buyer agreed to all of its terms unless she returned the computer within 30 days. One of the terms obligated the buyer to arbitrate any disputes, rather than litigate. The arbitration had to take place in Chicago and be conducted according to the rules of French-based International Chamber of Commerce (ICC). Among other things, the ICC rules require any complaining party (such as the Hills) to pay a large fee—as high as \$5,000 in some cases. The rules also require the losing party to pay the other

YOU BE THE JUDGE

Think independently.
Consider two sides of an
argument. See pages 394,
491, and 829.

YOU Be The Judge

SMITH v. VAN GORKOM
488 A.2d 858, 1985 Del. LEXIS 590
Supreme Court of Delaware, 1985

Facts: Trans Union was a publicly traded company in the railcar leasing business. Jerome Van Gorkom had been its chief executive officer for more than 17 years. He was nearing the mandatory retirement age

Gorkom suggested to Pritzker that a leveraged buyout (LBO) could be done at \$55 per share. (In an LBO the acquiring company buys the target company's stock using a loan secured by the target's assets.) On Thursday, September 18, Pritzker offered to buy all of Trans Union's stock for \$55 per share. The offer expired three days later, on Sunday evening.

On Saturday, Van Gorkom met separately with senior managers and later with the board of directors. Salomon Brothers, the company's investment banker,

Argument for the Shareholders: The whole procedure for this sale was shockingly casual. Van Gorkom signed the final agreement at a social function. When the directors voted to sell the company,

the offer, they would be sued.

Alden Smith's tax problems are not a legitimate reason to hold the board liable. The business judgment rule is meant to protect a board that makes a good faith decision. This board did what it thought best for

proposed the \$55 price in his negotiations with Pritzker. The company's attorney advised the directors that they might be sued if they failed to accept the offer. The company's chief financial officer said that

Argument for the Board of Directors: Pritzker paid a fair price for the Trans Union stock. It represented a premium of (1) 62 percent over the average of

NEWSWORTHY

See that the law touches us
every day. See pages 407, 647,
and 767.



For 20 years, William Moses Kunstler, the shaman and showman lawyer of the radical left, started his mornings by climbing upstairs to the second floor of his Greenwich Village brownstone, taking coffee to the bedside of his wife, Margaret Ratner. After breakfast, Mr. Kunstler would commute to work simply by tromping downstairs to the brownstone's ground-floor office. There, for the last 11 years of his life, he fought the government in hundreds of cases with his acolyte and side-

WORLDVIEW

Connect with the world.
Now the Internet makes
international issues even
more vital. See pages 354,
477, and 876.



In its transition to a market economy, Russia is developing a securities market. To date, this market has tended to be underregulated and overhyped. The Russian government began by issuing privatization vouchers to all its citizens. These vouchers could be used to invest in newly privatized companies. Investment options varied widely. At a "privatization festival" in a Moscow exhibition hall, young men and women with neat business suits and alarmingly friendly smiles waved photocopies of their factories' business plans. Shares in these enterprises

RIGHT & WRONG

Make ethics real. It's not just
for philosophers any more.
See pages 270, 650, and 904.



Because Kelsoe had given no consideration, International Wood was legally permitted to escape from its promise. But was that ethical? Should a corporation honor all commitments to employees? What policy would create the best workforce? What harm might befall a company that fulfilled all promises? What decision would you have made if you were Hernandez's boss and had the power to award the stock to Kelsoe or deny it?

PREVENTIVE LAW

Stay out of court. Tips for
keeping on the right side of
the law. See pages 159, 449,
and 993.



Experts point out that much fraud and embezzlement are readily apparent and can be avoided, if corporate leaders will only open their eyes. Here are a few warning signs:

- An employee with extremely high expense accounts.
- Purchase orders significantly above those of other departments or previous job

"The textbook is awesome. A lot of the time I read more than what was assigned—I just didn't want to stop."

— An undergraduate at Boston University

PREFACE

W

e wrote this book to convey our passion for an exciting and profoundly important discipline. Business law is notoriously complex, and as authors we are obsessed with accuracy. Yet this intriguing subject also abounds with human conflict and hard-earned wisdom, forces that can make a law book sparkle. We are grateful to the faculty who tell us that this business law textbook is precise and authoritative *yet a pleasure to read*. Here are some of the book's key features:

Authoritative. We insist, as you do, on a lawbook that is indisputably accurate. A professor must teach with assurance, confident that every paragraph is the result of exhaustive research and meticulous presentation. Dozens of tough-minded people spent thousands of hours reviewing this book, and we are delighted with the stamp of approval we have received from trial and appellate judges, working attorneys, scholars and teachers.

We reject the cloudy definitions and fuzzy explanations that can invade judicial opinions and legal scholarship. To highlight the most important rules, we use bold print, and then follow with vivacious examples written in clear, forceful English. (See, for example, the description of assault, on page 113.) We cheerfully venture into contentious areas, relying on very recent appellate decisions. (Can computer software be patented? See page 1030.) Where there is doubt about the current (or future) status of a doctrine, we say so. In areas of particularly heated debate, we footnote our work: we want you to have absolute trust in this book.

Strong Narrative. The law is full of great stories, and we use them. Your students and ours should come to class excited. In Chapter 2, on dispute resolution (page 24), we explain litigation by tracking a double-indemnity lawsuit. An executive is dead. Did he drown accidentally, obligating the insurance company to pay? Or did the businessman commit suicide, voiding the policy? The student follows the action from the discovery of the body, through each step of the lawsuit, to the final appeal. The chapter offers a detailed discussion of dispute resolution, but it does so by exploiting the human drama that underlies litigation.

Students read stories and remember them. Strong narratives provide a rich context for the remarkable quantity of legal material presented. When students care about the material they are reading, they persevere. We have been delighted to find that they also arrive in class eager to question, discuss and learn.

Precise. The great joy of using English accurately is the power it gives us to attack and dissect difficult issues, rendering them comprehensible to any lay reader. This text takes on the most complex legal topics of the day, yet it is appropriate for *all college and graduate level students*. Accessible prose goes hand in hand with legal precision. We take great pride in walking our readers through the most serpentine mazes this tough subject can offer. UCC section 2-207, on "battle of forms" con-

flicts, is hardly sexy material, but it is important. We spotlight the real-world need for section 2-207, and then use pin-point directions to guide our readers through its many switchbacks, arriving at a full understanding with sanity and good humor intact. (See page 257.)

As we explore this extraordinary discipline, we lure readers along with quirky anecdotes and colorful diagrams. (Notice that the color display on page 600 clarifies one of the more complex transactions in Article 9 of the UCC.) However, before the trip is over we insist that students:

- gauge policy and political considerations,
- grapple with legal and social history,
- spot the nexus between disparate doctrines, and
- confront tough moral choices.

Beyond that, we demand that students incorporate all of these ideas in preventive law analyses, figuring out how to avoid the very problems that have generated our law.

Comprehensive. Staying comprehensive means staying current. Look, for example, at the important field of corporate governance. All texts cover cumulative voting, and so do we. Yet a future executive is far likelier to face conflicts over board composition, executive compensation, and shareholder proposals. We present a clear path through this thicket of new issues, including the latest recommendations from the National Association of Corporate Directors (page 842). We want tomorrow's business leaders to anticipate the challenges that await them and then use their knowledge to avert problems.

This book also provides full coverage of rapidly evolving issues such as cyberlaw, international law, UCC revisions, and countless other topics. For example, the book contains a full chapter on cyberlaw. A second chapter, on intellectual property, includes cyberlaw issues unique to that discipline. Finally, throughout the text we discuss still more cyberlaw issues as they relate to the particular topic; icons highlight those sections. However, this comprehensive coverage does not impede the strong narrative flow. Like you, we are here to teach. We do not use boxes because, in our experience, they disrupt the flow of the text. Students inform us that a box indicates peripheral material, that is, material they routinely skip; we prefer to give them an uncluttered whole. Each chapter also contains several **Internet addresses**, offering students a quick link to additional knowledge. These addresses, however, are woven into the body of the text, to reinforce the point that new technology and research methods are an integral part of a lively discipline. For example, on page 247, in the chapter on contract agreement, we provide a Web site that enables students to research and negotiate a home improvement contract. We believe that a well-written chapter is seamless and cohesive.

A Book for Students. We have written this book as if we were speaking directly to our students. We provide black letter law, but we also explain concepts in terms that hook students. Over the years, we have learned how much more successfully we can teach when our students are intrigued. No matter what kind of a show we put on in class, *they are only learning when they want to learn.*

Every chapter begins with a story, either fictional or real, to illustrate the issues in the chapter and provide context. Chapter 6, on negligence (page 129), opens with a drunken student who staggers from a fraternity party and causes a serious automobile accident while driving home. The intoxicated student is obviously liable. Are other fraternity members? Students want to know—right away.

Most of today's students were not yet born when Gerald Ford was president. They come to college with varying levels of preparation; many now arrive from

foreign countries. We have found that to teach business law most effectively we must provide its context. The chapter on securities law begins with a brief but graphic description of the 1929 stock market crash and the Great Depression (page 865). Only with this background do students grasp the importance and impact of our securities laws.

At the same time, we enjoy offering “nuts and bolts” information that grabs students: how much money corporate directors earn; how scam artists create car accidents in order to file fraudulent insurance claim; how to register an Internet domain name. In Chapter 42, on consumer law, we bring home the issue of credit history by providing phone numbers and Web sites that students can use to check their own credit reports (page 968).

Students respond enthusiastically to this approach. Along with other professors, we have used this text in courses for undergraduates, MBAs and executive MBAs, the students ranging in age from 18 to 55. The book works, as some unsolicited comments indicate:

- An undergraduate wrote, “This is the best textbook I have had in college, on any subject.”
- A business law professor stated that the “clarity of presentation is superlative. I have never seen the complexity of contract law made this readable.”
- An MBA student commented, “I think the textbook is great. The book is relevant, easy to understand and interesting.”
- A state supreme court justice wrote that the book is “a valuable blend of rich scholarship and easy readability. Students and professors should rejoice with this publication.”
- A Fortune 500 vice-president, enrolled in an Executive MBA program, commented, “I really liked the chapters. They were crisp, organized and current. The information was easy to understand and enjoyable.”
- An undergraduate wrote, “The textbook is awesome. A lot of the time I read more than what is assigned—I just don’t want to stop.”

Humor. Throughout the text we use humor—judiciously—to lighten and enlighten. Not surprisingly, students have applauded—but is wit appropriate? How dare we employ levity in this venerable discipline? We offer humor because we take law seriously. We revere the law for its ancient traditions, its dazzling intricacy, its relentless though imperfect attempt to give order and decency to our world. Because we are confident of our respect for the law, we are not afraid to employ some levity. Leaden prose masquerading as legal scholarship does no honor to the field.

Humor also helps retention. We have found that students remember a contract problem described in a fanciful setting, and from that setting recall the underlying principle. By contrast, one widget is hard to distinguish from another.

FEATURES

We chose the features for our book with great care. As mentioned above, all features are considered an essential part of the text, and are woven into its body. Also, each feature responds to an essential pedagogical goal. Here are some of those goals and the matching feature.

You Be The Judge

GOAL: Get them thinking independently. When reading case opinions, students tend to accept the court's "answer." Judges, of course, try to reach decisions that appear indisputable, when in reality they may be controversial—or wrong. From time to time we want students to think through the problem and reach their own answer. Virtually every chapter contains a *You Be The Judge* feature, providing the facts of the case and conflicting appellate arguments. The court's decision, however, appears only in the Instructor's Manual.

Since students do not know the result, discussions tend to be more free-flowing. For instance, many commentators feel that *Smith v. Van Gorkom*, the landmark case on the business judgment rule, was wrongly decided. However, when students read the court's opinion, they rarely consider the opposing side. Now, with the case presented as *You Be the Judge* in Chapter 36 (page 829), the students disagree with the court at least half the time. They are thinking.

Newsworthy

GOAL: Prove that the law touches each of us every day. Students are intrigued to see the relevancy of what they are learning. Each chapter contains at least one Newsworthy feature—a newspaper or magazine article illustrating the legal issue under discussion. Thus, in Chapter 28 on agency law (page 642), an article about an American diplomat killed by terrorists demonstrates that an agency relationship exists only when the principal has control over its agent.

Cyberlaw

GOAL: Master the present and anticipate the future. The computer has changed all of our lives forever, and the courts and statute books are full of fascinating cyberlaw issues. Do employers have the right to read workers' e-mail? When does an electronic signature satisfy the statute of frauds? May the government halt the export of encryption technology? Cyberlaw is fully discussed in Chapter 44: Cyberlaw and Chapter 45: Intellectual Property with Cyberlaw. Finally, throughout the text we discuss still more cyberlaw issues as they relate to the particular topic; icons highlight those sections.

Preventive Law

GOAL: Help managers stay out of court. As every lawyer knows, the best lawsuit is the one that never happens. Some of our students are already in the workforce, and the rest soon will be, so we offer ideas on avoiding legal disputes. Sometimes we provide detailed methods to avoid the particular problem; other times we challenge the students to formulate their own approach to dispute prevention. (See, for example, page 162.)

Right & Wrong

GOAL: Make ethics real. We ask ethical questions about cases, legal issues, and commercial practices. Is it fair for one party to void a contract by arguing, months after the fact, that there was no consideration? How much hospitality should an auditor accept from clients? Do managers have ethical obligations to older workers for whom employment opportunities may be limited? What is wrong with bribery? What should a young executive do if her company sells goods manufactured by underpaid foreign workers? We do not have definitive answers but

believe that asking the questions and encouraging discussion reminds students that ethics is an essential element of justice, and of a satisfying life.

World View

GOAL: Bring the world into the classroom. Business is now global. We offer illustrations of how other countries and cultures treat legal issues. For example, the securities regulation chapter, on page 876, discusses the development of a securities market in modern Russia. Students can glimpse the vital role that securities regulation plays in the economic life of a nation and have a chance to explore alternatives to our system.

Cases

GOAL: Bring case law alive. Each case begins with a summary of the facts followed by a statement of both the issue and the decision. Next comes a summary of the court's opinion. We have written this ourselves to make the judges' reasoning accessible to all readers, while retaining the court's focus and the decision's impact. We cite cases using a modified bluebook form. In the principal cases in each chapter, we provide the state or federal citation, the regional citation, and the LEXIS citation. We also give students a brief description of the court. Because many of our cases are so recent, some will have only a regional reporter and a LEXIS citation.

Practice Tests

GOAL: Encourage students to practice! At the end of the chapters we challenge the students with ten or more problems, including the following:

- *Internet Research Problem.* This question sends students to an Internet address where they can explore issues from the chapter.
- *You Be The Judge Writing Problem.* The students are given appellate arguments on both sides of the question and must prepare a written opinion.
- *Right and Wrong.* This question highlights the ethical issues of a dispute and calls upon the student to formulate a specific, reasoned response.
- *CPA Questions.* For topics covered by the CPA exam, administered by the American Institute of Certified Public Accountants, the practice tests include questions from previous CPA exams.

Answers to the odd-numbered questions appear at the back of the book, and here is why. Students often ask us how to study for exams. Reviewing the problems in the end-of-chapter practice tests is helpful, but without the answers students have no way of being sure they are on the right track. The answers to the even-numbered questions appear only in the Instructor's Manual so that faculty can assign them for written or oral presentation.

TEACHING MATERIALS

For more information about any of these ancillaries, contact your Thomson Learning/West Sales Representative for more details, or visit the Beatty *Business Law for a New Century* Web site at <http://beatty.westbuslaw.com/>.

Student Study Guide. (ISBN: 0-324-11179-7) Students may purchase a study guide that includes a chapter outline, chapter objectives, and practice questions.