

The Legal, Ethical and Internat Environment of Business

SECOND EDITION

Herbert M. Bohlman

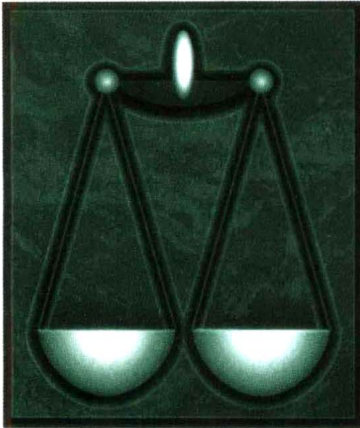


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Second Edition



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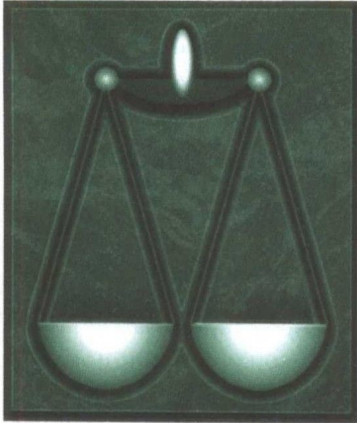
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Preface



The American legal scene has changed tremendously during the last quarter century and even more changes are expected as we approach the 21st century. As a result, the effect of the legal environment in which business operates has changed dramatically. **THE LEGAL, ETHICAL AND INTERNATIONAL ENVIRONMENT OF BUSINESS, SECOND EDITION** was written with two goals in mind—to present to the student the breadth of the legal, ethical and international environment of business and to provide a legal foundation that can be used in his or her business or government career.

To accomplish these goals, we have presented materials that cover both the private and public regulation of business. Legal topics discussed in the first area include contracts, sales, secured transactions, negotiable instruments, property, agency, partnerships, and corporations. Legal topics covered in the second area—public regulation—are labor law, securities law, antitrust, consumer rights, and environmental law. The second edition includes revised chapters on ethics and international law and integrates into all chapters both ethical and international considerations. The text integrates the American Assembly of Collegiate Schools of Business (AACSB) curriculum standards to cover ethical, global, political, social, legal, regulatory, environmental, and technological issues.

Total Learning/Teaching Package

This text constitutes what we believe to be a total learning/teaching package. It contains numerous pedagogical aids and high-interest additions.

Case Selection and Presentation

Each chapter has several cases to illustrate the application of the law to specific business problems. We have tried to create a balance between classic cases that are well recognized and recent cases that have changed the law significantly. Each case starts with the citation that includes the court, the date, the federal or state reporter (if available), and the West reporter. The Background and Facts focuses on the setting in which the case arose and identifies the plaintiffs and defendants. The actual court case is presented in an edited manner. Finally, the Decision and Remedy clearly states who won the case and why. When appropriate, we have a Comment section that presents additional material not available from the case itself or that indicates future trends.

Features of Each Chapter

Each chapter has an example of one or more of the following special sections that are designed to instruct as well as to interest the student.

Quotations

Each chapter opens with a brief quotation that is appropriate to the chapter material.

Exhibits

Most chapters have at least one exhibit to illustrate important aspects of the law. Some exhibits are charts, such as the one setting out the federal court system; others focus on classifications or summaries; and others set out forms used in the legal or business world, such as the one presenting a sample credit sale contract.

Legal Highlights

Nearly all chapters have legal highlights in which the student is presented with practical advice, such as how to check on a social security account, or with examples of how the law was applied in an unusual situation, such as the one on the cross-cultural conflict on the Texas Gulf Coast.

Ethical Considerations

Disclosures of criminal activity by businesses shook the business world and public confidence. Old, established Wall Street brokerage houses were found guilty of securities law violations, the savings and loan institutions were destroyed by those who looted them, businesses were found guilty of criminal violations of environmental laws. As public confidence waned, businesses turned to incorporating ethics into their daily activities. The emphasis on ethics in academic studies is reflected in the standards set by the American Assembly of Collegiate Schools of Business (AACSB). The new standards require that ethics be integrated into the study of business. This text likewise integrates ethics into each chapter. Chapter 2 covers ethical theories and provides a basis for class discussion of the ethical problems set out at the end of each chapter.

International Considerations

The economic future of the United States is dependent upon international trade. People involved with international business will need a working knowledge as to how international trade functions and the legal problems that may arise. The AACSB is also concerned with integrating global issues into the academic studies of business. Each chapter has an International Consideration that discusses international aspects of the chapter's subject matter. Chapter 24 covers various aspects of doing business in the global environment.

Facing a Legal Issue

Located at the end of each chapter is material entitled Facing a Legal Issue. In each discussion, we have attempted to present a factual situation which a business person could confront in his or her career. These situations concern problems that are collateral to the rest of the material contained within the chapter. They are an attempt to give students practical factual advice on how to apply the law.

Key Terms

Each chapter ends with a list of key terms first identified by bold-faced type in the text.

Questions and Case Problems

At the end of each chapter, five to ten Questions and Case problems are set out. The questions are a mix of hypotheticals and problems taken from actual cases for which full citations are given. Complete answers to all of the Questions and Case Problems are found in a separate booklet entitled Answers to Questions and Case Problems.

Appendices

So that this book can serve as a reference, we have included a full set of appendices. They are as follows:

- A The Constitution of the United States of America

- B The Uniform Commercial Code (Excerpts)
- C Restatement of Torts, Second (Excerpts)
- D The Sherman Antitrust Act (Excerpts)
- E The Clayton Act (Excerpts)
- F The Federal Trade Commission Act (Excerpts)
- G National Labor Relations Act (Excerpts)
- H The Federal Civil Rights Laws (Excerpts)
- I The Uniform Partnership Act (Excerpts)
- J Spanish Equivalents for Important Legal Terms in English

Supplements

Study Guide

The Study Guide was written by Thomas Brierton of the University of the Pacific. Each chapter reinforces what the text has presented. The Study Guide consists of descriptions of general principles discussed in each chapter, chapter summaries in sentence outline form, and true-false, fill-in-the-blank, and multiple-choice questions to test students' comprehension.

Instructor's Manual with Test Bank

The Instructor's Manual and Test Bank was written by Larry D. Strate of the University of Nevada at Las Vegas. Each chapter includes a chapter overview, chapter outline, case comments, discussion questions, ethical and international considerations comments, and instructional suggestions. Each chapter of the Test Bank has a minimum of 15 true-false questions and 50 multiple-choice questions with many chapters having more items.

The Test Bank is available on WESTEST, which offers computerized testing for IBM-PC and compatible microcomputers or the Macintosh. WESTEST allows instructors to create new tests, modify existing tests, change the questions from West's original Test Bank, and print tests in a variety of formats. Instructors can add questions of their own to the Test Bank. Instructors should contact their West sales representative to inquire about acquiring WESTEST.

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Publishing **LEGAL CLERK®** Research Software System. **LEGAL CLERK®** is a user-friendly, interactive software package that simultaneously introduces students to the rudiments of computer-aided legal research and reinforces the underlying concepts of business law. **LEGAL CLERK®** provides a valuable learning tool to help your school meet AACSB recommendations for using microcomputers in business legal courses.

LEGAL CLERK® enables students with access to IBM-PC and compatible personal computers to retrieve specific cases found in **THE LEGAL, ETHICAL AND INTERNATIONAL ENVIRONMENT OF BUSINESS, SECOND EDITION**, for extensive study. To provide instructors with maximum flexibility, **LEGAL CLERK®** covers three major subject areas of business law and legal environment—UCC Article 2 Sales; Government Regulations and the Legal Environment of Business; and Contracts. Instructors may select one or all three versions for their classes. Cases appearing in **LEGAL CLERK®** are clearly identified in the text with a computer logo. The logos are color coded to help users easily identify which version of **LEGAL CLERK®** contains specific cases.



Uniform Commercial Code Article 2 Sales—Version 1.0



Government Regulation and The Legal Environment of Business—Version 1.0



Contracts—Version 1.0

A site license for all three versions of **LEGAL CLERK®** is free to qualified adopters. Each version is accompanied by an Instructor's Resource Guide and, for student purchase, a Student User's Guide.

Answers to Questions and Case Problems

This manual provides solutions to the questions and case problems found in the text. It is available free to adopters of the text.

LEGAL Review

For those who would not utilize the legal research capabilities of **LEGAL CLERK®**, West Publish-

ing now offers LEGAL Review. It provides reference material from the tutorial portion of LEGAL CLERK®. This software is divided into three topic menus: UCC, Contracts, and Legal Environment. A Student User's Guide contains questions for the topic areas. The software can be used to learn the answers.

West's Book of Forms

West's Book of Legal Forms, prepared by Robert McNutt, California State University at Northridge, is also available for student purchase. It provides 40 samples of often-used business forms.

Transparency Acetates

The supplements package contains a set of approximately 40 transparency acetates.

Acknowledgments

Many people are involved in the production of a textbook. The initial impetus for THE LEGAL, ETHICAL AND INTERNATIONAL ENVIRONMENT OF BUSINESS, SECOND EDITION came from Clyde Perlee, Jr., who has been a strong supporter of this project. A hearty thanks to Carole Balach, our production editor, who kept the project moving in a timely manner, and to Jan Lamar, our developmental editor, who coordinated all the reviews and provided expert analysis. We thank Rose Gruenhagen who also helped us on this project.

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us their creative ideas and thoughts. They also gave us the motivation to keep going on both editions.

As careful as we have attempted to be, there are, no doubt, errors in this text for which we take full responsibility. We welcome comments from all users of the text, for it is by incorporating such comments that we can make this text even better in future editions.

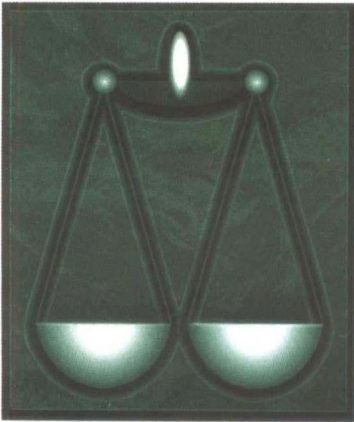
Mary Jane Dundas
Herbert M. Bohlman

Dedication

M.J.D. dedicates this book to the memory of her parents, R.J. and Marie A. Dundas, and her sisters, Jean and Marilyn, and their families.

H.M.B. dedicates this book to his wife, Mimi, and his children, Bill, Patti, Mike, and Laura.

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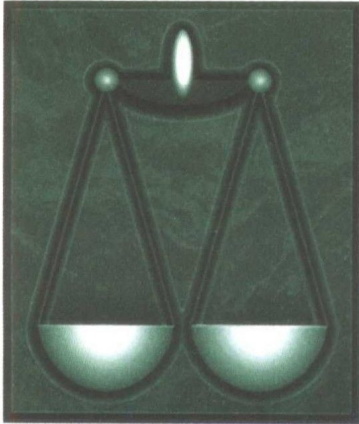
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