Contents

Preface .................................................. xxii

UNIT 1 Legal, Ethical, and Digital Environment ........................................... 1

1 Legal Heritage and the Information Age ................................................. 2

What is Law? .................................................. 3

☐ INTERNET & TECHNOLOGY: Students Plug In to the Internet ....................... 4

CASE 1 LANDMARK CASE: Brown v. Board of Education ............................ 6

Schools of Jurisprudential Thought .......................................................... 8

☐ INTERNATIONAL LAW: Immigration to the United States of America ............... 9

History of American Law ............................................................................. 10

☐ INTERNATIONAL LAW: Adoption of English Common Law in America ............ 11

☐ INTERNATIONAL LAW: The Civil Law System ........................................ 11

Sources of Law in the United States ............................................................ 12

☐ CONTEMPORARY ENVIRONMENT: Department of Homeland Security .......... 14

CASE 1 U.S. SUPREME COURT: Gratz v. Bollinger and the Regents of the University of Michigan .................................................. 16

CASE 2 U.S. SUPREME COURT: Grutter v. Bollinger and the University of Michigan Law School .................................................. 17

Briefing a Case: The IRAC Method ............................................................. 18

Chapter Summary ....................................................................................... 24

Test Review Terms and Concepts ............................................................... 25

Case Problems ............................................................................................ 26

Ethics Issues ............................................................................................... 26

IRAC Writing Assignment ........................................................................ 27

2 Constitutional Law for Business and E-Commerce .................................... 28

Constitution of the United States of America ............................................. 29

Supremacy Clause ..................................................................................... 32

CASE 1 U.S. SUPREME COURT: Engine Manufacturers Association v. South Coast Air Quality Management District .................................................. 33

Commerce Clause ..................................................................................... 33

CASE 2 U.S. SUPREME COURT: Minnesota v. Mille Lacs Band of Chippewa Indians .................................................. 34

☐ CONTEMPORARY ENVIRONMENT: Native American Law ......................... 35

CASE 3 U.S. SUPREME COURT: Crosby, Secretary of Administration and Finance of Massachusetts v. National Foreign Trade Council .................................................. 36

CASE 1 LANDMARK CASE: Heart of Atlanta Motel v. United States ............... 38


CASE 5 U.S. SUPREME COURT: Gonzales, Attorney General of the United States v. Raich .................................................. 40

CASE 6 U.S. SUPREME COURT: Granholm, Governor of Michigan v. Heald .................................................. 41

Bill of Rights ............................................................................................. 42

Freedom of Speech .................................................................................... 43

CASE 7 U.S. SUPREME COURT: United States v. Playboy Entertainment Group, Inc. .................................................. 43


☐ INTERNET & TECHNOLOGY: Commercial Speech: Junk Faxes .................... 46

☐ INTERNET & TECHNOLOGY: Broad Free Speech Rights Granted in Cyberspace .................................................. 47

Freedom of Religion ................................................................................... 47

CASE 9 U.S. SUPREME COURT: McCrory County, Kentucky v. American Civil Liberties Union of Kentucky .................................................. 48

CASE 10 U.S. SUPREME COURT: Van Orden v. Perry, Governor of Texas ........ 49

Equal Protection Clause ........................................................................... 50

Due Process Clause .................................................................................. 51

Privileges and Immunities Clause ............................................................... 52

Chapter Summary .................................................................................... 53

Test Review Terms and Concepts ............................................................... 55

Case Problems ........................................................................................... 55

Ethics Issues ............................................................................................. 56

IRAC Writing Assignment ...................................................................... 57

3 Court Systems and Jurisdiction ............................................................... 58

State Court Systems .................................................................................. 59

☐ CONTEMPORARY ENVIRONMENT: Specialized Courts Hear Commercial Disputes .................................................. 61

Federal Court System ............................................................................... 63

United States Supreme Court .................................................................... 65

☐ LANDMARK LAW: The Process of Choosing a Supreme Court Justice ............ 66

☐ CONTEMPORARY ENVIRONMENT: “I’ll Take You to the U.S. Supreme Court!” .................................................. 69

Jurisdiction of Federal and State Courts .................................................... 69

Personal Jurisdiction of Courts ................................................................. 70

CASE 1 LANDMARK CASE: International Shoe Company v. State of Washington .................................................. 71
### CONTENTS

**4 Judicial, Administrative, Alternative, and Online Dispute Resolution**

- Pretrial Litigation Process ........................................ 81
  - CASE 1 U.S. SUPREME COURT: Swierkiewicz v. Sorema N.A. ... 83
  - INTERNET & TECHNOLOGY: E-Filings ........................... 86
  - CASE 3 Norgart v. The Upjohn Company .......................... 86
- Dismissals and Pretrial Judgments ................................. 88
  - CASE 4 Toote v. Canada Dry Bottling Company of New York, Inc. and Pathmark Stores, Inc. ... 89
  - Settlement Conference ............................................ 90
    - CONTEMPORARY ENVIRONMENT: Cost-Benefit Analysis of a Lawsuit ........................................ 90
    - CONTEMPORARY ENVIRONMENT: Ford settles Lawsuit ......................................................... 90
- Trial ............................................................................. 91
  - CASE 5 Ferlito v. Johnson & Johnson Products, Inc. .......... 92
  - Appeal ....................................................................... 93
    - CASE 6 U.S. SUPREME COURT: Weisgram v. Marley Company ................................................... 94
    - INTERNATIONAL LAW: Japan’s Legal System ................. 95
- Alternative Dispute Resolution ........................................ 95
  - LANDMARK LAW: Federal Arbitration Act ...................... 96
  - CASE 7 U.S. SUPREME COURT: Circuit City Stores, Inc. v. Adams ............................................ 99
  - INTERNET & TECHNOLOGY: Online Dispute Resolution .... 100
- Administrative Law ....................................................... 100
  - CONTEMPORARY ENVIRONMENT: Federal Administrative Agencies ........................................... 104
- Chapter Summary ......................................................... 105
- Test Review Terms and Concepts .................................... 107
- Case Problems ........................................................... 108
- Ethics Issues ............................................................... 110
- IRAC Writing Assignment .............................................. 111

**5 Torts and Strict Liability** ......................................... 112

- Intentional Torts Against Persons ................................ 113
  - ETHICS SPOTLIGHT: Wal-Mart Liable for False Imprisonment .................................................... 114
  - CONTEMPORARY ENVIRONMENT: Eminem’s Rap Song Is Not Slander ........................................... 116
- CASE 1 Themed Restaurants, Inc., Doing Business as Lucky Cheng’s v. Zagat Survey, LLC ............... 117
- CASE 2 Roach v. Stern .................................................. 119
- Intentional Torts Against Property ................................ 120
- Unintentional Torts (Negligence) ................................... 121
  - CONTEMPORARY ENVIRONMENT: Ouch! McDonald’s Coffee’s Is Too Hot! ................................. 122
  - CASE 3 Wilhelm v. Flores ........................................... 123
  - CASE 4 James v. Meow Media, Inc ............................... 124
  - CASE 5 Clancy v. Goad .............................................. 125
  - CASE 1 LANDMARK CASE: Palsgraf v. The Long Island Railroad Company .................................... 126
  - CASE 6 Carter v. Indianapolis Power & Light Company and Indiana Bell Telephone Company, Inc. ... 127
- Dismissals and Pretrial Judgments ................................... 128
  - CASE 7 Colbert v. Moomba Sports, Inc. and Skier’s Choice, Inc. .................................................... 129
  - CASE 8 Matthias v. Accor Economy Lodging, Inc. and Motel 6 Operating L.P. ............................... 132
  - CONTEMPORARY ENVIRONMENT: Federal Tort Claims Act ....................................................... 133
  - CASE 9 U.S. SUPREME COURT: Dolan v. United States Postal Service ........................................... 134
- Defenses Against Negligence .......................................... 135
  - CASE 10 Lilya v. The Greater Gulf State Fair, Inc. .......................................................... 135
  - CASE 11 Hurst v. East Coast Hockey League, Inc. and Knoxville Cherokees Hockey, Inc. ................ 136
- Strict Liability ............................................................ 138
  - CASE 12 Cook v. Whitsell-Sherman ................................ 138
- Chapter Summary ......................................................... 139
- Test Review Terms and Concepts .................................... 143
- Case Problems ........................................................... 143
- Ethics Issues ............................................................... 145
- IRAC Writing Assignment .............................................. 146

**6 Criminal Law and White-Collar Crime** .................................. 147

- Definition of Crime ...................................................... 148
  - ETHICS SPOTLIGHT: Martha Stewart Guilty of a Crime ............................................................ 151
- Criminal Procedure ....................................................... 152
  - CASE 1 U.S. SUPREME COURT: Atwater v. Lago Vista, Texas ..................................................... 152
- Common Crimes .......................................................... 154
  - CASE 2 State of Ohio v. Wilson ................................... 157
  - CONTEMPORARY ENVIRONMENT: The Crime of Manslaughter ................................................... 158
- White-Collar Crime ....................................................... 160
  - INTERNATIONAL LAW: Foreign Corrupt Practices Act .............................................................. 161
  - LANDMARK STATUTE: Racketeer Influenced and Corrupt Organizations Act (RICO) ............... 163
Contents

- Ethics Spotlight: Money Laundering .................................................. 164
- Ethics Spotlight: Corporate Criminal Liability ..................................... 164

Protection Against Unreasonable Search and Seizure ................................. 164

Case 3 U.S. Supreme Court: Kyllo v. United States .................................... 165
Case 4 United States of America v. Garcia .................................................. 166
Case 5 U.S. Supreme Court: City of Indianapolis v. Edmond ......................... 167
Case 6 U.S. Supreme Court: New York v. Burger ....................................... 168

- Contemporary Environment: Federal Antiterrorism Act ............................. 169

Fifth Amendment Privilege Against Self-Incrimination .................................... 170
Other Constitutional Protections ................................................................. 171

- International Law: International Extortion and Bribery ......................... 172

Chapter Summary ....................................................................................... 173
Test Review Terms and Concepts ................................................................. 177
Case Problems ............................................................................................ 177
Ethics Issues ............................................................................................... 179
IRAC Writing Assignment ............................................................................. 179

7 Intellectual Property and Piracy ................................................................. 181
Trade Secrets ............................................................................................... 182

- Internet & Technology: The Economic Espionage Act ............................... 183
- Ethics Spotlight: Coca-Cola Worker Convicted of Trying to Sell a Trade Secret to Pepsi-Cola ........................................................................ 183

Patents .......................................................................................................... 184

Case 1 U.S. Supreme Court: J.E.M. Ag Supply, Inc., d.b.a. Farm Advantage, Inc. v. Pioneer Hi-Bred International, Inc. ......................................................... 186

- Contemporary Environment: The Cost of Protecting a Patent .................. 187

- Contemporary Environment: Amazon.com Denied Patent ......................... 188

Case 2 U.S. Supreme Court: Pfaff v. Wells Electronics, Inc. ........................ 189

- Internet & Technology: Cyber Business Plans are Patentable ................... 190
- Ethics Spotlight: Inventor Wipes Ford’s and Chrysler’s Windshields Clean ................................................................. 190
- Ethics Spotlight: Microsoft Slapped with $1.52 Billion MP3 Verdict ........ 191

Copyrights ..................................................................................................... 191

- Internet & Technology: Computer Software Copyright Act ....................... 193

Case 3 BMG Music v. Gonzalez .................................................................. 194
Case 4 U.S. Supreme Court: Metro-Goldwyn-Mayer Studios v. Grokster, Ltd. and StreamCast Networks, Inc. ................................................................. 195

Case 5 Newton v. Beastie Boys .................................................................... 196

- Ethics Spotlight: Elvis Presley’s Videos Copied ........................................... 197

- Internet & Technology: The NET Act: Criminal Copyright Infringement ........................................................................... 198
- Internet & Technology: Digital Millennium Copyright Act ........................ 198

Case 6 Sony Computer Entertainment America, Inc. v. Filippiak ...................... 199

Trademarks .................................................................................................... 200

Case 7 Menashe v. Victoria’s Secret Stores, Inc. ............................................ 202

- Ethics Spotlight: Wal-Mart Pays Big for Meal Break Violations .............. 218

- Ethics Spotlight: Qui Tam Lawsuit ............................................................ 219

Case 1 Bradley v. McDonald’s Corporation .................................................... 220

- Ethics Spotlight: New York City Bans Trans Fats ..................................... 221

Case 2 Pizza Hut, Inc. v. Papa John’s International, Inc.................................... 221

- Ethics Spotlight: Procter & Gamble Wins “Satanism” Lawsuit .................. 223

Case 3 U.S. Supreme Court: United States v. Sun-Diamond Growers of California ........................................................................... 224

- Ethics Spotlight: Disney Losses “Pooh Bear” Lawsuit ................................ 225

Social Responsibility of Business .................................................................. 226

Case 4 U.S. Supreme Court: Wal-Mart Stores, Inc. v. Samara Brothers, Inc. ................................................................. 227

- Ethics Spotlight: Student Loan Scandal Comes to Light ......................... 228

- Ethics Spotlight: Media Giant Pays for Bomb Scare ............................... 229

- Ethics Spotlight: State Farm: Not Such a Good Neighbor ....................... 230
CONTENTS

12 Genuiness of Assent and Statute of Frauds .................. 315
  Mistake .......................................................... 316
    CASE 1 Wells Fargo Credit Corporation v. Martin .................. 317
  Fraud ............................................................ 318
    □ ETHICS SPOTLIGHT: Proving Fraud .......................... 318
    CASE 2 Krysa v. Paine ............................................ 320
    CASE 3 Wilson v. Western National Life Insurance Company .. 321
  Undue Influence .................................................. 323
    □ ETHICS SPOTLIGHT: Undue Influence .......................... 323
  Duress ............................................................ 324
    □ ETHICS SPOTLIGHT: Economic Duress .......................... 325
  Statute of Frauds ................................................ 326
    CASE 4 Sutton v. Warner ........................................... 327
    □ ETHICS SPOTLIGHT: An Oral Contract Is Not Worth the Paper It’s Written On ........................................... 330
    □ ETHICS SPOTLIGHT: Promissory Estoppel ....................... 330
  Formality of the Writing ......................................... 331
  Parole Evidence Rule .............................................. 333
    □ INTERNATIONAL LAW: Signatures in Foreign Countries .... 333
  Chapter Summary .................................................. 334
  Test Review Terms and Concepts ................................ 337
  Case Problems .................................................... 337
  Ethics Issues ...................................................... 341
  IRAC Writing Assignment ......................................... 342

13 Third-Party Rights and Discharge ......................... 343
  Assignment of Rights ............................................. 344
    CASE 1 Accrued Financial Services, Incorporated v. Prime Retail, Incorporated ........................................... 346
    □ ETHICS SPOTLIGHT: Successive Assignments of the Same Right .................................................. 347
  Delegation of Duties .............................................. 348
  Third-Party Beneficiaries ......................................... 349
    CASE 2 Bain v. Gillispie ........................................... 351
  Covenants and Conditions ....................................... 352
  Discharge of Performance ........................................ 354
    CASE 3 Parker v. Arthur Murray, Inc. ................................ 355
    □ CONTEMPORARY ENVIRONMENT: Commercial Impracticability .................................................. 356
  Chapter Summary .................................................. 358
  Test Review Terms and Concepts ................................ 361
  Case Problems .................................................... 361
  Ethics Issues ...................................................... 362
  IRAC Writing Assignment ......................................... 363

14 Remedies for Breach of Traditional and Online Contracts .................. 364
  Performance and Breach ........................................... 365
    CASE 1 Chodos v. West Publishing Company, Inc. ................. 367
  Monetary Damages .................................................. 368
    CASE 2 Parker v. Twentieth Century Fox Film Corporation .... 370
    CASE 3 Uzan v. 845 UN Limited Partnership ......................... 371
    CASE 4 California and Hawaiian Sugar Co. v. Sun Ship, Inc. .... 373
  Rescission and Restitution ....................................... 375
    CASE 5 Hickman v. Bates ........................................... 375
    □ CONTEMPORARY ENVIRONMENT: Must a Wedding Ring Be Returned if the Engagement is Broken Off? .................. 377
  Equitable Remedies ................................................ 377
    CASE 6 Alba v. Kaufmann ........................................... 378
  Torts Associated with Contracts ................................... 380
    □ ETHICS SPOTLIGHT: Interference with a Contract ............... 380
    CASE 7 O’Neill v. Gallant Insurance Company ....................... 381
  Chapter Summary .................................................. 382
  Test Review Terms and Concepts ................................ 384
  Case Problems .................................................... 384
  Ethics Issues ...................................................... 386
  IRAC Writing Assignment ......................................... 387

15 E-Contracts, Internet Law, and Cyber Crimes .................. 388
  The Internet ...................................................... 389
    □ INTERNET & TECHNOLOGY: Free Speech and the Internet .................. 390
    CASE 1 John Doe v. GTE Corporation ................................ 391
  Domain Names ...................................................... 392
    □ INTERNET & TECHNOLOGY: The Anticybersquatting Consumer Protection Act .................................................. 393
    CASE 2 E. & J. Gallo Winery v. Spider Webs Ltd. ................. 394
    □ INTERNET & TECHNOLOGY: Armani Outmaneuvered for Domain Name .................................................. 395
    □ INTERNET & TECHNOLOGY: Domain Names Sold for Millions .................................................. 395
  E-Contracts ....................................................... 396
    □ INTERNET & TECHNOLOGY: E-Contracts Writing Requirement .................................................. 396
    □ INTERNET & TECHNOLOGY: E-Signatures ................................ 396
  Software and E-Licensing ........................................ 397
    □ INTERNET & TECHNOLOGY: Click-Wrap Licenses .................. 398
    □ INTERNET & TECHNOLOGY: Counteroffers Ineffectual Against Electronic Agents .................................................. 398
    □ INTERNET & TECHNOLOGY: Consumers Saved from Electronic Errors .................................................. 399
## CONTENTS

**INTERNET & TECHNOLOGY: Electronic Self-Help**
CASE 3 M.A. Mortenson Company, Inc. v. Timberline Software Corporation ........................................ 400

Online Privacy ........................................ 402

Cyber Crimes ........................................ 403

INTERNET & TECHNOLOGY: Counterfeit Access Device and Computer Fraud and Abuse Act ........ 403
INTERNET & TECHNOLOGY: Electronic Funds Transfer Act .................................................. 404
INTERNET & TECHNOLOGY: Cyber Identity Fraud .......................................................... 404
INTERNET & TECHNOLOGY: Information Infrastructure Protection Act (IIP Act) ....................... 404
INTERNET & TECHNOLOGY: Computer Hacker Found Guilty of Cyber Crime .................... 405

Chapter Summary ......................................... 406
Test Review Terms and Concepts ........................................ 408
Case Problems ................................................................ 408
Ethics Issues ................................................................ 410
IRAC Writing Assignment ........................................ 410

**UNIT 3 Sales, Leases, and Electronic Contracts** .......................................................... 411

16 Formation of Sales, Lease, and E-Contracts .......................................................... 412

Uniform Commercial Code (UCC) ........................................ 413

LANDMARK LAW: The Uniform Commercial Code (UCC) ........................................ 414

Article 2 (Sales) ........................................ 414
CASE 1 Brandt v. Boston Scientific Corporation and Sarah Bush Lincoln Health Center ........ 415

Article 2A (Leases) ........................................ 416

CONTEMPORARY ENVIRONMENT: Revised Article 2 (Sales) and Revised Article 2A (Leases) ........................................ 418

Formation of Sales, Leases and E-Contracts: Offer ............................................... 418

CONTEMPORARY ENVIRONMENT: UCC “Firm Offer” Rule ........................................ 419

Formation of Sales and Lease Contracts: Acceptance ........................................... 420

CONTEMPORARY ENVIRONMENT: UCC Permits Additional Terms ............... 420

CONTEMPORARY ENVIRONMENT: “Battle of the Forms” ........................................ 421

UCC Statute of Frauds ........................................ 421

CONTEMPORARY ENVIRONMENT: UCC Written Confirmation Rule .................. 422

ETHICS SPOTLIGHT: A Chicken Farmer Gets Plucked ............................................. 422

INTERNET & TECHNOLOGY: Revised Article 2 (Sales) and Article 2A (Leases) Recognizes the Importance of Electronic Contracting ........................................ 424

INTERNATIONAL LAW: Letters of Credit in International Trade ..................................... 424

Chapter Summary ........................................ 425
Test Review Terms and Concepts ........................................ 427
Case Problems ................................................................ 427
Ethics Issues ................................................................ 429
IRAC Writing Assignment ........................................ 429

17 Performance of Sales, Lease, and E-Contracts .......................................................... 430

INTERNET & TECHNOLOGY: Revised Article 2 (Sales) and Revised Article 2A (Leases) Establish Rules for Electronic Contracts and Signatures ........................................ 431

Identification and Passage of Title ........................................ 432

Risk of Loss: No Breach of Sales Contract ........................................ 433

CONTEMPORARY ENVIRONMENT: Shipping Terms ............................................... 433

Risk of Loss: Conditional Sales ........................................ 434
CASE 1 Prewitt v. Numismatic Funding Corporation ................................................. 435

Risk of Loss: Breach of Sales Contract ........................................ 436

Risk of Loss: Lease Contracts ........................................ 437

CONTEMPORARY ENVIRONMENT: Insuring Against Loss of Goods ..................... 437

Sales by Nonowners ........................................ 437
CASE 2 Lindholm v. Brant ........................................ 438

INTERNATIONAL LAW: International Trade Terms ................................................. 440

Chapter Summary ........................................ 440
Test Review Terms and Concepts ........................................ 443
Case Problems ................................................................ 443
Ethics Issues ................................................................ 445
IRAC Writing Assignment ........................................ 445

18 Remedies for Breach of Sales, Lease, and E-Contracts .......................................................... 446

Seller’s and Lessor’s Performance ........................................ 447
Case 1 Joc Oil USA, Inc. v. Consolidated Edison Company of New York, Inc. .......... 450

ETHICS SPOTLIGHT: Good Faith and Reasonableness ............................................. 451

Buyer’s and Lessee’s Performance ........................................ 451

Seller’s and Lessor’s Remedies ........................................ 453

CONTEMPORARY ENVIRONMENT: Lost Volume Seller ........................................ 455

Buyer’s and Lessee’s Remedies ........................................ 456

INTERNET & TECHNOLOGY: Revised Article 2 (Sales) and Revised Article 2A (Leases) Recognize the Formation and Enforcement of Electronic Contracts ........................................ 459

Additional Performance Issues ........................................ 459

ETHICS SPOTLIGHT: Unconscionable Contracts ................................................. 460
19 Warranties and Product Liability 468

Express Warranties 469
CASE 1 Daughtrey v. Ashe 470
Implied Warranties 472
CASE 2 Denny v. Ford Motor Company 472
CASE 3 Mack Massey Motors, Inc. v. Garnica 474
Warranty Disclaimers 476
INTERNET & TECHNOLOGY: Warranty Disclaimers in Software Licenses 476
LANDMARK LAW: Magnuson-Moss Warranty Act Protects Consumers 477
CASE 4 Milicevic v. Fletcher Jones Imports, Ltd. and Mercedes-Benz USA 477

Product Liability 478
Strict Liability 480
CONTEMPORARY ENVIRONMENT: Strict Liability in the Restatement of Torts 481

Defective Products 482
CASE 5 Shoshone Coca-Cola Bottling Company v. Dolinski 483
CASE 6 Lakin v. Senco Products, Inc. 484
CASE 7 Higgins v. Intex Recreation Corporation 485
ETHICS SPOTLIGHT: Design Defect in Pool Equipment 486
CASE 8 Karlsson v. Ford Motor Company 487
CASE 9 Crosswhite v. Jumpking, Inc. 488
CASE 10 Glenn v. Oversead Door Corporation 489
CASE 11 Elsroth v. Johnson & Johnson 490
CASE 12 U.S. SUPREME COURT: Philip Morris USA v. Williams 492

Defenses to Product Liability 493
ETHICS SPOTLIGHT: General Motors Liable for Design Defect 495

Chapter Summary 496
Test Review Terms and Concepts 500
Case Problems 500
Ethics Issues 502
IRAC Writing Assignment 503

21 Holder in Due Course and Liability of Parties 537

Holder in Due Course (HDC) 538
Requirements for HDC Status 539
CONTEMPORARY ENVIRONMENT: Shelter Principle 541
Signature Liability 542
CASE 1 Grand Island Production Credit Assn. v. Humphrey 543
CONTEMPORARY ENVIRONMENT: Accommodation Party 545
CASE 2 S. Mansukhlal & Company v. Husein 546

Forged Indorsement 547
ETHICS SPOTLIGHT: Imposter Rule 548
ETHICS SPOTLIGHT: Fictitious Payee Rule 548

Warranty Liability 549
Defenses 550
LANDMARK LAW: FTC Rule Limits HDC Status 554

Discharge 554
Chapter Summary 555
Test Review Terms and Concepts 560
Case Problems 561
Ethics Issues 563
IRAC Writing Assignment 564

UNIT 4 Negotiable Instruments and Electronic Banking 505

20 Negotiability and Transferability 506
Negotiable Instruments 507
LANDMARK LAW: Revised Article 3 (Negotiable Instruments) of the UCC 508
Types of Negotiable Instruments 508
Creating a Negotiable Instrument 512
CONTEMPORARY ENVIRONMENT: Authorized Representative’s Signature 513
Unconditional Promise or Order to Pay 513
CASE 1 FFP Marketing Company, Inc. v. Long Lane Master Trust IV 515
CONTEMPORARY ENVIRONMENT: Payable to Order or to Bearer 516
CONTEMPORARY ENVIRONMENT: Variable Interest Rate Loan 517
CASE 2 Deeks v. United States 518
INTERNATIONAL LAW: Negotiable Instruments Payable in Foreign Currency 520

Nonnegotiable Contracts and Assignment 520
Transfer by Negotiation 521
CONTEMPORARY ENVIRONMENT: Converting Order and Bearer Paper 522
Indorsement 522
CONTEMPORARY ENVIRONMENT: Multiple Payee or Indorsees 527

Chapter Summary 527
Test Review Terms and Concepts 532
Case Problems 533
Ethics Issues 535
IRAC Writing Assignment 536
## 22 Checks, Banking System, and E-Money

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bank-Customer Relationship</td>
<td>566</td>
</tr>
<tr>
<td>Ordinary Checks</td>
<td>567</td>
</tr>
<tr>
<td>Special Types of Checks</td>
<td>568</td>
</tr>
<tr>
<td>Honoring Checks</td>
<td>571</td>
</tr>
<tr>
<td>Forged Signatures and Altered Checks</td>
<td>573</td>
</tr>
<tr>
<td>CASE 1 Triffin v. Pomerantz Staffing Services, LLC</td>
<td>574</td>
</tr>
<tr>
<td>CASE 2 Spacemakers of America, Inc. v. SunTrust Bank</td>
<td>575</td>
</tr>
<tr>
<td>The Collection Process</td>
<td>577</td>
</tr>
<tr>
<td>CASE 1 Bank of South Palm Beaches v. Stockton, Whatley, Davin &amp; Company</td>
<td>597</td>
</tr>
<tr>
<td>CASE 2 In re Greenbelt Cooperative, Inc</td>
<td>607</td>
</tr>
<tr>
<td>CASE 3 In re Phillips</td>
<td>608</td>
</tr>
<tr>
<td>Priority of Claims</td>
<td>610</td>
</tr>
<tr>
<td>INTERNET &amp; TECHNOLOGY: Electronic Fund Transfer Systems</td>
<td>568</td>
</tr>
<tr>
<td>INTERNET &amp; TECHNOLOGY: Bank Debit Cards</td>
<td>570</td>
</tr>
<tr>
<td>INTERNET &amp; TECHNOLOGY: Revised Article 9 (Secured Transactions)</td>
<td>600</td>
</tr>
</tbody>
</table>

## 23 Credit and Secured Transactions

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured and Secured Credit</td>
<td>593</td>
</tr>
<tr>
<td>Security Interest in Real Property</td>
<td>595</td>
</tr>
<tr>
<td>CASE 1 Bank of South Palm Beaches v. Stockton, Whatley, Davin &amp; Company</td>
<td>597</td>
</tr>
<tr>
<td>CASE 2 In re Greenbelt Cooperative, Inc</td>
<td>607</td>
</tr>
<tr>
<td>CASE 3 In re Phillips</td>
<td>608</td>
</tr>
<tr>
<td>Priority of Claims</td>
<td>610</td>
</tr>
<tr>
<td>INTERNET &amp; TECHNOLOGY: Revised Article 9 (Secured Transactions)</td>
<td>600</td>
</tr>
</tbody>
</table>

## 24 Bankruptcy and Reorganization

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bankruptcy Law</td>
<td>631</td>
</tr>
<tr>
<td>Bankruptcy Procedure</td>
<td>634</td>
</tr>
<tr>
<td>ETHICS SPOTLIGHT: Attorney Certification</td>
<td>636</td>
</tr>
<tr>
<td>ETHICS SPOTLIGHT: 2005 Act Limits the Homestead Exemption</td>
<td>642</td>
</tr>
<tr>
<td>ETHICS SPOTLIGHT: Fraudulent Transfers Before Bankruptcy</td>
<td>644</td>
</tr>
<tr>
<td>Chapter 7—Liquidation</td>
<td>644</td>
</tr>
<tr>
<td>CASE 1 In re Lebovitz</td>
<td>640</td>
</tr>
<tr>
<td>CASE 2 U.S. SUPREME COURT: Rousey v. Jacoway..</td>
<td>641</td>
</tr>
<tr>
<td>CASE 3 U.S. SUPREME COURT: Kawaauhau v. Geiger</td>
<td>651</td>
</tr>
<tr>
<td>Chapter 13—Adjustment of Debts of an Individual with Regular Income</td>
<td>652</td>
</tr>
<tr>
<td>Chapter 11—Reorganization</td>
<td>655</td>
</tr>
<tr>
<td>CONTTEMPORARY TREND: Revised Article 9—Secured Transactions</td>
<td>600</td>
</tr>
<tr>
<td>Bankruptcy Procedure</td>
<td>634</td>
</tr>
<tr>
<td>Ethics Issues</td>
<td>628</td>
</tr>
<tr>
<td>IRAC Writing Assignment</td>
<td>629</td>
</tr>
<tr>
<td>UNIT 6 Business Organizations and Investor Protection</td>
<td>675</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>25 Agency Relationships</td>
<td>676</td>
</tr>
<tr>
<td>Agency</td>
<td>677</td>
</tr>
<tr>
<td>Formation of an Agency</td>
<td>679</td>
</tr>
<tr>
<td>CASE 1 Bosse v. Brinker Restaurant Corporation, d.b.a. Chili’s Grill and Bar</td>
<td>680</td>
</tr>
<tr>
<td>CASE 2 Edgewater Motels, Inc. v. Gatzke and Walgreen Company</td>
<td>681</td>
</tr>
<tr>
<td>CASE 3 Keating v. Goldick and Lapp Roofing and Sheet Metal Company, Inc.</td>
<td>688</td>
</tr>
<tr>
<td>CASE 4 Siegenthaler v. Johnson Welded Products, Inc.</td>
<td>689</td>
</tr>
<tr>
<td>CASE 5 American National Property and Casualty Company v. Farah</td>
<td>690</td>
</tr>
<tr>
<td>CASE 6 Desert Cab Inc. v. Marino</td>
<td>692</td>
</tr>
<tr>
<td>CASE 7 Massey v. Starbucks Corporation</td>
<td>693</td>
</tr>
<tr>
<td>Contract Liability to Third Parties</td>
<td>695</td>
</tr>
<tr>
<td>CASE 8 Collette v. Unique Vacations, Inc.</td>
<td>697</td>
</tr>
<tr>
<td>Independent Contractor</td>
<td>698</td>
</tr>
<tr>
<td>CASE 9 Torres v. Reardon</td>
<td>700</td>
</tr>
<tr>
<td>Termination of an Agency</td>
<td>701</td>
</tr>
<tr>
<td>achi Summary</td>
<td>704</td>
</tr>
<tr>
<td>Test Review Terms and Concepts</td>
<td>708</td>
</tr>
<tr>
<td>Case Problems</td>
<td>708</td>
</tr>
<tr>
<td>Ethics Issues</td>
<td>711</td>
</tr>
<tr>
<td>IRAC Writing Assignment</td>
<td>712</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>26 Sole Proprietorships and General and Limited Partnerships</th>
<th>713</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurship</td>
<td>714</td>
</tr>
<tr>
<td>Sole Proprietorship</td>
<td>715</td>
</tr>
<tr>
<td>CASE 1 Vernon v. Schuster, d/b/a Diversity Heating and Plumbing</td>
<td>716</td>
</tr>
<tr>
<td>General Partnership</td>
<td>718</td>
</tr>
<tr>
<td>CASE 2 Vohland v. Sweet</td>
<td>720</td>
</tr>
<tr>
<td>Dissolution of a General Partnership</td>
<td>726</td>
</tr>
<tr>
<td>Limited Partnership</td>
<td>728</td>
</tr>
<tr>
<td>Limited Partnership Outside the United States</td>
<td>728</td>
</tr>
<tr>
<td>Limited Partnership Outside the United States</td>
<td>729</td>
</tr>
<tr>
<td>Limited Partnership</td>
<td>729</td>
</tr>
<tr>
<td>Dissolution of a Limited Partnership</td>
<td>737</td>
</tr>
<tr>
<td>Dissolution of a Limited Partnership</td>
<td>738</td>
</tr>
<tr>
<td>Chapter Summary</td>
<td>739</td>
</tr>
<tr>
<td>Test Review Terms and Concepts</td>
<td>745</td>
</tr>
<tr>
<td>Case Problems</td>
<td>745</td>
</tr>
<tr>
<td>Ethics Issues</td>
<td>748</td>
</tr>
<tr>
<td>IRAC Writing Assignment</td>
<td>748</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>27 Corporate Formation and Financing</th>
<th>749</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature of the Corporation</td>
<td>750</td>
</tr>
<tr>
<td>Incorporation Procedures</td>
<td>754</td>
</tr>
<tr>
<td>Incorporation Procedures</td>
<td>754</td>
</tr>
<tr>
<td>Corporation Act (RMBCA)</td>
<td>752</td>
</tr>
<tr>
<td>Financing the Corporation</td>
<td>760</td>
</tr>
</tbody>
</table>
28 Corporate Governance and the Sarbanes-Oxley Act

Shareholders

Case 1 U.S. Supreme Court: Kamen v. Kemper Financial Services, Inc.

Case 2 Northeast Iowa Ethanol, LLC v. Drizin

INTERNET & TECHNOLOGY: Corporation Codes Recognize Electronic Communications

ETHICS SPOTLIGHT: Controlling Shareholder’s Breach of Fiduciary Duty

Board of Directors

ETHICS SPOTLIGHT: Sarbanes-Oxley Act Imposes Duties on Audit Committee

Corporate Officers

ETHICS SPOTLIGHT: Indemnification and D&O Insurance Protection

Liability of Directors and Officers

ETHICS SPOTLIGHT: Outside Directors Relieved of Liability for Ordinary Negligence

Case 3 Smith v. Van Gorkom

ETHICS SPOTLIGHT: Disney Board of Directors Did Not Breach Duty of Care

ETHICS SPOTLIGHT: State Constituency Statutes

Criminal Liability

Sarbanes-Oxley Act

ETHICS SPOTLIGHT: Sarbanes-Oxley Act Improves Corporate Governance

Chapter Summary

Case 1 In the Matter of the Appraisal of Shell Oil Company

ETHICS SPOTLIGHT: Golden Parachutes

Tender Offers

INTERNATIONAL LAW: The Exon-Florio Law

Multinational Corporations

INTERNATIONAL LAW: International Branch Office

INTERNATIONAL LAW: International Subsidiary Corporation

Chapter Summary

Test Review Terms and Concepts

Case Problems

Ethics Issues

IRAC Writing Assignment

30 Limited Liability Companies and Limited Liability Partnerships

Limited Liability Company (LLC)

LANDMARK LAW: Uniform Partners Act (UPA)

CONTEMPORARY ENVIRONMENT: DreamWorks SKG, LLC

LLC Members’ Limited Liability

Case 1 Page v. Roscoe, LLC

Case 2 Creative Resource Management, Inc. v. Soskin

Formation of an LLC

ETHICS SPOTLIGHT: Why Operate a Business as a Limited Liability Company (LLC)?

Management of an LLC

Dissolution of an LLC

INTERNATIONAL LAW: Limited Liability Companies in Foreign Countries

Limited Liability Partnership (LLP)
## Table ofContents

### 31 Franchises and Special Forms of Business 853

- **Franchise**: 854
  - CONTEMPORARY ENVIRONMENT: FTC Franchise Notice 857
  - ETHICS SPOTLIGHT: Häagen-Dazs Ice Cream Franchise 857
  - Case 1: Dunkin' Donuts of America, Inc. v. Middletown Donut Corporation 861
  - ETHICS SPOTLIGHT: Franchisee's Fraud Caught 862
  - INTERNATIONAL LAW: International Franchising 863

- **Liability of Franchisor and Franchisee**: 864
  - Case 2: Cislaw v. Southland Corporation 864
  - Case 3: Martin v. McDonald's Corporation 865
  - Case 4: Holiday Inns, Inc. v. Shelburne 866

- **Licensing**: 867
  - INTERNATIONAL LAW: Pokémon Licensing 868

- **Joint Venture**: 869
  - INTERNATIONAL LAW: A Starbucks U.S.-Chinese International Joint Venture 870

- **Strategic Alliance**: 870
  - INTERNET & TECHNOLOGY: Strategic Internet Alliances in China 871

### 32 Investor Protection and Online Securities Transactions 878

- **Definition of Security**: 879

- **The Securities and Exchange Commission (SEC)**: 881

- **The Securities Act of 1933: Going Public**: 881
  - ETHICS SPOTLIGHT: "Plain English" Disclosure in Securities Offerings 882
  - INTERNET & TECHNOLOGY: Going Public over the Internet 886

### UNIT 7 Government Regulation and Employment Law 911

- **33 Antitrust Law**: 912
  - Federal Antitrust Laws 913
  - Restraints of Trade: Section 1 of the Sherman Act 915
  - ETHICS SPOTLIGHT: The Department of Justice Flunks the Ivy League Schools 918
  - Case 2: U.S. SUPREME COURT: Palmer v. BRG of Georgia, Inc 919
  - Case 4: U.S. SUPREME COURT: State Oil Company v. Khan 922
  - Case 5: U.S. SUPREME COURT: Bell Atlantic Corporation v. Twombly 923
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ETHICS SPOTLIGHT: Trade Association Activities</td>
<td>924</td>
</tr>
<tr>
<td>Monopolization: Section 2 of the Sherman Act</td>
<td>925</td>
<td></td>
</tr>
<tr>
<td>CASE 6</td>
<td>U.S. SUPREME COURT: Weyerhaeuser v. Ross-Simmons Hardwood Lumber Company, Inc.</td>
<td>926</td>
</tr>
<tr>
<td></td>
<td>INTERNET &amp; TECHNOLOGY: United States v. Microsoft Corporation</td>
<td>928</td>
</tr>
<tr>
<td>Mergers: Section 7 of the Clayton Act</td>
<td>929</td>
<td></td>
</tr>
<tr>
<td>Tying Arrangements: Section 3 of the Clayton Act</td>
<td>932</td>
<td></td>
</tr>
<tr>
<td>Price Discrimination: Section 2 of the Clayton Act</td>
<td>932</td>
<td></td>
</tr>
<tr>
<td>Unfair Methods of Competition: Section 5 of the Federal Trade Commission Act</td>
<td>934</td>
<td></td>
</tr>
<tr>
<td>Exemptions from Antitrust Laws</td>
<td>934</td>
<td></td>
</tr>
<tr>
<td>CASE 1</td>
<td>LANDMARK CASE: Baseball's Grand Slam Against Antitrust Laws</td>
<td>935</td>
</tr>
<tr>
<td>State Antitrust Laws</td>
<td>936</td>
<td></td>
</tr>
<tr>
<td>Chapter Summary</td>
<td>936</td>
<td></td>
</tr>
<tr>
<td>Test Review Terms and Concepts</td>
<td>941</td>
<td></td>
</tr>
<tr>
<td>Case Problems</td>
<td>941</td>
<td></td>
</tr>
<tr>
<td>Ethics Issues</td>
<td>943</td>
<td></td>
</tr>
<tr>
<td>IRAC Writing Assignment</td>
<td>944</td>
<td></td>
</tr>
<tr>
<td>34 Consumer Protection and Environmental Law</td>
<td>946</td>
<td></td>
</tr>
<tr>
<td>Food, Drug, and Cosmetic Safety</td>
<td>947</td>
<td></td>
</tr>
<tr>
<td>CASE 1</td>
<td>United States of America v. LaGrou Distribution Systems, Incorporated</td>
<td>948</td>
</tr>
<tr>
<td></td>
<td>CONTEMPORARY ENVIRONMENT: Food Safety of Peanut Butter</td>
<td>949</td>
</tr>
<tr>
<td></td>
<td>ETHICS SPOTLIGHT: Safety Warnings About Viagra</td>
<td>952</td>
</tr>
<tr>
<td>Product Safety</td>
<td>954</td>
<td></td>
</tr>
<tr>
<td>ETHICS SPOTLIGHT: Lemon Laws</td>
<td>954</td>
<td></td>
</tr>
<tr>
<td>Unfair and Deceptive Practices</td>
<td>955</td>
<td></td>
</tr>
<tr>
<td>ETHICS SPOTLIGHT: Kraft No Longer the “Big Cheese”</td>
<td>956</td>
<td></td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>957</td>
<td></td>
</tr>
<tr>
<td>Air Pollution</td>
<td>958</td>
<td></td>
</tr>
<tr>
<td>CASE 4</td>
<td>U.S. SUPREME COURT: Whitman, Administrator of Environmental Protection Agency v. American Trucking Association</td>
<td>959</td>
</tr>
<tr>
<td>CONTEMPORARY ENVIRONMENT: Indoor Air Pollution</td>
<td>959</td>
<td></td>
</tr>
<tr>
<td>Water Pollution</td>
<td>960</td>
<td></td>
</tr>
<tr>
<td>CASE 5</td>
<td>U.S. SUPREME COURT: Friends of the Earth, Incorporated v. Laidlaw Environmental Services (TOC), Inc.</td>
<td>960</td>
</tr>
<tr>
<td>CASE 6</td>
<td>U.S. SUPREME COURT: Solid Waste Agency of Northern Cook County, Illinois v. United States Army Corps of Engineers</td>
<td>962</td>
</tr>
<tr>
<td></td>
<td>ETHICS SPOTLIGHT: Illegal Dumping of Pollutants</td>
<td>963</td>
</tr>
<tr>
<td></td>
<td>INTERNATIONAL LAW: European Union Adopts Tough Environmental Law</td>
<td>963</td>
</tr>
<tr>
<td>Toxic Substances and Hazardous Waste</td>
<td>964</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LANDMARK LAW: Superfund</td>
<td>965</td>
</tr>
<tr>
<td></td>
<td>INTERNATIONAL LAW: Kyoto Protocol</td>
<td>966</td>
</tr>
<tr>
<td>Endangered Species</td>
<td>966</td>
<td></td>
</tr>
<tr>
<td>CASE 7</td>
<td>U.S. SUPREME COURT: Tennessee Valley Authority v. Hill, Secretary of the Interior</td>
<td>967</td>
</tr>
<tr>
<td>ETHICS SPOTLIGHT: Smog Swapping</td>
<td>968</td>
<td></td>
</tr>
<tr>
<td>State Environmental Protection Laws</td>
<td>969</td>
<td></td>
</tr>
<tr>
<td>Chapter Summary</td>
<td>969</td>
<td></td>
</tr>
<tr>
<td>Test Review Terms and Concepts</td>
<td>973</td>
<td></td>
</tr>
<tr>
<td>Case Problems</td>
<td>974</td>
<td></td>
</tr>
<tr>
<td>Ethics Issues</td>
<td>976</td>
<td></td>
</tr>
<tr>
<td>IRAC Writing Assignment</td>
<td>977</td>
<td></td>
</tr>
<tr>
<td>35 Employment, Worker Protection, and Labor Law</td>
<td>978</td>
<td></td>
</tr>
<tr>
<td>Workers’ Compensation</td>
<td>979</td>
<td></td>
</tr>
<tr>
<td>CASE 1</td>
<td>Medrano v. Marshall Electrical Contracting Inc.</td>
<td>980</td>
</tr>
<tr>
<td>CASE 2</td>
<td>Smith v. Workers’ Compensation Appeals Board</td>
<td>981</td>
</tr>
<tr>
<td>CASE 3</td>
<td>Cochran Electric Company, Inc. v. Mahoney</td>
<td>982</td>
</tr>
<tr>
<td>CASE 4</td>
<td>Simmons v. Bob Mears Wholesale Florist</td>
<td>983</td>
</tr>
<tr>
<td>Occupational Safety</td>
<td>984</td>
<td></td>
</tr>
<tr>
<td>ETHICS SPOTLIGHT: Company Violates OSHA’s Safety Rule</td>
<td>985</td>
<td></td>
</tr>
<tr>
<td>Fair Labor Standards Act (FLSA)</td>
<td>986</td>
<td></td>
</tr>
<tr>
<td>CASE 5</td>
<td>U.S. SUPREME COURT: IBP, Inc. v. Alvarez</td>
<td>987</td>
</tr>
<tr>
<td>ETHICS SPOTLIGHT: Microsoft Violates Employment Law</td>
<td>988</td>
<td></td>
</tr>
<tr>
<td>Other Worker Protection Laws</td>
<td>988</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CONTEMPORARY ENVIRONMENT: Family and Medical Leave Act</td>
<td>989</td>
</tr>
<tr>
<td></td>
<td>CONTEMPORARY ENVIRONMENT: Drug Testing and Polygraph Tests</td>
<td>990</td>
</tr>
<tr>
<td>Government Programs</td>
<td>990</td>
<td></td>
</tr>
<tr>
<td>Labor Law</td>
<td>992</td>
<td></td>
</tr>
<tr>
<td>LANDMARK LAW: Federal Labor Union Statutes</td>
<td>992</td>
<td></td>
</tr>
</tbody>
</table>
36 Equal Opportunity in Employment .............................................. 1010
Title VII of the Civil Rights Act of 1964 ........................................ 1011
  • LANDMARK LAW: Title VII of the Civil Rights Act of 1964 ...... 1011
CASE 1 U.S. SUPREME COURT: Ledbetter v. The Goodyear Tire & Rubber Company, Inc. ........................................ 1013
CASE 2 National Association for the Advancement of Colored People, Newark Branch v. Town of Harrison, New Jersey ........................................ 1014
CASE 3 Rivera v. Baccarat, Inc. ................................................. 1015
CASE 4 Barbano v. Madison County, New York ................................ 1016
CASE 5 U.S. SUPREME COURT: Harris v. Forklift Systems Incorporated ........................................ 1018
CASE 6 U.S. SUPREME COURT: Pennsylvania State Police v. Suders ........................................ 1019
  • CONTEMPORARY ENVIRONMENT: Employer's Defense to a Charge of Sexual Harassment ........................................ 1020
  • INTERNET & TECHNOLOGY: E-Mails That Cause Sexual Harassment ........................................ 1020
CASE 7 U.S. SUPREME COURT: International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, UAW v. Johnson, Controls, Inc. ........................................ 1022
  • LANDMARK LAW: Civil Rights Act of 1866 .......................... 1024
Equal Pay Act ................................................................. 1024
Age Discrimination in Employment Act ........................................ 1025
CASE 8 U.S. SUPREME COURT: General Dynamics Land Systems, Inc. v. Cline ........................................ 1026
  • ETHICS SPOTLIGHT: "You’re Overqualified for the Job" .......... 1027
Americans with Disabilities Act ................................................. 1028
  • LANDMARK LAW: Americans with Disabilities Act ................. 1028
CASE 9 U.S. SUPREME COURT: PGA Tour, Inc. v. Martin ........................................ 1029
CASE 10 U.S. SUPREME COURT: Sutton v. United Airlines, Inc. ........................................ 1030
  • ETHICS SPOTLIGHT: Obesity Treated as a Disability ............... 1031
Affirmative Action ............................................................ 1031
  • CONTEMPORARY ENVIRONMENT: Affirmative Action and Reverse Discrimination ........................................ 1032
State and Local Government
Antidiscrimination Laws ..................................................... 1032
  • INTERNATIONAL LAW: United Nations Treaty to Protect the Rights of the Disabled ........................................ 1033
Chapter Summary .................................................................. 1033
Test Review Terms and Concepts ............................................. 1036
Case Problems ....................................................................... 1036
Ethics Issues .......................................................................... 1037
IRAC Writing Assignment ...................................................... 1038
UNIT 8 Property, Insurance, and Estates .................................... 1039
37 Personal Property, Bailment, and Insurance ................................ 1040
Personal Property ............................................................... 1041
CASE 1 Gruen v. Gruen .......................................................... 1043
Mislaid, Lost, and Abandoned Personal Property ......................... 1045
  • ETHICS SPOTLIGHT: Estray Statute ...................................... 1046
CASE 2 Willsmore v. Township of Oceola, Michigan ...................... 1047
CASE 3 Franks v. Kazi ............................................................ 1048
  • CONTEMPORARY ENVIRONMENT: Treasure Trove on the SS Central America ........................................ 1049
Bailment ................................................................................. 1049
CASE 4 Sisters of Charity of the Incarnate Word v. Meaux .............. 1050
CASE 5 Ziva Jewelry, Inc. v. Car Wash Headquarters, Inc. ............ 1051
Insurance .............................................................................. 1055
CASE 6 Amex Life Assurance Company v. Slome Capital Corp. ........ 1057
CASE 7 Needleman v. John Hancock Life Insurance Company .......... 1059
  • CONTEMPORARY ENVIRONMENT: Mold Eats Away at Insurers’ Profits ........................................ 1062
  • CONTEMPORARY ENVIRONMENT: No-Fault Automobile Insurance ........................................ 1063
Chapter Summary .................................................................. 1066
Test Review Terms and Concepts ............................................. 1071
CONTENTS

Case Problems ........................................ 1072
Ethics Issues .......................................... 1074
IRAC Writing Assignment .............................. 1075

38 Real Property and Landlord-Tenant Law .......... 1076
Real Property .......................................... 1077
  □ CONTEMPORARY ENVIRONMENT: Air Rights ........ 1078
Estates in Land ........................................ 1078
Concurrent Ownership ................................. 1080
  CASE 1 Cunningham v. Hastings ...................... 1082
Future Interests ....................................... 1083
Transfer of Ownership of Real Property ............. 1083
  CASE 2 The Howard Savings Bank v. Brunson ....... 1085
  CASE 3 Witt v. Miller ................................ 1087
  CASE 4 Johnson v. Asfaw and Tanus ................. 1088
Nonpossessory Interests ............................... 1089
  CASE 5 Walker v. Ayers .............................. 1089
Landlord-Tenant Relationship ......................... 1091
  CASE 6 Solow v. Wellner ............................ 1095
  CASE 7 Feld v. Merriam ............................. 1096
  □ CONTEMPORARY ENVIRONMENT: Rent Control .... 1099
Zoning .................................................. 1099
  CASE 8 Guinnane v. San Francisco City Planning Commission .................................. 1100
  CASE 9 Stratosphere Gaming Corporation, D/B/A Stratosphere Resort and Casino v. City of Las Vegas, Nevada .................................. 1101
Civil Rights Acts and Real Estate ..................... 1102
  CASE 10 United States of America v. Cinemark USA, Inc., ........................................ 1103
Eminence Domain and the "Taking" of Real Property ........................................ 1104
Chapter Summary ....................................... 1106
Test Review Terms and Concepts ....................... 1110
Case Problems ......................................... 1111
Ethics Issues .......................................... 1113
IRAC Writing Assignment .............................. 1114

39 Family Law, Wills, and Trusts ....................... 1115
Premarriage Issues .................................... 1116
  □ CONTEMPORARY ENVIRONMENT: Prenuptial Agreement ........................................ 1117
Marriage ............................................... 1117
  □ CONTEMPORARY ENVIRONMENT: Same-Sex Marriage ........................................... 1119
Parents and Children ................................... 1119
  □ CONTEMPORARY ENVIRONMENT: Surrogacy .................................................. 1120
Marriage Termination ................................... 1122
Division of Assets ..................................... 1123
  CASE 1 Giha v. Giha ................................ 1125
  CASE 2 In the Matter of the Marriage of Joyner .............................................. 1126
Spousal Support, Child Support and Child Custody ........................................... 1127
  □ ETHICS SPOTLIGHT: Family Support Act .................................................. 1128
Wills ..................................................... 1129
  □ INTERNET & TECHNOLOGY: Videotaped Wills .............................................. 1132
  CASE 3 Medlock v. Mitchell .......................... 1134
  CASE 4 In re Estate of James Allen Hendrix .......... 1135
  CASE 5 Opperman v. Anderson ....................... 1139
Intestate Succession ................................... 1139
Trusts .................................................. 1140
Living Trusts .......................................... 1142
Living Will and Health Care Directive ................ 1144
  CASE 6 U.S. SUPREME COURT: Gonzales, Attorney General v. Oregon ....................... 1145
Chapter Summary ....................................... 1146
Test Review Terms and Concepts ....................... 1152
Case Problems ......................................... 1153
Ethics Issues .......................................... 1155
IRAC Writing Assignment .............................. 1156

UNIT 9 Accounting Profession .......................... 1157

40 Accountant’s Liability ............................... 1158
Public Accounting ...................................... 1159
  □ CONTEMPORARY ENVIRONMENT: “Big Four” Accounting Firms ................................ 1160
  □ CONTEMPORARY ENVIRONMENT: Auditor’s Opinions ........................................ 1160
Liability of Accountants to Their Clients ............. 1162
  CASE 1 Greenstein, Logan & Company v. Burgess Marketing, Inc. ................................ 1162
Liability of Accountants to Third Parties .............. 1163
  CASE 2 Credit Alliance Corporation v. Arthur Anderson & Co ........................................ 1164
  CASE 3 Industrial Loan Thrift Guaranty Corporation of Iowa v. Reese & Company, P.C. ...................... 1165
  □ ETHICS SPOTLIGHT: Accountant’s Duty to Report Client’s Illegal Activity .................. 1167
Liability of Accountants for Violations of Securities Laws ........................................ 1168
  □ CONTEMPORARY ENVIRONMENT: Private Securities Litigation Reform Act of 1995 .... 1169
Criminal Liability of Accountants ........................ 1169
  □ ETHICS SPOTLIGHT: The Demise of Andersen .............................................. 1170
Sarbanes-Oxley Act ..................................... 1171
UNIT 10 Global Environment .......................... 1181

41 International and World Trade Law .................. 1182
  The United States and Foreign Affairs ............. 1183
  Sources of International Law ....................... 1185
  United Nations .................................. 1186
  □ INTERNATIONAL LAW: International Monetary Fund (IMF) .................. 1188
  □ INTERNATIONAL LAW: World Bank ................ 1188
  Regional International Organizations ............... 1190
  □ INTERNATIONAL LAW: Central America Free Trade Agreement .......... 1194
  World Trade Organization (WTO) .................. 1194
  □ INTERNATIONAL LAW: China Joins the WTO .... 1195
  □ INTERNATIONAL LAW: Vietnam Joins the WTO ............ 1196
  □ INTERNATIONAL LAW: WTO Rules Against the United States .......... 1197
  □ INTERNATIONAL LAW: Nationalization of Private Property .......... 1197

National Courts Decide International Disputes .......... 1198
  CASE 1 Glen v. Club Mediterranee, S.A .......... 1199

CASE 3 U.S. SUPREME COURT: Republic of Argentina v. Weltover, Inc .................. 1202
□ INTERNATIONAL LAW: Jewish Law and the Torah ........ 1203
□ INTERNATIONAL LAW: Islamic Law and the Koran .......... 1204
□ INTERNATIONAL LAW: Hindu—Dharmasastra ........... 1205
□ INTERNATIONAL LAW: Holocaust Victims Recover Payment from Swiss Banks ...... 1205

Chapter Summary ..................................... 1206
Test Review Terms and Concepts ....................... 1208
Case Problems ...................................... 1208
Ethics Issues ....................................... 1209
IRAC Writing Assignment ............................. 1210
APPENDIX A Case Appendix ........................... 1211
APPENDIX B The Constitution of the United States of America ........... 1245
APPENDIX D Sarbanes-Oxley Act of 2002 (Excerpts) .......... 1272
Glossary ........................................... 1278
Case Index ......................................... 1315
Subject Index ...................................... 1321