

# Contemporary Business and Online Commerce Law

## Legal, Internet, Ethical, and Global Environments

*Sixth Edition*

HENRY R. CHEESEMAN

Clinical Professor of Business Law  
Director of the Legal Studies Program  
Marshall School of Business  
University of Southern California



Upper Saddle River, New Jersey 07458

# Contents

Preface . . . . .	xxii	CASE 1 LANDMARK CASE: Heart of Atlanta Motel v. United States . . . . .	38
<b>UNIT 1 Legal, Ethical, and Digital Environment. . . . .</b>	<b>1</b>	CASE 4 U.S. SUPREME COURT: Reno, Attorney General of the United States v. Condon, Attorney General of South Carolina . . . . .	39
<b>1 Legal Heritage and the Information Age . . . . .</b>	<b>2</b>	CASE 5 U.S. SUPREME COURT: Gonzales, Attorney General of the United States v. Raich . . . . .	40
What is Law? . . . . .	3	CASE 6 U.S. SUPREME COURT: Granholm, Governor of Michigan v. Heald . . . . .	41
<input type="checkbox"/> INTERNET & TECHNOLOGY: Students Plug In to the Internet . . . . .	4	<b>Bill of Rights . . . . .</b>	<b>42</b>
CASE 1 LANDMARK CASE: Brown v. Board of Education . . . . .	6	<b>Freedom of Speech . . . . .</b>	<b>43</b>
<b>Schools of Jurisprudential Thought . . . . .</b>	<b>8</b>	CASE 7 U.S. SUPREME COURT: United States v. Playboy Entertainment Group, Inc. . . . .	43
<input type="checkbox"/> INTERNATIONAL LAW: Immigration to the United States of America . . . . .	9	CASE 8 U.S. SUPREME COURT: Mainstream Marketing Services, Inc. v. Federal Trade Commission and Federal Communications Commission . . . . .	45
<b>History of American Law . . . . .</b>	<b>10</b>	<input type="checkbox"/> INTERNET & TECHNOLOGY: Commercial Speech: Junk Faxes . . . . .	46
<input type="checkbox"/> INTERNATIONAL LAW: Adoption of English Common Law in America . . . . .	11	<input type="checkbox"/> INTERNET & TECHNOLOGY: Broad Free Speech Rights Granted in Cyberspace . . . . .	47
<input type="checkbox"/> INTERNATIONAL LAW: The Civil Law System . . . . .	11	<b>Freedom of Religion . . . . .</b>	<b>47</b>
<b>Sources of Law in the United States . . . . .</b>	<b>12</b>	CASE 9 U.S. SUPREME COURT: McCreary County, Kentucky v. American Civil Liberties Union of Kentucky . . . . .	48
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Department of Homeland Security . . . . .	14	CASE 10 U.S. SUPREME COURT: Van Orden v. Perry, Governor of Texas . . . . .	49
CASE 1 U.S. SUPREME COURT: Gratz v. Bollinger and the Regents of the University of Michigan . . . . .	16	<b>Equal Protection Clause . . . . .</b>	<b>50</b>
CASE 2 U.S. SUPREME COURT: Grutter v. Bollinger and the University of Michigan Law School . . . . .	17	<b>Due Process Clause . . . . .</b>	<b>51</b>
<b>Briefing a Case: The IRAC Method . . . . .</b>	<b>18</b>	<b>Privileges and Immunities Clause . . . . .</b>	<b>52</b>
<b>Chapter Summary . . . . .</b>	<b>24</b>	<b>Chapter Summary . . . . .</b>	<b>53</b>
<b>Test Review Terms and Concepts . . . . .</b>	<b>25</b>	<b>Test Review Terms and Concepts . . . . .</b>	<b>55</b>
<b>Case Problems . . . . .</b>	<b>26</b>	<b>Case Problems . . . . .</b>	<b>55</b>
<b>Ethics Issues . . . . .</b>	<b>26</b>	<b>Ethics Issues . . . . .</b>	<b>56</b>
<b>IRAC Writing Assignment . . . . .</b>	<b>27</b>	<b>IRAC Writing Assignment . . . . .</b>	<b>57</b>
<b>2 Constitutional Law for Business and E-Commerce . . . . .</b>	<b>28</b>	<b>3 Court Systems and Jurisdiction . . . . .</b>	<b>58</b>
<b>Constitution of the United States of America . . . . .</b>	<b>29</b>	<b>State Court Systems . . . . .</b>	<b>59</b>
<b>Supremacy Clause . . . . .</b>	<b>32</b>	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Specialized Courts Hear Commercial Disputes . . . . .	61
CASE 1 U.S. SUPREME COURT: Engine Manufacturers Association v. South Coast Air Quality Management District . . . . .	33	<b>Federal Court System . . . . .</b>	<b>63</b>
<b>Commerce Clause . . . . .</b>	<b>33</b>	<b>United States Supreme Court . . . . .</b>	<b>65</b>
CASE 2 U.S. SUPREME COURT: Minnesota v. Mille Lacs Bank of Chippewa Indians . . . . .	34	<input type="checkbox"/> LANDMARK LAW: The Process of Choosing a Supreme Court Justice . . . . .	66
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Native American Law . . . . .	35	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: "I'll Take You to the U.S. Supreme Court!" . . . . .	69
CASE 3 U.S. SUPREME COURT: Crosby, Secretary of Administration and Finance of Massachusetts v. National Foreign Trade Council . . . . .	36	<b>Jurisdiction of Federal and State Courts . . . . .</b>	<b>69</b>
		<b>Personal Jurisdiction of Courts . . . . .</b>	<b>70</b>
		CASE 1 LANDMARK CASE: International Shoe Company v. State of Washington . . . . .	71

CASE 1 U.S. SUPREME COURT: Carnival Cruise Lines, Inc. v. Shute . . . . .	74	CASE 1 Themed Restaurants, Inc., Doing Business as Lucky Cheng's v. Zagat Survey, LLC . . . . .	117
□ INTERNET & TECHNOLOGY: Obtaining Personal Jurisdiction in Cyberspace . . . . .	75	CASE 2 Roach v. Stern . . . . .	119
Chapter Summary . . . . .	75	Intentional Torts Against Property . . . . .	120
Test Review Terms and Concepts . . . . .	78	Unintentional Torts (Negligence) . . . . .	121
Case Problems . . . . .	78	□ CONTEMPORARY ENVIRONMENT: Ouch! McDonald's Coffee's Is Too Hot! . . . . .	122
Ethics Issues . . . . .	79	CASE 3 Wilhelm v. Flores . . . . .	123
IRAC Writing Assignment . . . . .	79	CASE 4 James v. Meow Media, Inc. . . . .	124
<b>4 Judicial, Administrative, Alternative, and Online Dispute Resolution . . . . .</b>	<b>80</b>	CASE 5 Clancy v. Goad . . . . .	125
Pretrial Litigation Process . . . . .	81	CASE 1 LANDMARK CASE: Palsgraf v. The Long Island Railroad Company . . . . .	126
CASE 1 U.S. SUPREME COURT: Swierkiewicz v. Sorema N.A. . . . .	83	CASE 6 Carter v. Indianapolis Power & Light Company and Indiana Bell Telephone Company, Inc. . . . .	127
CASE 2 Bertram v. Norden, et al. . . . .	85	Special Negligence Doctrines . . . . .	128
□ INTERNET & TECHNOLOGY: E-Filings . . . . .	86	CASE 7 Colbert v. Moomba Sports, Inc. and Skier's Choice, Inc. . . . .	129
CASE 3 Norgart v. The Upjohn Company . . . . .	86	CASE 8 Matthias v. Accor Economy Lodging, Inc. and Motel 6 Operating L.P. . . . .	132
Dismissals and Pretrial Judgments . . . . .	88	□ CONTEMPORARY ENVIRONMENT: Federal Tort Claims Act . . . . .	133
CASE 4 Tooté v. Canada Dry Bottling Company of New York, Inc. and Pathmark Stores, Inc. . . . .	89	CASE 9 U.S. SUPREME COURT: Dolan v. United States Postal Service . . . . .	134
Settlement Conference . . . . .	90	Defenses Against Negligence . . . . .	135
□ CONTEMPORARY ENVIRONMENT: Cost-Benefit Analysis of a Lawsuit . . . . .	90	CASE 10 Lilya v. The Greater Gulf State Fair, Inc. . . . .	135
☑ CONTEMPORARY ENVIRONMENT: Ford Settles Lawsuit . . . . .	90	CASE 11 Hurst v. East Coast Hockey League, Inc. and Knoxville Cherokees Hockey, Inc. . . . .	136
Trial . . . . .	91	Strict Liability . . . . .	138
CASE 5 Ferlito v. Johnson & Johnson Products, Inc. . . . .	92	CASE 12 Cook v. Whitsell-Sherman . . . . .	138
Appeal . . . . .	93	Chapter Summary . . . . .	139
CASE 6 U.S. SUPREME COURT: Weisgram v. Marley Company . . . . .	94	Test Review Terms and Concepts . . . . .	143
□ INTERNATIONAL LAW: Japan's Legal System . . . . .	95	Case Problems . . . . .	143
Alternative Dispute Resolution . . . . .	95	Ethics Issues . . . . .	145
□ LANDMARK LAW: Federal Arbitration Act . . . . .	96	IRAC Writing Assignment . . . . .	146
CASE 7 U.S. SUPREME COURT: Circuit City Stores, Inc. v. Adams . . . . .	99		
□ INTERNET & TECHNOLOGY: Online Dispute Resolution . . . . .	100	<b>6 Criminal Law and White-Collar Crime . . . . .</b>	<b>147</b>
Administrative Law . . . . .	100	Definition of <i>Crime</i> . . . . .	148
☑ CONTEMPORARY ENVIRONMENT: Federal Administrative Agencies . . . . .	104	□ ETHICS SPOTLIGHT: Martha Stewart Guilty of a Crime . . . . .	151
Chapter Summary . . . . .	105	Criminal Procedure . . . . .	152
Test Review Terms and Concepts . . . . .	107	CASE 1 U.S. SUPREME COURT: Atwater v. Lago Vista, Texas . . . . .	152
Case Problems . . . . .	108	Common Crimes . . . . .	154
Ethics Issues . . . . .	110	CASE 2 State of Ohio v. Wilson . . . . .	157
IRAC Writing Assignment . . . . .	111	□ CONTEMPORARY ENVIRONMENT: The Crime of Manslaughter . . . . .	158
<b>5 Torts and Strict Liability . . . . .</b>	<b>112</b>	White-Collar Crime . . . . .	160
Intentional Torts Against Persons . . . . .	113	□ INTERNATIONAL LAW: Foreign Corrupt Practices Act . . . . .	161
□ ETHICS SPOTLIGHT: Wal-Mart Liable for False Imprisonment . . . . .	114	□ LANDMARK STATUTE: Racketeer Influenced and Corrupt Organizations Act (RICO) . . . . .	163
□ CONTEMPORARY ENVIRONMENT: Eminem's Rap Song Is Not Slander . . . . .	116		

<input type="checkbox"/> ETHICS SPOTLIGHT: Money Laundering . . . . .	164	CASE 5 Newton v. Beastie Boys . . . . .	196
<input type="checkbox"/> ETHICS SPOTLIGHT: Corporate Criminal Liability . . . . .	164	<input type="checkbox"/> ETHICS SPOTLIGHT: Elvis Presley's Videos Copied . . . . .	197
<b>Protection Against Unreasonable Search and Seizure . . . . .</b>	<b>164</b>	<input type="checkbox"/> INTERNET & TECHNOLOGY: The NET Act: Criminal Copyright Infringement . . . . .	198
CASE 3 U.S. SUPREME COURT: <i>Kyllo v. United States</i> . . . . .	165	<input type="checkbox"/> INTERNET & TECHNOLOGY: Digital Millennium Copyright Act . . . . .	198
CASE 4 <i>United States of America v. Garcia</i> . . . . .	166	CASE 6 <i>Sony Computer Entertainment America, Inc. v. Filipiak</i> . . . . .	199
CASE 5 U.S. SUPREME COURT: <i>City of Indianapolis v. Edmond</i> . . . . .	167	<b>Trademarks . . . . .</b>	<b>200</b>
CASE 6 U.S. SUPREME COURT: <i>New York v. Burger</i> . . . . .	168	CASE 7 <i>Menashe v. Victoria's Secret Stores, Inc.</i> . . . . .	202
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Federal Antiterrorism Act . . . . .	169	<input type="checkbox"/> ETHICS SPOTLIGHT: Apple Computer Sued for Infringing the "iPhone" Trademark . . . . .	203
<b>Fifth Amendment Privilege Against Self-Incrimination . . . . .</b>	<b>170</b>	CASE 8 U.S. SUPREME COURT: <i>Two Pesos, Inc. v. Taco Cabana, Inc.</i> . . . . .	204
<b>Other Constitutional Protections . . . . .</b>	<b>171</b>	<input type="checkbox"/> INTERNATIONAL LAW: Chinese Courts Uphold Intellectual Property Rights . . . . .	205
<input type="checkbox"/> INTERNATIONAL LAW: International Extortion and Bribery . . . . .	172	CASE 9 <i>Retail Services Inc. v. Freebies Publishing</i> . . . . .	207
<b>Chapter Summary . . . . .</b>	<b>173</b>	<input type="checkbox"/> INTERNATIONAL LAW: International Protection of Intellectual Property Rights . . . . .	209
<b>Test Review Terms and Concepts . . . . .</b>	<b>177</b>	<b>Chapter Summary . . . . .</b>	<b>210</b>
<b>Case Problems . . . . .</b>	<b>177</b>	<b>Test Review Terms and Concepts . . . . .</b>	<b>212</b>
<b>Ethics Issues . . . . .</b>	<b>179</b>	<b>Case Problems . . . . .</b>	<b>213</b>
<b>IRAC Writing Assignment . . . . .</b>	<b>179</b>	<b>Ethics Issues . . . . .</b>	<b>214</b>
<b>7 Intellectual Property and Piracy . . . . .</b>	<b>181</b>	<b>IRAC Writing Assignment . . . . .</b>	<b>215</b>
<b>Trade Secrets . . . . .</b>	<b>182</b>	<b>8 Ethics of Managers and Social Responsibility of Business . . . . .</b>	<b>216</b>
<input type="checkbox"/> INTERNET & TECHNOLOGY: The Economic Espionage Act . . . . .	183	<b>Ethics and the Law . . . . .</b>	<b>217</b>
<input type="checkbox"/> ETHICS SPOTLIGHT: Coca-Cola Worker Convicted of Trying to Sell a Trade Secret to Pepsi-Cola . . . . .	183	<b>Business Ethics . . . . .</b>	<b>218</b>
<b>Patents . . . . .</b>	<b>184</b>	<input type="checkbox"/> ETHICS SPOTLIGHT: Wal-Mart Pays Big for Meal Break Violations . . . . .	218
CASE 1 U.S. SUPREME COURT: <i>J.E.M. Ag Supply, Inc., d.b.a. Farm Advantage, Inc. v. Pioneer Hi-Bred International, Inc.</i> . . . . .	186	<input type="checkbox"/> ETHICS SPOTLIGHT: <i>Qui Tam</i> Lawsuit . . . . .	219
<input checked="" type="checkbox"/> CONTEMPORARY ENVIRONMENT: The Cost of Protecting a Patent . . . . .	187	CASE 1 <i>Bradley v. McDonald's Corporation</i> . . . . .	220
<input checked="" type="checkbox"/> CONTEMPORARY ENVIRONMENT: Amazon.com Denied Patent . . . . .	188	<input type="checkbox"/> ETHICS SPOTLIGHT: New York City Bans Trans Fats . . . . .	221
CASE 2 U.S. SUPREME COURT: <i>Pfaff v. Wells Electronics, Inc.</i> . . . . .	189	CASE 2 <i>Pizza Hut, Inc. v. Papa John's International, Inc.</i> . . . . .	221
<input type="checkbox"/> INTERNET & TECHNOLOGY: Cyber Business Plans are Patentable . . . . .	190	<input type="checkbox"/> ETHICS SPOTLIGHT: Procter & Gamble Wins "Satanism" Lawsuit . . . . .	223
<input type="checkbox"/> ETHICS SPOTLIGHT: Inventor Wipes Ford's and Chrysler's Windshields Clean . . . . .	190	CASE 3 U.S. SUPREME COURT: <i>United States v. Sun-Diamond Growers of California</i> . . . . .	224
<input type="checkbox"/> ETHICS SPOTLIGHT: Microsoft Slapped with \$1.52 Billion MP3 Verdict . . . . .	191	<input type="checkbox"/> ETHICS SPOTLIGHT: Disney Losses "Pooh Bear" Lawsuit . . . . .	225
<b>Copyrights . . . . .</b>	<b>191</b>	<b>Social Responsibility of Business . . . . .</b>	<b>226</b>
<input type="checkbox"/> INTERNET & TECHNOLOGY: Computer Software Copyright Act . . . . .	193	CASE 4 U.S. SUPREME COURT: <i>Wal-Mart Stores, Inc. v. Samara Brothers, Inc.</i> . . . . .	227
CASE 3 <i>BMG Music v. Gonzalez</i> . . . . .	194	<input type="checkbox"/> ETHICS SPOTLIGHT: Student Loan Scandal Comes to Light . . . . .	228
CASE 4 U.S. SUPREME COURT: <i>Metro-Goldwyn-Mayer Studios v. Grokster, Ltd. and StreamCast Networks, Inc.</i> . . . . .	195	<input type="checkbox"/> ETHICS SPOTLIGHT: Media Giant Pays for Bomb Scare . . . . .	229
		<input type="checkbox"/> ETHICS SPOTLIGHT: State Farm: Not Such a Good Neighbor . . . . .	230

- ❑ ETHICS SPOTLIGHT: Sarbanes-Oxley Act Prompts Public Companies to Adopt Codes of Ethics . . . . . 231
- ❑ ETHICS SPOTLIGHT: The Corporate Social Audit . . . . . 233
- ❑ INTERNATIONAL LAW: United Nations Code of Conduct for Transnational Corporations . . . . . 233
- Chapter Summary . . . . . 234
- Test Review Terms and Concepts . . . . . 235
- Case Problems . . . . . 235
- Ethics Issues . . . . . 236
- IRAC Writing Assignment . . . . . 237

**UNIT 2 Contracts & E-Commerce . . . . . 239**

- 9 Nature of Traditional and Online Contracts . . . . . 240**
- Definition of a *Contract* . . . . . 241
  - ❑ CONTEMPORARY ENVIRONMENT: The Evolution of the Modern Law of Contracts . . . . . 243
- Sources of Contract Law . . . . . 243
  - ❑ INTERNET & TECHNOLOGY: Uniform Computer Information Transactions Act (UCITA) . . . . . 244
  - CASE 1 City of Everett, Washington v. Mitchell . . . . . 244
  - CASE 2 Welles v. Academy of Motion Picture Arts and Sciences . . . . . 245
  - ❑ INTERNET & TECHNOLOGY: E-Commerce . . . . . 247
- Classifications of Contracts . . . . . 247
  - CASE 3 Wrench LLC v. Taco Bell Corporation . . . . . 248
  - ❑ ETHICS SPOTLIGHT: "Scrabble" Owner Held Liable on an Implied-in-Fact Contract . . . . . 249
  - CASE 4 Powell v. Thompson-Powell . . . . . 250
- Equity . . . . . 253
  - ❑ ETHICS SPOTLIGHT: Equity Saves Contracting Party . . . . . 253
  - ❑ INTERNATIONAL LAW: The United Nations Convention on Contracts for the International Sale of Goods . . . . . 254
- Chapter Summary . . . . . 255
- Test Review Terms and Concepts . . . . . 256
- Case Problems . . . . . 256
- Ethics Issues . . . . . 257
- IRAC Writing Assignment . . . . . 257

- 10 Agreement and Consideration . . . . . 258**
- Agreement . . . . . 259
- Offer . . . . . 259
  - CASE 1 Marder v. Jennifer Lopez . . . . . 261
  - ❑ ETHICS SPOTLIGHT: "A Contract Is a Contract Is a Contract" . . . . . 262
  - CASE 2 Mesaros v. United States . . . . . 263
  - CASE 3 Lim v. The TV Corporation International . . . . . 264

- Termination of Offers . . . . . 265
  - CASE 4 McLaughlin v. Heikkila . . . . . 266
  - ❑ CONTEMPORARY ENVIRONMENT: Option Contracts . . . . . 268
- Acceptance . . . . . 269
  - CASE 5 Montgomery v. English . . . . . 269
  - CASE 6 Ellefson v. Megadeth, Inc. . . . . 272
  - ❑ INTERNET & TECHNOLOGY: Nondisclosure Agreements . . . . . 274
- Consideration . . . . . 275
  - CASE 7 Alden v. Presley . . . . . 276
  - CASE 8 Cooper v. Smith . . . . . 276
  - ❑ CONTEMPORARY ENVIRONMENT: When Is Consideration Inadequate? . . . . . 277
- Contracts Lacking Consideration . . . . . 278
  - CASE 9 In the Matter of Wirth . . . . . 279
  - ❑ CONTEMPORARY ENVIRONMENT: Special Business Contracts . . . . . 281
- Promissory Estoppel . . . . . 281
  - ❑ INTERNATIONAL LAW: China Adopts New Contract Laws . . . . . 282
- Chapter Summary . . . . . 283
- Test Review Terms and Concepts . . . . . 286
- Case Problems . . . . . 286
- Ethics Issues . . . . . 288
- IRAC Writing Assignment . . . . . 290

- 11 Capacity and Legality . . . . . 291**
- Minors . . . . . 292
  - CASE 1 Jones v. Free Flight Sport Aviation, Inc. . . . . 295
  - CASE 2 Yale Diagnostic Radiology v. Estate of Fountain . . . . . 296
  - ❑ CONTEMPORARY ENVIRONMENT: Special Types of Minors' Contracts . . . . . 297
- Mentally Incompetent Persons . . . . . 297
  - CASE 3 Campbell v. Carr . . . . . 298
- Intoxicated Persons . . . . . 299
  - CASE 4 Smith v. Williamson . . . . . 300
- Legality . . . . . 301
  - CASE 5 Flood v. Fidelity & Guaranty Life Insurance Co. . . . . 302
  - CASE 6 Ryno v. Tyra . . . . . 304
- Special Business Contracts . . . . . 304
  - ❑ ETHICS SPOTLIGHT: An Unlicensed Contractor Gets Dunked . . . . . 305
  - CASE 7 Zivich v. Mentor Soccer Club, Inc. . . . . 306
  - ❑ CONTEMPORARY ENVIRONMENT: Covenants Not to Compete . . . . . 307
- Unconscionable Contracts . . . . . 308
  - ❑ ETHICS SPOTLIGHT: Unconscionable Contract . . . . . 309
- Chapter Summary . . . . . 310
- Test Review Terms and Concepts . . . . . 312

Case Problems . . . . .	313		
Ethics Issues . . . . .	314		
IRAC Writing Assignment . . . . .	314		
<b>12 Genuineness of Assent and Statute of Frauds . . . . .</b>	<b>315</b>		
Mistake . . . . .	316		
CASE 1 Wells Fargo Credit Corporation v. Martin . . . . .	317		
Fraud . . . . .	318		
<input type="checkbox"/> ETHICS SPOTLIGHT: Proving Fraud . . . . .	318		
CASE 2 Krysa v. Paine . . . . .	320		
CASE 3 Wilson v. Western National Life Insurance Company . . . . .	321		
Undue Influence . . . . .	323		
<input type="checkbox"/> ETHICS SPOTLIGHT: Undue Influence . . . . .	323		
Duress . . . . .	324		
<input type="checkbox"/> ETHICS SPOTLIGHT: Economic Duress . . . . .	325		
Statute of Frauds . . . . .	326		
CASE 4 Sutton v. Warner . . . . .	327		
<input type="checkbox"/> ETHICS SPOTLIGHT: An Oral Contract Is Not Worth the Paper It's Written On . . . . .	330		
<input type="checkbox"/> ETHICS SPOTLIGHT: Promissory Estoppel . . . . .	330		
Formality of the Writing . . . . .	331		
Parole Evidence Rule . . . . .	333		
<input type="checkbox"/> 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		
<b>13 Third-Party Rights and Discharge . . . . .</b>	<b>343</b>		
Assignment of Rights . . . . .	344		
CASE 1 Accrued Financial Services, Incorporated v. Prime Retail, Incorporated . . . . .	346		
<input type="checkbox"/> 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		
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Commercial Impracticability . . . . .	356		
Chapter Summary . . . . .	358		
Test Review Terms and Concepts . . . . .	361		
Case Problems . . . . .	361		
Ethics Issues . . . . .	362		
IRAC Writing Assignment . . . . .	363		
<b>14 Remedies for Breach of Traditional and Online Contracts . . . . .</b>	<b>364</b>		
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		
<input type="checkbox"/> 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		
<input type="checkbox"/> 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		
<b>15 E-Contracts, Internet Law, and Cyber Crimes . . . . .</b>	<b>388</b>		
The Internet . . . . .	389		
<input type="checkbox"/> INTERNET & TECHNOLOGY: Free Speech and the Internet . . . . .	390		
CASE 1 John Doe v. GTE Corporation . . . . .	391		
Domain Names . . . . .	392		
<input type="checkbox"/> INTERNET & TECHNOLOGY: The Anticybersquatting Consumer Protection Act . . . . .	393		
CASE 2 E. & J. Gallo Winery v. Spider Webs Ltd. . . . .	394		
<input type="checkbox"/> INTERNET & TECHNOLOGY: Armani Outmaneuvered for Domain Name . . . . .	395		
<input type="checkbox"/> INTERNET & TECHNOLOGY: Domain Names Sold for Millions . . . . .	395		
E-Contracts . . . . .	396		
<input type="checkbox"/> INTERNET & TECHNOLOGY: E-Contracts Writing Requirement . . . . .	396		
<input type="checkbox"/> INTERNET & TECHNOLOGY: E-Signatures . . . . .	396		
Software and E-Licensing . . . . .	397		
<input type="checkbox"/> INTERNET & TECHNOLOGY: Click-Wrap Licenses . . . . .	398		
<input type="checkbox"/> INTERNET & TECHNOLOGY: Counteroffers Ineffectual Against Electronic Agents . . . . .	398		
<input type="checkbox"/> INTERNET & TECHNOLOGY: Consumers Saved from Electronic Errors . . . . .	399		

- INTERNET & TECHNOLOGY: Electronic Self-Help . . . . . 400
- CASE 3 M.A. Mortenson Company, Inc. v. Timberline Software Corporation . . . . . 401
- 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

Chapter Summary . . . . .	461	Types of Negotiable Instruments . . . . .	508
Test Review Terms and Concepts . . . . .	465	Creating a Negotiable Instrument . . . . .	512
Case Problems . . . . .	465	☐ CONTEMPORARY ENVIRONMENT: Authorized Representative's Signature . . . . .	513
Ethics Issues . . . . .	467	Unconditional Promise or Order to Pay . . . . .	513
IRAC Writing Assignment . . . . .	467	CASE 1 FFP Marketing Company, Inc. v. Long Lane Master Trust IV . . . . .	515
<b>19 Warranties and Product Liability . . . . .</b>	<b>468</b>	☐ CONTEMPORARY ENVIRONMENT: Payable to Order or to Bearer . . . . .	516
Express Warranties . . . . .	469	☐ CONTEMPORARY ENVIRONMENT: Variable Interest Rate Loan . . . . .	517
CASE 1 Daughtrey v. Ashe . . . . .	470	CASE 2 Deeks v. United States . . . . .	518
Implied Warranties . . . . .	472	☐ INTERNATIONAL LAW: Negotiable Instruments Payable in Foreign Currency . . . . .	520
CASE 2 Denny v. Ford Motor Company . . . . .	472	Nonnegotiable Contracts and Assignment . . . . .	520
CASE 3 Mack Massey Motors, Inc. v. Garnica . . . . .	474	Transfer by Negotiation . . . . .	521
Warranty Disclaimers . . . . .	476	☐ CONTEMPORARY ENVIRONMENT: Converting Order and Bearer Paper . . . . .	522
☐ INTERNET & TECHNOLOGY: Warranty Disclaimers in Software Licenses . . . . .	476	Indorsement . . . . .	522
☐ LANDMARK LAW: Magnuson-Moss Warranty Act Protects Consumers . . . . .	477	☐ CONTEMPORARY ENVIRONMENT: Multiple Payee or Indorsees . . . . .	527
CASE 4 Milicevic v. Fletcher Jones Imports, Ltd. and Mercedes-Benz USA . . . . .	477	Chapter Summary . . . . .	527
Product Liability . . . . .	478	Test Review Terms and Concepts . . . . .	532
Strict Liability . . . . .	480	Case Problems . . . . .	533
☐ CONTEMPORARY ENVIRONMENT: Strict Liability in the <i>Restatement of Torts</i> . . . . .	481	Ethics Issues . . . . .	535
Defective Products . . . . .	482	IRAC Writing Assignment . . . . .	536
CASE 5 Shoshone Coca-Cola Bottling Company v. Dolinski . . . . .	483	<b>21 Holder in Due Course and Liability of Parties . . . . .</b>	<b>537</b>
CASE 6 Lakin v. Senco Products, Inc. . . . .	484	Holder in Due Course (HDC) . . . . .	538
CASE 7 Higgins v. Intex Recreation Corporation . . . . .	485	Requirements for HDC Status . . . . .	539
☐ ETHICS SPOTLIGHT: Design Defect in Pool Equipment . . . . .	486	☐ CONTEMPORARY ENVIRONMENT: Shelter Principle . . . . .	541
CASE 8 Karlsson v. Ford Motor Company . . . . .	487	Signature Liability . . . . .	542
CASE 9 Crosswhite v. Jumping, Inc. . . . .	488	CASE 1 Grand Island Production Credit Assn. v. Humphrey . . . . .	543
CASE 10 Glenn v. Overhead Door Corporation . . . . .	489	☐ CONTEMPORARY ENVIRONMENT: Accommodation Party . . . . .	545
CASE 11 Elstroth v. Johnson & Johnson . . . . .	490	CASE 2 S. Mansukhlal & Company v. Husein . . . . .	546
CASE 12 U.S. SUPREME COURT: Philip Morris USA v. Williams . . . . .	492	Forged Indorsement . . . . .	547
Defenses to Product Liability . . . . .	493	☐ ETHICS SPOTLIGHT: Imposter Rule . . . . .	548
☐ ETHICS SPOTLIGHT: General Motors Liable for Design Defect . . . . .	495	☐ ETHICS SPOTLIGHT: Fictitious Payee Rule . . . . .	548
Chapter Summary . . . . .	496	Warranty Liability . . . . .	549
Test Review Terms and Concepts . . . . .	500	Defenses . . . . .	550
Case Problems . . . . .	500	☐ LANDMARK LAW: FTC Rule Limits HDC Status . . . . .	554
Ethics Issues . . . . .	502	Discharge . . . . .	554
IRAC Writing Assignment . . . . .	503	Chapter Summary . . . . .	555
<b>UNIT 4 Negotiable Instruments and Electronic Banking . . . . .</b>	<b>505</b>	Test Review Terms and Concepts . . . . .	560
<b>20 Negotiability and Transferability . . . . .</b>	<b>506</b>	Case Problems . . . . .	561
Negotiable Instruments . . . . .	507	Ethics Issues . . . . .	563
☐ LANDMARK LAW: Revised Article 3 (Negotiable Instruments) of the UCC . . . . .	508	IRAC Writing Assignment . . . . .	564



**22 Checks, Banking System, and E-Money . . . . . 565**

The Bank-Customer Relationship . . . . . 566

Ordinary Checks . . . . . 567

INTERNET & TECHNOLOGY: Electronic Fund Transfer Systems . . . . . 568

Special Types of Checks . . . . . 568

INTERNET & TECHNOLOGY: Bank Debit Cards . . . . . 570

Honoring Checks . . . . . 571

CONTEMPORARY ENVIRONMENT: Federal Currency Reporting Law . . . . . 573

Forged Signatures and Altered Checks . . . . . 573

    CASE 1 Triffin v. Pomerantz Staffing Services, LLC . . . . . 574

CONTEMPORARY ENVIRONMENT: Receipt of Bank Statement . . . . . 575

    CASE 2 Spacemakers of America, Inc. v. SunTrust Bank . . . . . 575

The Collection Process . . . . . 577

CONTEMPORARY ENVIRONMENT: The Federal Reserve System . . . . . 577

CONTEMPORARY ENVIRONMENT: Failure to Examine Bank Statements in a Timely Manner . . . . . 580

    CASE 3 State of Tennessee v. Heck . . . . . 580

INTERNATIONAL LAW: Hiding Money in Offshore Banks . . . . . 581

Commercial Wire Transfers . . . . . 582

INTERNET & TECHNOLOGY: Article 4A (Funds Transfers) . . . . . 582

Chapter Summary . . . . . 583

Test Review Terms and Concepts . . . . . 588

Case Problems . . . . . 588

Ethics Issues . . . . . 590

IRAC Writing Assignment . . . . . 590

**UNIT 5 Credit, Secured Transactions, and Bankruptcy . . . . . 591**

**23 Credit and Secured Transactions . . . . . 592**

Unsecured and Secured Credit . . . . . 593

CONTEMPORARY ENVIRONMENT: Unsecured Credit Versus Secured Credit . . . . . 594

Security Interest in Real Property . . . . . 595

    CASE 1 Bank of South Palm Beaches v. Stockton, Whatley, Davin & Company . . . . . 597

CONTEMPORARY ENVIRONMENT: Mechanic's Lien . . . . . 599

Secured Transactions: Revised Article 9 of the UCC . . . . . 600

CONTEMPORARY TREND: Revised Article 9—Secured Transactions . . . . . 600

Creating and Perfecting a Security Interest . . . . . 604

    CASE 2 In re Greenbelt Cooperative, Inc. . . . . 607

    CASE 3 In re Phillips . . . . . 608

Priority of Claims . . . . . 610

INTERNET & TECHNOLOGY: Revised Article 9 (Secured Transactions) Recognizes the Importance of Electronic Records . . . . . 612

Default and Remedies . . . . . 612

CONTEMPORARY ENVIRONMENT: Artisan's Liens . . . . . 614

Surety and Guaranty Arrangements . . . . . 615

    CASE 4 General Motors Acceptance Corporation v. Daniels . . . . . 615

Debtor-Protection Law . . . . . 616

    CASE 5 U.S. SUPREME COURT: Household Credit Services, Inc. and MBNA America Bank, N.A. v. Pfennig . . . . . 617

CONTEMPORARY ENVIRONMENT: Collection Remedies . . . . . 620

Chapter Summary . . . . . 620

Test Review Terms and Concepts . . . . . 625

Case Problems . . . . . 626

Ethics Issues . . . . . 628

IRAC Writing Assignment . . . . . 629

**24 Bankruptcy and Reorganization . . . . . 630**

Bankruptcy Law . . . . . 631

LANDMARK LAW: Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 . . . . . 632

Bankruptcy Procedure . . . . . 634

ETHICS SPOTLIGHT: Attorney Certification . . . . . 636

CONTEMPORARY ENVIRONMENT: Reaffirmation Agreement . . . . . 638

Bankruptcy Estate . . . . . 639

    CASE 1 In re Lebovitz . . . . . 640

    CASE 2 U.S. SUPREME COURT: Rousey v. Jacoway . . . . . 641

ETHICS SPOTLIGHT: 2005 Act Limits the Homestead Exemption . . . . . 642

ETHICS SPOTLIGHT: Fraudulent Transfers Before Bankruptcy . . . . . 644

Chapter 7—Liquidation . . . . . 644

    CASE 3 U.S. SUPREME COURT: Kawaauhau v. Geiger . . . . . 651

CONTEMPORARY ENVIRONMENT: Discharge of Student Loans . . . . . 652

Chapter 13—Adjustment of Debts of an Individual with Regular Income . . . . . 652

Chapter 11—Reorganization . . . . . 655

CONTEMPORARY ENVIRONMENT: UAL Corporation's Chapter 11 Bankruptcy . . . . . 657

<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Prepackaged Bankruptcy . . . . .	659	26 Sole Proprietorships and General and Limited Partnerships . . . . .	713
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Small Business Bankruptcy . . . . .	661	Entrepreneurship . . . . .	714
Chapter 12—Family Farmer and Family Fisherman Bankruptcy . . . . .	661	Sole Proprietorship . . . . .	715
<input type="checkbox"/> ETHICS SPOTLIGHT: Bankruptcy Fraud . . . . .	663	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: d.b.a.— “Doing Business As” . . . . .	716
Special Forms of Bankruptcy . . . . .	664	CASE 1 Vernon v. Schuster, d/b/a Diversity Heating and Plumbing . . . . .	717
<input type="checkbox"/> INTERNATIONAL LAW: British Bankruptcy Law . . . . .	664	General Partnership . . . . .	718
Chapter Summary . . . . .	665	<input type="checkbox"/> LANDMARK LAW: Uniform Partnership Act (UPA) . . . . .	718
Test Review Terms and Concepts . . . . .	670	CASE 2 Vohland v. Sweet . . . . .	720
Case Problems . . . . .	671	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Right to an Accounting . . . . .	723
Ethics Issues . . . . .	672	Liability of General Partners . . . . .	723
IRAC Writing Assignment . . . . .	673	CASE 3 Zuckerman v. Antenucci . . . . .	724
<b>UNIT 6 Business Organizations and Investor Protection . . . . .</b>	<b>675</b>	CASE 4 Edward A. Kemmler Memorial Foundation v. Mitchell . . . . .	725
<b>25 Agency Relationships . . . . .</b>	<b>676</b>	Dissolution of a General Partnership . . . . .	726
Agency . . . . .	677	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Right of Survivorship . . . . .	728
Formation of an Agency . . . . .	679	<input type="checkbox"/> INTERNATIONAL LAW: General Partnerships Outside the United States . . . . .	728
CASE 1 Bosse v. Brinker Restaurant Corporation, d.b.a. Chili’s Grill and Bar . . . . .	680	Limited Partnership . . . . .	729
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Power of Attorney . . . . .	681	<input type="checkbox"/> LANDMARK LAW: The Revised Uniform Limited Partnership Act . . . . .	729
CASE 2 Edgewater Motels, Inc. v. Gatzke and Walgreen Company . . . . .	681	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Master Limited Partnership . . . . .	734
<input type="checkbox"/> ETHICS SPOTLIGHT: Apparent Agency . . . . .	683	Liability of General and Limited Partners . . . . .	735
Tort Liability to Third Parties . . . . .	687	<input type="checkbox"/> ETHICS SPOTLIGHT: Limited Partner Liable on Personal Guarantee . . . . .	737
CASE 3 Keating v. Goldick and Lapp Roofing and Sheet Metal Company, Inc. . . . .	688	Dissolution of a Limited Partnership . . . . .	737
CASE 4 Siegenthaler v. Johnson Welded Products, Inc. . . . .	689	<input type="checkbox"/> INTERNATIONAL LAW: Limited Partnerships Outside the United States . . . . .	738
CASE 5 American National Property and Casualty Company v. Farah . . . . .	690	Chapter Summary . . . . .	739
CASE 6 Desert Cab Inc. v. Marino . . . . .	692	Test Review Terms and Concepts . . . . .	745
CASE 7 Massey v. Starbucks Corporation . . . . .	693	Case Problems . . . . .	745
Contract Liability to Third Parties . . . . .	695	Ethics Issues . . . . .	748
CASE 8 Collette v. Unique Vacations, Inc. . . . .	697	IRAC Writing Assignment . . . . .	748
Independent Contractor . . . . .	698	<b>27 Corporate Formation and Financing . . . . .</b>	<b>749</b>
CASE 9 Torres v. Reardon . . . . .	700	Nature of the Corporation . . . . .	750
<input type="checkbox"/> ETHICS SPOTLIGHT: Principal Liable for Repo Man’s Tort . . . . .	701	<input type="checkbox"/> LANDMARK LAW: Revised Model Business Corporation Act (RMBCA) . . . . .	752
Termination of an Agency . . . . .	701	Incorporation Procedures . . . . .	754
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Agency Coupled with an Interest . . . . .	703	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Selecting a Corporate Name . . . . .	755
Chapter Summary . . . . .	704	<input type="checkbox"/> INTERNET & TECHNOLOGY: Domain Name . . . . .	755
Test Review Terms and Concepts . . . . .	708	<input type="checkbox"/> ETHICS SPOTLIGHT: Promoters’ Liability . . . . .	756
Case Problems . . . . .	708	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: S Corporations . . . . .	760
Ethics Issues . . . . .	711	Financing the Corporation . . . . .	760
IRAC Writing Assignment . . . . .	712		

<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Stock Options and Stock Warrants . . . . .	764
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Close Corporation . . . . .	765
Corporate Powers . . . . .	765
Dissolution and Termination of Corporations . . . . .	766
Chapter Summary . . . . .	767
Test Review Terms and Concepts . . . . .	772
Case Problems . . . . .	773
Ethics Issues . . . . .	774
IRAC Writing Assignment . . . . .	775
<b>28 Corporate Governance and the Sarbanes-Oxley Act . . . . .</b>	<b>776</b>
Shareholders . . . . .	777
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Cumulative Voting . . . . .	779
CASE 1 U.S. SUPREME COURT: Kamen v. Kemper Financial Services, Inc. . . . .	782
CASE 2 Northeast Iowa Ethanol, LLC v. Drizin . . . . .	783
<input type="checkbox"/> INTERNET & TECHNOLOGY: Corporation Codes Recognize Electronic Communications . . . . .	785
<input type="checkbox"/> ETHICS SPOTLIGHT: Controlling Shareholder's Breach of Fiduciary Duty . . . . .	785
Board of Directors . . . . .	785
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Committees of the Board of Directors . . . . .	787
<input type="checkbox"/> ETHICS SPOTLIGHT: Sarbanes-Oxley Act Imposes Duties on Audit Committee . . . . .	788
Corporate Officers . . . . .	788
<input checked="" type="checkbox"/> CONTEMPORARY ENVIRONMENT: Indemnification and D&O Insurance Protection . . . . .	789
Liability of Directors and Officers . . . . .	790
<input type="checkbox"/> ETHICS SPOTLIGHT: Outside Directors Relieved of Liability for Ordinary Negligence . . . . .	790
CASE 3 Smith v. Van Gorkom . . . . .	792
<input type="checkbox"/> ETHICS SPOTLIGHT: Disney Board of Directors Did Not Breach Duty of Care . . . . .	793
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: State Constituency Statutes . . . . .	796
Criminal Liability . . . . .	797
Sarbanes-Oxley Act . . . . .	798
<input type="checkbox"/> ETHICS SPOTLIGHT: Sarbanes-Oxley Act Improves Corporate Governance . . . . .	798
Chapter Summary . . . . .	798
Test Review Terms and Concepts . . . . .	803
Case Problems . . . . .	804
Ethics Issues . . . . .	805
IRAC Writing Assignment . . . . .	806
<b>29 Corporate Acquisitions and Multinational Corporations . . . . .</b>	<b>807</b>
Proxy Solicitation and Proxy Contests . . . . .	808
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: SEC Proxy Rules . . . . .	810
Shareholder Resolutions . . . . .	810
<input type="checkbox"/> ETHICS SPOTLIGHT: Shareholder Resolution . . . . .	811
Mergers and Acquisitions . . . . .	812
CASE 1 In the Matter of the Appraisal of Shell Oil Company . . . . .	815
<input type="checkbox"/> ETHICS SPOTLIGHT: Golden Parachutes . . . . .	815
Tender Offers . . . . .	816
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Leveraged Buyout . . . . .	817
CASE 2 Paramount Communications, Inc. v. QVC Network, Inc. . . . .	819
<input type="checkbox"/> ETHICS SPOTLIGHT: "Just Say No" Defense . . . . .	820
State Antitakeover Statutes . . . . .	821
CASE 3 U.S. SUPREME COURT: CTS Corporation v. Dynamics Corporation of America . . . . .	821
<input type="checkbox"/> INTERNATIONAL LAW: The Exon-Florio Law . . . . .	822
Multinational Corporations . . . . .	822
<input type="checkbox"/> INTERNATIONAL LAW: International Branch Office . . . . .	823
<input type="checkbox"/> INTERNATIONAL LAW: International Subsidiary Corporation . . . . .	824
Chapter Summary . . . . .	824
Test Review Terms and Concepts . . . . .	828
Case Problems . . . . .	828
Ethics Issues . . . . .	830
IRAC Writing Assignment . . . . .	831
<b>30 Limited Liability Companies and Limited Liability Partnerships . . . . .</b>	<b>832</b>
Limited Liability Company (LLC) . . . . .	833
<input type="checkbox"/> LANDMARK LAW: Uniform Partners Act (UPA) . . . . .	834
<input checked="" type="checkbox"/> CONTEMPORARY ENVIRONMENT: DreamWorks SKG, LLC . . . . .	834
LLC Members' Limited Liability . . . . .	835
CASE 1 Page v. Roscoe, LLC . . . . .	836
CASE 2 Creative Resource Management, Inc. v. Soskin . . . . .	837
Formation of an LLC . . . . .	838
<input checked="" type="checkbox"/> CONTEMPORARY ENVIRONMENT: Why Operate a Business as a Limited Liability Company (LLC)? . . . . .	841
Management of an LLC . . . . .	841
Dissolution of an LLC . . . . .	844
<input type="checkbox"/> INTERNATIONAL LAW: Limited Liability Companies in Foreign Countries . . . . .	845
Limited Liability Partnership (LLP) . . . . .	846

<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Accounting Firms Operate as LLPs . . . . .	847
Chapter Summary . . . . .	847
Test Review Terms and Concepts . . . . .	850
Case Problems . . . . .	850
Ethics Issues . . . . .	852
IRAC Writing Assignment . . . . .	852
<b>31 Franchises and Special Forms of Business . . . . .</b>	<b>853</b>
Franchise . . . . .	854
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: FTC Franchise Notice . . . . .	857
<input type="checkbox"/> ETHICS SPOTLIGHT: Häagen-Dazs Ice Cream Franchise . . . . .	857
CASE 1 Dunkin' Donuts of America, Inc. v. Middletown Donut Corporation . . . . .	861
<input type="checkbox"/> ETHICS SPOTLIGHT: Franchisee's Fraud Caught . . . . .	862
<input type="checkbox"/> INTERNATIONAL LAW: International Franchising . . . . .	863
Liability of Franchisor and Franchisee . . . . .	864
CASE 2 Cislav v. Southland Corporation . . . . .	864
CASE 3 Martin v. McDonald's Corporation . . . . .	865
CASE 4 Holiday Inns, Inc. v. Shelburne . . . . .	866
Licensing . . . . .	867
<input type="checkbox"/> INTERNATIONAL LAW: Pokémon Licensing . . . . .	868
Joint Venture . . . . .	869
<input type="checkbox"/> INTERNATIONAL LAW: A Starbucks U.S.-Chinese International Joint Venture . . . . .	870
Strategic Alliance . . . . .	870
<input type="checkbox"/> INTERNET & TECHNOLOGY: Strategic Internet Alliances in China . . . . .	871
Chapter Summary . . . . .	871
Test Review Terms and Concepts . . . . .	874
Case Problems . . . . .	874
Ethics Issues . . . . .	876
IRAC Writing Assignment . . . . .	877
<b>32 Investor Protection and Online Securities Transactions . . . . .</b>	<b>878</b>
Definition of <i>Security</i> . . . . .	879
CASE 1 U.S. SUPREME COURT: Securities and Exchange Commission v. Edwards . . . . .	880
The Securities and Exchange Commission (SEC) . . . . .	881
The Securities Act of 1933: Going Public . . . . .	881
<input type="checkbox"/> ETHICS SPOTLIGHT: "Plain English" Disclosure in Securities Offerings . . . . .	882
<input type="checkbox"/> INTERNET & TECHNOLOGY: Going Public over the Internet . . . . .	886
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Small Corporate Offering Registration Form (SCOR) . . . . .	887
CASE 2 Escott v. BarChris Construction Corporation . . . . .	888
<input type="checkbox"/> ETHICS SPOTLIGHT: Sarbanes-Oxley Act Erects a Wall Between Investment Bankers and Security Analysis . . . . .	889
Private Transactions Exempt from Registration . . . . .	890
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Rule 144A: Qualified Institutional Investors . . . . .	891
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Securities Exempt from Registration . . . . .	892
The Securities Exchange Act of 1934: Trading in Securities . . . . .	892
CASE 3 Securities and Exchange Commission v. Texas Gulf Sulphur Company . . . . .	894
CASE 4 U.S. SUPREME COURT: United States v. O'Hagan . . . . .	895
CASE 5 United States of America v. Bhagat . . . . .	896
<input type="checkbox"/> ETHICS SPOTLIGHT: Fair Disclosure to All . . . . .	898
Short-Swing Profits . . . . .	898
State Securities Laws . . . . .	899
<input type="checkbox"/> INTERNATIONAL LAW: Chinese Bank Launches World's Largest IPO . . . . .	900
<input checked="" type="checkbox"/> CONTEMPORARY ENVIRONMENT: Commodities Regulation . . . . .	901
Chapter Summary . . . . .	901
Test Review Terms and Concepts . . . . .	906
Case Problems . . . . .	906
Ethics Issues . . . . .	907
IRAC Writing Assignment . . . . .	908
<b>UNIT 7 Government Regulation and Employment Law . . . . .</b>	<b>911</b>
<b>33 Antitrust Law . . . . .</b>	<b>912</b>
Federal Antitrust Laws . . . . .	913
Restraints of Trade: Section 1 of the Sherman Act . . . . .	915
CASE 1 U.S. SUPREME COURT: Federal Trade Commission v. Superior Court Trial Lawyers Association . . . . .	917
<input type="checkbox"/> 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 3 U.S. SUPREME COURT: NYNEX Corporation v. Discon, Incorporated . . . . .	920
CASE 4 U.S. SUPREME COURT: State Oil Company v. Khan . . . . .	922
CASE 5 U.S. SUPREME COURT: Bell Atlantic Corporation v. Twombly . . . . .	923

- ETHICS SPOTLIGHT: Trade Association Activities . . . . . 924
- Monopolization: Section 2 of the Sherman Act . . . . . 925**
  - CASE 6 U.S. SUPREME COURT: Weyerhaeuser v. Ross-Simmons Hardwood Lumber Company, Inc. . . . . 926
  - INTERNET & TECHNOLOGY: United States v. Microsoft Corporation . . . . . 928
- Mergers: Section 7 of the Clayton Act . . . . . 929**
- Tying Arrangements: Section 3 of the Clayton Act . . . . . 932**
- Price Discrimination: Section 2 of the Clayton Act . . . . . 932**
- Unfair Methods of Competition: Section 5 of the Federal Trade Commission Act . . . . . 934**
- Exemptions from Antitrust Laws . . . . . 934**
  - CASE 1 LANDMARK CASE: Baseball's Grand Slam Against Antitrust Laws . . . . . 935
- State Antitrust Laws . . . . . 936**
- Chapter Summary . . . . . 936**
- Test Review Terms and Concepts . . . . . 941**
- Case Problems . . . . . 941**
- Ethics Issues . . . . . 943**
- IRAC Writing Assignment . . . . . 944**

**34 Consumer Protection and Environmental Law . . . . . 946**

- Food, Drug, and Cosmetic Safety . . . . . 947**
  - CASE 1 United States of America v. LaGrou Distribution Systems, Incorporated . . . . . 948
  - CONTEMPORARY ENVIRONMENT: Food Safety of Peanut Butter . . . . . 949
  - CASE 2 U.S. SUPREME COURT: Food and Drug Administration v. Brown & Williamson Tobacco Corporation . . . . . 951
  - ETHICS SPOTLIGHT: Safety Warnings About Viagra . . . . . 952
  - INTERNATIONAL LAW: United Nations Biosafety Protocol for Genetically Altered Foods . . . . . 953
- Product Safety . . . . . 954**
  - ETHICS SPOTLIGHT: Lemon Laws . . . . . 954
- Unfair and Deceptive Practices . . . . . 955**
  - CASE 3 U.S. SUPREME COURT: Federal Trade Commission v. Colgate-Palmolive Company . . . . . 955
  - ETHICS SPOTLIGHT: Kraft No Longer the "Big Cheese" . . . . . 956
- Environmental Protection . . . . . 957**
- Air Pollution . . . . . 958**
  - CASE 4 U.S. SUPREME COURT: Whitman, Administrator of Environmental Protection Agency v. American Trucking Association . . . . . 959

- CONTEMPORARY ENVIRONMENT: Indoor Air Pollution . . . . . 959
- Water Pollution . . . . . 960**
  - CASE 5 U.S. SUPREME COURT: Friends of the Earth, Incorporated v. Laidlaw Environmental Services (TOC), Inc. . . . . 960
  - CASE 6 U.S. SUPREME COURT: Solid Waste Agency of Northern Cook County, Illinois v. United States Army Corps of Engineers. . . . . 962
  - ETHICS SPOTLIGHT: Illegal Dumping of Pollutants . . . . . 963
  - INTERNATIONAL LAW: European Union Adopts Tough Environmental Law . . . . . 963
- Toxic Substances and Hazardous Waste . . . . . 964**
  - LANDMARK LAW: Superfund . . . . . 965
  - INTERNATIONAL LAW: Kyoto Protocol . . . . . 966
- Endangered Species . . . . . 966**
  - CASE 7 U.S. SUPREME COURT: Tennessee Valley Authority v. Hill, Secretary of the Interior . . . . . 967
  - ETHICS SPOTLIGHT: Smog Swapping . . . . . 968
- State Environmental Protection Laws . . . . . 969**
- Chapter Summary . . . . . 969**
- Test Review Terms and Concepts . . . . . 973**
- Case Problems . . . . . 974**
- Ethics Issues . . . . . 976**
- IRAC Writing Assignment . . . . . 977**

**35 Employment, Worker Protection, and Labor Law . . . . . 978**

- Workers' Compensation . . . . . 979**
  - CASE 1 Medrano v. Marshall Electrical Contracting Inc. . . . . 980
  - CASE 2 Smith v. Workers' Compensation Appeals Board . . . . . 981
  - CASE 3 Cochran Electric Company, Inc. v. Mahoney . . . . . 982
  - CASE 4 Simmons v. Bob Mears Wholesale Florist. . . . . 983
- Occupational Safety . . . . . 984**
  - ETHICS SPOTLIGHT: Company Violates OSHA's Safety Rule . . . . . 985
- Fair Labor Standards Act (FLSA) . . . . . 986**
  - CASE 5 U.S. SUPREME COURT: IBP, Inc. v. Alvarez . . . . . 987
  - ETHICS SPOTLIGHT: Microsoft Violates Employment Law . . . . . 988
- Other Worker Protection Laws . . . . . 988**
  - CONTEMPORARY ENVIRONMENT: Family and Medical Leave Act . . . . . 989
  - CONTEMPORARY ENVIRONMENT: Drug Testing and Polygraph Tests . . . . . 990
- Government Programs . . . . . 990**
- Labor Law . . . . . 992**
  - LANDMARK LAW: Federal Labor Union Statutes . . . . . 992

- ETHICS SPOTLIGHT: Internal Union Affairs . . . . . 993
- Organizing a Union . . . . . 993
  - CASE 6 U.S. SUPREME COURT: Lechmere, Inc. v. National Labor Relations Board . . . . . 994
  - CASE 7 U.S. SUPREME COURT: National Labor Relations Board v. Exchange Parts Company . . . 995
  - CASE 8 U.S. SUPREME COURT: Marquez v. Screen Actors Guild, Inc. . . . . 997
  - CONTEMPORARY ENVIRONMENT: State Right-to-Work Laws . . . . . 998
- Strikes and Picketing . . . . . 998
  - CASE 9 Kentov, Regional Director, National Labor Relations Board v. Sheet Metal Workers' International Association Local 15, AFL-CIO . . . 999
  - ETHICS SPOTLIGHT: Plant Closing Act . . . . . 1001
- Chapter Summary . . . . . 1001
- Test Review Terms and Concepts . . . . . 1005
- Case Problems. . . . . 1005
- Ethics Issues . . . . . 1008
- IRAC Writing Assignment . . . . . 1009
  
- 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

Case Problems . . . . .	1072	Marriage Termination . . . . .	1122
Ethics Issues . . . . .	1074	Division of Assets . . . . .	1123
IRAC Writing Assignment . . . . .	1075	CASE 1 Giha v. Giha . . . . .	1125
<b>38 Real Property and Landlord-Tenant Law . . . . .</b>	<b>1076</b>	CASE 2 In the Matter of the Marriage of Joyner . . . . .	1126
Real Property . . . . .	1077	Spousal Support, Child Support and Child Custody . . . . .	1127
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Air Rights . . . . .	1078	<input type="checkbox"/> ETHICS SPOTLIGHT: Family Support Act . . . . .	1128
Estates in Land . . . . .	1078	Wills . . . . .	1129
Concurrent Ownership . . . . .	1080	<input type="checkbox"/> INTERNET & TECHNOLOGY: Videotaped Wills . . . . .	1132
CASE 1 Cunningham v. Hastings . . . . .	1082	CASE 3 Medlock v. Mitchell . . . . .	1134
Future Interests . . . . .	1083	CASE 4 In re Estate of James Allen Hendrix . . . . .	1135
Transfer of Ownership of Real Property . . . . .	1083	CASE 5 Opperman v. Anderson . . . . .	1139
CASE 2 The Howard Savings Bank v. Brunson . . . . .	1085	Intestate Succession . . . . .	1139
CASE 3 Witt v. Miller . . . . .	1087	Trusts . . . . .	1140
CASE 4 Johnson v. Asfaw and Tanus . . . . .	1088	Living Trusts . . . . .	1142
Nonpossessory Interests . . . . .	1089	Living Will and Health Care Directive . . . . .	1144
CASE 5 Walker v. Ayers . . . . .	1089	CASE 6 U.S. SUPREME COURT: Gonzales, Attorney General v. Oregon . . . . .	1145
Landlord-Tenant Relationship . . . . .	1091	Chapter Summary . . . . .	1146
CASE 6 Solow v. Wellner . . . . .	1095	Test Review Terms and Concepts . . . . .	1152
CASE 7 Feld v. Merriam . . . . .	1096	Case Problems . . . . .	1153
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Rent Control . . . . .	1099	Ethics Issues . . . . .	1155
Zoning . . . . .	1099	IRAC Writing Assignment . . . . .	1156
CASE 8 Guinnane v. San Francisco City Planning Commission . . . . .	1100	<b>UNIT 9 Accounting Profession . . . . .</b>	<b>1157</b>
CASE 9 Stratosphere Gaming Corporation, D/B/A Stratosphere Resort and Casino v. City of Las Vegas, Nevada . . . . .	1101	<b>40 Accountant's Liability . . . . .</b>	<b>1158</b>
Civil Rights Acts and Real Estate . . . . .	1102	Public Accounting . . . . .	1159
CASE 10 United States of America v. Cinemark USA, Inc. . . . .	1103	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: "Big Four" Accounting Firms . . . . .	1160
Eminent Domain and the "Taking" of Real Property . . . . .	1104	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Auditor's Opinions . . . . .	1160
CASE 11 U.S. SUPREME COURT: Kelo v. City of New London, Connecticut . . . . .	1104	Liability of Accountants to Their Clients . . . . .	1162
Chapter Summary . . . . .	1106	CASE 1 Greenstein, Logan & Company v. Burgess Marketing, Inc. . . . .	1162
Test Review Terms and Concepts . . . . .	1110	Liability of Accountants to Third Parties . . . . .	1163
Case Problems . . . . .	1111	CASE 2 Credit Alliance Corporation v. Arthur Anderson & Co. . . . .	1164
Ethics Issues . . . . .	1113	CASE 3 Industrial Loan Thrift Guaranty Corporation of Iowa v. Reese & Company, P.C. . . . .	1165
IRAC Writing Assignment . . . . .	1114	<input type="checkbox"/> ETHICS SPOTLIGHT: Accountant's Duty to Report Client's Illegal Activity . . . . .	1167
<b>39 Family Law, Wills, and Trusts . . . . .</b>	<b>1115</b>	Liability of Accountants for Violations of Securities Laws . . . . .	1168
Premarriage Issues . . . . .	1116	<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Private Securities Litigation Reform Act of 1995 . . . . .	1169
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Prenuptial Agreement . . . . .	1117	Criminal Liability of Accountants . . . . .	1169
Marriage . . . . .	1117	<input type="checkbox"/> ETHICS SPOTLIGHT: The Demise of Andersen . . . . .	1170
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Same-Sex Marriage . . . . .	1119	Sarbanes-Oxley Act . . . . .	1171
Parents and Children . . . . .	1119		
<input type="checkbox"/> CONTEMPORARY ENVIRONMENT: Surrogacy . . . . .	1120		

