



The LEGAL ENVIRONMENT of BUSINESS

TEXT AND CASES

Tenth Edition

CROSS • MILLER

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Preface

The study of the legal environment of business has universal applicability. A student entering any field of business must have at least a passing understanding of business law in order to function in the real world. *The Legal Environment of Business*, Tenth Edition, provides the information that students need in an interesting and contemporary way.

Additionally, students preparing for a career in accounting, government and political science, economics, and even medicine can use much of the information they learn in a legal environment course. In fact, every individual throughout his or her lifetime can benefit from knowledge of environmental law, intellectual and real property, agency and employment relationships, and other legal environment topics. Consequently, we have fashioned this text as a useful “tool for living” for all of your students (including those taking the revised 2017 CPA exam).

For the Tenth Edition, we have spent a great deal of effort making this book more modern, exciting, and visually appealing than ever before. We have added twenty-seven new features, fifty-two new cases, and seventeen new exhibits. The text also contains more than one hundred new highlighted and numbered *Cases in Point* and *Examples*, and eighty-five new case problems. Special pedagogical elements within the text focus on legal, ethical, global, and corporate issues while addressing core curriculum requirements.

Highlights of the Tenth Edition

Instructors have come to rely on the coverage, accuracy, and applicability of *The Legal Environment of Business*. To make sure that our text engages your students, solidifies their understanding of legal concepts, and provides the best teaching tools available, we now offer the following.

A Variety of New and Exciting Features

The Tenth Edition of *The Legal Environment of Business* is filled with many new features specifically designed to cover current legal topics of high interest. Each feature is related to a topic discussed in the text and ends with *Critical Thinking* or *Business Questions*. **Suggested answers**

to all the *Critical Thinking* and *Business Questions* are included in the *Solutions Manual* for this text.

- 1. *Ethics Today*** These features focus on the ethical aspects of a topic discussed in the text to emphasize that ethics is an integral part of a business law course. Examples include:
 - *Stare Decisis* versus Spiderman (Chapter 1)
 - Is It Ethical (and Legal) to Brew “Imported” Beer Brands Domestically? (Chapter 11)
 - Forced Arbitration: Right or Wrong? (Chapter 13)
 - Should There Be More Relief for Student Loan Defaults? (Chapter 15)
 - Is It Fair to Classify Uber and Lyft Drivers as Independent Contractors? (Chapter 19)
- 2. *Global Insight*** These features illustrate how other nations deal with specific legal concepts to give students a sense of the global legal environment. Subjects include:
 - Does Cloud Computing Have a Nationality? (Chapter 18)
- 3. *NEW Digital Update*** These features are designed to examine cutting-edge cyberlaw topics, such as the following:
 - Using Social Media for Service of Process (Chapter 3)
 - Should Employees Have a “Right of Disconnecting”? (Chapter 5)
 - Revenge Porn and Invasion of Privacy (Chapter 6)
 - Monitoring Employees’ Social Media—Right or Wrong? (Chapter 9)
 - Hiring Discrimination Based on Social Media Posts (Chapter 21)
- 4. *Managerial Strategy*** These features emphasize the management aspects of business law and the legal environment. Topics include:
 - Should You Consent to Have Your Business Case Decided by a U.S. Magistrate Judge? (Chapter 2)
 - Marriage Equality and the Constitution (Chapter 4)
 - When Is a Warning Legally Bulletproof? (Chapter 7)
 - The Criminalization of American Business (Chapter 10)
 - Commercial Use of Drones (Chapter 14)
 - The SEC’s New CEO Pay-Ratio Disclosure Rule (Chapter 28)

Entire Chapter on Internet Law, Social Media, and Privacy

For the Tenth Edition, we include a whole chapter (Chapter 9) on *Internet Law, Social Media, and Privacy*. Social media have entered the mainstream and become a part of everyday life for many businesspersons. In this special chapter, we give particular emphasis to the legal issues surrounding the Internet, social media, and privacy. We also recognize this trend throughout the text by incorporating the Internet and social media as they relate to the topics under discussion.

Highlighted and Numbered *Examples* and *Case in Point* Illustrations

Many instructors use cases and examples to illustrate how the law applies to business. Students understand legal concepts better in the context of their real-world application. Therefore, for this edition of *The Legal Environment of Business*, we have expanded the number of highlighted numbered *Examples* and *Cases in Point* in every chapter. We have added 102 new *Cases in Point* and 35 new *Examples*.

Examples illustrate how the law applies in a specific situation. *Cases in Point* present the facts and issues of an actual case and then describe the court's decision and rationale. These two features are uniquely designed and consecutively numbered throughout each chapter for easy reference. The *Examples* and *Cases in Point* are integrated throughout the text to help students better understand how courts apply legal principles in the real world.

New Unit-Ending *Application and Ethics* Features

For the Tenth Edition, we have created an entirely new feature that concludes each of the five units in the text. Each of these *Application and Ethics* features provides additional analysis on a topic related to that unit and explores its ethics ramifications. Each of the features ends with two questions—a *Critical Thinking* and an *Ethics Question*. Some topics covered by these features include the following:

- The Biggest Data Breach of All Time (Unit 2)
- Fantasy Sports—Legal Gambling? (Unit 3)
- Health Insurance and Small Business (Unit 4)
- Climate Change (Unit 5)

Suggested answers to the questions in *Application and Ethics* features are included in the *Solutions Manual* for this text.

New Cases and Case Problems

For the Tenth Edition of *The Legal Environment of Business*, we have added fifty-two new cases and eighty-five new case problems, most from 2016 and 2015. The new cases and problems have been carefully selected to illustrate important points of law and to be of high interest to students and instructors. We have made it a point to find recent cases that enhance learning and are relatively easy to understand.

1. **Spotlight Cases and Classic Cases.** Certain cases and case problems that are exceptionally good teaching cases are labeled as *Spotlight Cases* and *Spotlight Case Problems*. Examples include *Spotlight on Beer Labels*, *Spotlight on Gucci*, *Spotlight on Nike*, and *Spotlight on the Seattle Mariners*. Instructors will find these *Spotlight Cases* useful to illustrate the legal concepts under discussion, and students will enjoy studying the cases because they involve interesting and memorable facts. Other cases have been chosen as *Classic Cases* because they establish a legal precedent in a particular area of law.
2. **Critical Thinking Section.** Each case concludes with a *Critical Thinking* section, which normally includes two questions. The questions may address *Legal Environment*, *E-Commerce*, *Economic*, *Environmental*, *Ethical*, *Global*, *Political*, or *Technological* issues, or they may ask *What If the Facts Were Different?* Each *Classic Case* has a section titled *Impact of This Case on Today's Law* and one *Critical Thinking* question.
3. **Longer Excerpts for Case Analysis.** We have also included one longer case excerpt in every chapter—labeled *Case Analysis*—followed by three *Legal Reasoning Questions*. The questions are designed to guide students' analysis of the case and develop their legal reasoning skills. These *Case Analysis* cases may be used for case-briefing assignments and are also tied to the *Special Case Analysis* questions found in every unit of the text (one per unit).

Suggested answers to all case-ending questions and case problems are included in the *Solutions Manual* for this text.

Business Case Problem with Sample Answer in Each Chapter

In response to those instructors who would like students to have sample answers available for some of the questions and case problems, we include a *Business Case Problem with Sample Answer* in each chapter. The *Business Case Problem with Sample Answer* is based on an actual case, and students can find a sample answer at the end of the text. **Suggested answers to the *Business Case Problems with Sample Answers* are provided in Appendix E at the end of the text and in the *Solutions Manual* for this text.**

New Exhibits and Concept Summaries

For this edition, we have spent considerable effort reworking and redesigning all of the exhibits and *Concept Summaries* in the text to achieve better clarity and more visual appeal. In addition, we have added seventeen new exhibits and three new *Concept Summaries*.

Special Case Analysis Questions

For one chapter in every unit of the text, we provide a *Special Case Analysis* question that is based on the *Case Analysis* excerpt in that chapter. These special questions appear in the *Business Case Problems* at the ends of selected chapters.

The *Special Case Analysis* questions are designed to build students' analytical skills. They test students' ability to perform IRAC (Issue, Rule, Application, and Conclusion) case analysis. Students must identify the legal issue presented in the chapter's *Case Analysis Case*, understand the rule of law, determine how the rule applies to the facts of the case, and describe the court's conclusion. Instructors can assign these questions as homework or use them in class to elicit student participation and teach case analysis. **Suggested answers to the *Special Case Analysis* questions can be found in the *Solutions Manual* for this text.**

Reviewing Features in Every Chapter

In the Tenth Edition of *The Legal Environment of Business*, we continue to offer a *Reviewing* feature at the end of every chapter to help solidify students' understanding of the chapter materials. Each *Reviewing* feature presents a hypothetical scenario and then asks a series of questions

that require students to identify the issues and apply the legal concepts discussed in the chapter.

These features are designed to help students review the chapter topics in a simple and interesting way and see how the legal principles discussed in the chapter affect the world in which they live. An instructor can use these features as the basis for in-class discussion or encourage students to use them for self-study prior to completing homework assignments. **Suggested answers to the questions posed in the *Reviewing* features can be found in the *Solutions Manual* for this text.**

Two Issue Spotters

At the conclusion of each chapter, we have included a special section with two *Issue Spotters* related to the chapter's topics. These questions facilitate student learning and review of the chapter materials. **Suggested answers to the *Issue Spotters* in every chapter are provided in Appendix D at the end of the text and in the *Solutions Manual* for this text.**

Legal Reasoning Group Activities

For instructors who want their students to engage in group projects, each chapter of the Tenth Edition includes a special *Legal Reasoning Group Activity*. Each activity begins by describing a business scenario and then poses several specific questions pertaining to the scenario. Each question is to be answered by a different group of students based on the information in the chapter. These projects may be used in class to spur discussion or as homework assignments. **Suggested answers to the *Legal Reasoning Group Activities* are included in the *Solutions Manual* for this text.**

Supplements/Digital Learning Systems

The Legal Environment of Business, Tenth Edition, provides a comprehensive supplements package designed to make the tasks of teaching and learning more enjoyable and efficient. The following supplements and exciting new digital products are offered in conjunction with the text.

MindTap

MindTap for *The Legal Environment of Business*, Tenth Edition, is a fully online, highly personalized learning experience built upon Cengage Learning content. MindTap combines student learning tools—such as readings, multimedia, activities, and assessments from CengageNOW—into a singular Learning Path that intuitively guides students through their course.

Instructors can personalize the experience by customizing authoritative Cengage Learning content and learning tools. MindTap offers instructors the ability to add their own content in the Learning Path with apps that integrate into the MindTap framework seamlessly with Learning Management Systems (LMS).

MindTap includes:

- **An Interactive book with Whiteboard Videos and Interactive Cases.**
- **Automatically graded homework** with the following consistent question types:
 - **Worksheets**—Interactive Worksheets prepare students for class by ensuring reading and comprehension.
 - **Video Activities**—Real-world video exercises make business law engaging and relevant.
 - **Brief Hypotheticals**—These applications provide students practice in spotting the issue and applying the law in the context of a short, factual scenario.
 - **Case Problem Analyses**—These promote deeper critical thinking and legal reasoning by guiding students step-by-step through a case problem and then adding in a critical thinking section based on “What If the Facts Were Different?” These now include a third section, a writing component, which requires students to demonstrate their ability to forecast the legal implications of real-world business scenarios.
- **Personalized Student Plan with multimedia study tools and videos.**
- **New Adaptive Test Prep** helps students study for exams.
- **Test Bank.**
- **Reporting and Assessment options.**

By using the MindTap system, students can complete the assignments online and can receive instant feedback on their answers. Instructors can utilize MindTap to upload their course syllabi, create and customize

homework assignments, and keep track of their students’ progress. By hiding, rearranging, or adding content, instructors control what students see and when they see it to match the Learning Path to their course syllabus exactly. Instructors can also communicate with their students about assignments and due dates, and create reports summarizing the data for an individual student or for the whole class.

Cengage Learning Testing Powered by Cognero

Cengage Learning Testing Powered by Cognero is a flexible, online system that allows you to do the following:

- Author, edit, and manage *Test Bank* content from multiple Cengage Learning solutions.
- Create multiple test versions in an instant.
- Deliver tests from your LMS, your classroom, or wherever you want.

Start Right Away! *Cengage Learning Testing Powered by Cognero* works on any operating system or browser.

- No special installs or downloads are needed.
- Create tests from school, home, the coffee shop—anywhere with Internet access.

What Will You Find?

- *Simplicity at every step.* A desktop-inspired interface features drop-down menus and familiar intuitive tools that take you through content creation and management with ease.
- *Full-featured test generator.* Create ideal assessments with your choice of fifteen question types—including true/false, multiple choice, opinion scale/Likert, and essay). Multi-language support, an equation editor, and unlimited meta-data help ensure your tests are complete and compliant.
- *Cross-compatible capability.* Import and export content to and from other systems.

Instructor’s Companion Web Site

The Web site for the Tenth Edition of *The Legal Environment of Business* can be found by going to www.cengagebrain.com and entering ISBN 9781305967304. The Instructor’s Companion Web Site contains the following supplements:

- **Instructor's Manual.** Includes sections entitled “Additional Cases Addressing This Issue” at the end of selected case synopses.
- **Solutions Manual.** Provides answers to all questions presented in the text, including the questions in each case and feature, the *Issue Spotters*, the *Business Scenarios* and *Business Case Problems*, and the unit-ending features.
- **Test Bank.** A comprehensive test bank that contains multiple-choice, true/false, and short essay questions.
- **Case-Problem Cases.**
- **Case Printouts.**
- **PowerPoint Slides.**
- **Lecture Outlines.**

For Users of the Ninth Edition

First of all, we want to thank you for helping make *The Legal Environment of Business* one of the best-selling legal environment texts in America today. Second, we want to make you aware of the numerous additions and changes that we have made in this edition—many in response to comments from reviewers.

Every chapter of the Tenth Edition has been revised as necessary to incorporate new developments in the law or to streamline the presentations. We have reorganized the chapters somewhat for better flow and clarity and now divide the materials into five rather than six units. Each unit concludes with a new *Application and Ethics* feature. Other major changes and additions for this edition include the following:

- Chapter 4 (Business and the Constitution)—The chapter has been revised and updated to be more business oriented. It has two new cases, four new *Cases in Point*, a new exhibit, and three new case problems. A *Managerial Strategy* feature on marriage equality and the constitution discusses United States Supreme Court decisions on this issue.
- Chapter 5 (Business Ethics)—This chapter contains two new cases, two new *Issue Spotters*, three new *Cases in Point* (including a case involving Tom Brady's suspension from the NFL as a result of “deflategate”), and three new case problems. The chapter includes a section on business ethics and social media, and discusses stakeholders and corporate social responsibility. The chapter also provides step-by-step guidance on making ethical business decisions and includes materials on global business ethics. A new *Digital Update* feature examines whether employees should have the right to disconnect from their electronic devices after work hours.
- Chapter 8 (Intellectual Property Rights)—The materials on intellectual property rights have been thoroughly revised and updated to reflect the most current laws and trends. The 2016 case involves the Hustler Club and a trademark infringement claim between brothers. A *Digital Update* feature examines the problem of patent trolls. There are eleven new *Cases in Point*, including cases involving FedEx's color and logo, Google's digitalization of books, and how the Sherlock Holmes copyright fell into the public domain.
- Chapter 9 (Internet Law, Social Media, and Privacy)—This chapter, which was new to the last edition and covers legal issues that are unique to the Internet, has been thoroughly revised and updated for the Tenth Edition. It includes a new section on cyberstalking, two new cases, and a new *Digital Update* feature on whether employers can monitor employees' social media use.
- Chapter 10 (Criminal Law and Cyber Crime)—This chapter includes three new cases, five new *Cases in Point*, three new examples, and three new case problems. A new *Managerial Strategy* feature discusses the criminalization of American business.
- Chapter 11 (International and Space Law)—The chapter has been expanded to include a new section on space law—international and domestic. All three cases presented are new to this edition, including a *Spotlight Case* on a United States Supreme Court decision concerning the Alien Tort Claims Act. The chapter also now covers the Trans-Pacific Partnership (TPP) and includes an *Ethics Today* feature on the domestic brewing of imported beer brands.
- Chapters 12 through 15 (the Commercial Environment unit)—In this unit, we have added ten new cases (including two *Spotlight Cases*, a *Classic Case*, and several *Case Analysis* cases), and twenty new case problems. We have also added new *Cases in Point*, *Examples*, exhibits, graphic *Concept Summaries*, numbered lists, and a new *Reviewing* feature. A new *Managerial Strategy* feature discusses the commercial use of drones, and an *Ethics Today* feature examines whether there should be more relief for student loan debt.

- Chapter 19 (Agency Relationships)—This chapter has been updated to reflect the realities of the gig economy in which many people are working as independent contractors. A new *Ethics Today* feature continues that emphasis with a discussion of whether Uber and Lyft drivers should be considered employees rather than independent contractors. In addition, new *Examples*, *Cases in Point*, and case problems have been added to help students comprehend the important issues and liability in agency relationships.
- Chapter 20 (Employment Law)—The chapter covering employment law has been thoroughly updated to include discussions of legal issues facing employers today. It has three new cases, three new *Cases in Point*, three new *Examples* (including one involving wage claims of the Oakland Raiders cheerleaders), and three new case problems. An *Ethics Today* feature examines whether employees should receive paid bathroom breaks.
- Chapter 21 (Employment Discrimination)—This chapter has a new section discussing discrimination based on military status and new coverage of same-sex discrimination and discrimination against transgender persons. All three cases are new. There are seven new *Cases in Point*, five new *Examples*, a new exhibit, and three new case problems. A *Digital Update* feature discusses hiring discrimination based on social media posts. We discuss relevant United States Supreme Court decisions affecting employment issues throughout the chapter.
- Chapter 24 (Consumer Protection)—This chapter includes all new cases, and has been significantly updated with new coverage, *Examples*, and *Cases in Point*. A *Digital Update* feature deals with “native” ads on the Internet.

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F.B.C.
R.L.M.

*To my parents and sisters.
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*To Ian Gowrie-Smith,
Your amazingly high
energy level
never ceases to amaze me.
Keep it up!
R.L.M.*

