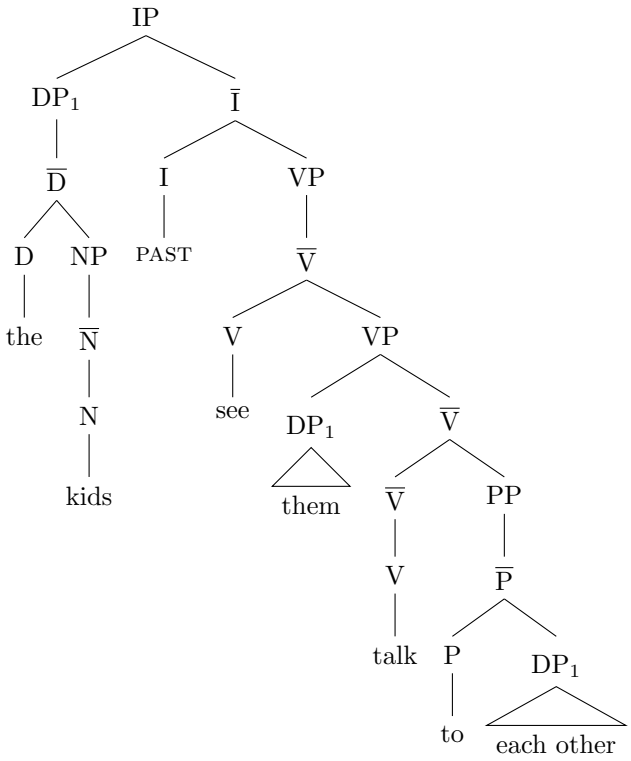
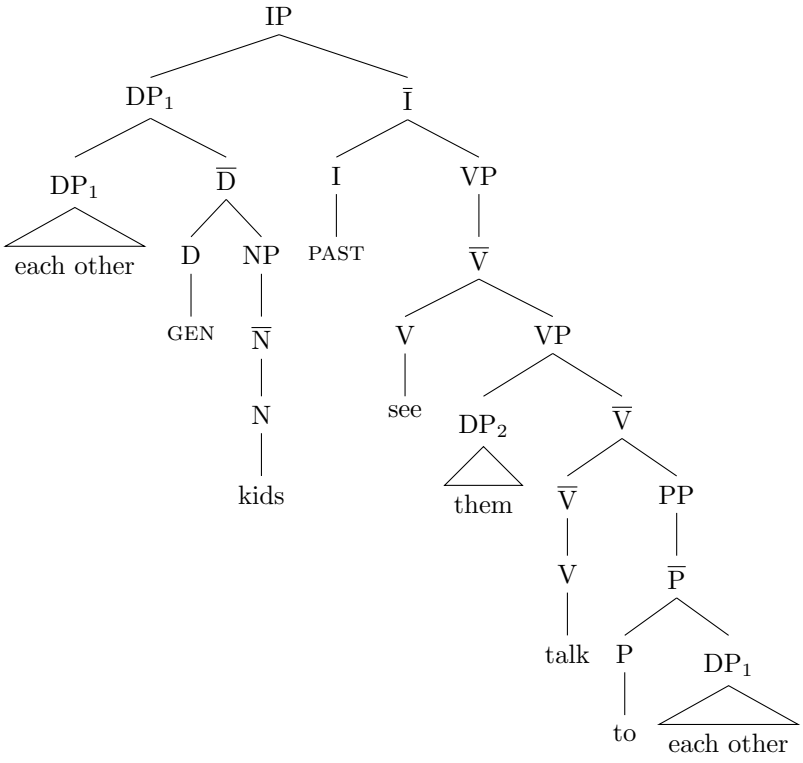
1 The kids$_1$ saw them$_1$ talk to each other$_1$.



'Them' is the specifier of the small clause VP. Therefore, its binding domain is the larger IP. It is bound by 'the kids,' and thus bound by something in its binding domain. This violates Principal C.

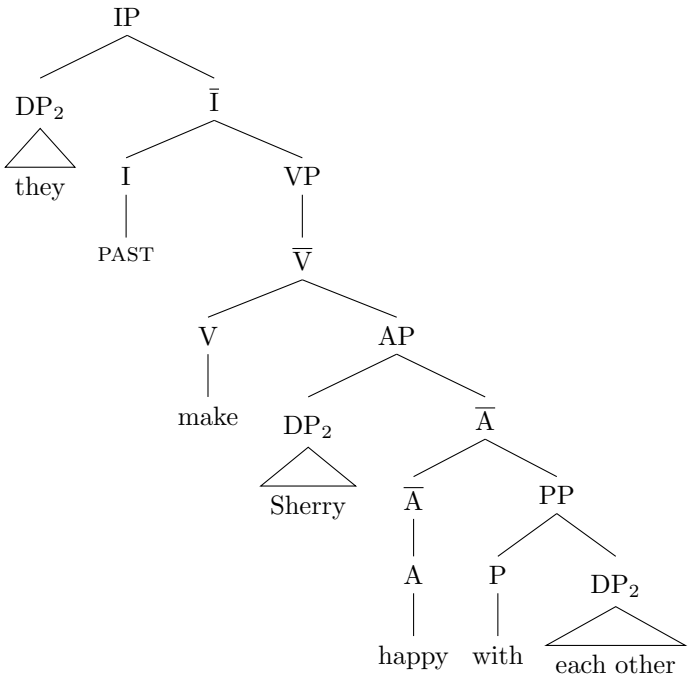
2 Each other$_1$'s kids$_1$ saw them$_2$ talk to each other$_1$.



First, the first 'each other' is not bound by anything because it cannot be c-commanded by anything. This violates Principal A.

The second 'each other' is also in violation of Principal A. It is bound by 'each other's kids', but that is outside the binding domain (which is the small clause VP).

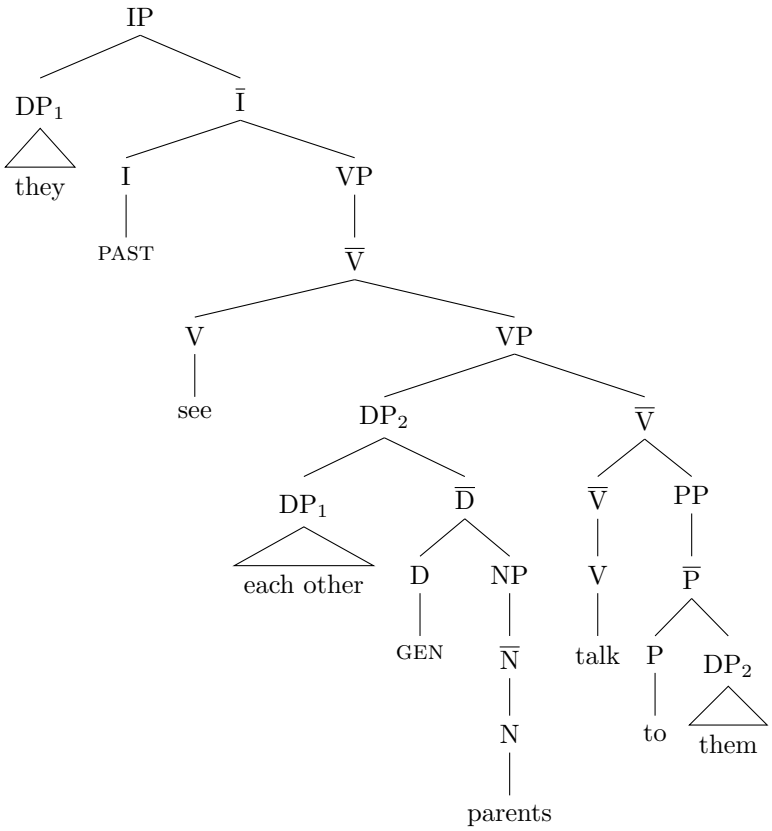
3 They$_2$ made Sherry$_2$ happy with each other$_2$.



The binding of 'each other' by 'Sherry' is semantically non-viable.

More relevant for syntax is the fact that 'Sherry' is being bound by 'they'. They is in 'Sherry's binding domain, and this violates Principal B.

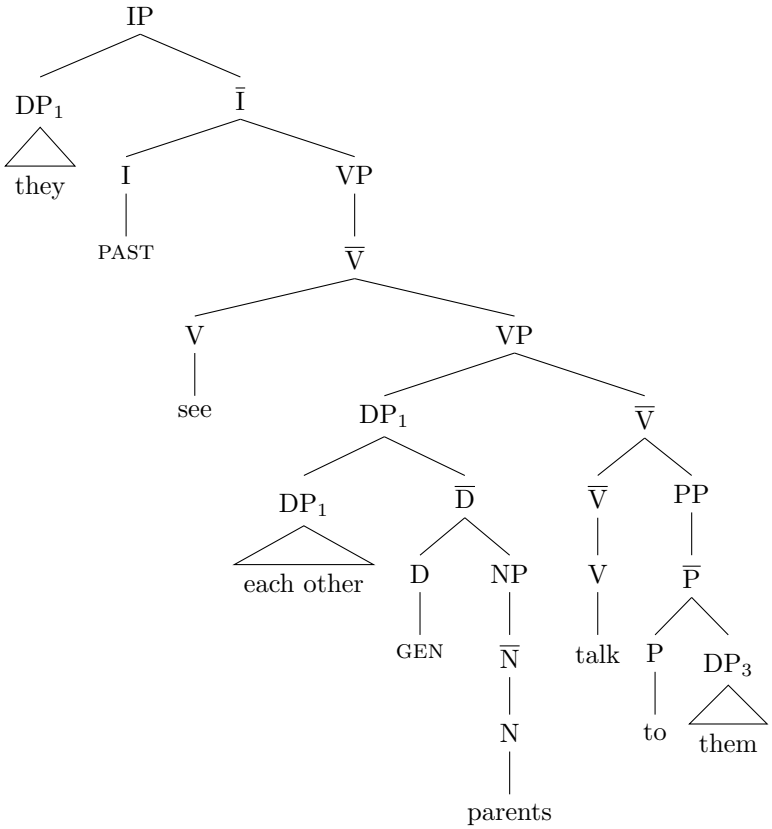
4 They$_1$ saw each other$_1$'s parents$_2$ talk to them$_2$.



'Each other's binding domain should be the small clause VP. It is not the specifier (although it is *in* the specifier) of this VP. Therefore, while 'each other' is bound by 'they', 'they' is not in 'each other's binding domain, and this is in violation of Principal A.

Also, 'them' is in violation of Principal B, because it is bound by 'each other's parents', which is in its binding domain.

5 They$_1$ saw each other$_1$'s parents$_1$ talk to them$_3$.



'Each other' is still not bound by anything in its binding domain. 'They' is still outside its binding domain, and the DP containing 'each other' cannot bind it because it cannot c-command it. This violates Principal A.

Also, that containing DP, 'each other's parents', is bound by 'they', which violates Principal C.