

Business Law

Text & Exercises *6th Ed.*

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Chapter 1: Introduction to the Law and our Legal System

Learning Outcomes

- LO1** • Answer the question: What is Law?
- LO2** • List the major sources of law in our legal system.
- LO3** • Identify the supreme law of the land.
- LO4** • Explain the difference between our legal system and the legal systems of other nations.

- **Aristotle:** “pledge that citizens of a state will do justice to each other.”
- **Cicero:** agreement of reason and nature, distinction between just and unjust.
- **“Law consists of enforceable rules governing relationships among individuals and between individuals and society.”**

Business Activities and the Legal Environment

- **Knowledge of “black letter” law is not enough: today much law has an ethical dimension.**
- **Many different laws may affect a single business transaction.**
- **Linking the law to your career.**
- **Role of law in a small business.**

- **The Common Law Tradition.**
 - Early English Courts of Law. King's courts started after Norman conquest of 1066.
 - Established the common law—body of general legal principles applied throughout the English empire.
 - King's courts used **precedent** to build the common law.

Sources of American Law

- ***Stare Decisis.***
 - Practice of deciding new cases based on precedent.
 - A higher court's decision based on certain facts and law, is a **binding authority** on lower courts.
 - Helps courts stay efficient.

Sources of American Law: Equity

- **Equitable Remedy**: based on justice and fair dealing a chancery court does what is right: specific performance, injunction, rescission.
- **Remedy at Law**: in king's courts, remedies were restricted to damages in either money or property.
- **Common Law Today**: merging law and equity, case law.

Sources of American Law

- **Constitutional Law.**
 - Found in text and cases arising from federal and state constitutions.
 - U.S. Constitution is the supreme law of the land.

Sources of American Law

- **Statutory Law.**
 - Laws enacted by federal and state legislatures.
 - Local ordinances.
 - Uniform Laws (e.g., Uniform Commercial Code).

Sources of American Law

- **Administrative Law.**
 - Rulemaking--Rules, orders and decisions of administrative agencies, federal, state and local.
 - Administrative agencies can be independent regulatory agency such as the Food and Drug Administration.
 - Adjudication--agencies make rules, then investigate and enforce the rules in administrative hearings.

Civil Law vs. Criminal Law

- **Civil Law and Criminal Law.**
 - Civil: private rights and duties between persons and government.
 - Criminal: public wrongs against society.

- **National:** laws of a particular nation.
- **Civil vs. Common Law:** Civil law countries based on Roman code (e.g., Latin America).
- **International Law:** body of written and unwritten laws observed by nations when dealing with each other.