We are pleased to introduce this second edition of *The Legal and Ethical Environment of Business: An Integrated Approach*. The approach taken in this textbook was developed in response to the realities of learning to do business in the contemporary global context. The book covers, comprehensively and crisply, all the topics traditionally found in the legal environment of business textbooks, presented in a readable, accessible writing style. But in addition, it integrates that law with two themes of paramount importance in today’s business world: the pursuit of ethical business practice and the understanding of the international dimensions of business and law.

To prepare students for the new realities of the workplace, regulatory and legal environment curricula must include meaningful ethics coverage. Current industry norms, practices, and legislation call for the incorporation of ethics into decision making and for a new approach to business structures that satisfies legal requirements and adopts and implements best practices. Most major corporations in the United States, for example, have adopted a Compliance and Ethics Program that includes a corporate Code of Ethics and mandates training for executives and managers in understanding legal compliance, corporate ethical codes, due diligence, risk assessment, and the resolution of ethical dilemmas. Many large companies now have chief ethics and compliance officers, reporting directly to the board or to the chief executive officer, who are responsible for protecting and enhancing the company’s reputation, oversight of legal compliance, complying with the company’s Code of Ethics, and maintaining ethical standards within the company. Federal and state legislatures have responded to high-level and widely publicized ethical infractions and criminal wrongdoings with the passage of far-reaching initiatives such as the Sarbanes-Oxley Act of 2002 and the U.S. Sentencing Guidelines. Corporate boards increasingly include ethics committees charged with reviewing and approving major corporate initiatives, such as whistleblower protection, and compliance with the company’s internal code of ethics.

This high-level focus on ethics, both internally and externally, demands increased, thoughtful ethics coverage to prepare students for the business world they will encounter. Traditionally, ethical coverage in many legal environments of business texts has been limited to a single chapter, perhaps coupled with brief case questions on ethics scattered elsewhere in the book. *The Legal and Ethical Environment of Business* takes a new approach. Here, a foundational chapter is devoted entirely to ethical theory and analysis, and ethics coverage is integrated throughout the book and featured in nearly every chapter. Ethical theory is interwoven with practical applications using several novel
pedagogical tools we developed to promote focused, thoughtful inquiry and to highlight the interplay of ethics and law. We have found in our own teaching that these methods can help students learn to analyze judicial opinions more effectively and to achieve a deeper understanding of the legal environment of business:

- **An Ethical Insight.** Boxes throughout the text spotlight the thinking of selected ethicists and business executives, illustrating the basis of legal and business strategies in ethical theory, principle, or practice.
- **Manager’s Compliance and Ethics Meeting.** Frequent simulations of managers’ meetings address ethical issues, along with applicable law, to help readers explore fundamental ethical dilemmas, often through multiple perspectives.
- **In-Depth Ethical Case Analysis.** These extended case reviews identify the ethical issue in an appellate decision and review the case from an ethical perspective, applying classical ethical principles and theory to the judicial decision and case holding.

Although a thorough and deep understanding of the ethical and legal environment of business in the United States is fundamental to this text and course, this knowledge has today an ever-widening applicability. Economic interdependence, advances in technology and transportation, liberalization of international trade law, and greater political freedom in many countries around the globe are just a few of the factors contributing to the enormous increase in and reliance on international business transactions. This book pursues two distinct approaches to international business. First, it integrates international coverage by including, in addition to a chapter devoted to international business transactions, relevant international law components at the ends of most chapters. Second, and more importantly, the international coverage offered goes beyond the usual comparative law topics. Instead, most chapters include substantial coverage of a central topic in international business law, such as bribery and the Foreign Corrupt Practices Act, key provisions of the Convention on Contracts for the International Sales of Goods, and a comparison of the Uniform Commercial Code and the UN Convention on Contracts for the International Sale of Goods. Selected for their relevancy, practicality, and importance, knowledge of these international topics will help prepare students to embark on a career in the expanding world of business.

The accreditation requirements of business schools reinforce the need for thorough ethical coverage within the Legal Environment of Business context. In April 2013, the Association to Advance Collegiate Schools of Business adopted new accreditation standards, and this textbook was written in part to help academic institutions comply with those standards. In particular, the book addresses Standard 9: “Curriculum content is appropriate to general expectations for the degree program type and learning goals.” The standard further specifies:
- **General Skill Area. Ethical** understanding and reasoning (able to identify ethical issues and address the issues in a socially responsible manner)
- **General Business and Management Knowledge Area.** Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society and social responsibility, including sustainability, and ethical behavior and approaches to management [Emphasis added.]

This textbook is also an ideal choice for schools holding or aspiring to achieve EQUIS accreditation from the European Foundation for Management Development. It provides the comprehensive coverage of international law expected of schools holding EQUIS accreditation.

Our objectives in writing this book were to provide comprehensive legal and ethical coverage of the business environment, to convey information clearly and concisely, to integrate ethical and international perspectives throughout the book, to develop an appreciation of the engaging nature of law and ethics, and to share with students the insights we have gained from our many cumulative years of study and experience in the field.

This second edition includes coverage of a number of important developments affecting the legal environment of business, as well as current examples that bring these developments to life. In Chapter 1, The United States Legal System, we provide an update of the settlement between former football players and the National Football League based on the players’ neurological conditions, which are believed to be caused by repeated traumatic head injury experienced during the game. Chapter 2, Ethics in the Business Environment, delves into the ethical implications of requiring employees to wear smart watches, which will record the employees’ fitness levels, as a condition of receiving a discount on annual health insurance premiums. We also present the Volkswagen emissions scandal and its implications for ethical business leadership.

In Chapter 3, Constitutional Issues in Business, we have added new problems that invite students to consider whether the use of government drones to detect recreational marijuana use violates the Fourth Amendment and whether California’s state referendum on the treatment of chickens violates the Commerce Clause. Chapter 4, Administrative Law, considers limits to agency regulation of commercial drone use and provides coverage of new executive orders issued by President Trump that limit the ability of federal agencies to promulgate regulations.

Chapter 5, Legal Aspects of the Global Business Environment, considers the meaning of “comity” in the context of recent antitrust allegations involving Chinese vitamin imports and updates the ongoing Texaco/Chevron environmental litigation involving plaintiffs from Ecuador. In Chapter 7, Business Organizations, we have added the recent landmark Delaware case of Doberstein v. G-P Industries, Inc., which helps students understand what it means for a court to “pierce the corporate veil.” Chapter 8, Intellectual Property, introduces the landmark Defend Trade Secrets Act of 2016, which for the first time provides a broad federal regime for the protection of trade secrets and invites
students to consider how the advent of 3D printing can present challenging issues of intellectual property enforcement.

Chapter 9, Sale of Securities and Investor Protection, provides new illustrations involving the severe penalties that can be imposed when a Certified Public Accountant (CPA) violates the rules of the Public Company Accounting Oversight Board (PCAOB), or what can happen when the CEO of a pharmaceutical company is accused of insider trading. Chapter 10, Business Crimes, provides coverage of the 2016 United States Sentencing Commission Guidelines Manual and presents a case in which the CEO of a medical device company was convicted for his role in a securities fraud scheme that resulted in shareholders losing $750 million. Chapter 11, Antitrust, describes a $2.5 billion fine imposed on large financial institutions in 2017 for currency manipulation.

Chapter 12, Agency Law, offers insights into the new legal issues presented by the sharing economy, including an example exploring the liability issues that arise when an Uber driver is involved in a motor vehicle accident. Chapter 13, Employment Law, offers discussion of new developments concerning the Family Medical Leave Act, and explores the boundaries of employer “no nicotine” policies that may apply to employees both on and off the job. Chapter 14, Discrimination in the Workplace, adds the latest cases addressing when and to what extent an employer must provide religious accommodation and under what circumstances pay differentials between male and female employees may or may not be discriminatory.

Chapters 15 and 16, addressing the law of contracts, provide updated case problems addressing contemporary issues faced by small businesses and others. Chapter 17, Sales Law, provides recent examples of how businesses are affected by the Uniform Commercial Code Article 2 and the UN Convention on Contracts for the International Sale of Goods. Chapter 18, The Debtor-Creditor Relationship, adds a new bankruptcy case involving the conversion of a Chapter 11 petition to a Chapter 7 liquidation.

Chapter 19, Business Torts, and Chapter 20, Product Liability and Warranties, invite students to consider emerging liability issues associated with texting while driving and the use of self-driving cars. Finally, Chapter 21, Environmental Law and Sustainability, presents highlights from the Paris Agreement, discusses BP’s 2016 settlement following the Gulf Oil Spill, and addresses the 2016 amendments to the Toxic Control Substances Act—the first time the law has been amended since its passage in 1976.

We welcome instructors and students to this text and to the fascinating and challenging journey it represents: pursuit of a deep understanding of and appreciation for the productive integration of law, ethics, and global issues in the twenty-first-century legal and ethical environment of business.