

## **Chapter 1—Law as the Foundation of Business**

**Plaintiff—one who initiates a lawsuit**

**Defendant—one against whom a lawsuit is brought; the accused person in a criminal proceeding**

**Today most states have merged courts of law and equity. A plaintiff may now request both legal and equitable remedies in the same action and the trial judge may grant either form or both forms of relief.**

**Over time a number of equitable principles and maxims have developed. These include:**

**1. whoever seeks equity must do equity (anyone who wishes to be treated fairly must treat others fairly)**

**2. one seeking the aid of an equity court must come to the court with clean hands (plaintiffs must have acted fairly and honestly)**

**3. equitable relief will be awarded when there is no adequate remedy at law**

**4. equity is more concerned with fairness and justice than with legal technicalities**

**5. equity will not help those who neglect their rights for an unreasonable period of time (laches)**

**Primary sources of law include:**

- 1. the US Constitution and state constitutions**
- 2. statutes or laws passed by Congress or state legislatures**
- 3. regulations created by federal and state administrative agencies**
- 4. case law or court decisions**

**constitutional law—law based on the US Constitution or state constitutions**

**statutory law—the body of law enacted by legislative bodies. Examples of federal statutes that affect business operations include laws regulating the purchase and sale of securities, consumer protections statutes, and statutes prohibiting employment discrimination. Examples of state statutes include state criminal laws, state deceptive trade practice acts, and state commercial laws**

**Uniform Commercial Code—facilitates commerce among the states by providing a uniform set of rules governing commercial transactions. The UCC covers the sale of goods, negotiable instruments, bank deposits and collections, securities, leases and secured transactions.**

**Administrative law—the body of law created by administrative agencies (rules, orders, regulations) to carry out their duties and responsibilities**

**Administrative agency—a federal or state government agency established to perform a specific function. Administrative agencies are authorized by legislative acts to make and enforce rules to administer and enforce the acts. Rules issued by various administrative agencies now affect almost every facet of a business' operation, including a firm's capital structure and financing, hiring and firing procedures, relations with employees and unions, etc.**

**Judicial review—the power of a court to examine laws passed by a legislature and declare them unconstitutional**

**Rulemaking—the process undertaken by an administrative agency when formally adopting a new regulation or amending an old one.**

**Rulemaking involves notifying the public of a proposed rule or change and receiving and considering the public's comments.**

**Substantive law—law that defines describes, regulates, and creates legal rights and obligations**

**Procedural law—law that establishes the methods of enforcing the rights established by substantive law**

**civil law—the branch of law dealing with the definition and enforcement of all private or public rights as opposed to criminal matters**

**criminal law—law that defines and governs actions that constitute crimes. Criminal law has to do with wrongful actions committed against society for which society demands redress**

**national law—law that pertains to a particular nation**

**civil or code law—a system of laws derived from the Roman Empire and based on a code rather than case law; the predominant system of law in continental Europe, and Central and South America**

**International law—the law that governs relations among nations. National laws, customs, treaties and international conferences and organizations are important sources of international law.**

**Treaty—is an agreement between two or more nations that creates rights and duties binding on the parties to the treaty**