

BA243: SOCIAL, LEGAL, AND ETHICAL ENVIRONMENT OF BUSINESS

Lesson 2: Legal Duties and U.S. Law

Introduction to Legal Duties and U.S. Law (1 of 5)

Introduction to Legal Duties and U.S. Law

Businesses, business management, and business owners are subject to legal duties throughout their lifespan. There are legal duties related to all aspects of business, including business formation, solicitation of investment, capitalization, internal governance, commercial transactions, business operations, employment, and business-to-consumer and business-to-businesses transactions. Global businesses may be subject to laws and regulatory obligations from multiple jurisdictions depending on the scope of their operations and commercial conduct. Businesses with operations and transactions entirely within the United States are generally subject to legal duties imposed by federal, state, and local governments. Identifying and complying with applicable legal duties is an important part of businesses' success. Understanding these duties for each particular business is often an integral part of successful management.

Lesson Objectives

After completing this lesson, you should be able to do the following:

- Differentiate among the varied sources of legal duties that can apply to businesses, management, and business owners.
- Recognize the general uniform nature of various laws relating to businesses.
- Identify the commercial benefits of uniform state laws governing businesses with specific examples.

Lesson Readings & Activities

By the end of this lesson, make sure you have completed the readings and activities found in the [Lesson 2 Course Schedule](#).

Primary Sources of American Business Law (2 of 5)

Primary Sources of American Business Law

Cross and Miller (2018) refer to four primary sources of American laws, listing

- constitutional provisions,
- statutory law,
- regulations created by state and federal administrative agencies, and
- case law and common law doctrines.

State and federal statutory duties and regulatory obligations can impose both civil and criminal liability on business entities and their individual owners and managers if they breach these duties. For example, failure to maintain required workers' compensation insurance and failure to meet payroll obligations can have both civil and criminal legal

consequences. Businesses that provide services or goods to consumers for household use often are subject to state laws against unfair and deceptive trade practices. These statutes are aimed at deterring a broad variety of unfair and deceptive advertising, sales, and commercial practices that can harm consumers.

Contractual Duties and Rights of Businesses (3 of 5)

Contractual Duties and Rights of Businesses

In addition to the primary sources of American business laws, many of the most important legal rights and duties for businesses arise out of their chosen contractual relationships. Businesses secure legal rights and are subject to legal duties as a result of their agreements with other parties. Contractual relationships create legal rights and legal duties. They arise broadly in simple transactions for the sale of goods or services, purchases of supplies and equipment, hiring of employees and independent contractors, and many other day-to-day business activities.

States Generally Adopt Uniform Business Laws (4 of 5)

States Generally Adopt Uniform Business Laws

Cross and Miller (2018) refer to statutory laws, uniform laws, and the Uniform Commercial Code (UCC). Although there are often modest differences from state to state, the substantive state laws that govern businesses and commercial transactions are often based on commonly adopted principles through uniform and model statutory codes like the UCC. As is noted in Cross and Miller, the uniformity that results from adopting model statutes promotes and facilitates interstate commerce. For example, it is much easier for a merchant of goods to conduct sales in 30 states and source its supplies from 10 states because these transactions are likely to be governed by the same basic laws. Although there are some differences in the laws from state to state that can impact business decisions, in general, they are fairly uniform.

UCC Article 2 (Sales) (5 of 5)

UCC Article 2 (Sales)

Appendix C of Cross and Miller (2018) includes Article 2 (Sales) of the UCC and relates to the uniform code for sale of commercial goods. You do not need to review Article 2A (Leases), which relates to leasing of goods (and not commercial real estate leases). UCC Article 2 is complex and comprehensive, and a general review is all that is required. You will not be tested on the details of Article 2, but should be familiar with

- the definition of “Good Faith” in Section 2-103(1)(b) and
- Section 2-315 Implied Warranty: Fitness for Particular Purpose.

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