“To conform to government safety regulations, no one may climb the ladder of success without wearing a harness and special non-slip shoes.”
True/False

- Agency is a contract in which an agent is authorized to act on behalf of, and under the control of, a principal.
- All employees are agents, and all agents are employees.
- Agents may bind a principal on the basis of apparent authority.
- Agency may be created unintentionally.
True/False Answers

- **TRUE.** Agency is a contract in which an agent is authorized to act on behalf of, and under the control of, a principal.
- **FALSE.** All employees are agents, but some agents are independent contractors.
- **TRUE.** Agents may bind a principal on the basis of apparent authority.
- **TRUE.** Agency may be created unintentionally (through apparent authority).
True/False

- All duties are delegable.
- An agent’s duty of confidentiality continues after the agency ends.
- To be considered actual authority, the authority must be expressed in words orally or in writing.
- Agency is a fiduciary relationship.
True/False Answers

- FALSE. Not all duties are delegable (e.g., personal services).
- TRUE. An agent’s duty of confidentiality continues after the agency ends.
- TRUE. To be considered actual authority, the authority must be expressed in words orally or in writing. (express authority)
- TRUE. Agency is a fiduciary relationship.
Multiple Choice

- Principals have the following duties to agent:
  - (a) Duty to compensate
  - (b) Duty to reimburse for reasonable expenses for doing agency business
  - (c) Duty to indemnify the agent for losses suffered due to agency’s business
  - (d) Both A and B
  - (e) All of the above
Multiple Choice Answer

- Principals have the following duties to agent:
  - (a) Duty to compensate
  - (b) Duty to reimburse for reasonable expenses for doing agency business
  - (c) Duty to indemnify the agent for losses suffered due to agency’s business
  - (d) Both A and B
  - (E) ALL OF THE ABOVE!
True/False

- An agent is always liable for his own torts.
- The doctrine of *respondeat superior* means that a principal is liable for torts committed by employees acting within the course and scope of employment.
- If an agent enters into contracts for a legally existing and competent principal but lacks authority to enter contracts, the principal is not bound.
True/False Answers

- TRUE. Agent always liable for his own torts.
- TRUE. Doctrine of *respondeat superior* means that principal is liable for torts committed by employees acting within the course and scope of employment.
- NOT NECESSARILY! If an agent contracts for a legally existing and competent principal but lacks authority to enter contracts, the principal MAY BE bound IF THE AGENT HAD APPARENT AUTHORITY.
True/False

- A principal is never liable for an independent contractor’s torts.
- Apparent authority arises if communications by principal to third party creates reasonable appearance of authority in the agent.
- If a principal fails to inform the agent about a defect in the product, the principal will be directly liable for an agent’s torts.
True/False Answers

- FALSE. A principal MAY BE liable for an independent contractor’s torts IF FOR A DANGEROUS ACTIVITY.

- TRUE. Apparent authority arises if communications by principal to third party creates reasonable appearance of authority in the agent.

- TRUE. If principal fails to inform agent about defect in product, the principal will be directly liable for an agent’s torts.
Carl owned a pizza business and employed Zip to deliver pizzas. Carl knew that Zip occasionally drank beer while driving, but didn’t fire Zip. Zip injured Dan while delivering pizzas and driving drunk. Is Carl liable to Dan for Zip’s conduct?

(a) No, only Zip is liable. Drunk driving was not within the scope of employment

(b) Yes, since Carl knew about Zip’s drinking and negligently retained Zip
Carl owned a pizza business and employed Zip to deliver pizzas. Carl knew that Zip occasionally drank beer while driving, but didn’t fire Zip. Zip injured Dan while delivering pizzas and driving drunk. Is Carl liable to Dan for Zip’s conduct?

(b) Yes, since Carl knew about Zip’s drinking and negligently retained Zip. Note that a plaintiff bears the burden of proof that Carl knew about Zip’s drinking on the job! (negligent supervision)
Carl’s Pizza hired Miller to be general manager. Miller hired Sam for pizza prep work. In general, would Carl’s Pizza be obligated to honor the contract with Sam?

(a) No; only the owner of Carl’s Pizza can hire Sam, thus Sam’s contract is void

(b) Yes; Miller acted with implied authority since he is general manager and Carl’s Pizza must honor Sam’s employment contract
Carl’s Pizza hired Miller to be general manager. Miller hired Sam for pizza prep work. In general, would Carl’s Pizza be obligated to honor the contract with Sam?

(b) Yes; Miller acted with implied authority since he is general manager and Carl’s Pizza must honor Sam’s employment contract
True/False

- Employment at will is the law in all states.
- An employer (100 employees) may not fire a man for taking a two month leave of absence to care for his seriously-ill wife.
- Workers’ compensation is an employee’s exclusive remedy against an employer for covered injuries.
**True/False Answers**

- **FALSE.** Employment at will is the law in all states. *Some states have limited the common law rule of employment at will.*

- **TRUE, in general!** An employer (100 employees) may not fire a man for taking a two month leave of absence to care for his seriously-ill wife. *(Slightly different rules for key employees.)*

- **TRUE.** Workers’ compensation is an employee’s exclusive remedy against an employer for covered injuries. *However, if the employee cannot obtain fair compensation, s/he may file a lawsuit in court.*
True/False

- Fair Labor Standards Act prohibits any form of child work or labor by any employer engaged in interstate commerce.
- OSHA may not inspect a workplace or issue citations for violations of the act without a warrant issued by a judge.
- An employer may terminate a whistle-blower immediately because whistle-blowers make defamatory comments to the public.
True/False Answers

- FALSE. Fair Labor Standards Act prohibits any form of child work or labor by any employer engaged in interstate commerce, **BUT agricultural companies are exempted. However, statement generally is true.**

- FALSE. OSHA may not inspect a workplace or issue citations for violations of the act without a warrant issued by a judge, **BUT routine inspections do not need a warrant.**

- FALSE. An employer may not terminate a whistle-blower immediately because public policy protects whistle-blowers. Caution: employers probably **WILL** fire the employee. The employee then must sue for wrongful discharge.
Under Workers’ Compensation, employees recover only for:

- (a) Injuries that affect an employee’s ability to do his or her job
- (b) Work-related injuries that arise out of or happen in the course of employment
- (c) Injuries that occur during any period of employment, whether on or off the job
- (d) both A and B
Under Workers’ Compensation, employees recover only for:

- (a) Injuries that affect an employee’s ability to do his or her job
- **(B) Work-related injuries that arise out of or happen in the course of employment**
- (c) Injuries that occur during any period of employment, whether on or off the job
- (d) Both A & B
The SEC only has executive power to enforce congressional statutes.

Most SEC actions are resolved through consent orders rather than litigation.

The 1933 Act regulates the sale of securities while they pass from the hands of the issuer into hands of public investors.

Registration requires *underwriting* by corporate insiders and financial controllers.
True/False Answers

■ FALSE. The SEC only has executive power to enforce congressional statutes. AND REGULATIONS OR RULES THE SEC DEVELOPS PURSUANT TO CONGRESSIONAL STATUTES.

■ TRUE. Most SEC actions are resolved through consent orders rather than litigation.

■ TRUE. The 1933 Act regulates the sale of securities while they pass from the hands of the issuer into hands of public investors.

■ FALSE! Registration requires underwriting by corporate insiders and financial controllers. UNDERWRITING IS REQUIRED FOR SELLING SECURITIES, BUT AN OUTSIDE UNDERWRITING FIRM MUST BE USED.
The Howey test is used to determine whether an investment contract is a security.

The registration statement is the sales document of an offering registered under the 1933 Act.

All securities are exempt from registration unless specifically required to be registered by statute.

Rule 506, Regulation D exempts a private offering to less than 35 unaccredited purchasers from registration requirements.
TRUE/FALSE Answers

■ TRUE. The Howey test is used to determine whether an investment contract is a security.

■ FALSE. The registration statement is the sales document of an offering registered under the 1933 Act. THE PROSPECTUS IS THE SALES DOCUMENT.

■ FALSE. All securities are exempt from registration unless specifically required to be registered by statute. THE OPPOSITE IS TRUE.

■ TRUE. Rule 506, Regulation D exempts a private offering to less than 35 unaccredited purchasers from registration requirements.
The important time periods in the life of a securities offering are:

(a) The prefiling period
(b) The waiting period
(c) The posteffective period
(d) All of the above
(e) None of the above
The important time periods in the life of a securities offering are:

- (a) The prefiling period
- (b) The waiting period
- (c) The posteffective period
- (D) ALL OF THE ABOVE
- (e) None of the above
The 1934 Act requires periodic disclosure of material information by issuers with publicly held equity securities.

Periodic reports include the Form 10-K, the Form 10-Q, and Form 8-K.

Rule 10b-5 defines an insider as anyone with confidential corporate information for a corporate purpose.
True/False Answers

- TRUE. The 1934 Act requires periodic disclosure of material information by issuers with publicly held equity securities.

- TRUE. Periodic reports include the Form 10-K, the Form 10-Q, and Form 8-K.

- NOT EXACTLY. (not in slides, by the way) Rule 10b5-1 addresses the issue of when insider trading liability arises in connection with a trader's "use" or "knowing possession" of material nonpublic (confidential) information. A person trades "on the basis of" confidential information when the person purchases or sells securities while aware of the information.
The three antitrust laws are the Sherman Act, Clayton Act, and Pricing Act.

Section 1 of the Sherman Act prohibits concerted action in restraint of trade.

Per se violations are conclusively presumed to violate § 1 of the Sherman Act.

Using a rule of reason approach, conduct violates § 1 if a minimum anticompetitive effect occurs.
- FALSE. The three antitrust laws are the Sherman Act, Clayton Act, and ROBINSON-PATMAN ACT (*not Pricing Act*).
- TRUE. (*not in slides*) Section 1 of the Sherman Act prohibits concerted action in restraint of trade.
- TRUE. *Per se* violations are conclusively presumed to violate § 1 of the Sherman Act.
- TRUE. Using a rule of reason approach, conduct violates § 1 if a minimum anticompetitive effect occurs. *But generally, more than a minimum effect must exist.*
If competitors alter market forces by horizontal price control, it is per se illegal.

Agreements among competitors to divide up an available market by allocating territories is legal unless it destroys competition.

A firm may refuse to deal with certain firms as a unilateral action.

Having a monopoly is not illegal.
TRUE. If competitors alter market forces by horizontal price control, it is per se illegal. *This is price fixing.*

FALSE. Agreements among competitors to divide up an available market by allocating territories is legal unless it destroys competition. *Per se illegal.*

TRUE. A firm may refuse to deal with certain firms as a unilateral action. *Unilateral action is okay.*

TRUE. Having a monopoly is not illegal. *It’s the “monopolizing” to harm the market that is illegal.*
Zyco will not sell to buyers unless they agree to buy their products exclusively from Zyco. Has Zyco violated antitrust law?

- (a) No, since freedom of contract is allowed
- (b) Zyco’s exclusive dealing agreement is illegal only if Zyco’s market power is anticompetitive
- (c) Zyco’s exclusive dealing agreement is per se illegal
Zyco will not sell to buyers unless they agree to buy their products exclusively from Zyco. Has Zyco violated antitrust law?

(a) No, since freedom of contract is allowed

(B) ZYCO’S EXCLUSIVE DEALING AGREEMENT IS ILLEGAL ONLY IF ZYCO’S MARKET POWER IS ANTICOMPETITIVE. An exclusive dealing agreement is a rule of reason violation.

(c) Zyco’s exclusive dealing agreement is per se illegal
The elements of monopolization include:

- (a) Exclusive dealing agreements
- (b) Monopoly power
- (c) Willful anticompetitive conduct
- (d) all of the above
- (e) B and C only
The elements of monopolization include:

(a) Exclusive dealing agreements
(b) Monopoly power
(c) Willful anticompetitive conduct
(d) all of the above

(E) B AND C ONLY  No monopoly unless firm controls market or excludes competition; key is misconduct in obtaining monopoly
Creditor’s remedies include:

(a) Statutory liens
(b) Judicial liens
(c) Suretyship
(d) Guaranty
(e) Consensual liens
(f) all of the above
Creditor’s remedies include:

- (a) Statutory liens
- (b) Judicial liens
- (c) Suretyship
- (d) Guaranty
- (e) Consensual liens
- (F) ALL OF THE ABOVE
True/False

- Suretyship and guaranty are the same.
- A mortgage is a lien on real property.
- Landlords have a statutory lien on a tenant’s personal property.
- Chapter 7 bankruptcy refers to reorganization of the company.
**True/False Answers**

- **FALSE.** Suretyship and guaranty are the same. *A surety is essentially a co-signer with equal liability as the debtor. A guarantor has secondary liability.*
- **TRUE.** Mortgage is a lien on real property.
- **TRUE.** Landlords have a statutory lien on a tenant’s personal property.
- **FALSE.** Chapter 7 bankruptcy refers to reorganization of the company. *CHAPTER 11 is reorganization; Ch. 7 is liquidation.*
Multiple Choice

The following environmental laws have civil & criminal liability or penalties:

(a) Clean Water Act
(b) Resource, Conservation & Recovery Act
(c) Clean Air Act
(d) Comprehensive Environmental Response, Compensation & Liability Act
(e) all of the above
The following environmental laws have civil & criminal liability or penalties:

(a) Clean Water Act
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(E) ALL OF THE ABOVE
"Prof. Evers looks pretty enthusiastic about our testing performance."