

Introduction to Business Law

Introduction to Business Law – Study Notes

1. What Is Business Law?

- **Definition:** The body of law that governs the rights, relations, and conduct of persons and businesses engaged in commerce, trade, and sales.
 - **Purpose:**
 - Protect stakeholders (owners, employees, consumers, investors).
 - Provide predictable rules for transactions.
 - Resolve disputes efficiently.
 - Encourage fair competition and ethical practices.
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2. Major Branches of Business Law

Branch	Core Topics	Typical Issues
Contract Law	Formation, performance, breach, remedies	Invalid contracts, non-payment, warranty disputes
Corporate/Business Organizations	Types of entities (sole proprietorship, partnership, corporation, LLC), formation, governance	Shareholder rights, fiduciary duties, dissolution
Commercial Law (UCC)	Sale of goods, secured transactions, negotiable instruments	Title transfer, warranties, security interests
Employment Law	Hiring, wages, discrimination, workplace safety	Wrongful termination, harassment, OSHA compliance
Intellectual Property (IP)	Patents, trademarks, copyrights, trade secrets	Infringement, licensing, protection strategies
Consumer Protection	Deceptive practices, product liability, warranties	False advertising, unsafe products
Tax Law	Federal, state, and local taxes affecting businesses	Income tax, sales tax, payroll tax

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Branch	Core Topics	Typical Issues
Bankruptcy & Insolvency	Reorganization (Chapter 11) vs. liquidation (Chapter 7)	Debt restructuring, creditor claims
International Business Law	Trade agreements, import/export regulations, cross-border contracts	Tariffs, customs, foreign investment restrictions

3. Key Legal Concepts for Business

1. Legal Personality

- Entities (corporations, LLCs) are separate “persons” from their owners.
- Benefits: limited liability, perpetual existence, ability to sue/be sued.

2. Limited Liability

- Owners’ personal assets are generally protected from business debts, *except* in cases of fraud, personal guarantees, or “piercing the corporate veil.”

3. Fiduciary Duty

- Directors/officers must act in the best interests of the corporation and its shareholders (duties of care, loyalty, and good faith).

4. Consideration

- A necessary element of a valid contract: each party must exchange something of value.

5. Statute of Limitations

- Time limits within which a claim must be filed; varies by jurisdiction and claim type.

6. Due Diligence

- The investigative process before a transaction (e.g., M&A) to uncover liabilities, contracts, IP, etc.
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4. The Business Entity Decision? Making Process

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Step	Question	Guidance
1	How many owners?	Sole proprietorship (single), partnership (2+), corporation/LLC (any).
2	Desired liability protection?	LLC or corporation for limited liability; partnership offers less protection.
3	Tax preferences?	- Pass-through (partnership, S corp, LLC) – profits taxed once. - Double taxation (C corp) – corporate tax + shareholder tax on dividends.
4	Management structure?	Corporations have board/directors; LLCs allow flexible management.
5	Future financing needs?	Corporations can issue stock; LLCs may face