

Financial and Legal Management

Chapter 10

The Legal Environment

Small Business and the Law

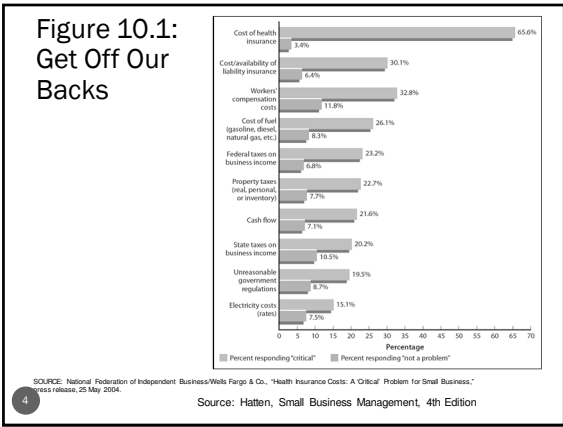
- **Laws:**
 - Ensure fair competition among businesses.
 - Protect the rights of consumers and employees.
 - Protect property rights.
 - Enforce contracts and agreements.
 - Permit bankruptcy when things go bad.
 - Collect the money needed for government to provide these protections.

Source: Hatten, Small Business Management, 4th Edition

Laws to Promote Fair Business Competition

- **Antitrust Laws**
 - Prohibit firms from combining in ways that would stifle competition within an industry.
 - Sherman Antitrust Act (1890)
 - Clayton Act (1914)
 - Under antitrust laws, any agreements or contracts that restrain trade are illegal and unenforceable.

Source: Hatten, Small Business Management, 4th Edition



Laws to Protect Consumers

- **The Federal Trade Commission Act of 1914**
 - Created the Federal Trade Commission (FTC) to regulate competition, advertising, and pricing to protect consumers.
- **Federal Trade Commission (FTC)**
 - Can issue cease and desist orders.
 - Sets product labeling standards
 - Bans hazardous products to ensure product safety
 - Enforces truth-in-lending practices
 - Requires equal credit access and fair credit practices

Source: Hatten, Small Business Management, 4th Edition

Laws to Protect People in the Workplace (cont'd)

- **Immigration Reform and Control Act of 1986**
 - Discourages illegal immigration
 - Strengthens national origins provisions of Title VII of the Civil Rights Act of 1964
- **Americans with Disabilities Act of 1990**
 - Guarantees job opportunity and access rights of disabled individuals.
 - Requires reasonable accommodation of the disabilities of qualified individuals.

Source: Hatten, Small Business Management, 4th Edition

Laws to Protect People in the Workplace (cont'd)

- Civil Rights Act of 1991
 - Prohibits race norming in the setting of test standards.
 - Requires that any employment practice be job-related and a business necessity.
 - Provides for compensatory and punitive damages and jury trials for intentional discriminatory acts by employers and in cases of sexual harassment.

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Source: Hatten, Small Business Management, 4th Edition

Laws to Protect People in the Workplace (cont'd)

- Workers' Compensation
 - Provides insurance for replacement of income and payment of medical expenses for work-related accidents and illnesses.
 - Is a state or private insurance required to be purchased by all employers.
- Unemployment Compensation
 - Provides income to involuntarily unemployed workers.

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Source: Hatten, Small Business Management, 4th Edition

Laws to Protect People in the Workplace (cont'd)

- Occupational Safety and Health Administration (OSHA) of 1970
 - Sets workplace safety standards.
 - Conducts workplace compliance inspections.
 - Requires employers to record and report occupational illnesses and injuries.
 - Cites and fines employers for violation of standards.

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Source: Hatten, Small Business Management, 4th Edition

Contract Law for Small Business

- Contract
 - Is an agreement between two or more parties that is enforceable by law.
 - Does not have to be in writing to be enforceable.
- Contracts Must Be Written When They:
 - Involve the sale of real estate.
 - Involve paying someone else's debt.
 - Take longer than one year to perform.
 - Involve the sale of goods valued at \$500 or more.

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Source: Hatten, Small Business Management, 4th Edition

Contractual Obligations

- Breach of Contract
 - If one party involved in a contract does not hold up his or her end of the agreement, a breach of contract has occurred.
 - The intent of litigation is to try to put you back to where you were before the agreement was made.
- Breach of Contract Remedies
 - Compensatory damages (money awarded)
 - Specific performance
 - Injunction

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Source: Hatten, Small Business Management, 4th Edition

Laws to Protect Intellectual Property

- Intellectual Property (IP)
 - Is the unique product that is created through the mental skills of a person.
 - Symbols and slogans that describe your business or product
 - Original expression, whether it takes the form of a collection of words, an artistic interpretation, or a computer program.

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Source: Hatten, Small Business Management, 4th Edition

