Test Bank for Business Law Text and Cases 14th Clarkson

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TRUE/FALSE

1 : The role of the courts is to interpret and apply the laws.
A : true
B : false

Correct Answer : A

2 : State courts are superior to federal courts.
A : true
B : false

Correct Answer : B

3 : Minimum contacts with a jurisdiction are never enough to support jurisdiction over a nonresident defendant.
A : true
B : false

Correct Answer : B

4 : A court can exercise jurisdiction over property located that is located within its boundaries.
A : true
B : false

Correct Answer : A

5 : A business firm may have to comply with the laws of any jurisdiction in which it actively targets customers.
A : true
B : false

Correct Answer : A

6 : For jurisdictional purposes, corporations are considered legal persons.
A : true
B : false

Correct Answer : A

7 : The minimum-contacts requirement is usually met if a corporation advertises or sells its products within a state.
A : true
B : false

Correct Answer : A

8 : The amount in controversy in a diversity of citizenship case must be more than $1 million before a federal court can take jurisdiction.
A : true
B : false

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Correct Answer : B

9 : States do not have exclusive jurisdiction on any matter.
A : true
B : false

Correct Answer : B

10 : Concurrent jurisdiction exists when only state courts have the power to hear a particular case.
A : true
B : false

Correct Answer : B

11 : Small claims courts are inferior trial courts.
A : true
B : false

Correct Answer : A

12 : In most states, in suits brought in small claims courts, lawyers are allowed.
A : true
B : false

Correct Answer : A

13 : In many cases, a court can exercise jurisdiction over an out-of-state defendant who has done business in the state only over the Internet.
A : true
B : false

Correct Answer : A

14 : To have standing to sue, a party must be standing in the geographical jurisdiction of the court in which a suit is filed.
A : true
B : false

Correct Answer : B

15 : The term venue refers to the location of a trial.
A : true
B : false

Correct Answer : A

16 : A justiciable controversy is a case in which the courts decisionthe justice that will be servedwill be controversial.
A : true
B : false

Correct Answer : B

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17 : Cases arising between citizens of different states involve diversity of citizenship.
A : true
B : false

Correct Answer : A

18 : A state case typically originates in a federal court.
A : true
B : false

Correct Answer : B

19 : Trials courts conduct trials.
A : true
B : false

Correct Answer : A

20 : The United States Supreme Court does not have original jurisdiction in any case.
A : true
B : false

Correct Answer : B

21 : Some cases decided by federal courts of appeals are not subject to review by the United States Supreme Court.
A : true
B : false

Correct Answer : B

22 : Litigation is the process of resolving a dispute through the court system.
A : true
B : false

Correct Answer : A

23 : The term alternative dispute resolution refers to methods for resolving disputes outside the traditional judicial process.
A : true
B : false

Correct Answer : A

24 : Negotiation can involve the parties to a dispute and their attorneys.
A : true
B : false

Correct Answer : A

25 : Negotiation is the most complex form of alternative dispute resolution.
A : true

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B : false

Correct Answer : B

26 : No court offers mediation as an option before a case goes to trial.
A : true
B : false

Correct Answer : B

27 : In mediation, the mediator proposes a solution and makes a decision resolving the dispute.
A : true
B : false

Correct Answer : B

28 : Arbitration that is mandated by a court is often binding on the parties.
A : true
B : false

Correct Answer : B

29 : A courts review of an arbitrators award may be restricted.
A : true
B : false

Correct Answer : A

30 : Early neutral case evaluation refers to the resolution of a case before the dispute becomes contentious, when the parties positions are said to be neutral.
A : true
B : false

Correct Answer : B

31 : The verdict in a summary jury trial is binding.
A : true
B : false

Correct Answer : B

32 : International treaties often stipulate arbitration for resolving disputes.
A : true
B : false

Correct Answer : A

33 : Generally, a foreign courts decision can be enforced in the United States.
A : true
B : false

Correct Answer : A

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34 : Most online dispute resolution services apply international principles promulgated by the United Nations to resolve disputes.
A : true
B : false

Correct Answer : B

35 : A choice-of-law clause is a provision in a contract that excuses a party from liability for nonperformance due to acts of God.
A : true
B : false

Correct Answer : B

MULTIPLE CHOICE

36 : The Maine state legislature passes a law to regulate local delivery services. The final authority regarding the constitutionality of this law is
A : the judicial system.
B : the president of the United States.
C : the governor of Maine.
D : the U.S. Congress.

Correct Answer : A

37 : As a judge in a federal court, Elena can decide, among other things, whether the laws or actions of the executive and legislative branches are constitutional. The process for making this determination is known as
A : judicial review.
B : jurisdiction.
C : jurisprudence.
D : justifiability.

Correct Answer : A

38 : Hope wants to file a suit against Gerry. For a court to hear the case,
A : Gerry must agree.
B : the court must have jurisdiction.
C : the parties must have no minimum contacts with each other.
D : the parties must own property.

Correct Answer : B

39 : Hua, a resident of Illinois, owns a warehouse in Indiana. A dispute arises over the ownership of the warehouse with Jac, a resident of Kentucky. Jac files a suit against Hua in Indiana. Regarding this suit, Indiana has
A : federal jurisdiction.
B : in personam jurisdiction.
C : in rem jurisdiction.
D : no jurisdiction.

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Correct Answer : C

40 : An Oklahoma state court can exercise jurisdiction over Petro Resources Inc., an out-of-state company, if the firm has
A : minimum contacts with the state.
B : maximum contacts with the state.
C : median contacts with the state.
D : no contacts with the state.

Correct Answer : A

41 : Milo files a suit against Nick in an Ohio state court, noting that Nick operates a Web site through which Ohio residents have done substantial business with him. The court is most likely to have jurisdiction over Nick if Milos claim arises from
A : anything an Ohio resident has done.
B : Nicks Web site activities relating to conduct in Ohio.
C : nothing an Ohio resident has done.
D : something other than Nicks Web site.

Correct Answer : B

42 : David, an Alabama resident, files suit in an Alabama court against QuickAds, an internet company based in Georgia that provides advertising services. QuickAds only contact with persons in Alabama has been through QuickAds passive advertising. The Alabama court is:
A : likely to have jurisdiction if the claim David brings is based on QuickAds advertising scheme in Alabama.
B : not likely to have jurisdiction over the case because QuickAds is based in Georgia.
C : likely to refer the case to a higher district court.
D : likely to refer the case to an appellate court.

Correct Answer : A

43 : McHenry, a New York resident, files a suit in a New York state court against OneWorld Inc., a company based in California. OneWorlds only contact with McHenry is the companys app, which McHenry downloaded while traveling across the United States. According to the sliding-scale analysis, the factor most likely to confer jurisdiction on the New York court is
A : the geographical distance between McHenry and OneWorld.
B : the degree of interactivity via the app between McHenry and OneWorld.
C : OneWorlds location when the app was created.
D : McHenrys location when the app was downloaded.

Correct Answer : B

44 : All Bikes, Inc., a firm in Wisconsin, advertises on the Web. A court in Ohio would be most likely to exercise jurisdiction over All Bikes if the firm
A : did substantial business with Ohio residents over the Internet.
B : interacted with any Ohio resident through its Web site.
C : only engaged in passive advertising on the Web.
D : suddenly removed its ad from the Internet.

Correct Answer : A

45 : Mediocrité, Inc., makes and sells goods that are substandard. Naomi, who has never

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bought or used a Mediocrité item, files a suit against the firm, alleging that its products are defective. The companys best ground for dismissal of the suit is that Naomi does not have
A : certiorari.
B : jurisdiction.
C : standing.
D : sufficient minimum contacts.

Correct Answer : C

46 : Tyler, a citizen of Utah, files a suit in a Utah state court against Virtual Sales Corporation, a Washington state company that does business in Utah. The court has original jurisdiction, which means that
A : the case is being heard for the first time.
B : the court has a unique method of deciding whether to hear a case.
C : the court has unusual procedural rules.
D : the subject matter of the suit is interesting and new.

Correct Answer : A

47 : Stephan wins his suit against Tidewater Boats, Inc. Tidewaters best ground for appeal is the trial courts interpretation of
A : the demeanor of the witnesses during the trial.
B : what happened to give rise to the dispute.
C : the dealings between the parties before the suit.
D : the law that applied to the issues in the case.

Correct Answer : D

48 : Delia files a suit against Eduardo in a Florida state court over the ownership of a boat docked in a Florida harbor. Both Delia and Eduardo are residents of Georgia. Eduardo could ask for a change of venue on the ground that Georgia
A : has a sufficient stake in the matter.
B : has jurisdiction.
C : has sufficient minimum contacts with the parties.
D : is a more convenient location to hold the trial.

Correct Answer : D

49 : Marty files a suit against Norah in a state court over an employment contract. The case proceeds to trial, after which the court renders a verdict. The case is appealed to an appellate court. After the highest state courts review of Marty v. Norah, a party can appeal the decision to the United States Supreme Court if
A : if a federal question is involved.
B : if a question of state law remains unresolved.
C : if Marty questions the result.
D : under no circumstances.

Correct Answer : A

50 : Kari and Lillian, who are citizens of Mississippi, are involved in a case related to the adoption of their child. Over this case, Mississippi state courts have
A : concurrent jurisdiction with federal courts.
B : concurrent jurisdiction with other state courts.

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C : exclusive jurisdiction.
D : no jurisdiction.

Correct Answer : C

51 : Olivia, a citizen of Nebraska, wants to file a suit against Micah, a citizen of Kansas. Their diversity of citizenship may be a basis for
A : no court to exercise jurisdiction.
B : a federal court to exercise original jurisdiction.
C : a state court to exercise appellate jurisdiction.
D : the United States Supreme Court to refuse jurisdiction.

Correct Answer : B

52 : DAntoni files a suit in a federal district court against Enya. DAntoni loses the suit, appeals to the U.S. Court of Appeals for the Ninth Circuit, and loses again. DAntoni asks the United States Supreme Court to hear the case. The Court is
A : not required to hear the case.
B : required to hear the case because DAntoni lost in a federal court.
C : required to hear the case because DAntoni lost in a lower court.
D : required to hear the case because it is an appeal.

Correct Answer : A

53 : The case of Max v. National Credit Co. is heard in a trial court. The case of O! Boy! Ice Cream Co. v. Pecan Corp. is heard in an appellate court. The difference between a trial and an appellate court is whether
A : a trial is being held.
B : the court is appealing.
C : the parties question how the law applies to their dispute.
D : the subject matter of the case involves complex facts.

Correct Answer : A

54 : Carol files a suit against Andy in a state trial court and loses. Carol can
A : not take her case any higher in the court system.
B : insist that the United States Supreme Court hear her case.
C : plead her case before an appellate court.
D : plead her case before a small claims court.

Correct Answer : C

55 : Laredo loses his suit against McLain in a North Dakota state trial court. Laredo appeals to a state intermediate court of appeals and loses again. Laredo would appeal next to
A : the American Arbitration Association.
B : the North Dakota Supreme Court.
C : the United States Supreme Court.
D : the U.S. Court of Appeals for the Eighth Circuit.

Correct Answer : B

56 : The Montana Supreme Court rules against Natural Grocery Mart in a case against One Stop 2 Shop Stores, Inc. Natural Grocery files an appeal with the United States Supreme Court.

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The Court does not hear the case. This
A : is a decision on the merits that has value as a precedent.
B : indicates agreement with the Montana courts decision.
C : means nothing.
D : means that the Montana courts decision is the law in Montana.

Correct Answer : D

57 : The Kentucky Supreme Court rules against Luther in a case against Motor Cars, Inc. Luther wants to appeal the case to the United States Supreme Court. Luther must ask the Court to issue a writ of
A : appeal.
B : certiorari.
C : jurisdiction.
D : summons.

Correct Answer : B

58 : Salina files a suit against Tanner. Before going to trial, the parties, with their attorneys, meet to try to resolve their dispute. A third party suggests or proposes a resolution, which the parties may or may not adopt. This is
A : arbitration.
B : mediation.
C : negotiation.
D : not a legitimate form of dispute resolution.

Correct Answer : B

59 : First Community Credit Union and General Hydraulics. Inc., have their dispute resolved in arbitration. Before determining the award, the arbitrator meets with First Communitys representative to discuss the dispute without General Hydraulics representative being present. If this meeting substantially prejudices General Hydraulics rights, a court will most likely
A : compel arbitration.
B : review the merits of the dispute.
C : review the sufficiency of the evidence.
D : set aside any award.

Correct Answer : D

60 : Sforza files a suit against Thieu. If this suit is like most cases, it will be
A : dismissed during a trial.
B : settled before a trial.
C : resolved only after a trial.
D : appealed to a higher court.

Correct Answer : B

61 : Liz and Moss disagree over the amount due under their contract. To avoid involving any third party in the resolution of their dispute, Liz and Moss might prefer to use the alternative dispute resolution method of
A : arbitration.
B : litigation.
C : mediation.

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D : negotiation.

Correct Answer : D

62 : Farmers Pantry Products Inc. and Market Grocers LLC dispute a term in their contract. If Farmers Pantry and Market Grocers have a long-standing business relationship that they would like to continue, they may prefer to settle their dispute through mediation because
A : the case will be heard by a jury.
B : the dispute will eventually go to trial.
C : the process is not adversarial.
D : the resolution of the dispute will be decided an expert.

Correct Answer : C

63 : If Cornel and Deanna resolve their dispute by having a neutral third party render a binding decision, they will have used the method of
A : arbitration.
B : conciliation.
C : intervention.
D : mediation.

Correct Answer : A

64 : SPF Sunscreen Corporation and Taylor agree to resolve their dispute through arbitration. The arbitrators decision is called
A : a conclusion of law.
B : a finding of fact.
C : an award.
D : a verdict.

Correct Answer : C

65 : Sour Dough Inc. and The Bread Company, agree to a contract that includes an arbitration clause. If a dispute arises, a court having jurisdiction may
A : monitor any arbitration until it concludes.
B : order an arbitrator to rule in a particular way.
C : order a party to bring the dispute to court.
D : order a party to submit to arbitration.

Correct Answer : D

66 : Cullen files a suit against Demi. Cullen and Demi meet, and each partys attorney argues the partys case before a judge and jury. The jury presents an advisory verdict, after which the judge meets with the parties to encourage them to settle their dispute. This is
A : court-ordered arbitration.
B : early neutral case evaluation.
C : a mini-trial.
D : a summary jury trial.

Correct Answer : D

67 : Service Employees International Union and Timberline Products, Inc., have their dis-pute resolved in arbitration. The arbitrator arbitrates issues that the parties did not agree to submit to

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arbitration. This is a ground for a court to
A : none of the choices.
B : review the merits of the dispute.
C : review the sufficiency of the evidence.
D : set aside the award.

Correct Answer : D

68 : Millie and Noble dispute the quality of a suite of furniture sold over the Internet. They agree to resolve their dispute in OpenTerms.com, an online forum. Like most online forums, OpenTerms.com applies
A : general, universal legal principles.
B : the provisions of the Federal Magistrates Act.
C : international principles provided by the United Nations.
D : the law of the Internet.

Correct Answer : A

69 : To resolve a dispute in nonbinding arbitration, Alyson in Baltimore and Chuck in Denver utilize E-Resolve, an online dispute resolution (ODR) service. This limits these parties recourse to the courts
A : not at all.
B : until the ODR service has issued a decision.
C : with respect to any dispute arising between them.
D : with respect to this dispute only.

Correct Answer : A

70 : Quest Inc., a U.S. firm, and Real Treks, Ltd., a Canadian firm, enter into a contract that does not have a forum-selection or choice-of-law clause. Litigation between Quest and Real Treks involving this contract may occur in
A : an online forum only.
B : Canada or the United States, but not both.
C : Canada, the United States, or both.
D : an international, United Nations tribunal only.

Correct Answer : C

ESSAY

71 : Norwest Trucking Corporation files a suit in a state court against Bobs Service Company (BSC), and wins. BSC appeals the courts decision, asserting that the evidence presented at trial to support Norwests claim was so scanty that no reasonable jury could have found for the plaintiff. Therefore, argues BSC, the appellate court should reverse the trial courts decision. Is the appellate court likely to reverse the trial courts findings with respect to the facts? If not, why not? What are an appellate courts options after reviewing a case?

Correct Answer : An appellate court will reverse a lower court’s decision on the basis of the facts if the evidence does not support the findings or if it contradicts them. Appellate courts normally defer to a judge’s decision with regard to the facts of a case, however, for a number of reasons. First, trial judges routinely sit as fact finders. As a result, they develop a particular

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expertise in determining what kind of evidence and testimony is reliable and what kind is not. Second, trial judges and juries have the opportunity to observe witnesses and tangible evidence first hand. The appellate court sees only a cold record of the trial court proceedings and therefore cannot make the kind of judgments about the credibility of witnesses and the persuasiveness of evidence that can be gleaned only from first hand experience. (There are also constitutional reasons for an appellate court to defer to a jury verdict. If, based on the evidence presented to a jury, a reasonable person could have come to the same decision that the jury came to, an appellate court cannot reverse the jury's decision with regard to the facts because this would, in essence, take away a person's right to a jury trial.) An appellate court's options after reviewing a case are to affirm the trial court's judgment, to reverse it in whole, to reverse it in part, to modify the decision, or to remand the case for further proceedings.

72 : Tech Performance, Inc., completes programming and other tech services for Uno IT Products Corporation. When Unos computer system crashes, it loses $500,000 worth of business and pays $100,000 to have the system reprogrammed. Uno IT announces to the media that the crash was due to Tech Performances incompetence and files a complaint in a federal court against the firm. What are Tech Performances options in response?

Correct Answer : In response to the complaint, Tech Performance (the defendant) may file an answer in which the firm admits the statements or allegations set out in Uno IT's complaint or denies them and sets out any defenses that Tech Performance may have. (If Tech Performance admits to the allegations, a judgment will be entered in favor of Uno IT. If Tech Performance denies the allegations, the matter will proceed.) In the answer, Tech Performance may assert an affirmative defense—that is, admit the truth of the complaint but raise new facts to show that the firm should not be held liable for the damage sustained by Uno IT. Tech Performance could also deny Uno IT's allegations and assert a counterclaim alleging that the crash occurred as a result of something Uno IT did.

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MULTIPLE CHOICE

1 : CHAPTER 6DIGITAL UPDATE:REVENGE PORN AND INVASION OF PRIVACYJody and Kyle take photos of themselves in intimate moments. When their relationship ends, Kyle posts the photos online without Jodys consent in an attempt to humiliate her. Included with the photos are Jodys name, Facebook page, address, workplace, and phone number. This could be a ground for a civil suit on the basis of
A : defamation.
B : false imprisonment.
C : invasion of privacy.
D : no traditional tort theory.

Correct Answer : C

2 : CHAPTER 6DIGITAL UPDATE:REVENGE PORN AND INVASION OF PRIVACYHank and Ida take photos of themselves in intimate moments. When their relationships ends, Hank posts the photos online without Idas consent in an attempt to humiliate her. This is a crime in
A : a handful of states.
B : all states.
C : most states.
D : no state.

Correct Answer : A

3 : CHAPTER 8DIGITAL UPDATE:THE PROBLEM OF PATENT TROLLSPay-to-Buy.com, Inc. obtains a patent on an online payment system. The patent is vaguely worded and overly broad. In evaluating the patent, a court is most likely to
A : have difficulty, resulting in Pay-to-Buy being targeted by patent trolls.
B : apply the patent broadly.
C : issue a vaguely worded protection order.
D : hold that Pay-to-Buys business practices are illegal.

Correct Answer : A

4 : CHAPTER 8DIGITAL UPDATE:THE PROBLEM OF PATENT TROLLSMoney2Play Corporation does not make or sell products or services but buys a patent and asserts it against New Functions, Inc., a start-up applications company, demanding licensing fees and threatening an infringement suit. Because of these threats, New Functions is most likely to
A : have difficulty in attracting investors.
B : target other firms with patent litigation to obtain investment capital.
C : cease and desist.
D : collect more capital to fund its operations than without the threats.

Correct Answer : A

5 : CHAPTER 10DIGITAL UPDATE:MONITORING EMPLOYEES SOCIAL MEDIARIGHT OR WRONG?Concerned about what its employees post online, Big Box Retail Inc. monitors the employees use of social media. Carl, a Big Box employee, files a suit against his employer, alleging that the monitoring is an invasion of privacy. The court will most likely rule in Big Boxs favor if
A : Big Box can show a reasonable need for social media monitoring.
B : Carl has no expectation of privacy on the monitored site.

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C : Carl is part of a protected class.
D : the monitoring is a fishing expedition.

Correct Answer : B

6 : CHAPTER 10DIGITAL UPDATE:MONITORING EMPLOYEES SOCIAL MEDIARIGHT OR WRONG?During litigation over an employment situation between Park & Ride, LLC and its employee Quent, Park & Ride asks the court for access to Quents complete social media records. The court is most likely to grant access if
A : Park & Ride can show a reasonable need for social media evidence.
B : Quent has no reasonable expectation of privacy in the records.
C : Quent is not part of a protected class.
D : the request is a fishing expedition.

Correct Answer : A

7 : UNIT TWOAPPLICATION AND ETHICS:THE BIGGEST DATA BREACH OF ALL TIMEHackers infiltrate the computer system of ChemCo Inc. and steal the companys trade secrets. If the hackers can be identified, they can be
A : charged with unauthorized access of protected computers.
B : subject to civil sanctions, but no criminal penalties.
C : subject to a suit by the Federal Trade Commission.
D : included on a watch list but no other sanctions are currently possible.

Correct Answer : A

8 : UNIT TWOAPPLICATION AND ETHICS:THE BIGGEST DATA BREACH OF ALL TIMEHackers infiltrate the computer system of Metro Bank and steal the personal information of Metros customers and employees. Individuals whose personal information is involved in the breach should be notified, as required by law in
A : all states.
B : forty-seven states.
C : no state.
D : one stateCalifornia.

Correct Answer : B

9 : UNIT TWOAPPLICATION AND ETHICS:THE BIGGEST DATA BREACH OF ALL TIMEUSA Sales Company publishes a Privacy Policy to attract customers, but fails to invest adequate resources in cyber security. A lack of security that allows hackers to steal customers personal data from a businesss computer system can be
A : the hackers defense to criminal charges.
B : the ground for a suit by the Federal Trade Commission.
C : the basis for USAs recovery under a traditional insurance policy.
D : a source of bad publicity, but there are no other consequences.

Correct Answer : B

10 : UNIT TWOAPPLICATION AND ETHICS:THE BIGGEST DATA BREACH OF ALL TIMEThe existence of an ethical duty on the part of Commerce & Trade Company, and other businesses, to prevent an attack by hackers on business computer systems, and consequent theft of customers and employees personal data, is evidenced by
A : a businesss offer of credit monitoring in the event of a breach.

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B : a businesss cyber security insurance.
C : the individuals trust in the business to protect their data.
D : a businesss stated Privacy Policy.

Correct Answer : A

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