

- Illegality and mental capacity – if the contract is voidable
- Ordinary duress or undue influence that renders the contract voidable

Chapter 17 Review

What is the difference between an employee and an independent contractor?

- An employee who deals with third parties is normally an agent
- An independent contractor is not an employee, and the employer has no control over the details of a persons physical performance
- An independent contractor may or not be an agent

How do agency relationships arise?

- Agency relationships normally are consensual, they arise by voluntary consent and agreement between the parties
 - Agreement
 - Ratification
 - Estoppel – principal causes a third person to believe that another person is the principals agent, and the third person acts to his or her detriment in reasonable reliance on that belief
 - Operation of law

What duties do agents and principals owe to each other?

- Duties of agent
 - Performance
 - Notification
 - Loyalty
 - Obedience
 - Accounting
- Duties of principal
 - Compensation
 - Reimbursement and indemnification
 - Cooperation
 - Safe working conditions

When is a principal liable for the agent's actions with respect to third parties? When is the agent liable?

- A partially disclosed or fully disclosed principal is liable to a third party for a contract made by an agent who was acting within the scope of his or her authority

- Disparate impact claims involve employment practices that are facially neutral in their treatment of different groups but in fact fall more harshly on one group than another.

Chapter 19 Review

What are some major forms of business organization in the United States?

- Sole proprietorships
 - Simplest form of business
 - Used by anyone who does business without creating an organization
 - The owner is the business
 - The owner pays personal income taxes on all profits
 - Personally liable for business debts
- Partnerships
 - Created by an agreement of the parties
 - Not treated as an entity except for limited purposes
 - Partners have unlimited liability for partnership debts
 - Income is “passed through” the partnership to individual partners who pay taxes on incomes
- Limited Liability Partnerships
 - LLP is formed by professionals who work together as partners in a partnership
 - LLP statutes generally allow professionals to avoid personal liability for the malpractice of other partners
- Limited Partnerships
 - Must be formed in compliance with statutory requirements
 - Consists of one or more general partners
 - Partners have unlimited liability for partnership losses
 - And one or more limited partners who are liable only to the extent of their contributions
 - Only general partners can participate in management
- Corporations
 - Formed in compliance with statutory requirements
 - Legal entity separate from and distinct from its owners
 - Perpetual existence
 - Share-holder owners elect directors
 - Share-holders are not personally liable for debts

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