

1: Introduction to Law & Legal Systems

Unit 1: Legal Foundations & The Court System - Standard: NBEA Business Law I.1: Understand the nature, sources, and functions of law - CCTC BM.1: Understand legal principles affecting business operations

Lesson Objective: You will identify the four sources of law — constitutional, statutory, administrative, and case law — and explain how each one shapes business decisions. You will analyze the four purposes of law and evaluate how they protect individuals and support economic growth. You will interpret how legal structure connects to ethical responsibility in business.

Introduction to Law & Legal Systems Top 3 Core Legal Concepts

Concept 1: What Law Is and Where It Comes From

Law is a system of rules created and enforced by government to control how people and businesses behave. Understanding where law comes from tells you who has the power to make and change the rules that affect your business.

Concept 2: How Law Shapes Business Systems

Constitutional law, statutory law, administrative rules, and court decisions all work together to create the environment every business operates in. When any one of those sources changes, it can shift the way entire industries function.

Concept 3: The Ethical and Social Purpose of Law

Law is not only about punishment — it is also a tool for promoting fairness and ethical conduct in business. When businesses ignore the social purposes of law, the consequences go beyond fines and into damaged trust, lost customers, and failed careers.

Why This Topic Matters

Understanding the basics of law is the foundation of every smart business decision you will make. When you know where laws come from and what they are designed to do, you are better equipped to protect yourself, your business, and the people around you.



Every business decision you make is shaped by law, whether you know it or not.

Before You Open Your Doors, the Law Is Already There

The Rules Are Already Working Around You

Picture this: You start a small business selling custom T-shirts. You hire a friend to help out. A customer claims one of your shirts caused a rash. A competitor copies your logo. In less than a year, you are facing a potential lawsuit, an employment dispute, and an intellectual property issue — and you never once thought about the law. That is the reality of business. Law is not something that only shows up in a courtroom. It is operating in the background of every business decision you make, right now. The good news is that you do not need a law degree to protect yourself. You just need to understand how the system works — and that is exactly what this chapter is about.

What Law Is and Where It Comes From

Law is a system of rules established and enforced by government to regulate how people and organizations behave. Not all law comes from the same place, and understanding those sources is one of the most practical things you can learn in this course. There are four main sources, and each one plays a different role in your life as a future business professional.

The highest source of law in the United States is **constitutional law**. The U.S. Constitution sets the limits of government power and protects individual rights. No other law can override it. When a court strikes down a law because it violates the Constitution, that is constitutional law doing its job.



The U.S. Constitution is the highest law in the country — nothing passed by Congress or a state legislature can override it.

Below that, **statutory law** comes from legislatures — Congress at the federal level and state legislatures locally. These are the written laws most people picture when they hear the word “law.” When Congress passed the Civil Rights Act, that was statutory law. When a state sets a minimum wage, that is also statutory law at work.

Administrative law comes from government agencies. The IRS, the FDA, OSHA — these agencies create regulations that carry the same legal force as statutes. If you run a restaurant, health and safety rules from a state agency directly control how you operate every day. If you launch an app, the Federal Trade Commission has rules that apply to how you collect user data.

Government agencies like OSHA and the FDA write rules that carry the exact same legal weight as laws passed by Congress.

Before You Open Your Doors, the Law Is Already There

Finally, **case law** — also called common law — comes from court decisions. When a judge rules on a dispute, that decision sets a precedent that guides future cases. This is how the legal system adapts over time without waiting for a legislature to act. Together, these four sources create the complete legal framework every business operates within.

What Law Is Designed to Do

Knowing where law comes from is only part of the picture. You also need to understand what law is supposed to **do** — because those purposes explain why legal rules exist in the first place.

Law serves four core purposes, and each one connects directly to how businesses operate. Think of these purposes as the reasons behind the rules — once you understand the “why,” the rules themselves start to make a lot more sense.

The most basic purpose is **peacekeeping**. Law gives society a structured way to resolve disputes without conflict. Instead of settling a business disagreement through threats or force, you go through a legal process. That system protects everyone involved, including you.

Law also **turns society’s values into enforceable rules**. Over time, what people believe is right and wrong shapes the laws that get written. Child labor laws,

workplace safety requirements, and anti-discrimination rules are all examples of society’s values becoming legal standards that businesses must follow. When those values shift, the law often follows.

A third purpose is **protecting people from unfair treatment**. This is more specific than general values — it is about making sure particular groups of people

are not denied rights or opportunities based on who they are. This protection applies directly to business: how you hire, how you treat customers, and how you run your workplace are all areas where law steps in to prevent injustice.

Finally, law **supports economic growth**.

Property rights, contract enforcement, and business regulations create a stable environment where commerce can function. Without predictable legal rules, trade and investment become far riskier. The legal system is part of what makes it possible to build and run a business with confidence.



*The Supreme Court’s ruling in **Brown v. Board of Education** overrode existing state laws across the entire country in a single unanimous decision.*

Case law has been building in American courts for over 200 years — some rules governing your future business were written before your great-grandparents were born.

Before You Open Your Doors, the Law Is Already There

When the Constitution Changed the Rules

So what does it look like when these sources and purposes collide in the real world? One of the clearest examples of constitutional law in action is ***Brown v. Board of Education***, 347 U.S. 483 (1954). In that case, the Supreme Court unanimously ruled that racial segregation in public schools was unconstitutional. The Court struck down the “separate but equal” doctrine that had been used to justify segregated schools for decades.

What makes **Brown** important for this course is not just what it decided — it is what it demonstrates about legal structure. The Constitution sits above all other law. When the Supreme Court interprets the Constitution, that ruling overrides any conflicting statute, regulation, or lower court decision. **Brown** is a direct example of constitutional law doing exactly that: setting a standard that all other law had to follow. For business, the lesson is clear — when constitutional standards shift, every business practice connected to them must shift too.

The Foundation You Are Building

Every contract you sign, every person you hire, and every business decision you make will be shaped by the four sources of law and the four purposes they serve. You do not have to be a lawyer to operate successfully — but understanding how the legal system is built gives you a real advantage before you ever step into a business. Even at this stage, you are already ahead of most people who never take the time to learn how the rules



Administrative law touches more daily business decisions than most people realize, from how apps handle your data to how food is prepared and sold.

actually work. This chapter is your starting point. Build from it.

Key Takeaways

- Law is a system of rules established and enforced by government to regulate conduct in business and society.
- The four sources of law are constitutional, statutory, administrative, and case law — and they all work together.
- Law serves four core purposes: peacekeeping, turning societal values into enforceable rules, protecting people from unfair treatment, and supporting economic growth.
- ***Brown v. Board of Education*** shows how constitutional law overrides all other sources of law.
- Understanding how the legal system works gives you a foundation for every business decision ahead.

*Did you know **Brown v. Board of Education** did not just affect schools — it established that the Constitution can override any law that violates equal protection.*

1: Introduction to Law & Legal Systems - Guided Notes

Concept 1: What Law Is and Where It Comes From

Fill in the Blanks

Use the Word Bank below to complete each sentence.

Word Bank: administrative — case law — constitutional — rules — statutory

1. Law is a system of _____ established and enforced by government to regulate how people and organizations behave.
2. The highest source of law in the United States is _____ law, found in the U.S. Constitution.
3. Laws written by Congress or state legislatures are called _____ law.
4. Government agencies such as the IRS and OSHA create _____ law through rules and regulations.
5. Court decisions that guide future cases create what is known as _____, also called common law.

Concept 2: What Law Is Designed to Do

Matching

Write the correct letter on each line.

- | | |
|---|---|
| _____ Peacekeeping | A. Creates stable conditions for trade and investment |
| _____ Turning values into rules | B. Provides a structured process to resolve disputes |
| _____ Protecting people from unfair treatment | C. Prevents specific groups from being denied rights or opportunities |
| _____ Supporting economic growth | D. Turns what society believes is right or wrong into enforceable standards |

1: Introduction to Law & Legal Systems - Guided Notes Continued

Concept 3: Law as a Legal Structure

True or False

Write **T** or **F** on the line provided.

1. _____ Constitutional law can be overridden by a new statute passed by Congress.
2. _____ Administrative law comes from government agencies and carries legal force.
3. _____ Case law is created when courts issue rulings that set precedent for future cases.
4. _____ In **Brown v. Board of Education**, the Supreme Court ruled that segregated schools were constitutional.
5. _____ The four sources of law — constitutional, statutory, administrative, and case law — work together to form the legal framework for business.

Concept Comparison Table

Complete the table using information from the article.

Source of Law	Who Creates It	One Business Example
Constitutional Law		
Statutory Law		
Administrative Law		
Case Law		

Application Question

The article describes four purposes of law. Choose two and explain why both matter to someone who wants to start and run a business ethically.

1. _____

2. _____

1: Introduction to Law & Legal Systems - Business Case Law Study

***Marbury v. Madison*, 5 U.S. (1 Cranch) 137 (1803)**

Introduction

Marbury v. Madison is the most foundational case in American legal history. Decided in 1803, it established the principle of judicial review — the power of federal courts to examine laws passed by Congress and strike down any that violate the Constitution. Before this decision, it was unclear whether courts had the authority to override acts of the legislature. Chief Justice John Marshall's ruling answered that question and has shaped the American legal system ever since. For students of business law, this case explains why constitutional law sits above all other sources of law.

Issue

Did the Supreme Court have the authority to review acts of Congress and declare them unconstitutional — and did William Marbury have a legal right to force the delivery of his judicial commission?

Rule

Article III of the U.S. Constitution defines the jurisdiction of the Supreme Court — the types of cases it can hear. The Judiciary Act of 1789 attempted to expand the Court's original jurisdiction beyond what Article III permitted. The key issue was whether an act of Congress could expand the Court's constitutional authority, and whether courts could enforce rights when the executive branch refused to act.

Analysis

William Marbury had been appointed as a justice of the peace by outgoing President John Adams. His commission was signed and sealed but never delivered before the new administration took office. The new Secretary of State, James Madison, refused to deliver it. Marbury asked the Supreme Court to issue a writ of mandamus — an order forcing Madison to deliver the commission.

Marshall found that Marbury had a legal right to the commission and that Madison's refusal was wrong. However, he then asked whether the Court had the authority to issue the order. The Judiciary Act said yes, but Article III did not. Because the Constitution is the supreme law of the land, any conflicting law must be invalid.

Marshall reasoned that courts must decide what the law is. When a law conflicts with the Constitution, courts must apply the Constitution and disregard the conflicting statute.

1: Introduction to Law & Legal Systems - Business Case Law Study

Conclusion

The Supreme Court ruled that it did not have jurisdiction to issue the writ Marbury requested because that part of the Judiciary Act was unconstitutional. Marbury did not receive his commission. More importantly, the Court established that it has the power to strike down laws that conflict with the Constitution. This principle of judicial review became the foundation of American constitutional law.

Student Questions

Issue: What was the central legal question the Supreme Court had to resolve in **Marbury v. Madison**?

Rule: What constitutional provision conflicted with the Judiciary Act of 1789, and what was the conflict?

Analysis: How did Chief Justice Marshall reason through the conflict between the Judiciary Act and the Constitution to reach his conclusion?

Conclusion: What did the Court decide, and what lasting legal principle did that decision establish?

Opinion: Do you think courts should have the power to strike down laws passed by elected legislatures? Explain your reasoning using what you learned from this case.

1: Introduction to Law & Legal Systems - Business Law Case Study

Applied Case Study: Apple Inc. v. Epic Games (2021–2023)

When Epic Games sued Apple over App Store policies in 2021, the dispute looked like a business disagreement over money. But what unfolded over the next two years was a real-world demonstration of how the four sources of law — constitutional, statutory, administrative, and case law — can converge on a single business conflict.

Epic argued that Apple’s requirement that all apps use Apple’s payment system violated federal antitrust law. Antitrust law is statutory — it was written by Congress to prevent companies from using market dominance to block competition. The case traveled from federal trial court through the Ninth Circuit Court of Appeals, with each level building on prior court rulings (case law) to analyze whether Apple’s conduct crossed the legal line.

Apple largely prevailed. The courts found that Apple had not violated antitrust statutes. However, the Ninth Circuit upheld one significant order: Apple was required to allow developers to direct users to alternative payment options outside the App Store. That ruling — grounded in statutory law and reinforced by court precedent — forced a concrete change in how one of the world’s largest companies does business.

The case illustrates what **Marbury v. Madison** established two centuries earlier: courts interpret what the law means, and those interpretations bind businesses regardless of their size, market power, or preferences.

Questions

Understanding: What sources of law were involved in the **Apple v. Epic Games** case, and how did each one play a role in the outcome?

Evaluation: The courts found that Apple did not violate antitrust law overall, yet still ordered a change to its business practices. What does that result tell you about how the legal system balances business freedom with the purposes of law?

Application: If you were advising a startup that wanted to build a competing app marketplace, what would the **Apple v. Epic** case teach you about the legal risks and protections your business might face?

1: Introduction to Law & Legal Systems - Action Plan

Following the Law Is the Floor, Not the Ceiling

The legal system gives every business a clear set of rules to follow. But the most successful professionals understand something important: following the law is the minimum standard, not the goal. Ethics is what you do with the space between what the law requires and what is actually right.

The four sources of law define what is legally allowed. They tell you where the lines are. But those lines do not tell you what kind of business you want to build or how you want to be known. That is where your ethical judgment comes in.

Consider the purpose of law that turns society's values into enforceable rules. Laws like workplace safety standards and anti-discrimination requirements exist because businesses once made choices that harmed people. When you understand why those laws exist, you realize they are not obstacles — they are corrections for what happens when ethical responsibility breaks down.

The same is true when it comes to protecting people from unfair treatment. The law sets a floor — you cannot discriminate, you cannot exploit, you cannot deceive. But ethical leadership asks you to go further: to hire fairly, to treat people with dignity, and to make decisions that hold up under scrutiny.

Brown v. Board of Education is a reminder that legal and ethical are not always the same thing. The law once permitted segregated schools. What was legal was not right. The lesson for your career is direct: legal does not always mean right, and what is right should not have to wait for a law to make it official.

What would it mean for your business decisions if you treated every legal standard as the starting point rather than the finish line?

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1: Introduction to Law & Legal Systems - Reflection Questions

1

The article says law turns society's values into enforceable rules. Do you think all of society's values should become laws?

Consider where personal ethics end and legal requirements begin. Think about what happens when different groups in society hold different values, and who gets to decide which ones become law.

2

How does the Brown v. Board of Education decision show that constitutional law is the strongest source of law?

Think about what the Court actually did in that case — it did not just change one school district's policy. Consider what it means for one ruling to override laws that existed across an entire country.

3

Why might understanding business law give you an advantage in your career compared to someone who does not know the basics?

Think beyond avoiding lawsuits. Consider how legal knowledge shapes smarter contracts, better business relationships, and stronger decision-making from day one of your career.

1: Introduction to Law & Legal Systems - Hypotheticals

Scenario 1: The Copied Logo

Marcus runs a small clothing brand. A competitor starts using a nearly identical logo on their products. Marcus wants to stop them but is not sure which type of law applies. His business attorney tells him a federal court decision from a similar case already established the rule that would apply here.

Questions:

- A. Which source of law would the court ruling in a similar case represent?
- B. Why is it important that courts set precedent for future business disputes?
- C. If Marcus believes the competitor's actions are both illegal and unethical, how do the purposes of law support his right to take legal action?

Scenario 2: The Automated Hiring System

A mid-sized company uses an AI-powered hiring tool to screen job applications. The tool is programmed using historical hiring data. A legal review finds that the tool is systematically rejecting qualified applicants from certain demographic groups at a much higher rate than others.

Questions:

- A. Which purpose of law is most directly relevant to this situation?
- B. What source of law — statutory, constitutional, administrative, or case law — is most likely to set the legal standard the company must follow in its hiring process?
- C. If the company continues using the tool despite the legal review, how does that decision conflict with both the legal and ethical responsibilities described in the article?

1: Introduction to Law & Legal Systems - Business Application

Introduction to Law & Legal Systems Laws Studied & Real-World Application

What You Learned and How to Use It

This chapter introduced the four sources of law that shape every business decision you will make.

Laws Studied

- Constitutional law — the supreme law of the land; no other law can override it
- Statutory law — written laws passed by Congress and state legislatures
- Administrative law — regulations created by government agencies like OSHA and the FDA
- Case law — legal rules developed through court decisions and precedent

How to Apply Them in the Real World

- Before starting a business, research which agency regulations apply to your industry
- When signing contracts or hiring employees, statutory law sets the baseline rules
- If a dispute goes to court, prior case law will shape how a judge rules
- Know that constitutional law is the ceiling — if a rule violates it, the rule does not stand

Knowing the law does not make you a lawyer — it makes you a smarter entrepreneur.

How does understanding these four sources of law change the way you would approach starting or running a business?

1: Introduction to Law & Legal Systems - Vocabulary

TERM	DEFINITION
Administrative Law	
Case Law	
Common Law	
Constitutional Law	
Enforce	
Law	
Precedent	
Regulate	
Statute	
Statutory Law	

Introduction to Law & Legal Systems

W T R F P H O F O D P X J B Z S V E C X D U K O
X X N A Q R S R N N T D J M V V W S A E G N P X
A F K W Q O M C E S Q M D O H F A C S B T V Q W
E L Y S J D W O P G Y X P R Y M C B E Z I K J O
N A Q I W T L N V R U G H L W K M E L K L W U P
F A R U E D S S Y B E L J Z V D R Y A J K M Y D
O V U P D N S T A V L C A Z Z Z E S W K I Y K T
R I W V K A H I V V O Z E T R K H I U B V X J Z
C Y B A H D C T I K S U U D E D S V G X I H K L
E A X A C M J U Q N P Z S X E C O E H D Y D Q V
M L R B T X G T T I O D P C F N F I K R J L D K
T I L S O L R I M R O C J O O P T J F M U P H H
Y I M Y F S Q O O I Y P D R C M S J M N E J L E
P R Q A W N T N B G R O M W A J M A L T X F A L
K M A Q D P T A A Z W B M J G T R O V K U F W X
A I D Y S D P L T A W S S A X Y F C N R V O N J
G S P L W C I L V U J M K X E Z W X V L C C G E
A H J M I T P A N E T Z N J B O I P B T A J F O
C E B T D D A W S Q S O F S M C A P M O E W I D
S F A S H D V R T B C I R X L F E A F R N T X D
Z V D E Z A M A L F U I E Y A K M Q M J Q K F H
W M G H C K C O X N E Q Y G L H D H N X W S Q K
L J S X H O Q R S T A T U T E A G T Q I X P W A
A D M I N I S T R A T I V E L A W T A K V X M R

Statutory Law

Constitutional Law

Common Law

Case Law

Administrative Law

Statute

Regulate

Precedent

Law

Enforce

Introduction to Law & Legal Systems

Across

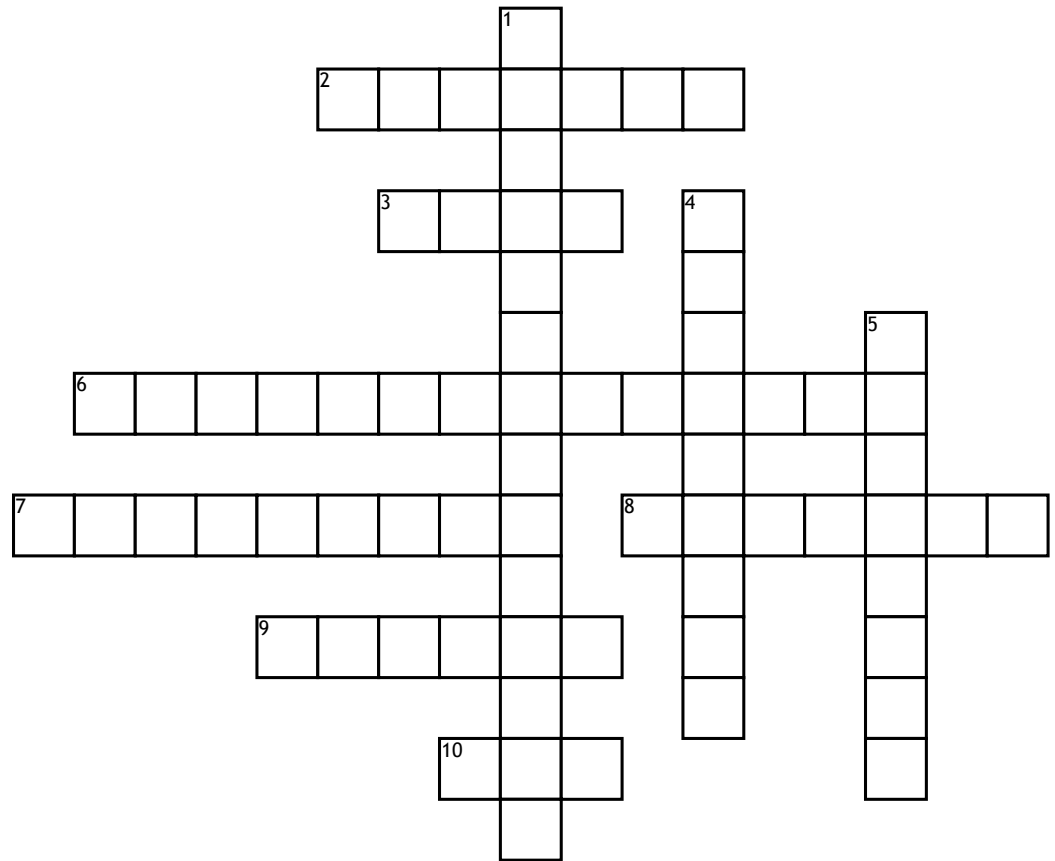
2. To make sure a law or rule is followed, often through government action or legal consequences.

3. Law created by court decisions that set precedent for future cases; also called common law. ____ Law

6. Rules created by government agencies that carry the same legal force as statutes. ____ Law

7. A court ruling that becomes a guide for deciding similar cases in the future.

8. A written law passed by a legislative body such as Congress or a state legislature.



9. Another term for case law; law developed through court rulings over time. ____ Law

10. A system of rules established and enforced by government to regulate conduct in business and society.

Down

1. The highest source of U.S. law, based on the Constitution; no other law can override it. ____ Law

4. Law created by legislatures through written statutes; one of the four sources of law. ____ Law

5. To control or manage behavior through rules, laws, or government oversight.