International Marketing, 18e **(Cateora)**
Chapter 7 The International Legal Environment: Playing by the Rules

1) The form of law found in the United States and England is classified as civil or code law.

2) The form of law found in Germany, France, and Japan is called civil or code law.

3) Code law is based on an all-inclusive system of written rules of law.

4) Steps are being taken in common-law countries to codify commercial law, even though the primary basis of commercial law is common law.

5) Common law prescribes specific patterns of social and economic behavior for everyone.

6) Code law prohibits the receipt and payment of interest on loans.

7) In Marxist–socialist societies, law is strictly subordinate to prevailing economic conditions.

8) The World Court can settle disputes between a company and a government.

9) When dealing with foreign countries, a marketer should refer to the laws of the home country for guidance.

10) Disputes relating to commercial transactions must be settled in courts and cannot be settled informally.

11) Statements made during conciliation may not be disclosed in subsequent litigation.

12) If conciliation is not used to settle a difference in an international business dispute or an agreement cannot be reached, the next step is litigation.

13) The sole requirement of an arbitration clause is that the parties agree to abide by the awards resulting from the process of arbitration.

14) One of the deterrents to litigation with respect to disputes in the international business arena is the fear of creating a poor image and damaging public relations.

15) A certain level of piracy may be beneficial for some companies as it provides an unplanned product trial.

16) Legal ownership in one country does not necessarily mean ownership in other countries.

17) The ownership of intellectual property rights in United States is established by prior use rather than registration.

18) In many code-law countries, ownership of intellectual property rights is established by registration rather than by prior use.

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19) The General Agreement on Tariffs and Trade is the most comprehensive multilateral agreement on intellectual property to date.

20) In the United States, a patent reverts to public domain if it is not manufactured and sold within a specified period.

21) Charging what the market will bear is a suggested strategy for IP-rich firms to make money in China.

22) The Internet is a libel-free zone.

23) The shipping companies collect taxes for products that are sold by a company through the Internet to customers outside its home country.

24) The Informed Consumer Standard is used in the consumer protection courts in Canada and it places the onus of making the right decisions on the buyer who is expected to have substantial knowledge of the industry and its products.

25) The laws regulating direct selling in China are unusually detailed compared to others around the world.

26) Global concern for the environment includes industrial pollution, hazardous waste disposal, and rampant deforestation, but excludes issues that focus directly on consumer products.

27) Antitrust laws were not enforced in the United States during most of the twentieth century.

28) Moving a business outside the political boundaries of the home country exempts the company from the home-country's laws.

29) One purpose of antitrust enforcement in international commerce is to keep U.S. companies from imposing restrictions on exports by other U.S.-based competitors.

30) Widgets, Inc. is beginning to export its products to Taiwan, but it isn't sure if it needs a license to do so. The responsibility of determining if a license is required rests with the Taiwanese company that is purchasing the products.

31) _____ law is derived from English law and is practiced in the U.S..
A) Code
B) Common
C) Religious
D) Civil
E) Universal

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32) Which form of law is primarily found in the United States, England, Canada, and other countries once under English influence?
A) code law
B) common law
C) religious law
D) civil law
E) universal law

33) Code law is also known as _____ law.
A) business
B) common
C) religious
D) civil
E) universal

34) Germany's legal system centers on code law, which is derived from _____ law.
A) English
B) Economic
C) Greek
D) Persian
E) Roman

35) The basis for _____ law is tradition, past practices, and legal precedents set by the courts through interpretations of statutes, legal legislation, and past rulings.
A) civil
B) common
C) code
D) commercial
E) criminal

36) _____ law seeks "interpretation through the past decisions of higher courts which interpret the same statutes or apply established and customary principles of law to a similar set of facts."
A) Constitutional
B) Family
C) Criminal
D) Civil
E) Common

37) Code law is based upon
A) the interpretation through the past decisions of higher courts.
B) the established and customary principles of law and their legal precedence.
C) an all-inclusive system of written rules of law.
D) the interpretation of the Koran.
E) the codes of English law that apply in all countries under English influence.

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38) Under _____ law, the legal system is generally divided into three separate codes: commercial, civil, and criminal.
A) constitutional
B) code
C) family
D) religious
E) traditional

39) Laws governing _____ offer the most striking differences between common-law and code-law systems.
A) international trade
B) social welfare
C) homicide
D) intellectual property
E) domestic industry

40) Under common law, the ownership of intellectual property is established by
A) title deeds.
B) use.
C) tradition.
D) patent.
E) registration.

41) In code-law countries, the ownership of intellectual property is determined by
A) heredity.
B) nature of use.
C) duration of usage.
D) registration.
E) indemnification.

42) _____ is considered complete as a result of catchall provisions found in most of this type of law systems.
A) Common law
B) Code law
C) Islamic law
D) Marxist–socialist tenets
E) The English legal tradition

43) Apart from intellectual property laws, an illustration of how fundamental differences in the common and code systems can cause difficulty is in
A) conducting civil trials.
B) determining laws governing export and import.
C) deciding heredity laws.
D) determining criminal laws.
E) evaluating the performance of a contract.

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44) What is true of code-law systems?
A) They represent a legal system that is not all-inclusive.
B) They establish ownership of intellectual property by prior use rather than registration.
C) They originate from tradition, past practices, and legal precedents set by the courts through interpretations of statutes, legal legislation, and past rulings.
D) They sometimes fail to consider agreements to be enforceable unless properly notarized or registered.
E) They fail to consider unforeseeable human acts such as riots as acts of nature.

45) The basis for _____ is the interpretation of the Koran.
A) common law
B) code law
C) Islamic law
D) Marxist–socialist tenets
E) legal tradition

46) Islamic law is also known as
A) Ulema.
B) Umrah.
C) Zakat.
D) Shari'ah.
E) Barakah.

47) The Islamic law prohibits the payment of
A) taxes.
B) profits.
C) interest.
D) equity.
E) leases.

48) According to _____, law is strictly subordinate to prevailing economic conditions, such fundamental propositions as private ownership, contracts, due process, and other legal mechanisms.
A) common law
B) code law
C) Islamic law
D) Marxist–socialist tenets
E) legal tradition

49) Because of political changes in the late twentieth century, which country has had to build from scratch an entire commercial legal system?
A) France
B) Germany
C) Taiwan
D) Russia
E) Saudi Arabia

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50) If there is a dispute between _____, the World Court can adjudicate.
A) governments
B) a company and a government
C) two companies
D) a citizen and a government
E) trade associations of two countries

51) What method accounts for the majority of resolutions in international commercial transaction disputes?
A) criminal suits
B) conciliation
C) arbitration
D) litigation
E) coercion

52) _____ is a nonbinding agreement between parties to resolve disputes by asking a third party to mediate differences.
A) Litigation
B) Prosecution
C) Arbitration
D) Conciliation
E) Coercion

53) Mariette's U.S.-based company is having a dispute with a Chinese partner. What method would be especially effective in resolving this dispute?
A) arbitration
B) conciliation
C) coercion
D) litigation
E) a criminal suit

54) Teel's Tacos, a food company in the United States, is trying to resolve a dispute with a local company in Belize that has been operating under the same name in its country. All attempts made by the U.S. company to settle the issue in a friendly manner have failed, so the owners of the U.S.-based Teel's Tacos have decided to settle the dispute with the local company by appointing a mediator. They also want the sessions to be private because of the fear of creating a poor public image. Which of the following dispute resolution methods is best suited for this situation?
A) conciliation
B) prosecution
C) arbitration
D) coercion
E) litigation

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55) Ralph Richards's company has been attempting to solve a problem with a contract default by the Dutch government. He has tried conciliation but the two parties did not find any common ground on which they could begin a fruitful negotiation for settlement. What is likely to be the course of action that both the parties will try next?
A) mediation
B) informal settlement
C) arbitration
D) litigation
E) coercion

56) In a typical _____ procedure, parties select a disinterested and informed party or parties to serve as a referee to determine the merits of the case and make a judgment that both parties agree to honor under the law.
A) arbitration
B) informal settlement
C) conciliation
D) litigation
E) coercion

57) When formal arbitration organizations receive requests for arbitration, they initially attempt to resolve the issue through
A) coercion.
B) prosecution.
C) direct legal intervention.
D) litigation.
E) conciliation.

58) A consumer products manufacturing company is trying to solve a dispute with one of its raw material suppliers over a breach of contract. After the failure of the initial attempts to solve the dispute in a friendly informal manner, the companies have approached an international commission to appoint an informed party to act as a referee and make a judgment that both parties will honor. What dispute resolution method is being used by these companies?
A) litigation
B) arbitration
C) mediation
D) coercion
E) judicial intervention

59) What generally occurs during arbitration?
A) Lawsuits are initiated between the conflicting parties.
B) The preliminary step of conciliation is often bypassed.
C) Arbitral centers demonstrate varying rules and procedures.
D) The plaintiff and the defendant each select a person to present their case.
E) Sessions are private and confidential.

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60) What is usually placed in the arbitration clause and is becoming standard in many international contracts?
A) the preferred court or legal body of arbitration
B) the place of arbitration and the language used in the arbitration process
C) the contract stating that the results of the arbitration process are not binding on both parties
D) the judgment of the legal action initiated in the litigation stage
E) the copy of the lawsuit filed by the plaintiff

61) Arbitration clauses require agreement wherein the concerned parties agree
A) on who is right and who is wrong.
B) on the validity of the litigation issues.
C) to abide by the awards resulting from the arbitration.
D) to not hire a legal counsel to represent them.
E) to not name the arbitrators.

62) When all the other methods have failed, what is the final step in an international commercial dispute?
A) conciliation
B) encouraging one's government to force the other party to comply
C) restarting the arbitration process
D) litigation
E) coercion

63) Ideally, what should be the first step in the settlement of a dispute?
A) using the strategy of conciliation
B) engaging in arbitration
C) coercing the other party
D) placating the injured party
E) initiating a litigation

64) What poses a major challenge to international marketers while dealing with counterfeiting?
A) the ease with which consumers can tell the difference between real and counterfeit products
B) the theft of products by pirates during shipping
C) government regulations legitimizing counterfeiting
D) the collusion between contract manufacturers and illegitimate sellers
E) the widespread availability of duplication software

65) What is the most attractive target for pirates because of high development cost and low reproducibility costs?
A) apparel
B) software
C) auto parts
D) books
E) agricultural produce

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66) What commonly counterfeited product has the potential for doing the greatest harm to the consuming public?
A) toys
B) CDs
C) pharmaceuticals
D) software
E) clothing

67) In which country is the ownership of IP rights established by prior use?
A) Japan
B) Brazil
C) Saudi Arabia
D) Jordan
E) United States

68) In the United States, ownership of intellectual property rights is established by "prior use versus registration," which implies that to claim the ownership of a trademark, an individual must
A) be recognized by the United Nations trademark protection agency.
B) pay for the right to own a trademark.
C) establish first use of a trademark.
D) prove the ownership of a trademark in a court of law.
E) register a trademark only in his home country.

69) What international convention was established to recognize and protect intellectual property rights?
A) Paris Convention
B) Munich Agreement
C) Tokyo Convention
D) Eurasian Convention
E) Kyoto Protocol

70) Which of the following conventions is responsible for the promotion of the protection of intellectual property rights among all the member countries of the UN?
A) The Basel Convention
B) The Madrid Arrangement
C) The Tokyo Agreement
D) The Eurasian Convention
E) The World Intellectual Property Organization

71) The _____ is a multicountry agreement that has established a regional patent system that allows any nationality to file a single international application for a European patent.
A) Madrid Arrangement
B) Paris Convention
C) TRIPs Agreement
D) Basel Convention
E) European Patent Convention

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72) What is the most comprehensive multilateral agreement on intellectual property to date and covers a full range of rights that are embodied in current international agreements?
A) World Intellectual Property Organization Charter
B) Trade-Related Aspects of Intellectual Property Rights Agreement
C) Inter-American Convention Agreement
D) The Madrid Arrangement
E) Paris Agreement for the Protection of Industrial Property

73) What is an approach mentioned in the text to prevent Chinese consumers from creatively copying foreign intellectual property?
A) boycotting all trade activities with China
B) placing embargoes on trade with China
C) charging what the market will bear
D) disengaging local representation in sales
E) pursuing dispute resolution at the World Court

74) The Internet has no political or natural boundaries; as a result,
A) existing laws are generally sufficient to cover contractual issues and piracy.
B) existing cyberlaws incorporate the uniqueness of the Internet successfully.
C) companies cannot rely on individual-country laws but must go to international courts.
D) the individual-country laws, which may or may not include private protection, are used in the absence of uniform and internationally accepted cyberlaws.
E) the regulatory environment is stable and consistent between countries.

75) _____ buy and register descriptive nouns, geographic names, names of ethnic groups and pharmaceutical substances, and other similar descriptors and hold them until they can be sold at an inflated price.
A) Patent trolls
B) Server farms
C) Domain name registries
D) Cybersquatters
E) Universal resource locators

76) According to Canadian law, what is the standard expected by courts in Canada to determine whether a representation is false or misleading?
A) *de novo* standard
B) credulous person standard
C) clearly erroneous standard
D) informed consumer standard
E) discretionary standard

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77) Which act developed by the European Union erases many legal and trade differences that have existed for decades between the member nations?
A) European Sanctity Act
B) European Indemnification Act
C) European Unification Act
D) Single European Market Act
E) Foreign Corrupt Practices Act

78) Which country has enacted the most stringent green marketing laws to regulate the management and recycling of packaging waste?
A) South Korea
B) China
C) Germany
D) United States
E) India

79) The question of jurisdiction of U.S. law over acts committed outside the territorial limits of the country has been settled by the courts through application of a long-established principle of international law called the:
A) right of imminent domain.
B) legal transfer of power.
C) rights of foreign powers and citizens.
D) objective theory of jurisdiction.
E) McNeil principle of international law.

80) The _____ of the United States makes it illegal for companies to pay bribes to foreign officials, candidates, or political parties.
A) Taft-Hartley Act
B) Informed Consumer Standard
C) Foreign Corrupt Practices Act
D) Best Practices Act
E) International Codes of Law

81) The first objective of _____ laws is to protect American consumers by ensuring that they benefit from products and ideas produced by foreign competitors as well as by domestic competitors.
A) incorporation
B) intellectual property
C) antitrust
D) indemnification
E) insurance

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82) Which of the following U.S. government agencies oversees antitrust enforcement in international commerce?
A) Department of State
B) Department of Justice
C) Department of Commerce
D) Department of Defense
E) Department of Home Land Security

83) Under the antiboycott law, U.S. companies are forbidden to participate in any unauthorized foreign boycott. Which situation brought about the antiboycott law in the U.S.?
A) the boycott of Cuba by the U.S.
B) the boycott of South Africa by the world community
C) the boycott of Israel by the Arab League
D) the boycott of China by the United States
E) the boycott of the U.S. by the U.S.S.R. (the wheat embargo)

84) U.S. firms, their foreign subsidiaries, or foreign firms that are licensees of U.S. technology cannot sell a product to a country in which the sale is considered by the U.S. government to affect the
A) competitive balance of world trade.
B) competitive balance of free competition inside the U.S.
C) relationship of the U.S. with the world community.
D) overall balance of payments of the United States.
E) national security of the United States.

85) The revised set of export regulations published by the Department of Commerce to speed up the process of granting export licenses is the
A) Agreement on International Trade and Negotiations.
B) Export-Import Manual.
C) International Trade Regulations.
D) Export Charter.
E) Export Administration Regulations.

86) What license is required for products exported from the United States?
A) international or bilateral license
B) general or a validated license
C) single license
D) exporter or third-party license
E) shipment license or agent license

87) The responsibility of determining if a license is required rests with the
A) Department of Commerce of the exporting nation.
B) regulatory body of the industry.
C) exporter.
D) U.S. Customs department.
E) importer.

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88) The exporter is responsible for selecting the _____ that leads to a description in the Commerce Control List (CCL) and indicates the exportability status of the item.
A) Entity List Number
B) Priority Number
C) Export License Number
D) Trade Regulations Number
E) Export Control Classification Number

89) What list indicates the exportability status of an item based on the ECCN?
A) Commerce Control List
B) Entity List
C) Common List
D) Priority Export List
E) International Trade List

90) The Export License Application and Information Network (ELAIN) is an electronic service that enables exporters to
A) ship their goods to clients whose licenses are approved without conditions.
B) check the status of their license and classification applications.
C) submit commodity classification requests via the Internet .
D) submit license applications via the Internet.
E) submit the export and re-export applications and high-performance computer notices via the Internet.

91) What are the four forms of law that comprise the majority of the legal systems in the world? Name one country for each system.

92) Legal disputes can arise in three situations: between governments, between a company and a government, and between two companies. How are each of these handled?

93) Compare and contrast conciliation and arbitration. In what situation would conciliation be most appropriate? In what situation would arbitration be most appropriate?

94) Compare and contrast "prior use" and "registration" ownership of IP rights. Give an example of each.

95) List and describe the major international conventions designed for mutual recognition and protection of intellectual property rights.

96) What are cybersquatters? How do they operate and why are they a problem for businesses?

97) Briefly describe the Canadian legal process to determine whether a representation is false or misleading.

98) Describe the issues companies are facing with respect to green marketing legislation.

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99) Will leaving the country make an American businessman immune to U.S. laws? Explain your reasoning with specific examples.

100) Compare and contrast the two types of licenses required for export.

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1) The form of law found in the United States and England is classified as civil or code law.

Answer: FALSE
Explanation: Common law is derived from English law and found in England, the United States, Canada, and other countries once under English influence.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 07-01 The four heritages of today's legal systems.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

2) The form of law found in Germany, France, and Japan is called civil or code law.

Answer: TRUE
Explanation: Civil or code law, derived from Roman law, is found in Germany, Japan, France, and non-Islamic and non-Marxist countries.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 07-01 The four heritages of today's legal systems.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

3) Code law is based on an all-inclusive system of written rules of law.

Answer: TRUE
Explanation: Code law is based on an all-inclusive system of written rules (codes) of law.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 07-01 The four heritages of today's legal systems.
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4) Steps are being taken in common-law countries to codify commercial law, even though the primary basis of commercial law is common law.

Answer: TRUE
Explanation: Steps are being taken in common-law countries to codify commercial law even though the primary basis of commercial law is common law, that is, precedents set by court decisions. An example of the new uniformity is the acceptance of the Uniform Commercial Code by most states in the United States. Even though U.S. commercial law has been codified to some extent under the Uniform Commercial Code, the philosophy of interpretation is anchored in common law.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 07-01 The four heritages of today's legal systems.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

5) Common law prescribes specific patterns of social and economic behavior for everyone.

Answer: FALSE
Explanation: Islamic law, not common law, prescribes specific patterns of social and economic behavior for everyone. Islamic law encompasses religious duties and obligations, as well as the secular aspect of law regulating human acts. Islamic law defines a complete system that prescribes specific patterns of social and economic behavior for all individuals.
Difficulty: 1 Easy
Topic: Laws Affecting International Business
Learning Objective: 07-01 The four heritages of today's legal systems.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

6) Code law prohibits the receipt and payment of interest on loans.

Answer: FALSE
Explanation: Islamic law, not code law, prohibits the receipt and payment of interest on loans.
Difficulty: 1 Easy
Topic: Laws Affecting International Business
Learning Objective: 07-01 The four heritages of today's legal systems.
Bloom's: Remember
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7) In Marxist–socialist societies, law is strictly subordinate to prevailing economic conditions.

Answer: TRUE
Explanation: Under the premise that law, according to Marxist–socialist tenets, is strictly subordinate to prevailing economic conditions, such fundamental propositions as private ownership, contracts, due process, and other legal mechanisms have had to be developed.
Difficulty: 1 Easy
Topic: Laws Affecting International Business
Learning Objective: 07-01 The four heritages of today's legal systems.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

8) The World Court can settle disputes between a company and a government.

Answer: FALSE
Explanation: Legal disputes can arise in three situations: between governments, between a company and a government, and between two companies. The World Court can adjudicate disputes between governments, whereas the other two situations must be handled in the courts of the country of one of the parties involved or through arbitration.
Difficulty: 2 Medium
Topic: Laws Affecting International Business
Learning Objective: 07-02 The important factors in the jurisdiction of legal disputes.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

9) When dealing with foreign countries, a marketer should refer to the laws of the home country for guidance.

Answer: TRUE
Explanation: Because there is no "international commercial law," the foreign marketer must look to the legal system of each country involved—the laws of the home country, the laws of the countries within which business is conducted, or both.
Difficulty: 2 Medium
Topic: Laws Affecting International Business
Learning Objective: 07-02 The important factors in the jurisdiction of legal disputes.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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10) Disputes relating to commercial transactions must be settled in courts and cannot be settled informally.

Answer: FALSE
Explanation: Most disputes that arise in commercial transactions are settled informally. When resolution is not forthcoming, however, conciliation can be an important first step in settling a dispute.
Difficulty: 1 Easy
Topic: Country Risk Produced by Legal Systems
Learning Objective: 07-03 The various methods of dispute resolution.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

11) Statements made during conciliation may not be disclosed in subsequent litigation.

Answer: TRUE
Explanation: Unlike arbitration and litigation, conciliation sessions are private, and all conferences between parties and the mediator are confidential; the statements made by the parties may not be disclosed or used as evidence in any subsequent litigation or arbitration.
Difficulty: 2 Medium
Topic: Country Risk Produced by Legal Systems
Learning Objective: 07-03 The various methods of dispute resolution.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

12) If conciliation is not used to settle a difference in an international business dispute or an agreement cannot be reached, the next step is litigation.

Answer: FALSE
Explanation: If conciliation is not used or an agreement cannot be reached, the next step is arbitration. When all else fails, arbitration rather than litigation is the preferred method for resolving international commercial disputes.
Difficulty: 1 Easy
Topic: Country Risk Produced by Legal Systems
Learning Objective: 07-03 The various methods of dispute resolution.
Bloom's: Remember
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13) The sole requirement of an arbitration clause is that the parties agree to abide by the awards resulting from the process of arbitration.

Answer: FALSE
Explanation: Although an arbitration clause in a contract can avert problems, sometimes enforcing arbitration agreements can be difficult. Arbitration clauses require agreement on two counts: (1) The parties agree to arbitrate in the case of a dispute according to the rules and procedures of some arbitration tribunal and (2) they agree to abide by the awards resulting from the arbitration.
Difficulty: 1 Easy
Topic: Country Risk Produced by Legal Systems
Learning Objective: 07-03 The various methods of dispute resolution.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

14) One of the deterrents to litigation with respect to disputes in the international business arena is the fear of creating a poor image and damaging public relations.

Answer: TRUE
Explanation: Fear of creating a poor image and damaging public relations is one of the deterrents to litigation.
Difficulty: 1 Easy
Topic: Country Risk Produced by Legal Systems
Learning Objective: 07-03 The various methods of dispute resolution.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

15) A certain level of piracy may be beneficial for some companies as it provides an unplanned product trial.

Answer: TRUE
Explanation: Recent research implies that for companies like Microsoft, some level of piracy actually can serve the company. It can be seen as a kind of product trial that ultimately builds commitment.
Difficulty: 1 Easy
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 07-04 The unique problems of protecting intellectual property rights internationally.
Bloom's: Remember
AACSB: Analytical Thinking
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16) Legal ownership in one country does not necessarily mean ownership in other countries.

Answer: TRUE
Explanation: One of the more frequent errors is assuming that because the company has established rights in the United States, they will be protected around the world or that rightful ownership can be established should the need arise. There have been many cases in which companies have legally lost the rights to trademarks and have had to buy back these rights or pay royalties for their use.
Difficulty: 1 Easy
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 07-04 The unique problems of protecting intellectual property rights internationally.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

17) The ownership of intellectual property rights in United States is established by prior use rather than registration.

Answer: TRUE
Explanation: In the United States, a common-law country, ownership of intellectual property rights is established by prior use—whoever can establish first use is typically considered the rightful owner.
Difficulty: 1 Easy
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 07-04 The unique problems of protecting intellectual property rights internationally.
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18) In many code-law countries, ownership of intellectual property rights is established by registration rather than by prior use.

Answer: TRUE
Explanation: In many code-law countries ownership is established by registration rather than by prior use—the first to register a trademark or other property right is considered the rightful owner.
Difficulty: 1 Easy
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 07-04 The unique problems of protecting intellectual property rights internationally.
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19) The General Agreement on Tariffs and Trade is the most comprehensive multilateral agreement on intellectual property to date.

Answer: FALSE
Explanation: The Trade-Related Aspects of Intellectual Property Rights (TRIPs) agreement, a major provision of the World Trade Organization, is the most comprehensive multilateral agreement on intellectual property to date.
Difficulty: 1 Easy
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 07-04 The unique problems of protecting intellectual property rights internationally.
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20) In the United States, a patent reverts to public domain if it is not manufactured and sold within a specified period.

Answer: FALSE
Explanation: Once a trademark, patent, or other intellectual property right is registered, most countries require that these rights be used and properly policed. The United States is one of the few countries in which an individual can hold a patent without the patented entity being manufactured and sold throughout the duration of the patent period.
Difficulty: 1 Easy
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 07-04 The unique problems of protecting intellectual property rights internationally.
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21) Charging what the market will bear is a suggested strategy for IP-rich firms to make money in China.

Answer: TRUE
Explanation: The authors suggest that an excellent way for IP-rich firms to make money in China currently and in the near future is to use the oldest pricing strategy of all: Charge what the market will bear.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 07-05 How to protect against piracy and counterfeiting.
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22) The Internet is a libel-free zone.

Answer: FALSE
Explanation: Lawsuits involving libel, defamation, and product liability cause companies to voluntarily restrict their website to selected countries rather than leave themselves open to legal action. The Internet is not a libel-free zone.
Difficulty: 1 Easy
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 07-06 The many issues of evolving cyberlaw.
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23) The shipping companies collect taxes for products that are sold by a company through the Internet to customers outside its home country.

Answer: FALSE
Explanation: In "brick-and mortar" sales, the retailer collects taxes, but with the Internet site in one country and the customer in another, the issue of tax collection becomes complex. One proposal was to have shipping companies such as FedEx or credit card companies collect—obviously, neither party is receiving this suggestion enthusiastically.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 07-06 The many issues of evolving cyberlaw.
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24) The Informed Consumer Standard is used in the consumer protection courts in Canada and it places the onus of making the right decisions on the buyer who is expected to have substantial knowledge of the industry and its products.

Answer: FALSE
Explanation: Canadian courts are expected to apply the "credulous person standard," which means that if any reasonable person could possibly misunderstand the representation, the representation is misleading.
Difficulty: 1 Easy
Topic: Factors That Influence International Advertising and Promotion Strategies
Learning Objective: 07-07 The legal differences between countries and how those differences can affect international marketing plans.
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25) The laws regulating direct selling in China are unusually detailed compared to others around the world.

Answer: TRUE
Explanation: China has relaxed some of its restrictions on direct marketing that particularly affected companies such as Mary Kay. However, its laws regulating direct selling are unusually detailed compared to others around the world.
Difficulty: 1 Easy
Topic: Factors That Influence International Advertising and Promotion Strategies
Learning Objective: 07-07 The legal differences between countries and how those differences can affect international marketing plans.
Bloom's: Remember
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26) Global concern for the environment includes industrial pollution, hazardous waste disposal, and rampant deforestation, but excludes issues that focus directly on consumer products.

Answer: FALSE
Explanation: Global concern for the environment extends beyond industrial pollution, hazardous waste disposal, and rampant deforestation to include issues that focus directly on consumer products. Green marketing laws focus on environmentally friendly products and product packaging and its effect on solid waste management.
Difficulty: 1 Easy
Topic: Environmental Sustainability
Learning Objective: 07-07 The legal differences between countries and how those differences can affect international marketing plans.
Bloom's: Remember
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27) Antitrust laws were not enforced in the United States during most of the twentieth century.

Answer: FALSE
Explanation: With the exception of the United States, antitrust laws were either nonexistent or not enforced in most of the world's countries for the better part of the twentieth century. However, the European Union, Japan, and many other countries have begun to actively enforce their antitrust laws, patterned after those in the United States.
Difficulty: 2 Medium
Topic: Laws Affecting International Business
Learning Objective: 07-07 The legal differences between countries and how those differences can affect international marketing plans.
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28) Moving a business outside the political boundaries of the home country exempts the company from the home-country's laws.

Answer: FALSE
Explanation: Leaving the political boundaries of a home country does not exempt a business from home-country laws.
Difficulty: 1 Easy
Topic: Laws Affecting International Business
Learning Objective: 07-08 The different ways U.S. laws can be applied to U.S. companies operating outside the United States.
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29) One purpose of antitrust enforcement in international commerce is to keep U.S. companies from imposing restrictions on exports by other U.S.-based competitors.

Answer: TRUE
Explanation: The second purpose of antitrust legislation is to protect American export and investment opportunities against any privately imposed restrictions. The concern is that all U.S.-based firms engaged in the export of goods, services, or capital should be allowed to compete on merit and not be shut out by restrictions imposed by bigger or less principled competitors.
Difficulty: 2 Medium
Topic: Laws Affecting International Business
Learning Objective: 07-08 The different ways U.S. laws can be applied to U.S. companies operating outside the United States.
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30) Widgets, Inc. is beginning to export its products to Taiwan, but it isn't sure if it needs a license to do so. The responsibility of determining if a license is required rests with the Taiwanese company that is purchasing the products.

Answer: FALSE
Explanation: The responsibility of determining if a license is required rests with the exporter.
Difficulty: 2 Medium
Topic: Overview of Importing and Exporting
Learning Objective: 07-09 The steps necessary to move goods across country borders.
Bloom's: Apply
AACSB: Knowledge Application
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31) _____ law is derived from English law and is practiced in the U.S..
A) Code
B) Common
C) Religious
D) Civil
E) Universal

Answer: B
Explanation: Common law is derived from English law and found in England, the United States, Canada, and other countries once under English influence.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 07-01 The four heritages of today's legal systems.
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32) Which form of law is primarily found in the United States, England, Canada, and other countries once under English influence?
A) code law
B) common law
C) religious law
D) civil law
E) universal law

Answer: B
Explanation: Common law is derived from English law and found in England, the United States, Canada, and other countries once under English influence.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 07-01 The four heritages of today's legal systems.
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33) Code law is also known as _____ law.
A) business
B) common
C) religious
D) civil
E) universal

Answer: D
Explanation: Civil or code law is derived from Roman law and found in Germany, Japan, France, and non-Islamic and non-Marxist countries.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 07-01 The four heritages of today's legal systems.
Bloom's: Remember
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34) Germany's legal system centers on code law, which is derived from _____ law.
A) English
B) Economic
C) Greek
D) Persian
E) Roman

Answer: E
Explanation: Civil or code law is derived from Roman law and found in Germany, Japan, France, and non-Islamic and non-Marxist countries.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 07-01 The four heritages of today's legal systems.
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35) The basis for _____ law is tradition, past practices, and legal precedents set by the courts through interpretations of statutes, legal legislation, and past rulings.
A) civil
B) common
C) code
D) commercial
E) criminal

Answer: B
Explanation: The basis for common law is tradition, past practices, and legal precedents set by the courts through interpretations of statutes, legal legislation, and past rulings. Common law seeks "interpretation through the past decisions of higher courts which interpret the same statutes or apply established and customary principles of law to a similar set of facts."
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 07-01 The four heritages of today's legal systems.
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36) _____ law seeks "interpretation through the past decisions of higher courts which interpret the same statutes or apply established and customary principles of law to a similar set of facts."
A) Constitutional
B) Family
C) Criminal
D) Civil
E) Common

Answer: E
Explanation: The basis for common law is tradition, past practices, and legal precedents set by the courts through interpretations of statutes, legal legislation, and past rulings. Common law seeks "interpretation through the past decisions of higher courts which interpret the same statutes or apply established and customary principles of law to a similar set of facts."
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 07-01 The four heritages of today's legal systems.
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