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| Chapter 2 |
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Constitutional Law

 See Separate Lecture Outline System

Introduction

Many people assume that a government acts from a vague position of strength and can enact any reg­u­lation it deems necessary or desirable. This chapter emphasizes a different perspective from which to view the law: action taken by the government must come from authority and this authority can­not be exceeded.

Neither Congress nor any state may pass a law in conflict with the Constitution. The Constitution is the supreme law in this country. The Constitution is the source of federal power and to sus­tain the legality of a federal law or action a specific federal power must be found in the Constitution. States have inherent sovereign power—that is, the power to enact legislation that has a reasonable relationship to the welfare of the citizens of that state. The power of the federal government was delegated to it by the states while the power of the states was retained by them when the Constitution was ratified.

The Constitution does not expressly give the states the power to regulate, but limits the states’ exer­cise of powers not delegated to the federal government.

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| Additional Resources — |
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|  Video Supplements  |
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| The following video supplements relate to topics discussed in this chapter— |
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| PowerPoint Slides |
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| To highlight some of this chapter’s key points, you might use the Lecture Review PowerPoint slides compiled for Chapter 2. |
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| Business Law Digital Video Library |
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| The Business Law Digital Video Library at www.cengage.com/blaw/dvl offers a variety of videos for group or individual review. These clips apply legal concepts to common experiences to ignite discussion and illustrate core concepts. Clips on topics covered in this chapter include the following. |
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| • Drama of the Law |
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| Free Speech: Constitutional Issues—The right to free speech is guaranteed in the Constitution. When an individual chooses to speak freely about a business, there may be legal consequences. |
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| • Legal Conflicts in Business |
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| Privacy in Information Sharing—Solicitation of potential customers, by phone or direct mail, is a common practice for businesses to generate interest in their products. When a customer list is obtained under questionable circumstances, however, the “common practice” may pose a problem. |
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| • Ask the Instructor |
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| Constitutional Law: Monitoring Employees’ E-mail and Internet Usage—The constitutional right to privacy protects us from government intrusion. But employers in the private sector are free to monitor their employees, subject only to specific state laws. |
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Chapter Outline

I. The Constitutional Powers of Government

Before the U.S. Constitution, the Articles of Confederation defined the central government.

### A. A Federal Form of Government

The U.S. Constitution established a federal form of government, delegating certain powers to the national government. The states retain all other powers. The relationship between the national government and the state governments is a partnership—neither partner is superior to the other except within the particular area of exclusive authority granted to it under the Constitution.

### B. The Separation of Powers

Deriving power from the Constitution, each of the three gov­ernmental branches (the executive, the legislative, and the judicial) performs a separate function. No branch may exercise the au­thority of another, but each has some power to limit the actions of the others. This is the system of checks and balances.

• Congress, for ex­ample, can enact a law, but the president can veto it.

• The executive branch is responsible for foreign af­fairs, but treaties with foreign gov­ernments require the advice and consent of the members of the Senate.

• Congress de­termines the jurisdiction of the fed­eral courts, but the courts have the power to hold acts of the other branches of the government unconstitutional.

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| Answer to Learning Objective/For Review Question No. 1 |
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| What is the basic structure of the U.S. government? The Constitution divides the national government’s powers among three branches. The legislative branch makes the laws, the executive branch enforces the laws, and the judicial branch interprets the laws. Each branch performs a sepa­rate function, and no branch may exercise the authority of another branch. A system of checks and balances allows each branch to limit the actions of the other two branches, thus preventing any one branch from exercising too much power. |
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C. The Commerce Clause

1. The Commerce Clause and the Expansion of National Powers

The Constitution expressly provides that Congress can regu­late commerce with foreign na­tions, interstate commerce, and commerce that affects in­terstate commerce. This provi­sion—the commerce clause—has had a greater impact on business than any other provision in the Constitution. This power was delegated to the fed­eral government to ensure a uni­formity of rules governing the movement of goods through the states.

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| Case Synopsis— |
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| Case 2.1: Heart of Atlanta Motel v. United States |
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| A motel owner, who refused to rent rooms to African Americans despite the Civil Rights Act of 1964, brought an action to have the Civil Rights Act of 1964 declared unconstitutional. The owner al­leged that, in passing the act, Congress had exceeded its power to regulate commerce because his mo­tel was not engaged in interstate commerce. The motel was accessible to state and interstate high­ways. The owner advertised nationally, maintained billboards throughout the state, and ac­cepted con­vention trade from outside the state (75 percent of the guests were residents of other states). The dis­trict court sustained the constitutionality of the act and enjoined the owner from dis­criminating on the basis of race. The owner appealed. The case went to the United States Supreme Court. |
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| The United States Supreme Court upheld the constitutionality of the Civil Rights Act of 1964. The Court noted that it was passed to correct “the deprivation of personal dignity” accompanying the denial of equal access to “public establishments.” Congressional testimony leading to the passage of the act indicated that African Americans in particular experienced substantial discrimination in at­tempting to secure lodging. This discrimination impeded interstate travel, thus impeding interstate commerce. As for the owner’s argument that his motel was “of a purely local character,” the Court said, “[I]f it is interstate commerce that feels the pinch, it does not matter how local the operation that ap­plies the squeeze.” Therefore, under the commerce clause, Congress has the power to regulate any local activ­ity that has a harmful effect interstate commerce. |
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| Notes and Questions |
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| Does the Civil Rights Act of 1964 actually regulate commerce or was it designed to end the prac­tice of race (and other forms of) discrimination? In this case, the Supreme Court said, “[T]hat Congress was legislating against moral wrongs .  .  . rendered its enactments no less valid.” |
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| Are there any businesses in today’s economy that are “purely local in character”? An individual who contracts to perform manual labor such as lawn mowing or timber cutting within a small geographic area might qualify, as long as the activity has no effect on interstate commerce. But in most circumstances it would be difficult if not impossible to do business “purely local in character” in today’s U.S. economy. Federal statutes that derive their authority from the commerce clause often include requirements or limits to exempt small or arguably local businesses. |
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| Which constitutional clause empowers the federal government to regulate commercial activities among the states? To prevent states from establishing laws and regulations that would interfere with trade and commerce among the states, the Constitution expressly dele­gated to the na­tional government the power to regulate interstate commerce. The commerce clause—Article I, Section 8, of the U.S. Constitution—expressly permits Congress “[t]o regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.” |
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| Answer to Learning Objective/For Review Question No. 2 |
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| (Note that your students can find the answers to the even-numbered For Review questions in Appendix F at the end of the text.  We repeat these answers here as a convenience to you.) |
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| Which constitutional clause empowers the federal government to regulate commercial activities among the states? To prevent states from establishing laws and regulations that would interfere with trade and commerce among the states, the Constitution expressly dele­gated to the na­tional government the power to regulate interstate commerce. The commerce clause—Article I, Section 8, of the U.S. Constitution—expressly permits Congress “[t]o regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.” |
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2. The Commerce Power Today

The United States Supreme Court has recently limited the clause in its reach, in decisions that significantly enhanced the sovereign power of the states within the federal system. Some of these decisions are detailed in the text. Essentially, the holdings of these cases state that the clause does not support the national regulation of non-economic conduct.

3. The Regulatory Powers of the States

A state can regulate matters within its own borders under its police power.

4. The “Dormant” Commerce Clause

States do not have the authority to regulate interstate commerce. When state regulations im­pinge on in­terstate commerce, the state’s interest in the merits and purposes of the regu­la­tion must be balanced against the burden placed on interstate commerce. It is difficult to predict the outcome in a particular case.

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| Enhancing Your Lecture— |
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|  Does State Regulation of Internet Prescription |
| Transactions Violate the Commerce Clause?  |
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| Every year, about 30 percent of American households purchase at least some prescription drugs online. There is nothing inherently unlawful in such a transaction. Consider that Article X of the Constitution gives the states the authority to regulate activities affecting the safety and welfare of their citizens. In the late 1800s, the states developed systems granting physicians the exclusive rights to prescribe drugs and pharmacists the exclusive right to dispense prescriptions. The courts routinely upheld these state laws.a All states use their police power authority to regulate the licensing of pharmacists and the physicians who prescribe drugs. |
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| An Extension of State Licensing Laws |
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| About 40 percent of the states have attempted to regulate Internet prescription transactions by supplementing their licensure rules in such a way to define a “safe” consulting relationship between the physician prescribing and the pharmacists dispensing prescription drugs. For example, certain states allow an electronic diagnosis. This consists of a patient filling out an online questionnaire that is then “approved” by a physician before an Internet prescription is filled and shipped. In contrast, other states specifically prohibit a physician from creating a prescription if there is no physical contact between the patient and the physician providing the prescription. |
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| Some States Are Attempting to Regulate Interstate Commerce |
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| Recently, the New York State Narcotic Bureau of Enforcement started investigating all companies in New Jersey and Mississippi that had been involved in Internet prescription medicine transactions with residents of New York. None of the companies under investigation has New York offices. The legal question immediately raised is whether the New York State investigations are violating the commerce clause. Moreover, it is the Food and Drug Administration (FDA) that enforces the regulation of prescription drugs, including their distributors. |
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| Are New York and Other States Violating the Dormant Commerce Clause? |
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| As you learned in this chapter, the federal government regulates all commerce not specifically granted to the states. This is called the dormant commerce clause. As such, this clause prohibits state regulations that discriminate against interstate commerce. Additionally, this clause prohibits state regulations that impose an undo burden on interstate commerce. The dormant commerce clause has been used in cases that deal with state regulation of pharmacy activities.b |
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| In this decade, there is an opposing view based on a line of cases that suggest that state regulation of Internet activities do not violate the dormant commerce clause. In one case, a New York state law that banned the sale of cigarettes to its residents over the Internet was found not to violate the dormant commerce clause because of public health concerns.d In another case, a Texas statute that prohibited automobile manufacturers from selling vehicles on its Web site was upheld.e Whether the reasoning in these cases will be extended to cases involving Internet pharmacies remains to be seen. There exist state laws limiting Internet prescriptions. For example, in Nevada, no resident can obtain a prescription from an Internet pharmacy unless that pharmacy is licensed and certified under the laws of Nevada. Because this statute applies equally to in-state and out-of-state Internet pharmacies, it is undoubtedly nondiscriminatory. Additionally, the requirement that Internet pharmacies obtain a Nevada license prior to doing business in the state will probably be viewed as not imposing an undo burden on interstate commerce |
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| Where Do You Stand? |
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| Clearly, there are two sides to this debate. Many states contend that they must regulate the provision of prescription drugs via the Internet in order to ensure the safety and well-being of their citizens. In some instances, however, the states may be imposing such regulations at the behest of traditional pharmacies, which do not like online competition. What is your stand on whether state regulation of Internet prescription drug transactions violates the dormant commerce clause of the Constitution? Realize that if you agree that it does, then you probably favor less state regulation. If you believe that it does not, then you probably favor more state regulation. |
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| a. See, for example, Dent v. West Virginia, 129 U.S. 114, 9 S.Ct. 231, 32 L.Ed. 623 (1889). |
| b. See, for example, Pharmaceutical Manufacturers’ Association v. New Mexico Board of Pharmacy, 86 N.M. 571, 525 P.2d 931 (N.M. App. 1974); State v. Rasmussen, 213 N.W.2d 661 (Iowa 1973). |
| c. See American Libraries Association v. Pataki, 969 F.Supp.160 (S.D.N.Y. 1997). |
| d. Brown & Williamson Tobacco Corp. v. Pataki, 320 F.3d 200 (2nd Cir. 2003). |
| e. Ford Motor Company v. Texas Department of Transportation, 264 F.3d 493 (5th Cir. 2001). |
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D. The Supremacy Clause

• The Constitution, laws, and treaties of the United States are the su­preme law of the land. When there is a direct conflict be­tween a federal law and a state law, the state law is held to be invalid.

• When Congress chooses to act exclusively in an area of con­current federal and state powers, it is said to preempt the area, and a valid federal law will take prece­dence over a con­flicting state or local law. Generally, congressional intent to preempt will be found if a federal law is so pervasive, comprehensive, or detailed that the states have no room to supplement it. Also, when a federal statute creates an agency to enforce the law, matters that may come within the agency’s juris­diction will likely preempt state laws.

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| Answer to Learning Objective/For Review Question No. 3 |
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| Which constitutional clause gives laws enacted by the federal government priority over conflicting state laws? The supremacy clause—Article VI of the Constitution—provides that the Constitution, laws, and treaties of the United States are “the supreme Law of the Land.” This article is important in the ordering of state and federal relation­ships. When there is a direct conflict be­tween a federal law and a state law, the state law is rendered invalid. |
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II. Business and the Bill of Rights

The first ten amendments to the Constitution embody protections against various types of interfer­ence by the federal government. These are listed in the text.

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| Answer to Learning Objective/For Review Question No. 4 |
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| (Note that your students can find the answers to the even-numbered For Review questions in Appendix F at the end of the text.  We repeat these answers here as a convenience to you.) |
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| What is the Bill of Rights? What freedoms does the First Amendment guarantee? The Bill of Rights consists of the first ten amendments to the U.S. Constitution. Adopted in 1791, the Bill of Rights embodies protections for individuals against interference by the federal government. Some of the protections also apply to business entities. The First Amendment guarantees the free­doms of religion, speech, and the press, and the rights to assemble peaceably and to petition the government. |
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A. Limits on Federal and State Governmental Actions

Most of the rights and liberties in the Bill of Rights apply to the states under the due pro­cess clause of the Fourteenth Amendment. The United States Supreme Court determines the parameters.

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| Answer to Critical Thinking Question in the Feature— |
| Beyond Our Borders |
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| Should U.S. courts, and particularly the United States Supreme Court look to the other nations’ laws for guidance when deciding important issues— including those involving rights granted by the Constitution? If so, what impact might this have on their decisions? Explain. U.S. courts should consider foreign law when deciding issues of national importance because changes in views on those issues is not limited to domestic law. How other jurisdictions and other nations regulate those issues can be informative, enlightening, and instructive, and indicate possibilities that domestic law might not suggest. U.S. courts should not consider foreign law when deciding issues of national importance because it can be misleading and irrelevant in our domestic and cultural context. |
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B. The First Amendment—Freedom of Speech

The freedoms guaranteed by the First Amendment cover symbolic speech (gestures, clothing, and so on) if a reasonable person would interpret the conduct as conveying a message.

1. Reasonable Restrictions

A balance must be struck between the government’s obligation to protect its citizens and those citizens’ exercise of their rights.

a. Content-Neutral Laws

If a restriction imposed by the government is content neutral (aimed at combating a societal problem such as crime, not aimed at suppressing expressive conduct or its message), then a court may allow it.

b. Laws That Restrict the Content of Speech

To regulate the content of speech, a law must serve a compelling state interest and be narrowly written to achieve that interest.

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| Answer to Critical Thinking Question in the Feature— |
| Adapting the Law to the Online Environment |
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| How might the outcome of this case have been different if the girls had posted the photos on the high school’s public Web site for all to see? Presumably, such speech could reasonably be restricted by high school administrators. There would be no question that suggestive photos viewed on the high school’s public Web site could and would certainly be seen by most students, teachers, and parents. |
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2. Corporate Political Speech

Speech that otherwise would be protected does not lose that protection simply because its source is a corporation. For example, corporations cannot be entirely prohibited from mak­ing political contri­bu­tions that individuals are permitted to make.

3. Commercial Speech

Freedom-of-speech cases generally distinguish between com­mercial and noncom­mer­cial messages. Commercial speech is not protected as extensively as noncommercial speech. Even if commercial speech concerns a lawful activity and is not misleading, a restriction on it will generally be con­sidered valid as long as the restriction (1) seeks to implement a sub­stantial government interest, (2) directly advances that in­ter­est, and (3) goes no further than necessary to accomplish its objective.

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| Case Synopsis— |
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| Case 2.2: Bad Frog Brewery, Inc. v. New York State Liquor Authority |
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| Bad Frog Brewery, Inc., sells alcoholic beverages with labels that display a frog making a gesture known as “giving the finger.” Bad Frog’s distributor, Renaissance Beer Co., applied to the New York State Liquor Authority (NYSLA) for label approval, required before the beer could be sold in New York. The NYSLA denied the application, in part because children might see the labels in grocery and conven­ience stores. Bad Frog filed a suit in a federal district court against the NYSLA, asking for, among other things, an injunction against this denial. The court granted a summary judgment in favor of the NYSLA. Bad Frog appealed. |
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| The U.S. Court of Appeals for the Second Circuit reversed. The NYSLA’s ban on the use of the labels lacked a “reasonable fit” with the state’s interest in shielding minors from vulgarity, and the NYSLA did not adequately consider alternatives to the ban. “In view of the wide currency of vulgar displays throughout contemporary society, including comic books targeted directly at children, barring such dis­plays from labels for alcoholic beverages cannot realistically be expected to reduce children’s exposure to such displays to any significant degree.” Also, there were “numerous less intrusive alternatives.” |
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| Notes and Questions |
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| The free flow of commercial information is essential to a free enterprise system. Individually and as a society, we have an interest in receiving information on the availability, nature, and prices of prod­ucts and services. Only since 1976, however, have the courts held that communication of this informa­tion (“commercial speech”) is protected by the First Amendment. |
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| Because some methods of commercial speech can be misleading, this protection has been limited, particularly in cases involving in-person solicitation. For example, the United States Supreme Court has upheld state bans on personal solici­tation of clients by attorneys. Currently, the Supreme Court allows each state to determine whether or not in-person solicitation as a method of commercial speech is misleading and to restrict it appropri­ately. |
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| Whose interests are advanced by banning certain ads? The govern­ment’s interests are advanced when certain ads are banned. For example, in the Bad Frog case, the court acknowledged, by ad­vising the state to restrict the locations where certain ads could be displayed, that banning of “vulgar and profane” advertising from children’s sight arguably advanced the state’s in­terest in protecting children from those ads. |
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| Answer to “What If the Facts Were Different?” in Case 2.2 |
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| If Bad Frog had sought to use the label to market toys instead of beer, would the court’s ruling likely have been the same? Probably not. The reasoning underlying the court’s decision in the case was, in part, that “the State’s prohibition of the labels .  .  . does not materially advance its asserted interests in insulating children from vulgarity .  .  . and is not narrowly tailored to the interest concerning children.” The court’s reason­ing was supported in part by the fact that children cannot buy beer. If the labels adver­tised toys, however, the court’s reasoning might have been different. |
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| Additional Cases Addressing this Issue— |
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| Recent cases involving the constitutionality of government restrictions on advertising under the commerce clause include the following. |
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| • Cases in which restrictions on advertising were held unconstitutional include Thompson v. Western States Medical Center, \_\_ U.S. \_\_, 122 S.Ct. 1497, 152 L.Ed.2d 563 (2002) (restrictions on advertising of compounded drugs); and This That and Other Gift and Tobacco, Inc. v. Cobb County, 285 F.3d 1319 (11th Cir. 2002) (restrictions on advertising of sexual devices). |
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| • Cases in which restrictions on advertising were held not unconstitutional include Long Island Board of Realtors, Inc. v. Inc. Village of Massapequa Park, 277 F.3d 622 (2d Cir. 2002) (restrictions on signs in residential areas); Borgner v. Brooks, 284 F.3d 1204 (11th Cir. 2002) (restrictions on dentists’ ads); Genesis Outdoor, Inc. v. Village of Cuyahoga Heights, \_\_ Ohio App.3d \_\_, \_\_ N.E.2d \_\_ (8 Dist. 2002) (re­strictions on billboard construction); and Johnson v. Collins Entertainment Co., 349 S.C. 613, 564 S.E.2d 653 (2002) (restrictions on offering special inducements in video gambling ads). |
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4. Unprotected Speech

Constitutional protection has never been af­forded to certain classes of speech—defamatory speech, threats, child pornography, “fighting” words, and statements of fact, for example.

a. Obscene Speech

Obscene material is unprotected. The United States Supreme Court has held that mate­rial is obscene if (1) the average person finds that it violates contemporary community stan­dards; (2) the work taken as a whole appeals to a prurient interest in sex; (3) the work shows patently offensive sexual conduct; and (4) the work lacks serious redeeming literary, artistic, political, or scientific merit. Aside from child pornography, however, there is little agreement about what material qualifies as obscene.

b. Online Obscenity

With respect to obscenity online, the text discusses some of the legislation. The “community” of the Internet is national or global—too large for applying the “standards of the community” test, which restricts non-pornographic materials. The Children’s Internet Protection Act of 2000, which requires libraries to use filters, was held to be not unconstitutional.

C. The First Amendment—Freedom of religion

1. The Establishment Clause

Under the establishment clause, the govern­ment cannot es­tablish a reli­gion nor promote, en­dorse, or show a preference for any religion. Federal or state law that does not promote, or place a significant burden on, religion is constitutional even if it has some im­pact on relig­ion.

2. The Free Exercise Clause

Under the free exercise clause, the govern­ment cannot prohibit the free exercise of religious practices. In other words, a person cannot be compelled to do something contrary to his or her religious practices unless the practices contravene public policy or public welfare.

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| Case Synopsis— |
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| Case 2.3: Mitchell County v. Zimmerman |
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| Members of the Mennonite Church in Iowa use horses and buggies for transportation, but they also use tractors equipped with steel cleats to haul agricultural products to market. The tractors had been in use for about forty years, when Mitchell County adopted an ordinance that effectively banned the cleats. The ordinance had the stated objective of preserving the condition of county roads, but allowed studded tires and tire chains. When Eli Zimmerman, a Mennonite, was cited for violating the ordinance, he asked the court to dismiss the citation. The court refused. He appealed. |
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| The Iowa Supreme Court held that the ordinance violated the Constitution’s free exercise clause and ordered the case dismissed. The ordinance was not operationally neutral because it was adopted specifically to address the Mennonites’ use of steel cleats. And the ordinance was not generally applicable because it contained exceptions for tire chains and studded tires—it was not clearly tailored to achieve its stated objective. The court reasoned that a less restrictive alternative, which did not ban the Mennonites’ use of cleats, was possible. |
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| Notes and Questions |
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| Should the court have considered whether the Mennonites abandoned or departed from their faith and religious doctrine and practices when they chose to use tractors in place of horses and buggies? Why or why not? No. The First Amendment prohibits a court from considering religious doctrinal matters. Under the U.S. Constitution, a secular court has no role in determining ecclesiastical questions such as the interpretation of particular church doctrines and the importance of those doctrines to the religion and its practitioners. |
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| Answer to “What If the Facts Were Different?” in Case 2.3 |
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| Suppose that Mitchell County had passed an ordinance that allowed the Mennonites to continue to use steel cleats on the newly resurfaced roads provided that the drivers paid a $5 fee each time they were on the road. Would the court have ruled differently? Why or why not? The Mennonites would still have been singled out for differential treatment under the law because of their use of steel cleats. Therefore, the court probably would have ruled similarly. Only if those who used snow chains and metal-studded snow tires were similarly asked to pay a fee would the court possibly have ruled otherwise. |
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III. Due Process and Equal Protection

A. Due Process

Both the Fifth and the Fourteenth Amendments provide that no person shall be deprived “of life, liberty, or property, without due process of law.”

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| Answer to Learning Objective/For Review Question No. 5 |
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| Where in the Constitution can the due process clause be found? Both the Fifth and the Fourteenth Amendments to the U.S. Constitution provide that no person shall be deprived “of life, lib­erty, or property, without due process of law.” The due process clause of each of these constitutional amendments has two aspects—procedural and substantive. |
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1. Procedural Due Process

A government decision to take life, liberty, or property must be made fairly. Fair procedure has been interpreted as requiring that the person have at least an opportunity to object to a proposed action before a fair, neutral decision maker (who need not be a judge).

2. Substantive Due Process

If a law or other governmental action limits a fundamental right, it will be held to violate substantive due process unless it promotes a compelling or overriding state interest. Fundamental rights include interstate travel, privacy, voting, and all First Amendment rights. Compelling state interests could include, for example, public safety. In all other situations, a law or action does not violate substantive due process if it rationally re­lates to any legitimate governmental end.

B. Equal Protection

Under the Fourteenth Amendment, a state may not “deny to any person within its jurisdiction the equal protection of the laws.” The equal protection clause applies to the federal government through the due process clause of the Fifth Amendment. Equal protection means that the gov­ernment must treat similarly situated individuals in a similar manner. When a law or action dis­tinguishes between or among individuals, the basis for the distinction (the classification) is examined.

1. Strict Scrutiny

If the law or action inhibits some persons’ exercise of a fundamental right or if the classifica­tion is based on a race, national origin, or citizenship status, the classification is subject to strict scrutiny—it must be neces­sary to promote a compelling inter­est.

2. Intermediate Scrutiny

Intermediate scrutiny is applied in cases involving discrimination based on gender or le­giti­macy. Laws using these classifications must be substantially related to important gov­ernment objectives.

3. The “Rational Basis” Test

In matters of economic or social welfare, a classification will be considered valid if there is any conceivable ra­tional basis on which the classification might relate to any legitimate govern­ment interest.

IV. Privacy Rights

Invasion of another’s privacy is also a civil wrong (Chapter 4), and federal laws protect the pri­vacy of individuals in several areas. In business, issues of privacy often arise in the employment context (Chapter 24). Consumers’ privacy rights online are covered fur­ther in Chapter 33.

A. Constitutional Protection of Privacy Rights

A personal right to privacy is held to be so fundamental as to apply at both the state and the federal level. Although there is no specific guarantee of a right to privacy in the Constitution, such a right has been derived from guarantees found in the First, Third, Fourth, Fifth, and Ninth Amendments.

B. Federal Statutes Protecting Privacy Rights

1. Federal Privacy Legislation

These statutes include the Freedom of Information Act of 1966, the Privacy Act of 1974, the Driver’s Privacy Protection Act of 1994, and other laws listed in the text.

2. Medical Information

The Health Insurance Portability and Accountability Act (HIPAA) of 1996 defines the circumstances in which an individual’s health information may be used or disclosed. Health-care providers, health-care plans, certain employers, and others must inform patients of their rights and how the information might be used.

C. Technological Advances and Privacy Rights

The technological ease of availability and use of public records has raised questions of invasion of privacy.

1. Court Records

The online dissemination of court-related information raises privacy issues. Local governments’ sale of the information likewise raises concerns, whether the information is inaccurate and incomplete, and possibly uncorrectable, or detailed and revealing.

2. The USA Patriot Act

The USA Patriot Act of 2001 gave officials the authority to monitor Internet activities and access personal information without proof of any wrongdoing.

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| Additional Background— |
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| USA PATRIOT Act Tech Provisions |
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| The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001, which is mentioned in the text, touches on many topics, including immigration, money laundering, terrorism victim relief, intel­ligence gathering, and surveillance of Internet communications. Technology related provisions of the USA PATRIOT Act include the following, as summarized. (Some of these provisions were due to “sunset” in 2005.) |
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| Wiretap Offenses |
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| Sections 201 and 202—Crimes that can serve as a basis for law enforcement agencies (LEAs) to ob­tain a wiretap include crimes relating to terrorism and crimes relating to computer fraud and abuse. |
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| Voice Mail |
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| Section 209—LEAs can seize voice mail messages, with a warrant. |
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| ESP Records |
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| Sections 210 and 211—LEAs can obtain, with a subpoena, such information about e-communications service providers’ (ESPs) subscribers as “name,” “address,” “local and long distance telephone con­nection records, or records of session times and durations,” “length of service (including start date) and types of service utilized,” “telephone or instrument number or other subscriber number or iden­tity, including any temporarily assigned network address,” and “means and source of payment for such service (including any credit card or bank account number).” |
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| Pen Registers, and Trap and Trace Devices |
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| Section 216—LEAs can expand their use of pen registers and trap and trace devices (PR&TTs). A PR records the numbers that are dialed on a phone. TTs “capture[] the incoming electronic or other impulses which identify the originating number of an instrument or device from which a wire or elec­tronic communication was transmitted.” PR&TTs can be used to capture routing, addressing, and other information in e-communications, but not the contents of the communication. This is considered one of the key sections of the act. |
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| Computer Trespassers |
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| Section 217—LEAs can assist companies, universities, and other entities that are subject to distrib­uted denial of service, or other, Internet attacks by intercepting “computer trespasser’s communications.” |
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| ESP Compensation |
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| Section 222—An ESP “who furnishes facilities or technical assistance pursuant to section 216 shall be reasonably compensated for such reasonable expenditures incurred in providing such facilities or assistance.” |
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| Enhancing Your Lecture— |
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|  Creating a Web Site Privacy Policy  |
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| Firms with online business operations realize that to do business effectively with their customers, they need to have some information about those customers. Yet online consumers are often reluctant to part with personal information because they do not know how that information may be used. To al­lay consumer fears about the privacy of their personal data, as well as to avoid liability under exist­ing laws, most online businesses today are taking steps to create and implement Web site privacy policies. |
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| Privacy Policy Guidelines |
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| In the last several years, a number of independent, nonprofit organizations have developed model Web site privacy policies and guidelines for online businesses to use. Web site privacy guidelines are now available from a number of online privacy groups and other organizations, including the Online Privacy Alliance, the Internet Alliance, and the Direct Marketing Association. Some organizations, including the Better Business Bureau, have even developed a “seal of approval” that Web-based busi­nesses can display at their sites if they follow the organization’s privacy guidelines. |
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| One of the best known of these organizations is TRUSTe. Web site owners that agree to TRUSTe’s privacy standards are allowed to post the TRUSTe “seal of approval” on their Web sites. The idea behind the seal, which many describe as the online equivalent of the “Good Housekeeping Seal of Approval,” is to allay users’ fears about privacy problems. |
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| Drafting a Privacy Policy |
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| Online privacy guidelines generally recommend that businesses post notices on their Web sites about the type of information being collected, how it will be used, and the parties to whom it will be disclosed. Other recommendations include allowing Web site visitors to access and correct or remove personal information and giving visitors an “opt-in” or “opt-out” choice. For example, if a user selects an “opt-out” policy, the personal data collected from that user would be kept private. |
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| In the last several years, the Federal Trade Commission (FTC) has developed privacy standards that can serve as guidelines. An online business that includes these standards in its Web site pri­vacy policies—and makes sure that they are enforced—will be in a better position to defend its policy should consumers complain about the site’s practices to the FTC. The FTC standards are incorpo­rated in the following checklist. |
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| Checklist for a Web Site Privacy Policy |
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| 1. Include on your Web site a notice of your privacy policy. |
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| 2. Give consumers a choice (such as opt-in or opt-out) with respect to any information collected. |
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| 3. Outline the safeguards that you will employ to secure all consumer data. |
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| 4. Let consumers know that they can correct and update any personal information collected by your business. |
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| 5. State that parental consent is required if a child is involved. |
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| 6. Create a mechanism to enforce the policy. |
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| Teaching Suggestions |
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| 1. The concept of federalism is basic to students’ understanding of the authority of the federal and state governments to regulate business. The Constitution has a significantly different impact on the regulation of business by the federal government that it does on the regulation of business by state governments. Emphasize that the federal government was granted specific powers by the states in the Constitution while the states retained the police power. |
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| 2. The commerce clause has become a very broad source of power for the federal government. It also re­stricts the power of the states to regulate activities that result in an undue bur­den on inter­state commerce. Determining what constitutes an undue burden can be difficult. A court balances the benefit that the state de­rives from its regulation against the burden it imposes on commerce. The require­ments for a valid state regu­lation under the commerce clause are (1) that it serve a legitimate end and (2) that its purpose cannot be ac­complished as well by less discriminatory means. To illus­trate the balance, use a hy­pothetical involving a statute designed to protect natural resources. (Explain that this is an area tra­ditionally left open to state regu­lation; that is, it is not considered preempted by a federal scheme of regula­tion.) For ex­ample, imagine a statute banning the importa­tion of baitfish. The ban is a burden on interstate commerce, but the statute’s concern is to protect the state’s fish from nonnative predators and parasites, and there is no satis­factory way to inspect imported baitfish for parasites. This statute would likely be upheld as legitimate. |
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| 3. It might be explained to your students that constitutional law is concerned primarily with the ex­ercise of judicial review. The emphasis is on the way that the courts in general, and the United States Supreme Court in particular, interpret provisions of the Constitution. Stare decisis does not have as much impact in constitutional law as in other areas of the law. In this area, the courts are not reluctant to overrule statutes, regulations, precedential case law, or other law. |
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| Cyberlaw Link |
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| Ask your students to consider the following issue. In most circumstances, it is not constitutional for the government to open private mail. Why is it then sometimes considered legal for the gov­ernment to open e-mail between consenting adults? |
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Discussion Questions

1. What is the basic structure of the American national government? The basic structure of the American government is federal—a form of government in which states form a union and power is shared with a central authority. The United States Constitution sets out the structure, powers, and limits of the gov­ernment.

2. What is the national government’s relation to the states? The relationship between the national and state governments is a partnership. Neither is superior to the other except as the Constitution provides. When conflicts arise as to which government should be exercising power in a particular area, the United States Supreme Court decides which governmental system is empowered to act under the Constitution.

3. What is the doctrine of separation of powers and what is its purpose? Each of the three gov­ern­mental branches—executive, legislative, and judicial—performs a separate function. Each branch has some power to limit the actions of the others. This system of checks and balances prevents any branch from becom­ing too powerful.

4. What is the conflict between the states’ police power and the commerce clause? The term police power refers to the inherent right of the states to regu­late private activities within their own borders to protect or promote the public order, health, safety, morals, and general welfare. When state regulation encroaches on interstate commerce—which Congress regulates under the commerce clause—the state’s interest in the merits and purposes of the regulation must be balanced against the burden placed on in­terstate commerce.

5. What is preemption? Preemption occurs when Congress chooses to act exclusively in an area of con­cur­rent federal and state powers, and a valid federal law will override a conflicting state or local law on the same general subject. Generally, if a federal law is so pervasive, comprehensive, or detailed that the states have no room to supplement it, the federal law will be held to have preempted the area. When a fed­eral statute creates an agency to enforce the law, matters within the agency’s jurisdiction will likely preempt state law.

6. What is the distinction between the degrees of regulation that may be imposed on commer­cial and noncommercial speech? Commercial speech is not as protected as noncommer­cial speech. Even if commercial speech concerns a lawful activity and is not misleading, a restric­tion on it will generally be considered valid as long as the restriction (1) seeks to implement a substantial gov­ernment interest, (2) di­rectly advances that interest, and (3) goes no further than necessary to accomplish its objective. As for non­commercial speech, the government cannot choose what are and what are not proper sub­jects.

7. Should the First Amendment protect all speech? One argument in support of this sugges­tion is that all views could then be fully expressed, and subject to reasoned consideration, in the “marketplace of ideas” without the chilling effect of legal sanctions. One argument against this sugges­tion is exemplified by the yelling of “Fire!” in a crowded theater: there are statements that are too in­flammatory to be allowed unfettered expression.

8. What does it mean that under the establishment clause the government cannot establish any religion or prohibit the free exercise of religious practices? Federal or state regulation that does not promote, or place a significant burden on, religion is constitutional even if it has some impact on religion. The clause mandates accommodation of all religions and forbids hostility toward any.

9. Would a state law imposing a fifteen-year term of imprisonment without allowing a trial on all businessper­sons who appear in their own television commercials be a violation of substantive due process? Would it violate procedural due process? Yes, the law would violate both types of due process. The law would be unconstitutional on sub­stantive due pro­cess grounds, because it abridges free­dom of speech. The law would be un­con­stitutional on procedural due process grounds, because it imposes a penalty without giving an ac­cused a chance to defend his or her actions.

10. What are the tests used to de­termine whether a law comports with the equal protection clause? Equal protection means that the govern­ment must treat similarly situated individuals in a similar manner. Equal protection requires review of the substance of a law or other government action instead of the procedures used. If the law distinguishes between or among individuals, the ba­sis for the distinction is examined. If the law inhibits some persons’ exercise of a fundamental right or if the classification is based on race, national origin, or citizenship status, the classifica­tion must be necessary to promote a compelling interest. In matters of economic or social welfare, a classifi­ca­tion will be upheld if there is any rational basis on which it might relate to any legitimate government in­terest. Laws using classi­fications that discriminate on the basis of gender or legitimacy must be substan­tially related to important gov­ernment objectives. When a law or action limits the liberty of all persons, it may violate substan­tive due process; when a law or action limits the liberty of some persons, it may violate the equal protection clause.

Activity and Research Assignments

1. Have students look through the local newspaper for current stories about proposed laws. Ask them where the government would find the authority within the Constitution to adopt a specific law under consid­era­tion.

2. Would the ten amendments in the Bill of Rights be part of the Constitution if it were intro­duced today? Have students phrase the Bill of Rights in more contemporary language and poll their friends, neighbors, and relatives as to whether they would support such amendments to the Constitution. If not, what rights might they be willing to guarantee?

Explanations of Selected Footnotes in the Text

Footnote 3: The regulation in Wickard v. Filburn involved a marketing quota. The Supreme Court upheld the regulation even though it would be difficult for the farmer alone to affect interstate com­merce. Total supply of wheat clearly affects market price, as does current demand for the product. The marketing quotas were designed to control the price of wheat. If many farmers raised wheat for home con­sumption, they would affect both the supply for interstate commerce and the demand for the product. The Court deferred to congres­sional judgment concerning economic effects and the relationship between local ac­tivities and inter­state com­merce. This was a return to the broad view of the commerce power that John Marshall had defined in Gibbons v. Ogden, 22 U.S. (9 Wheat.) 1, 6 L.Ed. 23 (1824).

Footnote 16: At a school-sanctioned and school-supervised event, a high school principal saw some of her students unfurl a banner conveying a message that she regarded as promoting illegal drug use. Consistent with school policy, which prohibited such messages at school events, the principal told the stu­dents to take down the banner. One student refused. The principal confiscated the banner and suspended the student. The student filed a suit in a federal district court against the principal and others, alleging a viola­tion of his rights under the U.S. Constitution. The court issued a judgment in the defendants’ favor. On the student’s appeal, the U.S. Court of Appeals for the Ninth Circuit reversed. The defendants appealed. In Morse v. Frederick, the United States Supreme Court reversed the lower court’s judgment and remanded the case. The Supreme Court viewed this set of facts as a “school speech case.” The Court acknowledged that the message on Frederick’s banner was “cryptic,” but interpreted it as advocating the use of illegal drugs. Congress requires schools to teach students that this use is “wrong and harmful.” Thus it was reasonable for the principal in this case to order the banner struck.

Did—or should—the Court rule that Frederick's speech can be proscribed because it is “plainly offensive”? The petitioners (Morse and the school board) argued for this rule. The Court, however, stated, “We think this stretches [previous case law] too far; that case [law] should not be read to encompass any speech that could fit under some definition of ‘offensive.’ After all, much political and religious speech might be perceived as offensive to some. The concern here is not that Frederick's speech was offensive, but that it was reasonably viewed as promoting illegal drug use.”

Footnote 30: Mount Soledad is in San Diego, California. There has been a forty-foot cross atop the peak since 1913. Since the 1990s, a war memorial has surrounded the cross. The site was privately owned until 2006 when the federal government acquired it to preserve the war memorial. Steve Trunk and others filed a suit in a federal district court against San Diego, claiming a violation of the establishment clause. The court determined that the government acted with a secular purpose and the memorial did not advance religion, and issued a summary judgment in its favor. The plaintiffs appealed. In Trunk v. City of San Diego, the U.S. Court of Appeals for the Ninth Circuit reversed and remanded. The government’s purpose may have been nonreligious, but the memorial can be perceived as endorsing Christianity. Not all crosses at war memorials violate the Constitution. The context and setting must be examined. This cross physically dominates its site, was originally dedicated to religious purposes, and had a long history of religious use. From a distance, the cross was the only visible element. The court reasoned that “the use of a distinctively Christian symbol to honor all veterans sends a strong message of endorsement and exclusion.”

If the forty-foot cross were replaced with a smaller, less visible symbol of the Christian religion and the symbols of other religions were added to the display, does it seem likely that any parties would object? Yes. Those who are offended by the association of any religion with their state would likely object to the inclusion of any religious symbols. And there are those who might object to the inclusion of symbols for religions other than their own—Christians who take offense at Wiccan symbols, Muslims who protest Stars of David, and so on. These objections are among the reasons that some would argue the Constitution’s proscriptions on a mix of government and religion should be honored to the fullest.

If the cross in this case had been only six feet tall and had not had a long history of religious use, would the outcome of this case have been different? Why or why not? A main reason that the court in this case found an establishment clause violation was because the cross was so large that it physically dominated the entire memorial site. The government could not avoid the appearance of promoting Christianity because the religious elements of the memorial overshadowed the nonreligious elements. In addition, the cross had a long history of religious use by the community. The court’s decision might well have been different if the cross had not dominated the landscape and the memorial, and had not had a history of religious use.

Can a religious display that is located on private property violate the establishment clause? Explain. Probably not. Individuals can erect religious displays on their own private property without constitutional implications. It makes sense that the only way the government can be accused of sponsoring or endorsing religion is for the display in question to appear on public property.

Should religious displays on public property be held to violate the establishment clause?It might be ar­gued that if a religious symbol is only one part of a larger display that features secular sym­bols, such as reindeer and candy canes in a winter holiday display, the display of the religious symbol does not violate the estab­lishment clause. The symbols’ acceptability may depend on such factors as size, number, and how close the symbols are to each other.

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| Reviewing— |
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|  Constitutional Law  |
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| A state legislature enacted a statute that required any motorcycle operator or passenger on the state’s highways to wear a protective helmet. Jim Alderman, a licensed motorcycle operator, sued the state to block enforcement of the law. Alderman asserted that the statute violated the equal protection clause because it placed requirements on motorcyclists that were not imposed on other motorists. Ask your students to answer the following questions, using the information presented in the chapter. |
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| 1. Why does this statute raise equal protection issues instead of substantive due process concerns? When a law or action limits the liberty of some persons but not others, it may violate the equal protection clause. Here, because the law applies only to motorcycle operators and passengers, it raises equal protection issues. |
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| 2. What are the three levels of scrutiny that the courts use in determining whether a law violates the equal protection clause? The three levels of scrutiny that courts apply to determine whether the law or action violates equal protection are strict scrutiny (if fundamental rights are at stake), intermediate scrutiny (in cases involving discrimination based on gender or legitimacy), and the “rational basis” test (in matters of economic or social welfare). |
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| 3. Which standard, or test, would apply to this situation? Why? The court would likely apply the rational basis test, because the statute regulates a matter of social welfare by requiring helmets. Similar to seat-belt laws and speed limits, a helmet statute involves the state’s attempt to protect the welfare of its citizens. Thus, the court would consider it a matter a social welfare and require that it be rationally related to a legitimate government objective. |
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| 4. Applying this standard, or test, is the helmet statute constitutional? Why or why not? The statute is probably constitutional, because requiring helmets is rationally related to a legitimate government objective (public health and safety). Under the rational basis test, courts rarely strike down laws as unconstitutional, and this statute will likely further the legitimate state interest of protecting the welfare of citizens and promoting safety. |
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|  Debate This:  |
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| Legislation aimed at protecting people from themselves concerns the individual as well as the public in general.  Protective helmet laws are just one example of such legislation.  Should individuals be allowed to engage in unsafe activities if they choose to do so? Certainly many will argue in favor of individual rights.  If certain people wish to engage in risky activities such as riding motorcycles without a helmet, so be it.  That should be their choice.  No one is going to argue that motorcycle riders believe that there is zero danger when riding a motorcycle without a helmet.  In other words, individuals should be free to make their own decisions and consequently, their own mistakes. |
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| In contrast, there is a public policy issue involved.  If a motorcyclist injures him- or herself in an accident because he or she was not wearing a protective helmet, society ends up paying in the form of increased medical care expenses, lost productivity, and even welfare for other family members.  Thus, the state has an interest in protecting the public in general by limiting some individual rights. |
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| ExamPrep— |
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|  Issue Spotters  |
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| 1. Can a state, in the interest of energy conservation, ban all adver­tising by power utilities if conservation could be accomplished by less restrictive means? Why or why not? No. Even if commercial speech is not related to illegal activities nor mis­leading, it may be re­stricted if a state has a substantial interest that cannot be achieved by less restrictive means. In this case, the interest in energy con­servation is substantial, but it could be achieved by less restric­tive means. That would be the utilities’ defense against the enforcement of this state law. |
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| 2. Would it be a violation of equal protection for a state to impose a higher tax on out-of-state companies doing business in the state than it imposes on in-state companies if the only reason for the tax is to protect the local firms from out-of-state competition? Explain. Yes. The tax would limit the lib­erty of some persons (out of state busi­nesses), so it is subject to a review under the equal protection clause. Protecting local businesses from out-of-state com­peti­tion is not a legitimate government objective. Thus, such a tax would vio­late the equal protection clause. |
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