
Partnership and would be required to reimburse it for its share of these proceeds.

(3) Partnership is liable to Vendor for the additional 500 blank cards purchased by John using his personal check. Any partner of a partnership can bind the partnership to transactions when the partner had authority to enter into the transaction. All partners have actual authority to act and transact in a manner consistent with the purpose of the partnership. Partners do not, however, have actual authority to act in a manner inconsistent with this purpose or directly compete with the partnership. While John had the actual authority to conduct "printing birthday card" business, he did not have the actual authority to directly compete with Partnership. Therefore, John lacked actual authority to bind Partnership to paying for the 500 blank cards.

However, a partner may bind the partnership even if he does not have actual authority if he has apparent authority to act. Apparent authority exists when the 3rd party that the partner is transacting with reasonably believes the partner has the authority to act on behalf of the partnership. This apparent authority is often created by past interactions between the 3rd party and the partner or partnership. Here, John had already purchased 1,000 blank cards from Vendor in the past and he used a check drawn on Partnership's bank account to do this. Based on this singular transaction, it was more than reasonable to believe that John had apparent authority to purchase the additional 500 blank cards on behalf of partnership. The fact that this second purchase was with a personal check from John does not destroy apparent authority.

Because of John's past transaction with Vendor and his using of a check drawn on Partnership's bank account for the past transaction, it was reasonable for Vendor to believe that John had authority. Therefore, because of John's apparent authority, Partnership is liable to Vendor for the additional 500 cards. Thus, because John's bank dishonored the check, Partnership will be liable for the amount owed based on John's apparent authority.

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1. The partnership owns the vehicle and the blank cards while John owns the printing machine.

a. Vehicle

A partnership owns property that is purchased for the benefit of the partnership when a partner purchases for the benefit of the partnership and the purchase is made in the name of the partnership regardless if the partner used personal or separate accounts to make the purchase.

Here, although Mary used her own money to make the purchase, the purchase of the vehicle is for the benefit of the partnership as evidenced by the partnership's name on the title. Because the vehicle is purchased with the partnership's name on the title, the partnership owns the car and Mary may be deemed a creditor to the partnership.

b. Printing Machine

When a partner purchased property using his own funds and there is no evidence that the partner is acting on behalf of the partnership, the property is presumed to be the property of that partner, especially when the property is also purchased in the name of the partner solely.

Here, the printer was on John's personal account, not in the name of the partnership, and the bill was made out directly to John as the purchaser. There is no evidence that the John was acting on the behalf of the partnership when making that purchase even though printing is essential to the partnership. As such, because the property was purchased with his account and made out to him directly with no mention of the partnership, John owns the printing machine.

c. Initial Blank Cards

It is presumed that a partnership owns the property that a partnership purchases on the

Here, John used the partnership's account to purchase the blank cards as evidenced by the partnership's check. Although John is listed as the purchaser, there is clear evidence that John was acting as agent when he purchased the cards. Therefore, the partnership owns the blank cards.

2. John has violated the duty of loyalty because he engaged in self-dealing and competed with partnership.

Partners owe two duties to the partnership - a duty of care and a duty of loyalty. Duty of loyalty is the partner should act in good faith and in the best interest of the partnership. The partner should engage in self-dealing which arises when he receives benefits for himself. Also, the partner should compete with the partnership and should not usurp the partnership opportunities and resources.

Here, John violated the duty of loyalty because he took the profits from the partnership and kept them for himself in bad faith. Further, it was not in the partnership's best interest for John to keep the proceeds for himself. In addition, it can be argued that he was competing with the partnership because he did not inform the partnership rather he sold cards on his own to a friend and partnership's resources to do so. Because of John's action, he violated the duty of loyalty to the partnership.

3. The partnership is liable to the Vendor for the additional cards under the agency doctrine of apparent authority.

In a general partnership, partners are jointly and severally liable for actions of other partnership and the liability of the partnership. The partnership will also be liable for the actions of the partners. Further, partners are agents of the partnership. A form of agency is apparent authority which occurs a third party reasonably believes that the person is acting on behalf of the principal (partnership in this case).

Here, the facts are clear that John and Mary are partners under Texas law and there is a valid partnership. Because John is a partner, the partnership is liable for his actions. John first purchased the cards on the Partnership's account. He later purchased an additional 500 which the third party could have reasonably believed that John was acting on the behalf of the partnership since he had already purchased blank cards. Therefore, his action created the apparent authority relationship. As such, the partnership will be liable for the additional cards although the check was based on his personal account.
