

**UNIVERSITY OF PENNSYLVANIA  
THE WHARTON SCHOOL  
LEGAL STUDIES/MANAGEMENT DEPARTMENT  
LGST/MGMT 213 COURSE SYLLABUS, FALL 2010  
LEGAL ASPECTS OF ENTREPRENEURSHIP**

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Class Hours: Wednesdays, 3 pm to 6 pm

Legal Aspects of Entrepreneurship is a practical and intensive course that examines critical legal issues confronting start-up and emerging growth companies. Extensive readings and detailed lecture presentations are at the core of the course. The course provides perspective on how the law impacts business risk, the deployment of resources and shareholder value. ***It is strongly urged that students taking this course already have completed Legal Studies 101.***

Course topics include the U.S. legal system, including the process and economics of a lawsuit and issues of court jurisdiction; the risks created by the basic “business torts” (torts between two businesses); how contract law and insurance law can be used to manage risks; the nature and enforceability of non-competition and other restrictive employment-related agreements; choice of the legal form for your business, including the legal, financial and basic tax advantages and disadvantages of general partnerships, limited partnerships, corporations and limited liability companies; creditors’ rights and duties; securities law; venture capital and private equity financings; mergers and acquisitions; employment law; and intellectual property law including copyrights, trademarks, trade secrets and patents. Consideration will also be given to “law and economics,” a field that analyzes legal rules from the standpoint of economic efficiency.

There will be one mid-term examination, and one final examination. Each examination will be equally weighted and each will be a closed-book, closed-note examination.

**Required Readings:** Required readings will be assigned from the following: (1) Bagley & Dauchy, *The Entrepreneur’s Guide to Business Law* (3<sup>rd</sup> ed. 2008); (2) materials contained on webCafé; and (3) Cooter & Ulen, *Law & Economics* (5<sup>th</sup> ed. 2008). The Syllabus lists the readings in the order in which they should be read, and the webCafé readings are numbered in the order in which they should be read.

**Optional Readings:** Suggested but optional readings are contained in (1) the Cooter & Ulen text; (2) the webCafé materials; and (3) Smith, *Start-Up & Emerging Companies: Planning, Financing, and Operating the Successful Business*. The Syllabus specifies the optional readings from the Cooter & Ulen text, and the optional webCafé materials are denoted as such on webCafé. The Syllabus does not specify suggested readings from the Smith treatise. Instead, the Smith treatise, which has a detailed table of contents, should be consulted in the event that a more in-depth and advanced examination of the course topics is desired.

All course books are available in the Reserve section at Lippincott Library.

## TOPICAL ASSIGNMENTS

### **CLASS 1      U.S. LEGAL SYSTEM I: THE STRUCTURE OF U.S. LAW AND THE U.S. COURT SYSTEM, SUBJECT MATTER JURISDICTION OF COURTS AND THE LITIGATION PROCESS**

Required Readings:      Introductory Hypothetical on webCafé

Bagley, Chapter 1

Cooter & Ulen, Chapter 3

U.S. Legal System I materials on webCafé

Optional Readings:      Cooter & Ulen, Chapter 1 and Chapter 2 (if not already covered in a microeconomics course)

### **CLASS 2      U.S. LEGAL SYSTEM II: PERSONAL JURISDICTION OF COURTS AND ALTERNATIVE DISPUTE RESOLUTION**

Required Readings:      U.S. Legal System II materials on webCafé

Bagley, Chapter 9, pp. 257-261 (focus on “The U.S. Approach to Jurisdiction”)

### **CLASS 3      THE COMMON LAW AND BUSINESS RISKS: THE BASIC “BUSINESS TORTS” AND MANAGING RISKS WITH CONTRACT LAW AND INSURANCE LAW**

Required Readings:      Bagley, Chapter 8, focusing on p. 181, “Choice of Law,” pp. 188-190, “Advantages of Putting a Contract in Writing,” pp. 201-205, “Allocating Risk,” “Arbitration and Mediation,” “Choice of Law and Forum” and “Attorneys’ Fees,” and pp. 209-212, “Remedies”

Bagley, Chapter 9, focusing on pp. 221-234 (*skip* pp. 255-257, on “Unfair Competition,” and pp. 257-261, on “Jurisdiction” etc.)

Bagley, Chapter 11, focusing on p. 353, “Defamation,” pp. 357-359, “Torts That Protect Certain Economic Interests and Business Relationships,” pp. 362-363, “Vicarious Tort Liability and *Respondeat Superior*,” and pp. 379-383 starting with “Insurance” (*skip* pp. 366-379, “Antitrust Violations” through “Computer Crime and the CFAA”)

Common Law and Business Risks materials on webCafé

Cooter & Ulen, Chapter 4 and Chapter 8, pp. 322-335 (through Question 8.7)

Optional Readings:      Cooter & Ulen, Chapter 7 (*skip* pp. 280-281, on

“Incompetence,” pp. 285-291, from “Necessity” up to “Information,” and the Mathematical Appendix); Chapter 9, pp. 374-385 (through Web Note 9.3), pp. 393-398 (through Web Note 9.8)

**CLASS 4      DUTIES TO YOUR FORMER EMPLOYER: COMMON LAW DUTIES AND NON-COMPETE AND OTHER RESTRICTIVE EMPLOYMENT-RELATED AGREEMENTS**

Required Readings:      Bagley, Chapters 2 and 3

Bagley, Chapter 14, pp. 494-503, “Trade Secret Protection”

Duties to Your Former Employer materials on webCafé

Cooter & Ulen, Chapter 5, pp. 119-124 (up until “Intellectual Property”)

**CLASS 5      CHOICE OF BUSINESS FORM I: SOLE PROPRIETORSHIPS, GENERAL PARTNERSHIPS AND LIMITED PARTNERSHIPS, INCLUDING BASIC TAX ISSUES**

Required Readings:      Bagley, Chapter 4

Choice of Business Form I materials on webCafé

Optional Readings:      Cooter & Ulen, Chapter 6, pp. 217-224 (“Default Rules and Transaction Costs”)

**CLASS 6      CHOICE OF BUSINESS FORM II: CORPORATIONS AND LIMITED LIABILITY COMPANIES, INCLUDING BASIC TAX ISSUES**

Required Readings:      Bagley, Chapter 5

Bagley, Chapter 6, pp. 116-121, “The Responsibilities of the Board” through “Business Judgment Rule”

Bagley, Chapter 8, pp. 184-185, “Authority” and pp. 197-198, “Signatures”

Bagley, Chapter 10, pp. 321-322, “Employer Liability for Employees’ Acts”

Choice of Business Form II materials on webCafé

**CLASS 7      MID-TERM EXAMINATION (NO EXCEPTIONS) – DATE TO BE DETERMINED**

**CLASS 8      FINANCING A BUSINESS: CREDITORS' RIGHTS AND DUTIES**

Required Readings:      Bagley, Chapter 7, pp. 132-156 (through “Investors’

Representations”)

Bagley, Chapter 8, p. 218, “Loan Agreements”

Bagley, Chapter 12

Creditors’ Rights and Duties materials on webCafé

**CLASS 9 FINANCING A BUSINESS: SECURITIES LAW**

Required Readings: Bagley, Chapter 7, pp. 157-179 including Table 7.1 (*skip* “Blue Sky Laws” including Table 7.2)

Securities Law materials on webCafé

**CLASS 10 FINANCING A BUSINESS: VENTURE CAPITAL AND PRIVATE EQUITY INVESTMENTS**

Required Readings: Bagley, Chapter 13 (and-re-review Bagley, Chapter 7, pp. 150-156 as need be)

Venture Capital and Private Equity materials on webCafé

**CLASS 11 BUYING OR SELLING A BUSINESS: MERGERS AND ACQUISITIONS AND “DEAL LITIGATION”**

Required Readings: Bagley, Chapter 16 (and re-review Bagley, Chapter 7, pp. 154-156 as need be)

Mergers and Acquisitions materials on webCafé

**CLASS 12 EMPLOYMENT LAW: INDEPENDENT CONTRACTORS VERSUS EMPLOYEES; “AT WILL” VERSUS CONTRACT EMPLOYMENT; EMPLOYMENT DISCRIMINATION**

Required Readings: Bagley, Chapter 10 (*skip* pp. 306-322, “The Employment Agreement” through “Employer Liability for Employees’ Acts”)

Employment Law materials on webCafé

**CLASS 13 INTELLECTUAL PROPERTY LAW**

Required Readings: Bagley, Chapter 14 (note that pp. 494-503, “Trade Secret Protection,” was assigned for Class 4)

Bagley, Chapter 9, pp. 255-257, “Unfair Competition”

Intellectual Property materials on webCafé

Cooter & Ulen, Chapter 5, pp. 124-143 (“Intellectual Property”) and pp. 171-174 (“Unbundling Property

Rights”)

**CLASS 14      THE ECONOMICS OF THE LITIGATION PROCESS INCLUDING  
SETTLEMENT DECISIONS**

Required Readings:      Cooter & Ulen, Chapter 10

Re-review Bagley, Chapter 14, pp. 526-528 (“Patent  
Infringement”)

**FINAL EXAMINATION:      TIME AND LOCATION TO BE DETERMINED BY REGISTRAR  
(NO EXCEPTIONS)**