

**LGST-213-001: LEGAL ASPECTS OF ENTREPRENEURSHIP**  
**COURSE SYLLABUS SPRING 2020, E. Carolyn Hochstadter, Esquire**  
**THE WHARTON SCHOOL LEGAL STUDIES & BUSINESS ETHICS DEPARTMENT**

**Wharton Office:** 631 John M. Huntsman Hall

**Office Hours:** Tuesday/Thursday by appointment

**Contact:** [hochstad@wharton.upenn.edu](mailto:hochstad@wharton.upenn.edu); 609.315.2787

**Class Hours/Location:** Tuesday/Thursday 10:30-11:50 a.m./Location Bluejeans App!

**Course Description:** This practically oriented course examines the critical legal issues confronting start-ups with a focus on disruptive innovation. Topics include blockchain, fintech, AI, digital and mobile based issues. Students will learn to use the law as a tool to manage risk, deploy resources and maximize value. The course covers the full business lifecycle, including confidentiality, non-competition and invention assignment clauses, intellectual property (IP) including patents, trade secrets, copyrights and trademarks, tax advantages of limited liability companies (LLCs) vs. corporations, securities law strategies for angel financing, convertible debt and venture capital (covering SAFEs and KISSes), independent contractor vs. employee talent concerns, discrimination laws, merger and acquisition exit plans, restructuring and bankruptcy. Students will emerge from the course with the skills to draft term sheets and contracts, negotiate deals aligned with their business models, as well as mitigate liability via risk-shifting policies, litigation strategy and insurance mechanisms.

**Testimonial!**

**“Since graduation, I've been working in commercial banking. LGST 213 set me up well in my role - knowing the key differences between all the business forms, Chapter 7 vs. Chapter 11 bankruptcy, and obviously all the loan terminology comes up on a daily basis. I'm really glad I took your class!” --Sean Bivins, W ‘17**

**The course fulfills elective requirements for 5 Concentrations, Majors or Minors:**

- Wharton Legal Studies and Business Ethics
- Wharton Entrepreneurship and Innovation/Management
- Wharton Social Impact and Responsibility
- SAS Legal Studies Minor
- SAS Science, Technology and Society Major with permission

**Course Materials:**

- (1) Bagley & Dauchy, *The Entrepreneur's Guide to Law and Strategy* (5<sup>th</sup> ed. 2018) and
- (2) Materials posted on canvas.

- **Readings & Assignments** may be subject to change. **Please check canvas.**
- **Assignments:** must be typewritten and timely. **Please submit both hard copy in class & on canvas.**

**Course Engagement: Class Participation & Blog Postings** are mandatory and will be graded.

- **Blogs:** Response to a prompt posted in the canvas *Discussions* folder due Sundays at 11:59 pm.

**Exams:** 1) in-class mid-term examination & 2) final examination. No books or notes. No exceptions permitted.

**Grading:** Grading will be broken down as noted below.

- **Exams:** 50% (midterm 25%; final 25%)
- **Written Assignments:** 35%
- **Class Engagement:** 15% (**Participation & Blog:** 10%; **Informal Journal:** 5%)
- **Extra Credit:** Class Research project of student's choice/interest

**Lunch with Professor:** I look forward to having lunch with you! There is a required minimum of 3 students for the lunch to be a go, and a permitted maximum of 7. Please sign up on the canvas Appointments Calendar!

<b>CLASS 1:</b>	<b>INTRODUCTION; OVERVIEW OF BUSINESS LAW AND ENTREPRENEURSHIP ISSUES</b> <u>Readings:</u> Bagley, Preface; Materials on canvas <u>In-Class:</u> YourSpa@Penn Hypothetical – Survey of Start-up Issues
<b>CLASS 2:</b>	<b>HOW TO PREDICT THE LAW, CHOOSE COURTS, TRIAGE A LAWSUIT &amp; READ A LEGAL CASE</b> <u>Readings:</u> Bagley Chapter 1; Materials on canvas
<b>CLASS 3:</b>	<b>FORUM SHOPPING TAKE 2! PERSONAL JURISDICTION OF COURTS</b> <u>Readings:</u> Bagley Chapter 10, pp. 287-91; Materials on canvas <u>Assignment:</u> Written Brief of Vetrotex case
<b>CLASS 4:</b>	<b>ALTERNATIVE DISPUTE RESOLUTION – LET’S TRY YOUR HAND AT MEDIATION!</b> <u>Readings:</u> Bagley Chapters 8 & 9 – pages posted on canvas; Materials on canvas <u>In-Class:</u> Mock mediation of the Vetrotex case
<b>CLASS 5:</b>	<b>DRAFTING THE DEAL: COMMON LAW, UCC &amp; MANAGING RISKS WITH CONTRACTS</b> <u>Readings:</u> Bagley Chapters 9, 10 & 14 – pages posted on canvas; Materials on canvas <u>In-Class:</u> Role Play Apple customer invoking 1-year warranty vs. 15-day return policy
<b>CLASS 6:</b>	<b>MANAGING TORTIOUS BEHAVIOR OF CO-FOUNDERS, TEAM, INVESTORS OR COMPETITORS</b> <u>Readings:</u> Bagley Chapters 8, 10 & 11 – pages posted on canvas; Materials on canvas <u>In-Class:</u> Business Torts Hypothetical
<b>CLASS 7:</b>	<b>AVOIDING IP INFRINGEMENT: WHAT RESTRICTIVE COVENANTS BIND YOUR CO-FOUNDERS?</b> <u>Readings:</u> Bagley Chapters 2 & 14 – pages posted on canvas; Materials on canvas
<b>CLASS 8:</b>	<b>PROTECT YOUR TRADE SECRETS WITH RESTRICTIVE COVENANTS, POLICIES &amp; INSURANCE</b> <u>Readings:</u> Bagley Chapters 3 & 11 – pages posted on canvas; Materials on canvas <u>In-Class:</u> Draft & bring to class Restrictive Covenants based on posted hypothetical
<b>CLASS 9:</b>	<b>AVOIDING SOLE PROPRIETORSHIPS &amp; PARTNERSHIPS; FALL-BACK PROS OF THESE FORMS</b> <u>Readings:</u> Bagley Chapter 4; Materials on canvas <u>Assignment:</u> Written Risk Management Policy for a Business
<b>CLASS 10:</b>	<b>BEST CHOICES! DEPEND UPON TAX &amp; FINANCING NEEDS: LLC, S &amp; C CORPORATIONS</b> <u>Readings:</u> Choice of Business Form II Materials on canvas <u>In-Class:</u> Complete entity Forms Chart
<b>CLASS 11:</b>	<b>LAUNCHING &amp; MANAGING THE BUSINESS: CORPORATE GOVERNANCE &amp; EQUITY DYNAMICS</b> <u>Readings:</u> Bagley Chapters 5 & 6 – pages posted on canvas; Materials on canvas <u>In-Class:</u> YourSpa@Penn revisited – Majority-Minority shareholder squeeze-out
<b>CLASS 12:</b>	<b>CROSS-BORDER TRANSACTIONS: GOING GLOBAL &amp; AFFILIATING ABROAD</b> <u>Readings:</u> Bagley Chapters 10 & 12 – pages posted on canvas; Materials on canvas
<b>CLASS 13:</b>	<b>MID-TERM EXAMINATION THROUGH CLASS 12 (IN CLASS) NO EXCEPTIONS</b>
<b>CLASS 14:</b>	<b>LENDING BASICS: SECURED &amp; UNSECURED FINANCING, FINTECH, CREDIT CARDS &amp; BANKS</b> <u>Readings:</u> Bagley Chapters 7 & 12 – pages posted on canvas; Materials on canvas <u>In-Class:</u> 1) Role play an entrepreneur obtaining a loan from a traditional bank 2) Judge or advocate for your side: <i>Manufacturers Hanover Trust v. Yanakas</i>

- CLASS 15: PRESERVING ASSETS IN YOUR OR YOUR CREDITOR'S REORGANIZATION OR LIQUIDATION**  
Readings: Bagley Chapter 12, pp. 414-37; Materials on canvas  
In-Class: Bankruptcy & Debtor-Creditor Hypothetical
- CLASS 16: UPSIDE & DOWNSIDE OF PREFERRED STOCK, SAFES & KISSES: VC vs. FOUNDERS**  
Readings: Financing a Business Materials IIIB on canvas  
In-Class: Present various Preferred Stock deal term provisions of VC term sheet
- CLASS 17: HOW TO RAISE THE MONEY! VENTURE CAPITAL & PRIVATE EQUITY TIPS (GUEST LECTURER)**  
Readings: Bagley Chapter 13; Materials on canvas  
In-Class: Show Me the Money!
- CLASS 18: "FIRESIDE" CHAT WITH PRIVATE EQUITY INVESTOR (GUEST LECTURER)**
- CLASS 19: AN ENTREPRENEUR'S PERSONAL STORY (GUEST LECTURER)**  
Assignment: Written Plan of Liquidation or Reorganization for a Distressed Business
- CLASS 20: TIPS FOR NEGOTIATING YOUR BUY-OUT (GUEST LECTURER)**  
Readings: Buying or Selling a Business Materials on canvas & Quiz!
- CLASS 21: CYBER SECURITY AND PRIVACY (GUEST LECTURER)**  
Readings: Bagley Chapter 10, Consumer Privacy & Identity Theft; Materials on canvas  
Assignment: Written Outline of a Business Plan for Your Start-up
- CLASS 22: HIRING TALENT: AT WILL, INDEPENDENT CONTRACTORS, TEMPORARY WORKERS**  
Readings: Bagley Chapter 8, pp. 193-247; Materials on canvas  
In-Class: Worker Types Hypotheticals
- CLASS 23: AVOIDING DISCRIMINATION & HARASSMENT; IMPLEMENTING POLICIES & PROCEDURES**  
Readings: Employment Law II Materials on canvas  
In-Class: Discrimination & Harassment Hypotheticals  
Assignment: Written Term Sheet for Your Start-Up's VC Investment
- CLASS 24: CREATE A ROBUST IP PORTFOLIO! TRADEMARK YOUR BRAND & COPYRIGHT YOUR WORKS**  
Readings: Bagley Chapter 14 – pages posted on canvas; Materials on canvas  
In-Class: Music Case Studies
- CLASS 25: PATENT YOUR INVENTION: KEEP YOUR TRADE SECRETS UNTIL YOU FILE (GUEST LECTURER)**  
Readings: Bagley Chapter 14 – pages posted on canvas; Materials on canvas  
Assignment: Written Talent Hiring Plan for Your Start-up
- CLASS 26: ISSUING EQUITY TO ANGEL OR VC INVESTORS REQUIRES SECURITIES LAW EXEMPTION!**  
Readings: Bagley Chapters 7 & 16 – pages posted on canvas; Materials on canvas  
In-Class: Securities Hypothetical: Which exemptions apply?  
Assignment: Written IP Strategy for Your Start-up
- BY CLASS 26: TELL US ABOUT YOUR BUSINESS & LAW INTERESTS: EXTRA-CREDIT PRESENTATIONS**