Law & Entrepreneurship
Spring 2017
Wednesday to Friday

Three Credits

Professor D. Daniel Sokol
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Course Description
This course explores the legal issues faced by small and emerging-growth businesses from startup through initial public offering. Through problems, transactional materials, and judicial opinions, students will explore the interests of parties to various transactions, including venture capital, franchising, IP licensing, strategic alliances, initial public offerings, etc. The goal of the course is to provide students with a deeper understanding of the contractual structure relationships in entrepreneurial contexts.

Learning Outcomes
Students who successfully complete this course will be able to:

- Understand the forces – both legal and non-legal – that motivate the behavior of parties in entrepreneurial relationships;
- Interpret, analyze, and assess financing contracts;
- Understand how law impacts business strategy and business plans of innovative growth companies; and
• Evaluate the regulation of entrepreneurial finance.

Materials (for background – not required reading)

• Bagley and Dauchy, The Entrepreneur’s Guide to Business Law
• Furr and Ahlstrom, Nail It then Scale It: The Entrepreneur's Guide to Creating and Managing Breakthrough Innovation

A website for the course has been created on The West Education Network (TWEN): http://lawschool.westlaw.com/twen/. The website will host an increasing number of PowerPoint slides and other course materials as the semester progresses. We will utilize a number of case studies and rely very little on cases. This is a capstone course with prerequisites. The assumption is that you know how to read a case and that we can spend more time on advanced issues.

Meetings

The class will meet Monday to Wednesday from 9:30am-10:40am.

Evaluation

The final grade in this course will have the following components:

Class participation – 20%
Analysis of the first day’s reading – 5%
Contractual drafting exercise - 10%
Exam in Week 2 of the class – 20%
Group Project 1 (Group Assigned) – 20%
Group Project 2 (Students Choose Group) – 25%

You have read the above correctly. Twenty percent of the grade is based on a one hour exam that will be given at the beginning of Class 8 (after add/drop). Drop this class NOW, if you are not going to be prepared. The purpose of the quiz will be to determine that you did the reading and made a valiant effort to digest it. It is not intended to measure your mastery. That is what we will try to develop over the course of the semester. But since we have only 42 classes, I want everyone to start with some sense of what we are going to talk about.

Class Attendance and Participation

Any student that misses more than six (6) classes for the course may be dropped from the class. I use may rather than shall because health issues will be treated differently from other absences (so long as you email me in advance). Habitual tardiness to class will be treated the
same as absence from the class. I take attendance in the beginning of each class. I take this policy seriously because in the real word, absenteeism and tardiness are punished. You need to start thinking and acting like a professional while in school. I can give you lots of war stories of people who do not hit the ground running in practice and were tainted with a bad reputation from Day 1. Do not let it happen to you.

I may need to reschedule some classes during the course of the semester. My preference is to front load these make-up dates so as to provide for some cushion later on in the class to go over old exams and general questions.

Finally, let me address a subject that has agitated a great many electrons on the law professor blogs and listservs: the use of laptop computers in class for things other than taking notes or looking at the statutes. I think it is anachronistic and honestly, beneath me, to do anything so draconian as to force students to write instead of type (I work almost exclusively on a keyboard). I am going to work very, very hard to teach this complex material in a way that makes sense and highlights the theory and practice in a digestible way. I hope you reciprocate by using (i.e. not using) your electronic window to the world and others responsibly while in class.

**Reading Assignments**

Below is a list of reading assignments. Though each assignment could be covered in one class session, some assignments may require more than one session. There may need to be some changes based upon the guest speakers needing last minute changes to their schedules.

1. **Introduction**

D. Daniel Sokol & D. Gordon, Law and Entrepreneurship Summary, available on TWEN.

Financing New Ventures William R. Kerr; Ramana Nanda

Questions you need to answer (in one page) due the first day of class, before class - **worth 5 percent of your grade**

1. What role does law play in entrepreneurship?
2. Which sources of financing are most appropriate for a new venture?
3. How do you pitch your venture to potential funders?
4. How is valuation determined?
5. Provide two examples of exit strategies for the entrepreneur.

2. **Law and Entrepreneurship**

3. What is understanding business plans and business models


Some Thoughts on Business Plans – HBS case study - 897101-PDF-ENG

4. Venture Capital I – What are the opportunities

How Venture Capitalists Evaluate Potential Venture Opportunities - HBS Case Study

4. Venture Capital II – The law of venture capital


5. Venture Capital III – Case study

HBS Case Study Adams Capital Management: Fund IV

6. Understanding Business Plans

Business Model Analysis for Entrepreneurs, Thomas R. Eisenmann, HBS case study 812096-PDF-ENG

7. Venture Capital IV - Understanding VCs

Andreessen Horowitz, 814060-PDF-ENG

8. Exiting the Prior Commitment and Starting a New Business: HBS Case Study: Sheila & Craig Shepherd, Entrepreneur’s Guide (Chapter 2)

9. Contract Theory

10. Contract Negotiation Simulation – Entrepreneur vs. Financier [tbc]

11. Contractual negotiations and business strategy
   Proteus Biomedical: Making Pigs Fly Richard G. Hamermesh, Lauren Barley, Ginger L. Graham, HBS case study 809051

12. Entrepreneurial Opportunities
   Connectu, Inc. v. Facebook, Inc. (Complaint and Memorandum in Support of Motion to Dismiss); Ronald J. Gilson, *The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, and Covenants Not to Compete*, 74 NYU L. REV. 575 (1999)

13. Licensing Agreements and Technology Transfer
   InfoVision (A): Technology Transfer at Georgia Tech (HBS 9-605-064)

14. Drafting Licensing Agreements
   Guest Lecturer: Adjunct Professor Max Minch (University of Florida) [tbc]

15. Formation & The Law of Joint Ventures

16. Tax structuring on venture capital
    Guest Lecturer: Russell Light, Partner, Kirkland & Ellis

17. Formation

18. Angel Investments I
    Gracious Eloise: What Do Angels Want? (A) HBS case study 312054-PDF-ENG

19. Angel Investments II
NEOCLONE BIOTECHNOLOGY INTERNATIONAL LLC: A CASE STUDY

20. Convertible Preferred Stock


21. Staged Financing


23. Financial engineering

Metapath Software: September 1997, G. Felda Hardymon; Bill Wasik, HBS case study 899160-PDF-ENG

24. IP issues – Patents

Entrepreneur’s Guide (pp. 542-557); Foro Energy (A); HBS case study, Joseph B. Lassiter; William A. Sahlman; James 812136-PDF-ENG.

25. IP Issues – Copyright

Black Duck Software (HBS case 806121); Entrepreneur’s Guide (pp. 529-541)

26. Online Platforms

The Battle Between Search and Social Facebook- Harvard Business School case study 808128-PDF-ENG

27. Risk management/Buying and Selling a Business

HBS case study: EMC Corp.: Proposed Acquisition of VMware, Constance E. Bagley; Christopher J. Lombardi; Carin-Isabel Knoop, 806153-PDF-ENG

28. IPO – Navigating the Deal Documents

Documents will be posted onto TWEN

Guest lecturer – Jeff Munsie, GC of Merrimack Pharmaceuticals Inc, NASDAQ: MACK

29. Deals – Case study
LAE Enterprises (HBS Case No. 803-025); The Entrepreneur’s Guide to Business Law: 628-641

30. Executive Compensation 4/4

Richard Spellman (A) (HBS Case No. 801-202); The Entrepreneur's Guide to Business Law: Chapter 5: Structuring the Ownership and Chapter 10: Marshaling Human Resources (pp. 312-317).

31. Franchising


The rest of the classes:

Presentations of second group projects