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. You can download the HBS case studies at https://cb.hbsp.harvard.edu/cbmp/access/38301079.

Meetings

The class will meet Monday, Wednesday and Thursday from 9-9:50am.

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 9 (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.

We also will have up to four sessions jointly with Professor Whitney’s College of Engineering entrepreneurship class. My expectation is that you will work hard in these classroom simulations on advising their start-up teams even though you are not being graded on it.
Disclaimer: Voluntary meetings between UF Law School and UF College of Engineering students are for academic purposes only. In these meetings, students will interact with each other during classroom simulation exercises and participate in discussions led by UF faculty and their subject matter expert guests. It is important that all meeting participants recognize that UF Law School students are not lawyers; therefore, there is no basis for an attorney-client relationship to exist. For a key case regarding what constitutes an attorney-client relationship in the State of Florida, please refer to The Florida Bar v. Beach, 675 So.2d 106, 109 (Fla.1996).

These volunteer meetings are intended to exchange information and insight between engineering and law students. A critical topic that most likely will surface in these exchanges involves trade secret law. Inevitably, students working on start-up ventures and/or exploring problem-solving innovations will discuss information potentially is proprietary in nature. The most important thing to know about a proprietary business idea is this: **If you want to keep something a trade secret, it is YOUR responsibility to keep it a secret!** If an entrepreneurial idea or innovative solution derives value from the fact that it’s a secret – i.e., others are able to profit from the idea or innovation – you must keep it a secret for the law to treat it as a “trade secret.” Sharing proprietary ideas with others in class means it is no longer a secret. To learn more about trade secrets, please read the book found in this link: [http://www.amazon.com/Secrets-Winning-Trade-Secret-Cases/dp/0314912762](http://www.amazon.com/Secrets-Winning-Trade-Secret-Cases/dp/0314912762) or this link [http://www.amazon.com/Trade-Secret-Nutshell-Sharon-Sandeen/dp/0314281169](http://www.amazon.com/Trade-Secret-Nutshell-Sharon-Sandeen/dp/0314281169)

**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 English

   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. **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, HBS Case Study 814060

8. Networking
   Heidi Roizen, HBS Case Study 5-801-278

9. 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
    Sanjay Jain & Gerard George, Technology transfer offices as institutional entrepreneurs: the case of Wisconsin Alumni Research Foundation and human embryonic stem cells, 16 INDUS. &
14. Drafting Licensing Agreements

Guest Lecturer: Adjunct Professor Max Minch (University of Florida) [tbc]

15. Business Research and Analysis
   Guest Lecturer: Taryn Marks – UF Law Library

16. Formation & The Law of Joint Ventures


17. Tax structuring on venture capital

   Guest Lecturer: Russell Light, Partner, Kirkland & Ellis

18. Formation


19. Angel Investments I


20. Angel Investments II

   NEOCLONE BIOTECHNOLOGY INTERNATIONAL LLC: A CASE STUDY

21. Convertible Preferred Stock


22. Staged Financing


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

25. 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.

26. IP Issues – Copyright

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

27. Trade Secret

Guest lecture – Marty Chester, Partner Faegre Baker Daniels

28. Role of Counsel


29. 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

30. IPO – Navigating the Deal Documents

Documents will be posted onto TWEN

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

31. Deals – Case study

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

32. 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).

33. Franchising

The rest of the classes:

Presentations of second group projects