

Law and ethics for business owners essay sample

[Business](#), [Employment](#)



1. Who owns the CadWatt Solar cell technology? What rights, if any can SSC claim on it?

SSC owned the technology, because the invention related to the SSC's business and he had used some of SSC's resources (namely, his SSC computer and SSC training sessions) when developing it.

2. What can Pierre do to make his departure from SSC amicable? Should he have left sooner? What ongoing obligations does he have to SSC?

Pierre should consider returning all the documents and electronic devices in which he had at hand. Pierre has a non-disclosure provision that prohibits Pierre from using or disclosing any confidential information that he learned while working for SSC. To leaving sooner he should have left before developing the company with Maya because he would have not had to go through these legal issues.

3. Can Pierre ask several of his colleagues at SSC to join his new enterprise?

If people ask about his plans, he informed them that he was leaving to start a new business and gave them a phone number where they could reach him.

4. Should Pierre and Maya hire an attorney? How do they select the right one?

Pierre and Maya should hire a attorney. They should go with a attorney that is experienced in representing high-tech startups.

5. Given their limited budget, can Pierre and Maya afford an attorney? Can they afford not to get one?

Pierre and Maya cannot afford to not hire a attorney. Counsel will allow them to turn around documents as quickly as they need them.

6. What would be an appropriate legal form for the business from a liability and tax standpoint?

Pierre should establish the company as either a LLC or a corporation. Which would specify the ownership interests by specifying how they would share profits, losses etc.

7. How should Pierre and Maya approach the issue of splitting the equity in the new venture between them?

Pierre and Maya concluded that Pierre should be given 50% of the equity and Maya 35%. The other 15% would go to SSC technology.

8. How will they manage their venture? What happens if one of the founders leaves?

Pierre's attorney Sebastian proposed that the companies article of incorporation authorize 10 million of common stock and the 1million shares of common stock be issued at a price of \$0. 01 per share, with 500, 000 to Pierre 350, 000 to Maya and a 150, 000 to SSC. He also suggested the authorization of 1. 5 million shares of blank check preferred stack, based on his prediction that the initial venture investors would seek 50-60 percent of the equity.

9. What are the advantages and disadvantages of having an active board of directors? Who should sit on the board, and what should the founders expect the directors to do?

It is difficult have all directors agree on a subject. Being able to find the right people for the correct positions can be difficult. Directors must be provided with compensation, whether it's intangible or tangible. The founders should expect the directors to act in good faith and with loyalty to the company.

Pierre might also want to consider the age, gender, and cultural background of each director.

10. What are the founder's options for financing the new venture?

Pierre and Maya could approach Pierre's prior employer SSC and ask for financial support. Second, the founders could seek financing or corporate partnership with a company other than SSC. Third, they could find an angel investor or a group of angel investors. Fourth, they could secure a bank loan or they might be able to self finance their company.

11. Question provided on page 9 of textbook.

Pierre worked with Anita to prepare a standard at-will employment agreement which each of the workers signed. The agreement provided for a salary but no extra pay for overtime. The Americans with Disability Acts prohibits employers from questioning applicants about their general medical condition or any disabilities. After an employer has described a jobs requirement the employer may ask the applicant if he or she will be able to perform the job with or without accommodations. If the applicant discloses a

disability then the employer should ask if there is any way to accommodate the applicant's limitations. Sadiq's poor performance was well documented. Maya had given him timely and honest feedback based on objective and job related criteria. Copies of all performance appraisals was signed by Sadiq and kept in his personal file. With this at hand Sadiq has no evidence that in fact he has been discriminated against. Pierre should inform the employees that the company's policy prohibits retaliation against anyone who complains about any problems or participates in any harassment investigation. Pierre concluded by telling Stephanie that Bill will no longer report to her as she was being shifted to a different programming group.

12. How can Pierre and Maya ensure that the company's customers pay on time and that suppliers ship goods in the quantity and of the quality they need for the business? What should they consider before signing a standard form lease for office laboratory or manufacturing place?

Pierre and Maya should establish a contract with every company transaction. Before signing a standard form lease one must consider if the price is affordable and provides all the needs being looked for. Negotiating renewal options and also making sure there are no issues with a provision prohibiting an assignment of the lease or subleasing of the space.

13. What warranties are implied when the company sells a product? Can the company disclaim all warranties and limit its liability to replacement of the product or refund of the purchase price? Can the company imply in its advertising that plants with large electricity demands can run exclusively on solar power collected with CadWatt Solar Cells?

There are two warranties that can be implied to a product. Express and Implied warranty. The seller may disclaim any warranties of quality if it follows specifically delineated rules in the UCC designed to ensure that the buyer is aware of, and assents to the disclaimers. There is a sales agreement, which provides provisions of limited liability, no other warranties, limitation of liability, acceptance of these terms. In the case of stating if it can run exclusively of solar power collected with CadWatt Solar Cells it would only work if the statement were true.

14. Does the company need to be concerned that the property it is considering leasing for manufacturing is near a river?

Yes, there can be issues when it comes to flooding in the area where the building can be affected through water damage. They can also be liable if an employee drowns in the river. Now if the company has insurance such as third party liability the company could be covered.

15. How should the company resolve a claim for assault, battery and false imprisonment arising out of an altercation with one of the company's employees and how can the company protect itself against such claims in the future?

Under the doctrine of respondeat supervisor, an employee will not be liable because he would be working under the scope of employment. Under the liability policy all damages would be covered under this policy. Handling the situation on of court would be the best situation in a case that can be contained.

16. What happens if the company runs out of cash and cannot pay its debts?

Chapter 11 permits a company to reorganize its business by changing the debts must be paid. Recognition is accomplished through a plan of reorganization, which is proposed by a debtor company and considered by the bankruptcy court according to specific substantive requirements set forth in the Bankruptcy Code.

17. If Pierre and Maya seek venture capital financing, how should they approach the venture community? What business and legal provisions in the term sheet and other financing documents should concern them? What is negotiable? Are any of these terms deal breakers?

They should contact a company that has interest in alternative energy opportunities or simply interested in the company. They would be able to negotiate provisions that would include a board of directors, stock purchase. Any of the topics can be a deal breaker if agreement is no meet.

18. How can the company protect its proprietary technology? Does the company need to worry about violating other companies' patents or copyrights?

Cadsolar strengthened its copyright protection by filing a copyright registration for the CSC software and the documentation soon after publication. If other products similar did exist they would have to seek US patents as well as global. They can also consider seeking trademark protection.

19. Should the company expand beyond the United States? What are the advantages and disadvantages of going global?

Issues that might come up moving into the global market expansion can be legal, tax and accounting regulations. Issues with hiring abroad can also present a problem. Not to mention you have to understand global interest trends such as funding, advertising, marketing, pricing strategies and technical support. The one obvious advantage would be increase in profits and global exposure for the company.

20. What risks are involved in growing the business by acquisition? Is it better to grow the business internally? When should entrepreneurs consider selling their business to a larger competitor?

The risk one can encounter by acquisition can begin simply with cost. I might cost a company extensive amount of funds to acquire maintain and build on a company that might provide the assumed profits. Find out why they are giving up the company. When there is limited growth or a company has reached a plateau an entrepreneur can consider selling. 21. When is an initial public offering an appropriate exit strategy? What is involved in going public? What does it mean to be a public company?

The process of selling shares that was formerly privately held to new investors for the first time. Otherwise known as an initial public offering (IPO). Audited financials and a good management team. The creditability and experience of your management team is the most important key in obtaining an underwriter and successfully completing a public offering. You also need a

good outside team. These are your IPO consultants, accountants, attorneys, underwriters and PR specialists.

Going public requires a Registration statement, which is a carefully crafted document that is prepared by your attorneys and accountants. While not suitable for all small businesses, the IPO can be a viable exit strategy. Taking your company public can be extremely profitable. However, depending on how the IPO is structured, you may or may not be able to withdraw any of your capital at the time as new shareholders may want to see all the money raised by the IPO be used to expand the business.