

University of Illinois- College of Engineering  
 Technology Entrepreneur Center  
 TE 450 – Startups: Incorporation, Funding,  
 Contracts, and Intellectual Property  
 Spring 2019

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Class Schedule	<p>Fridays 10am-12:20pm 403B2 Eng. Hall 14 Class meetings Thursdays - 3 7pm evening presentations and 2 7pm evening exams Office Hours immediately following class or by phone/appointment.</p>												
Class Materials	<p><u>Required Reading</u> CoursePack – available at Illini Union Bookstore</p> <p>Class Materials/Links available at: <a href="http://www.joebarich.com">www.joebarich.com</a> or on Compass</p>												
Grading	<p>All grades are based on the following:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;"><u>Percent of Final Grade</u></th> </tr> </thead> <tbody> <tr> <td>First Exam</td> <td style="text-align: right;">20%</td> </tr> <tr> <td>Second Exam</td> <td style="text-align: right;">20%</td> </tr> <tr> <td>Third/Final Exam</td> <td style="text-align: right;">20%</td> </tr> <tr> <td>Class Projects</td> <td style="text-align: right;">20%</td> </tr> <tr> <td>In-Class Pop Quizzes (top 4 of 5)</td> <td style="text-align: right;">20%</td> </tr> </tbody> </table>		<u>Percent of Final Grade</u>	First Exam	20%	Second Exam	20%	Third/Final Exam	20%	Class Projects	20%	In-Class Pop Quizzes (top 4 of 5)	20%
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### More Detail With Regard To Grading

#### In-Class Exams

Exams 1 and 2 will take place during the semester in the evenings at 7pm. Exam 3 will be during class on the last day of class. Each Exam will primarily focus on material from the weeks immediately preceding the exam, but material from any prior point in the semester is fair game.

Exams will be composed primarily of multiple choice and true/false answers, but may include a short answer or essay portion at the instructor's discretion. The Exams are closed book, closed notes. Please remember to bring a pencil - #2 or mechanical – to fill out your scantron sheet. Exams will take place in the evening outside of class at a location to be announced.

#### Class Projects

Students will be divided into teams wherein each team will form a hypothetical startup company. Over the course of the semester, the hypothetical startup company will then be presented with three scenarios (an Incorporation and Funding scenario, a Contracts scenario, and an Intellectual Property scenario). The team will have to work together to develop a solution for each scenario and will then present their solution to the rest of the class in a 10-15 minute presentation (Powerpoint recommended) during the three evening presentation sessions at 7pm during the semester. Additionally, individual team members will be motivated to produce their best efforts because a portion of each student's class project grade will be determined by team member's confidential evaluation of each other's efforts. Of the 20% of the total course grade represented by the Class Project, the individual percentage break down is:

- 4% Incorporation and Funding Project (Team Grade)
- 4% Contracts Project (Team Grade)
- 4% Intellectual Property Project (Team Grade)
- 8% Peer Evaluation (Individual to student, determined by other Team Members)

#### In-Class Pop Quizzes

Five (5) Pop Quizzes will take place during the semester. The dates for the Pop Quizzes will NOT be announced in advance. The Pop Quizzes will each take about 30 minutes and may

take place at any point during the class – at the start of class, in the middle of class, or at the end of class.

The Pop Quizzes serve several purposes: 1) Typically only those who are actually attending class will be able to take the quiz - consequently, students will be incentivized to attend class; 2) a Pop Quiz may take place immediately at the start of class and no extra time will be given to students who arrive late - consequently, students will be incentivized to get to class on time; and 3) a Pop Quiz may involve material from the Required Reading for that day's class - consequently, students will be incentivized to do the Required Reading before class.

It will typically NOT be possible to take a Pop Quiz at a later date. Consequently, it is highly recommended that you do the reading, attend class, and get to class on time. Obviously, if you are incapacitated (jail, coma, sick with note from McKinley, for example) or otherwise involuntarily unable to attend class (death in the family, job interview, competing in a University gymnastics event or basketball game - not intramurals, etc.), then we can make other arrangements. However, having a big assignment due in another class, wanting to attend a fraternity event, cheer a sports competition, or leave early for a big weekend in Vegas are personal scheduling matters and not sufficient excuse for missing class or to clear an absence.

The total scores of 4 of the 5 Pop Quizzes form your Quiz grade. However, if you do in fact take the 5<sup>th</sup> Quiz, then the points from that Quiz will count as extra credit, but you can't get more than 100% of the total Quiz points.

Example 1 - Took 4/5 Quizzes, got 85% on each one.

4 Quizzes \* 85 points = 340/400. You get 85% for your quiz score.

Example 2 - Took 5/5 Quizzes, got 85% on each one.

4 Quizzes \* 85 points = 340/400. Add in 85 points from 5<sup>th</sup> quiz, so total quiz points become 425/400, but cap at 400/400 for total quiz score of 100%

Example 3 - Took 5/5 Quizzes, got 60% on each one.

4 Quizzes \* 60 points = 240/400. Add in 60 points from 5<sup>th</sup> quiz, so total quiz points become 300/400 for a total quiz score of 75%.

### Final Grades

Average the scores from each of the three Exams, the Class Project, and the Quiz score and compare it to the chart below. The chart indicates the minimum grade that you will receive.

100-95 = A  
95-90 = A-  
90-85 = B+  
85-80 = B  
80-75 = B-  
75-70 = C+  
70-65 = C  
65-60 = C-  
Less than 60 = D  
Less than 50 = F

### Advice To Help You Get A Better Grade – Take Notes By Hand

Study after study has repeatedly confirmed that students that take notes by hand outperform students who take notes using a laptop or other electronic device. Here are just a few articles written about the studies:

- <http://www.npr.org/2016/04/17/474525392/attention-students-put-your-laptops-away>
- <http://www.scientificamerican.com/article/a-learning-secret-don-t-take-notes-with-a-laptop/>
- <http://www.wsj.com/articles/can-handwriting-make-you-smarter-1459784659>
- <http://www.psychologicalscience.org/index.php/news/releases/take-notes-by-hand-for-better-long-term-comprehension.html>
- [http://taxprof.typepad.com/taxprof\\_blog/2018/08/in-class-cellphone-and-laptop-use-lowers-exam-score.html](http://taxprof.typepad.com/taxprof_blog/2018/08/in-class-cellphone-and-laptop-use-lowers-exam-score.html)

Consequently, I highly recommend that you take notes by hand. In this regard, I note that the Coursepack has been specifically designed to allow you to take notes by hand so as to help you get the best possible grade – I recommend that you use it.

### Electronic Device Usage Policy

#### No Audio, Photographic, or Video Recording Allowed

No electronic audio, photographic, or video recording is allowed in class without my prior written permission. Any recording is a violation of the University Student Code and may subject you to discipline. There are at least three reasons for this: first, we want to provide an encouraging environment for student questions and discussion; second, we want students and the instructor to have control over the use of their respective images and expressions; and third, we will be reviewing Quiz and Exam questions in class and I don't want people to form a "question bank" for subsequent classes – which both impairs learning and is a Student Code violation.

#### No Distracting Others

No texting, Instant Messaging, taking a call, or other communication should take place in class. If you receive an urgent communication that you absolutely have to respond to at that moment, please excuse yourself from class and go into the hall to respond.

Also, please don't text or message with other students in the class during class. It is both transparent to me and distracting to all involved and the rest of the class.

Finally, if you are using a laptop or other electronic device, please recall that everyone behind you can see what is on your laptop's screen. Please don't access sites that may be distracting to you or to the people behind you.

### The Goal Of This Class

This course will explore how legal tools may be used in the construction and successful operation of your company to deliver the next great product to market. Topics covered in the class include: issues with business formation, funding, intellectual property, non-disclosure agreements, contracts, and other corporate legal issues particularly impacting startups.

Please note that this class will not make you a lawyer. You are advised to seek legal representation if and when you or your company encounters a legal issue.

Additionally, this is an educational class, not legal representation. Consequently, nothing in the class materials, lectures, office hours, or any other materials or communication is to be taken as providing any legal advice whatsoever with regard to any real-life situation. Further, although I am a practicing attorney, nothing in the materials, lectures, office hours, or any other materials or communications should be construed to create an attorney-client relationship of any sort.

### Substance of the Class

Substantively, the class is divided into three sections, 1) Forming and Funding a Business, 2) Contracts, and 3) Intellectual Property. Each of the three sections will be the primary focus of one of the Exams and Projects described above.

An overall outline of the course appears on the following pages

# Syllabus

Class #	Date	Materials	Class Topic
1	Jan 18	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	I. Basics and Forming a Business A. Business Entities 1. Sole Proprietorship 2. Partnership 3. Corporation 4. LLC
2	Jan 25	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	B. The practicalities of forming your corporation 1. Choosing a corporate name 2. How a state corporation registry works 3. Bylaws and Operating Agreement Examples and important clauses
3	Feb 1	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading  Distribute Incorporation and Funding Project	C. Ownership agreements 1. Get it in writing 2. Founders ownership agreements 3. Valuation and dilution – taking the long view 4. Restrictions on transfer of stock
	Feb 7	-Team presentations on Incorporation and Funding Project  -7pm in Room TBA	
4	Feb 8	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	D. Funding arrangements 1. How startups get money 2. Bootstrap 3. Angel 4. Bank loan 5. SBA 6. Grants 7. VCs 8. Tax implications 9. Stock Options  Questions Before Exam
	Feb 14	EXAM #1 – On Class 1-4 materials -7pm in Room TBA	

5	Feb 15	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	II. Contracts A. Introduction to Contracts 1. What is a Contract 2. Interpretation and Enforcement of Contracts 3. Get It In Writing
6	Feb 22	Review Exam #1  See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	B. Contract Formation 1. Offer, Acceptance, and Consideration, etc. 2. The negotiation process 3. Practical contract terms and enforcement considerations 4. “Reasonably promptly”, “best efforts”
7	Mar 1	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	C. Specific Contracts and terms 1. Performance 2. Modification of Agreement 3. Damages 4. Warranties 5. Non-Disclosure Agreements 6. Non-Competes
8	Mar 8	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading  Distribute Contracts Project	D. Specific Contracts and terms 1. Term Sheets 2. Terms and Conditions on Websites
	Mar 14	-Team presentations on Contracts Project  -7pm in Room TBA	
9	Mar 15	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	E. Specific Contracts and terms 1. Lease Agreements 2. IP Assignments 3. Joint Venture Agreements  Questions Before Exam
	Mar 22	SPRING BREAK- NO CLASS	



	Mar 28	EXAM #2 – On Class 5-9 materials 7pm in Room TBA	
10	Mar 29	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	III. Intellectual Property (IP) A. Into to IP 1. Patents 2. Copyrights 3. Trademarks 4. Trade Secrets
11	Apr 5	Review Exam #2  See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	B. Patents 1. The Patenting Process 2. Review of Sample Patents 3. Recognizing Patentable Subject Matter 4. Novelty 5. Non-Obviousness 6. 35 U.S.C. Sec. 112
12	Apr 12	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading  Distribute Intellectual Property Project	B. Patents 7. Claim Types 8. Novelty vs. Infringement Analysis 9. Design Patents 10. Startup Patent Issues
13	Apr 19	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	C. Trademarks 1. What can be trademarked 2. TM v. ® 3. The Trademark Process 4. Using Trademarks as Business Tools 5. Practical Trademark Training For Startups  Questions Before Exam
	Apr 25	-Team presentations on Intellectual Property Project -7pm in Room TBA	

14	Apr 26	See <a href="http://www.joebarich.com">www.joebarich.com</a> Coursepack Reading	IV. Practical Suggestions Course Evaluations  Questions Before Exam
		Second half of class EXAM #3 – On Class 10-13 materials	