15.618 – Spring 2016 – Preliminary Syllabus

Startups and the Law

[Note: The official name in catalogue, which will be changed next year is “Law and Cutting-Edge Technologies”]

Instructor: John Akula

Monday 4pm-7pm (with a break, and snack provided); E62-233
(First class meets Monday February 8)

Meets full semester; 9 units; P/D/F only; No prerequisites
Students from ALL MIT departments welcome
Graduate students, researchers, and undergraduates welcome

Overview

This course is a comprehensive “deep dive” into the crucial law-sensitive issues faced in the process of launching, financing, and growing a new venture. We will pay special attention to ventures making use of innovative technologies and business models. The course is designed for if you are (or are planning to be):

• An entrepreneur or founder of a start-up;
• A researcher working with technology with commercial potential;
• An early employee of a start-up;
• An advisor, board member, or consultant;
• An investor or lender, including “friends and family,” angels, venture capitalists, and commercial lenders.
• Working with a company that forms strategic partnerships with new ventures.
• Involved in buying or selling such ventures.
• Interested from a public policy perspective in how government policy and law can nurture an ecosystem friendly to entrepreneurship and innovation.

Although this course has a clear focus, it should also be of interest to students seeking a general introduction to law, because the best way to gain an understanding of how the law works is to focus on how it addresses certain specific problems.

Key topics will include the law-sensitive aspects of:

• Putting together an initial team for the venture.
• Selecting and structuring a business entity.
• Key contracts among founders and with employees.
• Ownership, compensation and governance issues, including equity as compensation.
• Developing and protecting intellectual property.
• Financing the venture.
• Growing the company.
• Managing financial distress.
• Selling or buying the venture.
• Other exits and long-term strategies.
• Transnational and immigration issues.
• The role of legal counsel.

Intellectual property (trade secrets and confidential information, patents, copyrights, and trademarks) are of special importance to innovation-driven ventures, so we will consider in-depth how intellectual property is developed, protected, and put to use. We will take an especially close look at cutting edge technologies involving software, digital communication, and life sciences.

Students will review sample documents and agreements, and participate in negotiation scenarios.

Top legal practitioners will participate as co-teachers with the instructor in many of the classes.

Students from all departments at MIT are welcome. Students who do not participate in the Sloan bidding process can show up for the first class and, space permitting, will be admitted. Since the class is in a very big room, it is not expected that any students will be turned away.

**Prerequisites and prior experience**

There are no prerequisites required or recommended. You do not need background in law or business – any needed background will be provided. Students from departments outside of Sloan are welcome, and in the past have comprised about half the class.

**Grading**

Grading will be Pass/D/Fail only. Students are expected to attend class regularly. Excessive absences will result in an unsatisfactory grade.

*(See over for class-by-class topical outline)*
### Class-by-class topical outline

<table>
<thead>
<tr>
<th>Class/Date</th>
<th>Topic</th>
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| 1 Mon 2/8  | **Introduction:** Course overview. Some business law basics.  
|            | *No class Monday 2/15 – Presidents Day holiday – But Monday classes meet on Tuesday* |
| 2 Tue 2/16 | **Organizing the Business Entity:**  
**Key contracts, including among founders and with employees.** Invention assignment, non-competition, non-disclosure, and shareholder agreements. The legal framework of the employment relationship. Contract formation, interpretation and disputes. Contracts with accelerators and incubators.  
| 3 Mon 2/22 | **Organizing the business entity (cont.)** |
**Special issues relating to software, business methods, digital communications and life sciences.** The changing framework of patentability. Software and open source. Genetics-related IP. |
| 5 Mon 3/7  | **Technology and intellectual property (cont.)** |
|            | *No class Monday 3/14 – SIP week at Sloan – Regular classes suspended*  
*No class Monday 3/21 – Spring Break* |
| 7 Mon 4/4  | **Financing the venture (cont.)** |
*No class Monday 4/18 – Patriots Day* |
| 9 Mon 4/25 | **Growing the company (cont.)** |
| 10 Mon 5/2 | **Selling and buying the venture.** Preparing for an acquisition. Financial and strategic buyers. The negotiation process. Diligence. The process and the risks. Broken deals.  
**Other exits and long-term strategies (cont.).** Strategic partnerships and joint ventures. Preparing for an IPO. |
Format, approach and expectations of students

Format and approach: This course will be an intellectually rigorous exploration of topics, but the law is a practical discipline, and this course is designed to provide frameworks and tools that will be of practical use. The instructor was for many years a partner at a leading US law firm.

The class will meet for three hours with a break in the middle, and a snack will be provided.

Class attendance: Much of the most important material in this course is presented in class, so students should plan on attending all of the classes. If you miss a class and feel that you have a good reason (such as illness, job hunting or family obligations), please e-mail the TA before or shortly after the class, with a “cc” to the instructor, to explain your absence. (You do not need to include in the e-mail any personal details -- just a general statement of the reasons, e.g., job interview, family obligations.)

Class participation: All students are encouraged to participate in class discussion.

Written exercises and deliverables: There may be some short exercises involving negotiation simulations and the review of deal structures and documents. Students will have the option of doing any exercises individually or as part of a team of up to 4 members.

Textbook and Course Readers


The book will be at the Coop, and is available new for about $90 on Amazon. Other material will be posted on Stellar or distributed in class.

Picking the right law course

Many Sloanies take a law course, but only a few have time for more than one. My courses are not a sequence. Rather, they are an array of choices. For information about all of my courses, check out my personal website, which can be accessed from my official Sloan website or found at http://jakula.scripts.mit.edu/

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