

BUSINESS ASSOCIATIONS

Seton Hall Law School
Professor K. Johnson, Fall 2009

First Assignment

1. Read: *Gorton v. Doty* and *A. Gay Jenson Farms Co. v. Cargill, Inc.* (KRB 1-13; inclusive of any Notes, Analysis or Planning Sections). Consider the attached hypotheticals. Arrive prepared to discuss the hypotheticals and the reading assignment.
2. Skim Kevin Yamamoto, *Banning Laptops in the Classroom: Is It Worth the Hassles?*, 57 J. Legal Educ. 477 (2007). We will not discuss the article in detail during class. I provide the article for your reference and as background for the classroom internet usage policy.

Introductory Hypotheticals

Hypothetical #1

J. Donne decides to go into business teaching a personalized, supplemental legal writing course to law students who want to improve their legal writing skills. Donne has decided to teach the course to as many as three law students and agrees to provide them with his proprietary handbook, "Mastering the Use of Key Lawyerly Phrases," for a fee. He puts up all of the initial funds for copying his text and advertising his business. His initial expenses include a lease for an office space in the Gateway Center, office equipment (copier, fax, computer) and office supplies. He begins advertising immediately.

1. What type of business is this?
2. What is Donne's compensation?
3. What is Donne risking if the business goes under and there aren't enough assets to cover his liabilities?

Hypothetical #2

The number of students signing up for the course is increasing and Donne decides that he needs help. He mentions his need for assistance to his friend Keats who recently completed a Supreme Court clerkship. Keats agrees to teach Donne's course to the additional students for 10 hours a week at \$50 per hour.

1. What is Keats's role in the business?
2. What is his compensation?
3. What is Keats risking if the business goes under?

4. Compare Donne and Keats's roles and the level of risk that each is taking. What do you notice about the relationship between risk and control?

Hypothetical # 3

The business continues to grow rapidly and Donne notices an opportunity to expand his business to accept students at another group of law schools located in Newtown just across the river. Donne mentions the plan to a friend, J. Milton. Milton fancies himself to be something of a strong writer and has always been interested in launching a business that plays to that strength. Milton has previous managerial experience and he agrees to open the office in Newtown, organize class schedules, market for new business and manage the teachers that will service the Newtown office. Donne agrees to pay Milton \$50,000 per year for his services plus a bonus of 10% of the Newtown office's total annual profits.

1. What is Milton's role in the business?
2. What is his compensation?
3. What is Milton's risk if the business goes under?
4. Compare Donne, Keats and Milton's roles and the level of risk that each is taking.

Hypothetical # 4

The business has taken a turn for the worse. It seems fewer students are signing up for the course in light of the recent economic downturn. Donne, however, sees the potential for expanding to an oil-rich state that has a number of new law schools. Donne mentions the idea to a friend Tommy More who happens to have \$50,000 burning a hole in his pocket. More gives Donne a cashier's check for \$50,000 and they begin working on ideas for expanding the business.

1. What is More's role in the business? Is the \$50,000 a loan or an investment?
2. What form of business is being operated?
3. What is More's compensation?
4. Compare Donne and More's roles and the level of risk that each is taking.