

15.617, Spring 2004
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Lecture 13: 3/31/04

1. Looking ahead
2. Exercise
3. The manager and M&A
4. Forms of doing business

What is it like to be a manager?

- Will there be jobs
- Conflict of Board of Directors
- Position of acquiring

We have a system called “At will” employment; either party can walk away from a party for any reason whatsoever.

- We downsize in the US, with very few problems and trepidation.
- If you have a contract, and it was broken, and you were fired, you can sue for damages.
- You need to mitigate (find a new job), if the money is less, you get the difference from the court.
- Employment lawyers will tell you to get a severance package (not limited by responsibility to mitigate)

Compensations timing:

- the law is pro-employer
- So you might get that bonus.
- Violation of an employer’s obligation of good faith. If you are a salesperson and there is a clear idea of what you need to do to get compensated, you will win in court, if your boss calls you after a time t before compensation.

1. Non-competition agreements
2. Trade secrets
3. duty of loyalty

- 1.) I, the employer agree that after I leave his job, I will not join a company that puts me in direct contact with my former employer.
 - a.) Legitimate interest that the employer is trying to protect (training). Law says that this is not a legitimate interest.
 - i. You are at risk if you teach someone sensitive skills
 1. legitimate interest: good will
 2. IP
- 2.) Protecting trade secrets is very important

- a.) Constraints must be reasonable
 - i. Time
 - ii. Function
 - iii. Geography
 - b.) blue pencil states: those narrow down a contract
 - c.) Scenario: you are a programmer, and you emailed home your code, so you have proprietary. You leave the job then. What do you do?
 - i. Your new boss will fire you b/c you took something tangible, b/c he doesn't want to face a lawsuit.
- 3.) One issue in Duty of Loyalty is what's yours and what's your bosses?
- a.) When your boss is paying you, you can't have a 2nd job.
 - b.) Duty of loyalty gets thrown into high relief when you are leaving.
 - c.) Usually a serial monogamy model
 - d.) When someone is quitting this is what should happen:
 - i. You notify your boss
 - ii. Your boss notifies client and says we will provide you coverage for the employees that are leaving. We would like you to stay with us. We will both act responsibly.
- Forms of doing business:
 - Partnership
 - General
 - Limited partnership (b/c of tax aspect, this is preferred)
 - Corporation (S or C)
 - Corporate has 2 layers of tax