Legal Foundations of Applied Finance  
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Stern School of Business  
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Office Hours:  
W: 1:00 – 3:00

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This course introduces MBA students to aspects of the U.S. legal system that are important to business and finance. The first half of the course will deal largely with the basics: fraud, contracts and property. These legal principles provide the basic foundation for a market economy. The second half of the course will examine aspects of corporate and organization law and will continue with a variety of topics related to the role of litigation in corporate management. A more detailed list of subjects appears below.

Textbooks for the course include Concepts and Case Analysis in the Law of Contracts (3rd ed., Foundation Press, 1998) by Marvin Chirelstein and An Introduction to Law and Economics (Little, Brown, 1983) by A. Mitchell Polinsky. However, the majority of the readings will be distributed in class or by Email. These readings will include original case reports, academic articles, business school case studies, and clippings from the news media.

An in-class midterm exam will occur halfway through the course.

A take-home final exam consisting of essay questions be distributed during the second half of the course and will be due during the December exam period.
Outline of Lecture Topics
Approximately one topic per class

Course Introduction
1. DLY Law and Finance around the world
2. WTA Basic structures of American law

Section I: Contracts
3. WTA Basics of the law of fraud
4. WTA Introduction to contracting: formation and pre-contractual liability
5. WTA Commercial contracts: structures and terms
6. WTA Performance and breach
7. WTA Mistake in contracting; assumption of risks
8. WTA Remedies for breach of contract: expectancy damages
9. WTA Remedies (continued): reliance, restitution, liquidated damages
10. WTA Fraud in the securitiesmarkets

Section II: Property
11. DLY Insider trading
12. DLY Property rights and markets; case study of the American West
13. DLY Coase theorem; pollution rights case study
14. DLY Auctions; FCC airwave spectrum case study
15. MIDTERM EXAM
16. DLY Intellectual property overview
17. DLY Intellectual property in the digital age; software and Internet cases
18. DLY Intellectual property and the drug industry; AIDS drugs case study
19. DLY Privatization of government-owned firms

Section III: Organizations
20. WTA Contracting for governance: agency law and fiduciary duty
21. WTA Partnerships, limited partnerships, LLPs, LLCs
22. WTA Corporate governance: rights of shareholders; powers of the board
23. WTA Directors’ duties of care
24. WTA Failures in Corporate Governance
25. DLY Franchising; BostonChicken case study

Section IV: Litigation
26. DLY Class action litigation; mass tort cases including asbestos
27. DLY Shareholder litigation and the plaintiffs’ bar
28. DLY Case study: litigation and the tobacco industry