



ASSESSMENT TASK 2: Assignment

UNIT NAME, UNIT CODE AND TERM			
UNIT NAME	Enterprise Law		
UNIT NO.	LAWS1002	YEAR/TERM	2022.01
DETAILS OF ASSESSMENT TASK			
WEIGHTING	40%	NO. OF PAGES (including cover sheet)	6
MAXIMUM MARKS	40	<u>DUE DATES:</u> TURNITIN: 11:59pm Sun 24 April 2022. <i>There is no requirement to submit a hard copy of this assessment.</i>	
OUTCOMES ASSESSED	2, 4		
INSTRUCTIONS TO STUDENTS			
<ul style="list-style-type: none">• <u>The task must be submitted electronically ONLY, through TURNITIN (link on vUWS), by 11:59pm of Sunday 24 April 2022. Failure to do so will attract a penalty of 10% per day.</u>• Students should refer to the vUWS website for the marking criteria applicable to this task.• As a guide, the word count should be approximately 1800 words (excluding referencing), with a 10% leeway above or below word limit.• Answers should be formatted and presented with double line spacing to allow for feedback comments			

QUESTION ONE: BUSINESS STRUCTURES AND INTELLECTUAL PROPERTY LAW (TOTAL: 20 Marks)

I have just met with a new client, Isabel Vision. Over the past five years Isabel has been working on a formula that can alter the colour of a person's eyes instantaneously and has now perfected it in the form of a pill. She wants to set up a manufacturing and wholesaling business for the production and sale of the pill to various beauty houses, pharmacies, and retail outlets. Isabel seeks advice on potential business structures she could use to run her business as well intellectual property protection she will require.

She intends to call her business 'Eye Lux' and has developed her own unique logo. She also wants to promote the product on social media via catchy slogans. She wants to ensure that her extensive research and her secret formula are protected and not replicated.

Isabel will need an office space as well as a production area and intends to purchase a large warehouse complex that she can fit out with both (which she will use to run her business from). She will also need to purchase expensive machinery to enable her to manufacture in bulk. She estimates all of this will cost \$800,000.00. She further intends to hire staff to support the anticipated increase required for production and sales. Isabel has big ideas for her business and she believes she will need to borrow money to fund future expansion plans and is concerned that she may not meet the required lending and servicing requirements due to insufficient security available for any bank loans she wants to take out.

Isabel owns a house, with \$200,000 worth of equity and has \$100,000 in savings. She does not want to give up control of the day-to-day operations of her business, but would consider sharing ownership of the business with others if they contribute capital. She has two friends (Pat and Vince) who are well known entrepreneurs and interested in being part of her business. Pat and Vince both have extensive marketing and sales experience. However, Isabel is concerned with the number of failed businesses Pat has been involved in.

In conversations with Isabel, it transpires that Pat and Vince can each provide \$250,000 and Isabel the remaining balance. **Isabel has identified a number of key questions and concerns below:**

- She wants advice on how to set up each of these structures and the ease with which she can do so, including whether there are any registration requirements for each of these.
- She wants to be able to easily terminate the structures if things do not work out.
- She wants a low reporting burden.
- She wants to ensure that the business structure she chooses would help in raising capital.
- She wishes to be protected from any poor management decisions of employees/ partners/ directors from a liability point of view.

- She wants to minimise her overall tax liabilities.
- She wishes to retain control as much control over the day-to-day decisions of the business as possible.

Required:

Please prepare an advice for the client:

- (a) Advise Isabel on **at least two ways** to structure her business, including the strengths and weaknesses of each option for her specific circumstances. Please remember to address the specific needs and concerns for the client as well as her specific assets and liabilities when giving advice.

Please address the suitability of each business structure in IRAC format (i.e. identifying the Issue, Rules, Application and Conclusion). In your answer, remember to refer to specific sections of relevant legislation and case-law.

(14 marks)

- (b) Explain to Isabel the importance of getting intellectual property (IP) protection and recommend to her **at least two types of IP** that might be suitable for her circumstances. When making a recommendation, please provide her with sufficient detail regarding the following:

- Any legislation that relates to the intellectual property protection (IPP);
- If the IP needs to be registered and if so with whom;
- What criteria must be satisfied to apply for the IP; and
- The duration of protection (including prospect of renewal).

(6 marks)

Question Two: CONTRACT LAW – (TOTAL: 20 Marks)

A couple of students of WSU College have been faced with a variety of situations which are recorded in the four separate scenarios below. Each of them seek your advice as to whether **a contract** has been formed in each of the scenarios.

Please use the IRAC method (i.e. identifying the Issue, Rules, Application and Conclusion) when answering each of the scenarios below.

You are advised to discuss the elements of a Contract generically in a separate introductory paragraph (since they relate to all the scenarios below). Then, attempt a mini-IRAC answer for each of the scenarios, elaborating only on the specific relevant rules and principles under each of the elements, as supported by relevant case-law. This is to avoid repetitive discussion of principles which might inflate your word count.

Please do NOT discuss Consumer Law. No marks will be awarded if you do.

Question (a):

Whilst perusing a catalogue, David sees an advertisement for sale of second-hand books at the University co-op bookshop as follows “Up to 50% off on all finance textbooks. Hurry! While stocks last. If a customer spends at least \$50 in store, they are entitled to a gift card with \$30 credit on it which can be used anytime over the next few months.”

David decides to visit the bookshop that afternoon and when there, observes a promotional table which had the sign “All Finance books \$10.00”. David thought it was quite a bargain, picked up 3 books and went to the cash register handing the cashier \$30.00. The cashier told David that the books were wrongly priced and that each of them should in fact be \$20.00. David informs the cashier that the only reason he came to the store was because he saw the catalogue advertising a discount promotion and insists he be sold the books at \$10 each. David then enquired whether he could at least get the gift card with \$30 credit on it if he spends more than \$50 in store, to which the cashier replied, “No sir, that advertisement was not meant to be taken seriously.”

Advise David whether there are any contracts in existence and if he has any rights under them.

(6 marks)

Question (b):

Peter, a marketing student at WSU, has a Macbook Air which he has advertised on a private sales website, www.lemontree.com.au, for \$2000. Bob saw the advertisement and sends an email to Peter and asked, "Is this laptop the latest model and does it have a good camera and quality speakers? I can pay you \$1500." Peter replied via email, "Yes it is the Macbook XVIII, the latest premium range and it does have the features you enquired about. I have a lot of interest in the laptop. I am keen to sell quickly. My final price is \$1900." Bob replies via email stating, "We've got a deal, but I will need to pay you in weekly instalments." Peter then states, "If I don't hear from you in 3 days' time, I assume that you are keen to purchase the laptop. I will need a lump sum amount to be paid I'm afraid." The next day Bob finds out that Peter sold the laptop to his friend Luke for \$1500.00. He approaches Peter and says, "We had a deal, you owe me the laptop".

Advise Bob whether there is a contract in existence and if he has any rights under it.

(6 marks)

Question (c):

Tod is an accountant who runs his own practice. His daughter, Violet who is aged 18 and is completing the first year of an accounting degree notices that her dad has been struggling with an excessive work load during financial year end and volunteers to assist her dad for a couple of hours during the week. Tod is grateful and observing that Violet has been doing a great job, stated he would pay her \$500 for her services rendered so far. He then stated that going forward, he was happy to pay her \$20 an hour for any assistance she could provide. Violet who worked as a part-time waitress calculated that she would be financially better off working for her dad and dedicated 18 hours a week assisting him in his practice. Now having worked in the practice for a total of 3 months, Violet claims she has not been paid for any of her work (including the \$500 she was promised earlier).

Advise Violet whether there are any contracts in existence and if she has any rights under them.

(4 marks)

Question (d):

Lizzie is organising the end of year party for her classmates and herself to celebrate the passing of their business law unit. She hires a function room and initially pays a 10% non-refundable deposit, with the remainder payable on the day. She also hires Victor, a popular local DJ to perform for 8 hours that evening for \$1000.00.

A few days before the party, Victor contacts Lizzie and informs her that he cannot perform at her event because he already had a booking for that evening, which he had forgotten about at the time. Lizzie is desperate for Victor to perform because she does not think she will be able to find a replacement and will lose the deposit on the function room if she is forced to cancel. She offers Victor an additional \$500.00 on top of the \$1000.00 already agreed to if Victor will perform at her event. Victor eventually agrees.

Victor appears as promised and performs for 8 hours as agreed. At the end of the evening, Lizzie pays Victor \$1000.00. Victor complains, saying that Lizzie promised him an extra \$500.00 and that he cancelled the other booking in favour of her event. Lizzie refuses to pay the extra \$500 stating that he should not have taken it seriously.

Advise Victor whether there is a contract in existence and if he has any rights under it.

(4 marks)

END OF ASSIGNMENT