

Partnership Formation: Urban Decay: Problem Handouts



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Partnership Formation: Urban Decay

Part 1

Sharon Latter is a successful entrepreneur and extremely wealthy. In 1993, Pam Hudson met Latter at Hudson's horse training facility and they became friends. One evening in July 1995, in Latter's mansion, while applying nail polish, Hudson layered a raspberry color over black to produce a new color, which Latter liked. Later, the two created other colors with names like "Deep Secrets", "Dark Slick", and "Black&Blu", and titled their concept "Classic Decline". Latter and Hudson started a firm to produce and market the polishes but never discussed the sharing of profits and losses. They started to work immediately. Tasks were not separated, and together they did the market research, experimented with colors, worked on a logo and advertising. They obtained capital from an investment firm and neither Latter nor Hudson invested their own money. They hired employees. They agreed to build a business and then sell it.

After a few months, Latter began working to edge Hudson out of the firm. She discouraged Hudson from attending meetings with the nail polish manufacturer. In addition, Latter secretly hired a marketing specialist as "chief operating officer" without Hudson's knowledge. Several months later, when Hudson was told not to attend meetings of the firm's officers, she filed a lawsuit in a California state court against Latter, claiming, among other things, a breach of their partnership agreement. Latter responded in part that there was no partnership agreement because there was no agreement to divide profits.

Questions for group discussion:

(As a team, come to a consensus for the following questions.)

1. Based upon the facts, was there a business partnership between Ms. Latter and Ms. Hudson? Explain and support your answer.
2. What additional information, if any, is needed?

For the next class:

(Work individually.)

1. Read the section in the text on partnerships (general and limited).
2. Using internet based search engines*, find the requirements that must be met to form a general partnership and a limited partnership. Identify the similarities and the differences between the two types of partnerships.
3. Using the internet, find the requirements that must be met in Virginia to form a general partnership.
4. Based upon your research, write a brief paper detailing your conclusion as to whether a partnership existed between Ms. Latter and Ms. Hudson. (Be sure to explain and support your conclusion.) Include the requirements for the general and limited partnerships and discuss the similarities and differences.

*Use authoritative sources only (no Wikipedia).





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Part 2A

Team Role Play:

Within the same teams, each student will "play a role" in the court scene based upon the facts listed above. Ms. Hudson will argue her case before the panel of judges. Then, Ms. Latter will argue that a partnership did not exist. During the arguments, the judges may ask questions. The cast is not allowed to add new facts. The cast includes Pam Hudson, Sharon Latter and two to three judges.

1. Questions for Pam Hudson to help prepare her argument:

Based upon the facts given, what are the arguments that support your claim that a partnership existed? Be sure to support each argument. Is there any additional information that is required? If so, what is it?

2. Questions for Sharon Latter to help prepare her arguments:

Based upon the facts given, what arguments support your claim that a partnership did not exist? Be sure to support each argument. Is there any additional information that is required? If so, what is it?

Once each side presents her arguments, the judges will then deliberate.

3. During deliberation, judges should answer the following questions and complete the attached Judicial Decision form. What are the requirements for a partnership to exist? Did a partnership exist between Ms. Latter and Ms. Hudson? Why or why not? What additional information is needed to support your decision?

Note: The decision of the judges must be reached by a majority vote.

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Part 2B

Wrap-up questions for team discussion:

1. As a team, come to a consensus on whether there was a legal partnership formed between Ms. Latter and Ms. Hudson. Does your decision differ from the judges' decision? Why?
2. Assume that Ms. Latter and Ms. Hudson were residents of Virginia. Would they have met Virginia's requirements for creating a partnership? Explain.
3. (As a team, come to a consensus for the following questions). Assume you are a partner in a law firm with four other experienced attorneys. Ms. Latter and Ms. Hudson come to your office seeking legal advice regarding a business they would like to start. They are only in the preliminary stages of discussing this business and have decided to seek legal advice before they progress further. They know they want to form a "partnership", but need your guidance on what type of partnership.
 - a. Which type of partnership would you recommend and why?
 - b. Based upon your recommendation, explain the actions Ms. Latter and Ms. Hudson would have to take to form this type of partnership.

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Judicial Opinion Form

In the case of *Hudson v. Latter*, we find:

A partnership between Ms. Hudson and Ms. Latter:

_____ had been formed

_____ had not been formed

For the following reasons:
