

Table of Contents

Preface	vii
About the Editor	ix
About the Contributors	xi
Table of Chapters	xvii

Chapter 1 Choice of a Business Entity

Woon-Wah Siu & Qiaozhu (Vivian) Chen

§ 1:1	Introduction	2
§ 1:2	Major Types of Business Entities in the United States.....	2
§ 1:2.1	Corporations.....	2
[A]	Advantages and Disadvantages of Corporations.....	3
Table 1-1	Advantages and Disadvantages of Corporations.....	3
[B]	Forming a Corporation	4
[C]	Managing a Corporation.....	4
[D]	Choosing a State in Which to Set Up a Corporation	5
§ 1:2.2	Partnerships	5
[A]	Advantages and Disadvantages of Partnerships	6
Table 1-2	Advantages and Disadvantages of Partnerships.....	7
[B]	Forming a Partnership	7
[C]	Managing a Partnership.....	8
§ 1:2.3	Limited Liability Companies (LLCs)	8
[A]	Advantages and Disadvantages of LLCs	8
Table 1-3	Advantages and Disadvantages of Limited Liability Companies	9
[B]	Forming an LLC	10
[C]	Managing an LLC.....	10
§ 1:2.4	Sole Proprietorships.....	11
§ 1:2.5	Branches	11

A STARTER GUIDE TO DOING BUSINESS IN THE U.S.

§ 1:3 Considerations in the Choice of Entity..... 11
 § 1:3.1 Nature of the Business 12
 § 1:3.2 Ability to Expand and Grow..... 12
 § 1:3.3 Liability Protection 12
 § 1:3.4 Tax Treatment and Consequences..... 12
§ 1:4 Conclusion 13

Chapter 2 Introduction to Federal Securities Laws

Woon-Wah Siu

§ 2:1 Introduction 16
§ 2:2 Foreign Private Issuer 16
§ 2:3 Securities Act of 1933 17
§ 2:4 Securities Exchange Act of 1934 20
§ 2:5 Annual and Periodic Reporting Obligations 22
 § 2:5.1 Annual Report 23
 § 2:5.2 Quarterly Reports on Form 10-Q 23
 § 2:5.3 Current Reports on Form 8-K 24
 § 2:5.4 Proxy Rules and Shareholder Meetings 25
 § 2:5.5 Regulation FD—Fair Disclosure 26
 § 2:5.6 Section 16—Short-Swing Profit Recapture 27
 § 2:5.7 Reports of Beneficial Ownership Under
 Section 16..... 28
 § 2:5.8 Reports Under the Williams Act (1934 Act
 Sections 13(d) and 13(g)) 29
 § 2:5.9 Section 10(b) and Rule 10b-5 30
 § 2:5.10 Sarbanes-Oxley Act of 2002 30
 § 2:5.11 Dodd-Frank Wall Street Reform and Consumer
 Protection Act..... 31
 § 2:5.12 Jumpstart Our Business Startups Act..... 32
 § 2:5.13 Fixing America’s Surface Transportation Act 33
§ 2:6 State Securities Law..... 33

Chapter 3 M&A Process in the United States

Thomas M. Shoesmith, Woon-Wah Siu & Lu Wang

§ 3:1 Introduction 36
§ 3:2 Some Key Terms..... 36
§ 3:3 How U.S. Companies May Differ from Non-U.S.
 Companies 36
 § 3:3.1 Shares of Stock 37
 § 3:3.2 Role of the Board of Directors 37

Table of Contents

§ 3:3.3 Shareholders' Rights 37
§ 3:3.4 Role of the Government 38
§ 3:4 The Decision to Buy 38
§ 3:5 The Cast..... 40
§ 3:6 Steps in the Acquisition Process 41
 § 3:6.1 Finding a Target..... 41
 § 3:6.2 Valuation 41
 § 3:6.3 Letter of Intent 43
 § 3:6.4 Due Diligence..... 44
 § 3:6.5 Definitive Agreement 44
 § 3:6.6 Between Signing and Closing 45
 § 3:6.7 Buying Distressed Businesses 46
§ 3:7 Regulatory Requirements..... 47
 § 3:7.1 BEA Filing..... 47
 § 3:7.2 Hart-Scott-Rodino Act 48
 § 3:7.3 Exon-Florio Amendment 48
 § 3:7.4 Other Federal and State Restrictions 48

Chapter 4 Employment Considerations

Paula M. Weber, Rebecca Carr Rizzo & Justin Krawitz

§ 4:1 Introduction 52
§ 4:2 Overview of Key Employment Statutes 52
 § 4:2.1 Federal Statutes 52
 [A] Title VII of the Civil Rights Act of 1964
 (Title VII)..... 52
 [B] Age Discrimination in Employment Act
 (ADEA) 54
 [C] Equal Pay Act..... 54
 [D] Americans with Disabilities Act (ADA)..... 55
 [E] Family and Medical Leave Act (FMLA) 55
 [F] Uniformed Services Employment and
 Reemployment Rights Act (USERRA) 55
 [G] Fair Labor Standards Act (FLSA)..... 55
 [H] National Labor Relations Act (NLRA) 56
 [I] Affordable Care Act (ACA) 56
 [J] Employee Retirement Income Security Act
 (ERISA) 57
 § 4:2.2 State Statutes..... 57
 § 4:2.3 Local Statutes 58
§ 4:3 Recruiting 58
§ 4:4 Hiring 59

A STARTER GUIDE TO DOING BUSINESS IN THE U.S.

§ 4:5 Documentation of the Employment Relationship..... 60
§ 4:6 Issues Regarding the Family and Medical Leave Act
and the Americans with Disabilities Act 61
§ 4:7 Fair Labor Standards Act 62
§ 4:8 Termination Considerations..... 63
 § 4:8.1 Individual Terminations 64
 § 4:8.2 Layoffs or Reductions in Force 65
 § 4:8.3 Separation Agreements and Releases..... 65
 § 4:8.4 Rehire Policies 66
§ 4:9 Federal Contractors 66
§ 4:10 Conclusion 67

Chapter 5 Equity Incentives for U.S. Employees

Susan P. Serota

§ 5:1 Introduction 70
§ 5:2 Types of Equity Incentives 70
§ 5:3 U.S. Securities Law Requirements..... 72
 § 5:3.1 Securities Act of 1933—Registration 72
 § 5:3.2 Securities Exchange Act of 1934—Registration 74
 § 5:3.3 State Blue Sky Laws..... 75
§ 5:4 Employee Tax and Social Security 75
§ 5:5 Tax Deduction by the Employer 79
 § 5:5.1 Additional Restrictions, Limitations, and
 Considerations..... 79
§ 5:6 Internationally Mobile Executives 80
 § 5:6.1 Income Taxes..... 80
 § 5:6.2 FICA Taxes 81
§ 5:7 Reporting Requirements 81
§ 5:8 Exchange Control Issues 82
§ 5:9 Employment Law 82
§ 5:10 Data Protection 82
Appendix 5A U.S. Taxation and Accounting Treatment of
Various Types of Long-Term Equity
Compensation 85

Chapter 6 United States Immigration Law

Woon-Wah Siu

§ 6:1 Introduction 98
§ 6:2 Visitor Visas 98

Table of Contents

§ 6:2.1	B-1 Visa—Business Visitor Visa	98
§ 6:2.2	B-2 Visa—Visitor for Pleasure Visa	99
§ 6:2.3	Visa Waiver Program	99
§ 6:2.4	H-1B Visa—Visa for Temporary Worker in a Specialty Occupation	99
§ 6:2.5	L-1 Visa—Intracompany Transferee Visa.....	100
§ 6:2.6	E Visa—Treaty Trader and Investor Visa	101
§ 6:2.7	O Visa—Visa for Individual of Extraordinary Ability or Achievement.....	102
§ 6:2.8	Work Authorization for Practical Training	102
[A]	F-1 Visa—Practical Training	103
[B]	J-1 Visa—Practical Training.....	103
§ 6:2.9	EB-5 Visa—Immigrant Investor Program	103
[A]	Investment in a New Commercial Enterprise	103
[B]	Capital Investment.....	104
[C]	Job Creation.....	104
[D]	Regional Center	105
[E]	Removal of “Conditional” Status	105
§ 6:3	Immigration Law Compliance.....	105

Chapter 7 United States International Trade and Investment

Nancy A. Fischer & Aaron R. Hutman

§ 7:1	Introduction	108
§ 7:2	Overview of Importing and Exporting	110
§ 7:3	Importing into the United States	111
§ 7:3.1	Customs	111
§ 7:3.2	Import Duties.....	112
§ 7:3.3	Policy Affecting Import Duties	112
[A]	World Trade Organization	112
[B]	Free Trade Agreements	113
[C]	Preferences.....	114
§ 7:4	Trade Remedies	115
§ 7:4.1	Antidumping and Countervailing Duty Remedies	116
[A]	<i>GPX International Tire</i> Decision and Subsequent Legislation	117
[B]	Double Counting	118
[C]	Zeroing	118
§ 7:4.2	Section 201.....	119
§ 7:4.3	Section 301.....	119
§ 7:4.4	Section 337.....	119

A STARTER GUIDE TO DOING BUSINESS IN THE U.S.

§ 7:4.5	Other Regimes Affecting Imports	120
[A]	U.S. Department of Agriculture	120
[B]	U.S. Food and Drug Administration	120
[C]	Bureau of Alcohol, Tobacco, Firearms, and Explosives	121
[D]	Consumer Protection.....	121
§ 7:5	Export from the United States	122
§ 7:5.1	Export Administration Regulations	122
[A]	China, Russia, and Venezuela Military End-Use or Military End-User Restrictions	124
[B]	End-User Restrictions	124
[C]	Validated End-User Program	124
§ 7:5.2	International Traffic in Arms Regulations.....	125
[A]	Arms Embargos	126
[B]	Export Control Reform	126
§ 7:5.3	Nuclear Export Controls.....	127
§ 7:5.4	Sanctions Policy.....	128
[A]	Blocking	130
[B]	Causing a Violation	130
§ 7:5.5	Antiboycott Law	131
§ 7:6	Other Rules Affecting Trade, Business, and Transactions in the United States or with U.S. Companies	132
§ 7:6.1	Foreign Corrupt Practices Act.....	133
[A]	Anti-Bribery Provisions.....	134
[B]	Risks to Foreign Entities and Individuals	134
§ 7:6.2	Anti-Money Laundering.....	136
§ 7:6.3	Data Privacy and Protection	138
[A]	Federal Law.....	139
[B]	State Law	139
§ 7:7	Rules Affecting Investment in the United States	140
§ 7:7.1	Committee on Foreign Investment in the United States	141
§ 7:7.2	Protections for Investors in the United States.....	142
§ 7:8	Federalism and the Role of State Law	144

Chapter 8 Commercial Real Estate Transactions

Glenn Q. Snyder

§ 8:1	Introduction	148
§ 8:2	Ownership Interests in Real Property.....	148

Table of Contents

§ 8:2.1	Fee Simple	148
§ 8:2.2	Ground Leases	148
§ 8:2.3	Tenants in Common	149
§ 8:3	Due Diligence Prior to the Acquisition of Real Property	149
§ 8:3.1	Title Insurance	149
§ 8:3.2	Survey	150
§ 8:3.3	Environmental Assessment	150
§ 8:3.4	Property Level Due Diligence	150
§ 8:4	Real Estate Development.....	151
§ 8:4.1	Land Use Restrictions.....	151
[A]	Local Zoning Regulations	151
[B]	Private Covenants.....	152
§ 8:4.2	Environmental Regulations	152
§ 8:5	Real Estate Transaction Documents.....	152
§ 8:5.1	Acquisitions and Dispositions.....	152
§ 8:5.2	Finance	153
§ 8:6	Commercial Leases.....	154
§ 8:6.1	Basic Issues.....	154
§ 8:6.2	Brokers.....	155
§ 8:6.3	Tenant Improvements	155
[A]	Tenant Build	155
[B]	Turnkey.....	156
[C]	Landlord Build with Allowance	156

Chapter 9 Intellectual Property

David A. Jakopin

§ 9:1	Introduction	157
§ 9:2	Types of IP.....	158
§ 9:3	Protecting Your IP in the United States	159
§ 9:3.1	Patents	160
§ 9:3.2	Trademarks	162
§ 9:3.3	Copyrights	163
§ 9:3.4	Trade Secrets.....	164
§ 9:4	IP Litigation.....	165
§ 9:4.1	Patents	166
[A]	Court Proceedings.....	166
[B]	USPTO Proceedings	168
§ 9:4.2	Trademarks	169
§ 9:4.3	Copyrights	170
§ 9:4.4	Trade Secrets.....	170

§ 9:4.5	Cost Considerations	171
§ 9:5	Licensing	172
§ 9:6	Practical Considerations.....	172

Chapter 10 Energy Regulation in the United States

*Michael G. Lepre, Kimberly A. Harshaw &
Andrew D. Weissman*

§ 10:1	Introduction	176
§ 10:2	Electricity.....	177
§ 10:2.1	FERC’s Authority	177
§ 10:2.2	Organization of the Market.....	178
Figure 10-1	Electricity Retail Choice States, 2010.....	180
§ 10:2.3	Transmission System.....	180
§ 10:2.4	Siting and Construction of Facilities	181
§ 10:2.5	Some Recent FERC Incentives.....	183
§ 10:2.6	Role of ISOs.....	185
Figure 10-2	North American Grid Operators	186
§ 10:2.7	Impact of EPA Regulation on Power Markets.....	188
Figure 10-3	State Policies on Renewable Portfolio Standards.....	189
§ 10:3	Natural Gas.....	190
§ 10:3.1	Overview of the Domestic Sector	190
§ 10:3.2	Exploration and Production.....	191
§ 10:3.3	Transmission, Storage, and Distribution.....	191
§ 10:3.4	Sales and Trading	193
§ 10:3.5	Role of the United States in the Global LNG Market	194
§ 10:4	Oil	196
§ 10:4.1	Generally	196
§ 10:4.2	Sources of Law.....	197
§ 10:4.3	Impact of Treaties.....	197
§ 10:5	Nuclear Energy	198
§ 10:5.1	Role of the Nuclear Regulatory Commission	198
[A]	What the Nuclear Regulatory Commission Regulates.....	198
[B]	The NRC’s Enforcement Program.....	199
§ 10:5.2	Regulating Foreign Ownership and Participation in Nuclear Industry Projects.....	200
[A]	Foreign Investment in a Nuclear Project	200
[B]	U.S. Export Controls	201

Table of Contents

§ 10:5.3 Other Items of Interest to Non-U.S. Investors..... 203
 [A] Financial Protection for Nuclear Incidents—
 Price-Anderson Act 203
 [B] New Reactor Licensing 205
 [C] Advanced Reactor Licensing 206
§ 10:6 Foreign Investments in the Energy Sector; CFIUS 207

Chapter 11 Environmental Law

Reza S. Zarghamee

§ 11:1 Introduction 212
§ 11:2 Environmental Statutes 212
 § 11:2.1 Clean Air Act 212
 § 11:2.2 Clean Water Act 213
 § 11:2.3 Comprehensive Environmental Response,
 Compensation, and Liability Act (CERCLA) 213
 § 11:2.4 Resource Conservation and Recovery Act
 (RCRA) 214
 § 11:2.5 Toxic Substances Control Act (TSCA)..... 215
 § 11:2.6 Occupational Safety and Health Act (OSHA) 215
§ 11:3 State Environmental Requirements 216
§ 11:4 Corporate Disclosures 216
§ 11:5 Common-Law Doctrines Related to
 Environmental Law 217
§ 11:6 Litigation Trends 217
§ 11:7 Legal Practices Within the Field of
 Environmental Law 218
 § 11:7.1 Regulatory Compliance 218
 § 11:7.2 Litigation 218
 § 11:7.3 Business Transactions..... 219
 § 11:7.4 Strategic Corporate Planning..... 219
 § 11:7.5 Corporate Governance..... 219
 § 11:7.6 Crisis Management 220
§ 11:8 Conclusion 220

Chapter 12 Taxation in the United States

C. Brian Wainwright

§ 12:1 Introduction 222
§ 12:2 Jurisdiction 222
§ 12:3 U.S. Persons 223

A STARTER GUIDE TO DOING BUSINESS IN THE U.S.

§ 12:3.1	Individuals.....	223
§ 12:3.2	Entities	224
§ 12:4	Taxpayers and Entity Classification	226
§ 12:5	Source of Income.....	227
§ 12:6	U.S. Income Taxation.....	229
§ 12:7	U.S. Income Taxation of Non-U.S. Persons	230
§ 12:7.1	FDAPI.....	230
§ 12:7.2	ECI	231
§ 12:7.3	U.S.-Source Capital Gains (Excluding Real Property Gains).....	232
§ 12:7.4	Foreign Investors in Real Property Tax Act of 1980 (FIRPTA).....	232
§ 12:7.5	Foreign Account Tax Compliance Act	233
§ 12:8	Transfer Pricing	235
§ 12:8.1	Tangible Personal Property	235
§ 12:8.2	Services.....	236
§ 12:8.3	Loans or Advances.....	236
§ 12:8.4	Cost Sharing.....	237
§ 12:8.5	Contemporaneous Documentation	237
§ 12:8.6	Advance Pricing Agreements	237
§ 12:9	Basic Structuring	238
§ 12:10	Employment Taxes	239
§ 12:10.1	IRS Factors for Classifying Workers	239
§ 12:10.2	Exceptions to General IRS Rule.....	240

Chapter 13 **Litigation and Other Dispute Resolution Mechanisms**

Kirke M. Hasson

§ 13:1	Introduction	244
§ 13:2	Structure of the U.S. Court System for Civil Cases.....	245
§ 13:2.1	Relationship Between Federal and State Courts—Subject Matter Jurisdiction	245
§ 13:2.2	Federal Courts	246
[A]	U.S. District Courts	246
[B]	U.S. Courts of Appeals	246
[C]	U.S. Supreme Court	246
§ 13:2.3	State Courts.....	247
[A]	Courts of Limited Jurisdiction.....	247
[B]	Courts of General Jurisdiction—Trial Courts.....	247
[C]	Appellate Courts.....	247

Table of Contents

§ 13:3 An Overview of Civil Litigation 247

 § 13:3.1 Initiation of a Civil Action 247

 § 13:3.2 Personal Jurisdiction 248

 § 13:3.3 Venue and Forum Non Conveniens 249

 § 13:3.4 Motions to Dismiss 249

 § 13:3.5 Discovery 249

 § 13:3.6 Motions for Summary Judgment 251

 § 13:3.7 Trials 252

 [A] Time to Trial 252

 [B] Jury Versus Bench Trials 252

 [C] Limitation on Evidence at Trial 253

 § 13:3.8 Post-Trial Motions 254

 § 13:3.9 Appeals 255

 § 13:3.10 Settlements 255

§ 13:4 Enforcement of Court Judgments 256

§ 13:5 Specialized Tribunals, Agencies, and Programs 257

§ 13:6 Arbitration 257

§ 13:7 Mediation and Other Alternative Dispute
Resolution Programs 259

§ 13:8 Examples of Important Substantive Areas
of Litigation 260

 § 13:8.1 Antitrust Litigation 260

 § 13:8.2 Intellectual Property Litigation 260

Chapter 14 Products Liability

Jeffrey R. Gans

§ 14:1 Introduction 264

 § 14:1.1 Negligence 264

 § 14:1.2 Breach of Warranty 265

 § 14:1.3 Strict Liability 265

§ 14:2 Standards of Care 265

 § 14:2.1 Negligence 265

 § 14:2.2 Warranty 266

 [A] Express Warranty 266

 [B] Implied Warranty 267

 [C] No Contract Necessary 267

 § 14:2.3 Strict Liability 268

 [A] The “Unreasonably Dangerous” Test 268

 [B] Burden of Proof 269

 [C] Unavoidably Unsafe Products 269

 [D] Unknowably Unsafe Products 270

A STARTER GUIDE TO DOING BUSINESS IN THE U.S.

§ 14:3 Product Defectiveness..... 270

§ 14:3.1 Manufacturing Defects 270

[A] Burden of Proof..... 271

[B] “Consumer Expectation” Test..... 271

[C] Intended Purpose 271

§ 14:3.2 Design Defects..... 272

[A] Burden of Proof..... 272

[B] Negligence and Various Strict Liability Tests 272

[C] Utility Versus Risks 272

[D] Consumer Expectations 273

[E] Combined Test 273

[F] Current Trend..... 273

[G] Types of Cases 274

[G][1] Structural Defects..... 274

[G][2] Lack of Safety Feature Defects..... 274

[G][3] Unintended but Foreseeable 274

§ 14:3.3 Duty to Warn..... 275

[A] Necessary Warnings 275

[B] Duties After the Sale 276

[C] Tests and Inspections 276

[D] Negligence 276

§ 14:4 Damages..... 277

§ 14:4.1 Compensatory Damages..... 277

§ 14:4.2 Punitive Damages..... 277

§ 14:5 Conclusion 278

Chapter 15 Insurance

Michael S. McNamara

§ 15:1 Introduction 280

§ 15:2 How Do Insurance Policies Work? 280

§ 15:2.1 Insured 281

§ 15:2.2 Insuring Agreement..... 281

§ 15:2.3 Exclusions and Exceptions to Exclusions 281

§ 15:2.4 First-Party Versus Third-Party Insurance..... 283

§ 15:2.5 Policy Period; Occurrence Versus
Claims-Made Policies 285

§ 15:2.6 Forms 286

§ 15:2.7 Endorsements 286

§ 15:2.8 Governing Law 286

Table of Contents

§ 15:3 What Types of Insurance Should a Company Consider Buying? 287

§ 15:3.1 Property Insurance..... 287

§ 15:3.2 Workers' Compensation Insurance and Employer's Liability Insurance 288

§ 15:3.3 General Liability Insurance 289

§ 15:3.4 Excess or Umbrella Insurance 289

§ 15:3.5 Business Interruption Insurance..... 290

§ 15:3.6 Directors' and Officers' Liability Insurance 290

§ 15:3.7 Professional Liability Insurance..... 291

§ 15:3.8 Pollution Liability Insurance 291

§ 15:3.9 Health Insurance 291

§ 15:3.10 Life Insurance 292

§ 15:4 How Does a Company Buy Insurance? 292

§ 15:5 What Should a Company Do When It Has an Insurance Claim? 292

§ 15:6 Conclusion 293

Index 295

