

Part 1

Overview

Why Conduct Research?

The consequences for breaking business laws vary, but it can potentially cause big trouble for businesses. Entrepreneurs research business laws to avoid sticky situations in the future. These include:

- Financial penalties and fees
- A poor business reputation
- Loss of customers

Legal Items to Consider

Though different states have their own laws, there are a few common legal items that apply to new businesses across the United States:

- Business Structure
- Business Name
- Business Licenses and Permits
- Business Agreements
- Business and Zoning Laws

Business Structure

A business structure is the type or classification of a business. There are four primary business structures including limited liability corporation, sole proprietorship, partnership, and corporation. Each business structure offers a unique set of traits for taxes, investments, employee options, and money management.

Important Note: Unless otherwise specified by your instructor, you will act as a sole proprietorship in this simulation.

Business Name

Remember that trademark and copyright laws prohibit businesses from stealing names, logos, and slogans that belong to other businesses. This means that all new

businesses should register their names with their state to ensure that no other businesses will try to use the same name.

Business Licenses and Permits

Depending on the type of work your business will offer, some companies will require business licenses in order to operate. For instance, builders must possess a residential builder's license in order to perform construction and repairs on a customer's home. There are two types of licenses and permits entrepreneurs should be aware of:

1. Federal Licenses and Permits

There are certain categories of business that are regulated by federal agencies and that require special permits to conduct business. Some of the most common business types that this applies to include agriculture, aviation, and transportation.

2. State Licenses and Permits

Each state regulates different requirements for licenses and permits. It's important for new businesses to check with their state's guidelines before opening their doors for business.

DID YOU KNOW? Research Tip:

During the business naming stage, many entrepreneurs start by Googling different name ideas to see if any other companies are currently using similar names.

Business Agreements

When starting a new business, you will want to think about what type of business agreements you will form with your customers. The most common agreement is a non-disclosure agreement, also known as a confidentiality agreement. A non-disclosure agreement protects a business owner and customer when each party will be sharing important information.

For example, if a graphic designer is working on an advertising campaign for a company that develops video games, the video game producer will want to protect their latest and greatest video game technology so their competitors don't catch wind of it. The graphic designer might offer to sign a non-disclosure agreement that will enable the video game company to share all of their design ideas without fear that the designer will share those with other people and competing companies.

Business and Zoning Laws

Zoning laws are regulations that govern the type of use for a property within a community. When choosing where to operate your business from, you will need to ensure that whatever location you select conforms with your state's zoning laws.

Beyond physical space laws such as zoning, there are other business laws that deal with intellectual property, or the rights to unique work you create as a business owner.

For instance, if an entrepreneur plans on collecting customer information such as records of payment, postal addresses, and other personal data, he or she must follow certain rules. This is known as privacy law, and it means that businesses have to take certain steps to protect the privacy of their customers such as keeping records safe and disposing data properly when the time comes.

Other important business laws include:

- **Advertising and Marketing Law:** this law ensures that all marketing materials accurately portray the product or service being sold.
- **Workplace Safety and Health Law:** this law ensures that all businesses meet basic regulations concerning health and safety.
- **Online Business Law:** this law ensures that all companies conducting business through the Internet follow state and international tax and customer protection laws.