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Legal Fundamentals for Startups

Startups often fail not because of ideas, but due to legal oversights.

Early legal steps = protection, credibility, and smooth growth.

Covers: business structure, compliance, contracts, IP, fundraising.



Choosing the Right Legal Structure

Sole Proprietorship

Simple, but unlimited liability.

Partnership

Shared ownership, but risks conflicts.



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LLP (Limited Liability Partnership)

Flexible + limited liability.

Private Limited Company

Investor-friendly, scalable, separate entity.

OPC (One Person Company)

For solo founders, with limited liability.

Registrations & Compliance

- **Company Incorporation (MCA registration).**
- **PAN, TAN, GST registration.**
- **Shops & Establishment License (if applicable).**
- **Labour law compliance (PF, ESIC for employees).**
- **Annual filing & tax compliance.**

Incorporation

Tax

Labour

Annual Filings

Protecting Intellectual Property (IP)



Trademark →

Protects brand name, logo, slogan.



Patent →

Protects inventions & technical solutions.

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Copyright →

Protects content, design, code, creative works.

Trade Secrets →

Protects confidential business information.

Key Legal Documents Every Startup Must Have

Founders' Agreement

- Defines roles, responsibilities, equity split, and vesting schedules.
- Includes decision-making process & dispute resolution.
- Prevents co-founder fallouts



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Company Incorporation Documents

- Certificate of Incorporation, MoA, AoA under MCA.
- Legally recognizes the business entity.
- Needed for opening bank accounts, fundraising, compliance.



Intellectual Property Filings

- Trademarks: Protect brand name, logo, tagline.
- Patents: Secure technical innovations.
- Copyrights: Protect content, design, software.
- Trade Secrets: Safeguard confidential processes.

Employment/Contractor Agreements

- Clearly state ownership of IP created.
- Confidentiality & non-compete clauses.

Policies & Disclosures (for Digital Startups)

- Privacy Policy & Terms of Use.
- Mandatory if user data is collected (DPDP Act in India, GDPR globally).



Key Contracts Every Startup Needs



Non-Disclosure Agreement (NDA) →

- Protects confidential business info.
- Signed with employees, partners, potential investors.



Service Agreements →

- Define scope of work, deliverables, payment terms, timelines.
- Helps avoid disputes with freelancers, consultants.

Vendor & Supplier Contracts →

- Cover pricing, quality, delivery schedules, warranties.
- Ensures supply chain stability.

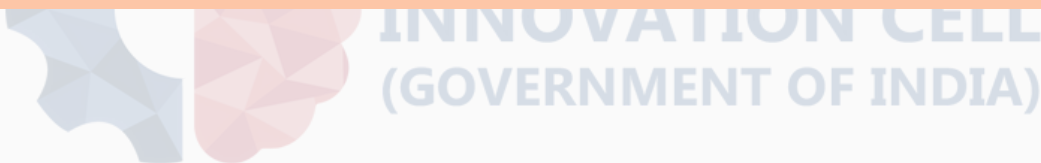


Employment Contracts →

- Define salary, roles, IP assignment, termination clauses.
- Prevents employees from walking away with code/data.

Shareholders' Agreement (SHA) →

- Governs rights & obligations of shareholders.
- Covers voting rights, transfer restrictions, exit strategy.



Investment Agreement →

- Cover pricing, quality, delivery schedules, warranties.
- Signed during fundraising.
- Includes valuation, liquidation preference, anti-dilution rights, investor protections.

Golden Rules for Startups

Register Early, Register Right

Private Limited is best for fundraising & credibility.

Protect IP from Day 1

Register brand, secure patents, and sign NDAs early.

Keep Finances Separate

Don't mix personal & business accounts.

Stay Compliant Always

Annual returns, tax filings, labor law compliance.

Equity Management

Use vesting schedules for co-founders & ESOPs for employees.

Be Fundraising Ready

Maintain a due diligence folder with updated legal docs.

Respect Data Laws

Comply with DPDP Act (India) / GDPR (EU) for user data.

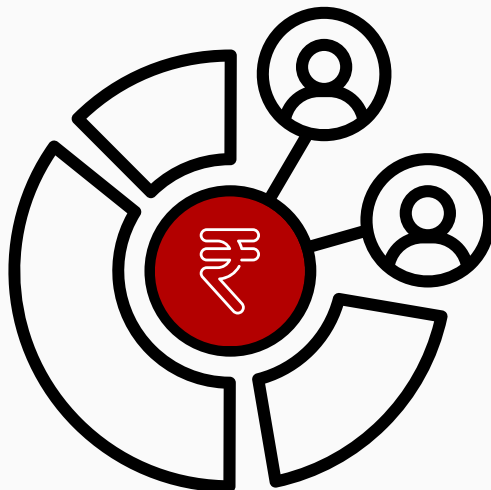
Fundraising & Equity Basics

→ Understand Equity vs Debt funding.

→ Maintain a cap table (shareholding structure).

→ Ensure compliance with Companies Act & FEMA (for foreign funding).
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→ Protect founders with vesting schedules and anti-dilution clauses.



Startup Legal Survival Kit

- Choose the right legal structure early.
- Stay compliant with registrations & filings.
- Protect your brand & IP.
- Use proper contracts with co-founders, employees, and investors.
- Plan fundraising legally & transparently.

Strong legal foundations turn startups into sustainable businesses.