

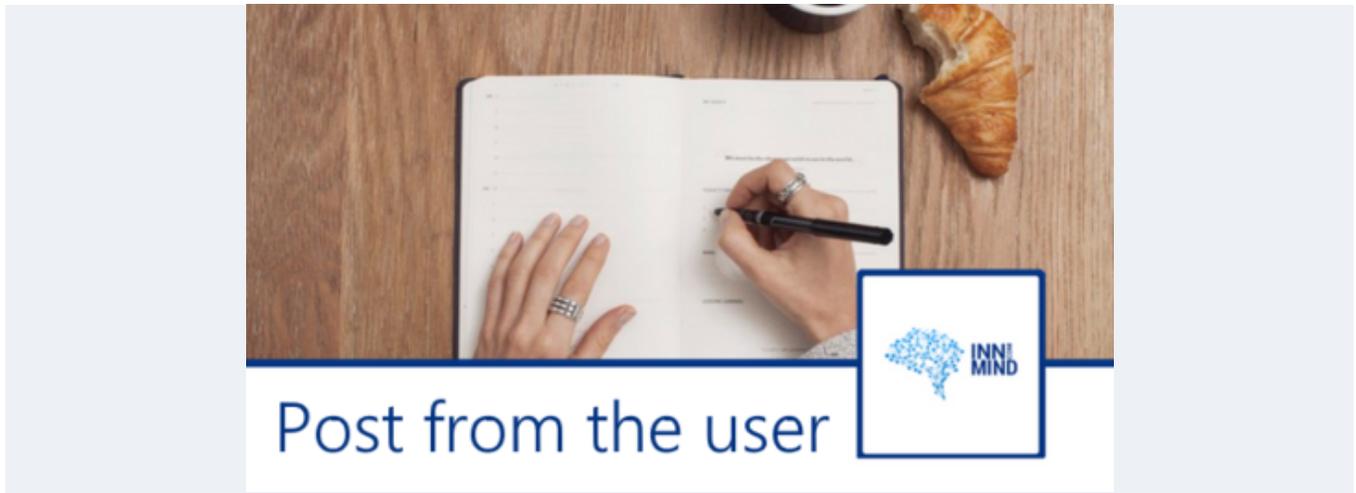
Five Frequent Legal Mistakes a Startup Can Make

12.05.2017

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Legal issues

Founders often disregard the legal side of business and make a lot of mistakes no matter what country they launch a project in.



Each of them may prove to be risky and result in substantial losses or even the loss of the project itself. We've made a list of five often mistakes that businessmen all over the world make.

5. No documented agreements between founders

If there are several founders in the project, all agreements must be properly documented. The following aspects are mandatory for any project:

- Separation of duties;
- Funding;
- Shares in the project.

Otherwise avoiding conflicts would be impossible.

Imagine one of the founders decided to leave the project. How will you share profits and intangibles? How will the remaining partner manage the project in the future when there are no documented agreements? Don't forget that this kind of agreement can be concluded even before the founding of the company.

4. No legal scheme

The more innovative your project is the more legal issues it involves because there is just no statutory framework to support it. Risks may vary from country to country due to legislation and case law particularities.

So when you start a project, get a legal advisor to review all possible risks and ways to mitigate them.

3. No company registration

Each country has its own rules regarding illegal business activities, but one thing is universally important: gaining profits and signing contracts is impossible without proper legal formalization.

2. No intellectual property rights clearance

The main value of a web project is intellectual property. It may be a phone app, some kind of software, a website or an invention – and you need to register intellectual property rights for all of this, as soon as possible.

If a project is developed by several freelancers from different countries it would be very hard to solve the issue “some time later”. The developers may refuse to sign documentation and demand extra compensation at any point.

The issue of rights registration becomes especially urgent when an investor initiates a Due diligence procedure. The fact that there are no signed contracts between you and developers will inevitably become apparent during the audit. If the developers decide to backpedal at this moment, your deal will be scuttled.

To properly register and protect intellectual property rights, you’ve got to:

- Sign contracts with your developers. Make it absolutely clear that all exclusive rights to created products will be transferred to the project.

- Register a trademark. Registration process takes a long time, so don’t drag your feet with it until your competitors register it.

- Get patents. Are there any inventions involved in the project? Patent them; this will create some extra protection and give you a great competitive advantage.

1. Contracts? Never heard of them.

Your relationships with website users and product suppliers need to be documented correctly. It’s not just a formality; it’s your interest’s protection.

Not so long ago we were contacted by a project that couldn’t get money for software they’ve already made because the requirements for the product and rules for its acceptance were not stipulated in the contract. As a result, the customer was able to place demands after demands without accepting the product and paying for it.

These mistakes may seem trivial, but they can be the reason for some serious negative implications for your business. Try to avoid them.

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