

# Six Most Important Agreements for your Start-up!

October 09, 2020

## In brief

As a start-up founder, you have many responsibilities along with a long-term vision to be accomplished. Start-ups should ensure that they don't end up in legal soup by missing out an important legal document and agreement for their business, in order to attain their vision.

## In detail

At an early stage, there are various challenges which includes proper implementation of idea, marketing strategies, managing clients and taking many decisions for the product, the market, the finances, and so on. Start-ups are a playground for entrepreneurs to showcase their skills and abilities to the world.

As, it is a proven cause that the absence of a strong legal structure for a Start-up takes an enormous toll at a later stage. While constantly chasing the vision and success of the company, founders must pause and somehow cover their company's legal base.

Especially with growing company, your team will want to protect their idea and ensure that no one else can implement your idea before you do.

Ideas are often less valuable than the execution, innovation still plays major role for success of any business.

Some of the agreements which start-ups must execute are as follows:

### 1. Co-Founders Agreement

With many things going into launching a start-up, it can be tempting to forget to draft your

Co – Founder's Agreement.

Founders and Co-founders of a small start-up today may one day become successful entrepreneurs. They are responsible for laying down the foundation and building it up from scratch.

However, while doing this, the Co-founders often ignore having a legal document that defines the terms and conditions of their relationship. This small yet crucial piece of paper is known as co-founder's agreement which establishes the relationship between the co-founder of start-up.

A Co-founder's agreement come to your aid when things don't go as planned. Don't skip this step, founders.

### 2. Operating Agreements

An operating agreement is a legal document that outlines the financial rules, responsibilities of founders, how disputes are resolved etc. Basically, they're the way you and your co-founders will outline everything you need to know and do in order to successfully run your start-up.

Operating Agreements are also important because they protect you and your cofounders from disputes down the line and disputes will happen.

### 3. Intellectual Property (IP) Assignment agreement

A number of different people may contribute intellectual property to your new start-up. Innovation often occurs prior to formation of a company.

Generally, IPR belong to the individual who created the work in the first place. Independent contractors have even more rights. Written agreements can make sure that all rights are assigned to the company. In fact, a written agreement is required for certain types of intellectual property assignments.

If you have a trade mark, design or invention, you should consider getting it registered as it gives you ownership rights and you can enforce it in circumstances of infringement. A registered IPR is very valuable for the business.

However, registration comes at a cost and you should view this as an investment.

If funds are tight, choose to register the IP which is considered valuable for your business at that moment. Once your start-up has more cash flow, you can always expand this protection.

### 4. Non-disclosure Agreement

When you are committing to a start-up venture, you and your co-founders will understandably want to protect your “**x-factor**”—the information that makes your product or service unique, whether it's intellectual property, know-how, or trade secrets.

An NDA or Non-Disclosure Agreement, is a legally binding arrangement between two parties where one or both parties will classify confidential information and prohibit the other party from disclosing such information.

The most crucial part of the agreement is making sure that it clearly describes all the information that the Receiving Party must keep confidential. The Receiving Party needs to know exactly what information they cannot disclose.

An NDA is only as good as the protection it offers your confidential information. In the case of a breach, there are several remedies to the harmed party.

## 5. Investment agreement

As a business owner, the idea of accepting expertise and a big cheque from an outside investor can seem like a complete win for you and your business. However, when an investor invests in the business he comes with few terms and conditions.

Among the plethora of contracts and agreements available for start-up of all sizes and stages of development, Investment Agreements remain one of the

most useful agreement from the investor's viewpoint.

An investor invests in the start-up with a faith that the idea is creative and innovative and will lead to generation of profit in the long term. However, the investor needs to protect himself from as he is not involved in day to day activity of the business but it's the money which is involved. He needs to safeguard himself from misappropriation of funds. In particular, the investment agreement protects and add to the security, transparency, stability and predictability of the investment framework.

These agreements are no sure shot for success of your ventures. It's your dedication to take your start-up to new heights with proper preparation. For that, it is really required to put some effort into getting the legal formalities for a brighter future as a Company.

## 6. Employment agreement

A start-up company may find it useful and in its best interests to have an employment agreement in order to exercise a degree of control over an employee's ability to leave.

Such an agreement may lock an employee in place for a specific period of time or, at the very least, require the employee to provide a specific amount of notice prior to leaving. An employment agreement can set performance standards and grounds for termination. With those spelled out, a company may find it easier to hold an employee accountable and terminate an employee should

that employee fail to live up to the company's standards.

A start-up may want to take affirmative steps to attract and retain an employee with specialized knowledge or technical skills applicable to critical company functions; particularly since replacing such employees may prove difficult.

A company need to have an employment agreement with an employee to limit the employee's ability to disclose confidential information or compete against the company.

## Conclusion

These agreements are no sure shot for success of your ventures. It's your dedication to take your start-up to new heights with proper preparation. For that, it is really required to put some effort into getting the legal formalities for a brighter future as a company.

While time is a precious resource for any start-up, founders should prioritize putting these agreements into place to secure their company's future. As a start-up, you cannot afford to miss out on good deals, but it is also important to ensure the best quality and protection of your ideas.



### ***Our Offices***

Mumbai, Maharashtra

Jabalpur, Madhya Pradesh (M.P)

### ***Contact Details***

**Mob:** +91 8454 989 789

**Email:** [info@lawgicalstartup.com](mailto:info@lawgicalstartup.com)

### ***About Lawgical Startup***

We are Mumbai based digitized platform to provide legal and secretarial services, enabling Entrepreneurs to focus on their dream projects. One of the key factors with us is our affordable rates and 24x7 assistance to Entrepreneurs. Usually people who aspire to build a startup, give up on their dream projects due to complexities involved in statutory requirements and legal side of any industry, we at Lawgical Startup make sure that you can focus on building your dream business and we handle all your legal and secretarial work. Among many other benefits, cost involved with secretarial and legal services is always a considerable factor for all types of businesses, big or small, we make sure that our services are offered at affordable rates.

We are a team of Professionals having rich experience working with startups across various industries. Our focus is to make sure that our clients never have to worry about any statutory requirements or messy paper work involved in the process.

### ***Follow us on:***



This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, Lawgical Startup, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Without prior permission of Lawgical Startup, this publication may not be quoted in whole or in part or otherwise referred to in any documents.