

Start-up Legal Issues

Consider These Issues When You Start a Business

As a law firm which counsels many start-up businesses, we believe this information will help you protect your new business.

Incorporation It is an absolute must to incorporate. If you do not, all of your personal and family assets are at risk.

Multi-Owner Businesses One day in the future you or one of the other owners will want to leave the business and cash out your shares. You need a Buy-Sell Agreement to agree on how this is to be done. You must agree on this now because in the future the owners will undoubtedly disagree on the how to transfer/cash out.

Workers If you will use independent contractors (I/C), be certain this classification is correct. If you fail to follow the rules, they could be deemed by the IRS or Illinois Dep't of Labor to be W-2 employees. The incorrect classification can personally subject you to severe penalties and interest. Please read our article.

Insurance Obtain the correct types and amount of insurance. A good broker can explain the types of coverages and algorithms used to help predict appropriate coverage needs based on your specific industry. Besides general liability and property coverage, think about cyber-risk, disability and life coverages.

Protect your names, data and methods

- Screen company/ product names with a search.
- Apply for trademark protection.
- Protect inventions through patent.
- Protect IP from leaving the company by using trade secrets protection with your vendors and partners.
 - Use "CONFIDENTIAL PROPERTY" notices.
 - When service providers sell you services, they must assign their rights to you or you do not own the rights (e.g., your web site)

Contract System Create form contracts to protect your right to be paid. Businesses' needs vary by industry.

Agreement with Employees Every employee should sign a non-negotiable form agreement that (1) they will not ever use or disclose any company confidential information, (2) the company owns all rights to ideas developed by employee such as inventions, and (3) the employee shall not solicit any customers of the company for two years after leaving the company.

Workers Compensation Insurance Acquire Worker's Compensation insurance for your employees. Illinois requires all employers to carry this insurance.

Follow Corporate Formalities Corporations must use certain procedures to maintain their legal shield. For example, do not commingle business and personal money. An article I wrote describes 33 such requirements. We will happily send this to you.

Business Plan and Budget Even if it's only 5 pages and not written by a consultant, it will be very valuable to state your plan and create a preliminary budget.

Ownership of Your Website and Code Unless you have a contract with your web site designer and software developer and unless the contract states you own the code you do not own it. Get a proper contract with the needed language in it.

Lease Many important obligations and restrictions are in your real estate lease. These are often not in plain English. If you negotiate your lease well, you will avoid undue worry. Pay close attention to your lease terms.

Bank Borrowing Banks use complicated legal language in their loan documents. You can negotiate away some of these risks to prevent the bank from calling the loan. Be sure you understand these potential problems before signing. Get any loan commitment in writing.

Contact Us

If we can help you or you would just like to talk to us, please call our office or send us an e-mail. References are available upon request.

We wish you the best of luck with your business!

Cordially,

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About Charles Brown, Esq.

Charlie is a 30-year, accomplished attorney for businesses in diverse industries nationally and internationally. He specializes in IP (patent management, trademarks and trade secrets) and corporate law. He counsels start-up and developed companies.