

Legal Documents for Every Startup

In [starting a business](#), entrepreneurs choose the best location for their operations, the perfect products and services that will suit the market, the financial goals such as the return of investment and income forecasts, [business proposal](#) drafts for investors, and the company's [mission](#) and [vision statement](#). Yes, these are all essential in [making an effective business plan](#). However, even when a company has set these standards, its success becomes short-lived because of the inevitable disputes such as employee relations, problems with taxes, and stolen intellectual properties—causing legal penalties or costs that lead to financial loss. For a long-lasting business foundation, it must build a suitable legal structure through investing in legal documents.

Top Legal Documents for Every Startup

For security, rights, and smooth flow of organization in the internal and external factors of a business, here are the top legal documents and [contracts](#) needed for every startup company.

Non-disclosure agreement

In a competitive industry, business owners always gather innovative ideas for better products and services -- but these unique ideas don't appear overnight. These require perseverance and major brainstorming and sometimes may take years of research and hard work. But what will happen if a brilliant and unique idea for a project that may bring millions to a company becomes broadcasted in public? Not only will it lose its worth, but major competitors will also see this as an advantage -- forming a significant threat to the company.

To avoid this from happening, intellectual properties such as unique ingredients for a dish, formula for products, or strategies for individual services, can be protected through a [non-disclosure agreement](#).

This agreement can be stipulated to one party -- usually an employee. This can also be a mutual agreement between businesses or people on a joint venture.

Shareholders Agreement

To smartly identify the roles of the investors in the company and their percentage on its profit, a [shareholders' agreement](#) will serve as a legal reference. This agreement also includes a statement of whether or not the company can buy back its shares from the holders or what the consequences are if the investor can no longer actively own his shares.

By investing in shareholders' agreement, the rights of shareholders become protected from any possible disputes in the future when significant changes arise in the enterprise, which will build trust and attract more investors for the company's growth.

Assignment of Intellectual Property

The assignment of intellectual property is a legal document that states a legal transfer of an inventor's ideas to another business—if the company decides to sell its inventions, strategies, or methods—provided that it states whether a disclosure to a third party is prohibited or not.

This means that when an enterprise decides to use another company's ideas for its improvement, an assignment of intellectual property is vital to serving as proof of permission.

Trademark, Copyright, and Patent Registration

Trademarks of a company such as [logos](#) are essential in business, mainly because a simple mark creates a legacy in the industry and earns the trust of consumers. A logo that has been in business for 50 years may be tainted with a bad reputation when used by a new enterprise for its advantage. This is why trademark registration is essential to protect the company's image.

Copyrights such as songs or literary works and patents, such as the company's inventions of new products and processes, can also be protected from theft or unwanted ownership through legal registration.

Operating Agreement

An operating agreement will be a legal reference to ensure the rights and responsibilities of the owner or owners of the company. This contract states the planning and management of operations as well as the company's business finance and objectives of the enterprise.

Employment contracts

An [employment contract](#) is a legal document that states the rights and responsibilities of both the employer and employee. This will also give an analysis of the employee's job post, his working schedule, code of conduct, and the consequences or notice to be given when violations occur. This also states the rights of the employer to terminate an employee with due process.

Notice of Assignment

A notice of assignment is a legal document to be given to the customers or clients in case a businessman or company decides to re-route existing accounts receivables to a finance company that manages its business finance.

This can be a reference in case there will be accounting discrepancies, a proof that you have given your proper notice in case clients will claim that they have settled their payables however not received by your financial manager.

Article of Incorporation

The Article of Incorporation is a document needed as proof that a government recognizes the corporation, and it is legally operating. This entails necessary information of the corporation, its board of directors, size of business and duration of establishment, and the names and signatures of the persons in charge of filing the article.

The government uses such data in determining the corporate tax rate of an entity.

Corporation Bylaws

For a corporation to be stable with its leaders and purpose, corporate bylaws document is an essential reference of the organizational procedures such as the election of officers, regular schedule of meetings, rules, expectations set for the board of directors, and how investors are compensated. This is useful in reminding board leaders of their mission, making it a basis for the overall effectiveness of the company.

Privacy policy

This legal document serves as an assurance to the company's customers that their personal data and information collected by the enterprise are being protected from disclosure. This will build trust and gain loyalty from clients or customers.

With the advancement of technology, the privacy policy also becomes necessary in websites. Doing so would state that the user's information is being protected, especially now that most businesses already operate through the internet, and sensitive data such as credit card information or government IDs are being leaked.

Incorporation agreement

[Incorporation agreement](#) is a legal document that states agreements among co-owners of a corporation, an estimate of the profit of each, and a range of authority of the founding members.

This is to protect the personal assets of the shareholders, in case significant problems arise in the company that might involve monetary loss.

Software and IP Licenses

Software is made of codes, and these codes can be used for the development of other software when allowed by the inventor. Software and IP licenses state if the software codes can be used or distributed, and software inventors need licenses to protect their intellectual property from unwanted distribution or hacking of their developed systems.

No matter the size of the business—whether it's a sole proprietorship, partnership, or a big corporation, being knowledgeable of the top legal documents that every startup should have, from employment agreements to business contracts, will bring company awareness, business growth, smooth internal operations, business efficiency, and good relationship with shareholders and consumers.