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B.Com Honours

Semester I

Calicut University

Business Start-up Essentials

Course Code: COM1FM105 (1) • Module 4 Notes

1. Legal Structures, IP Protection, and Contracts

Failing to establish a solid legal and regulatory foundation is a primary cause of startup failure. Legal disputes over equity splits, contract breaches, or intellectual property (IP) theft can bankrupt a startup before it reaches the market. This final module covers business structures (sole proprietorships, partnerships, LLPs, and companies), intellectual property protection, co-founder agreements, and business ethics.

Comparing Business Structures

Legal Structure	Liability	Compliance & Capital	Best Suited For
Sole Proprietorship	Unlimited Personal Liability (owner assets at risk).	Minimal compliance; cannot raise external equity funding.	Local retail shops, freelance professionals.
Partnership	Unlimited Joint and Several Liability.	Moderate compliance; limited to partner resources.	Professional service firms (lawyers, consultants).
Limited Liability Partnership (LLP)	Limited to partner capital contribution.	Low-to-moderate compliance; cannot issue public stock.	Service startups, small manufacturing units.
Private Limited Company (Pvt. Ltd.)	Limited to shareholder equity. Separate legal entity.	High compliance; can raise venture capital and angel funding easily.	High-growth tech startups seeking VC investment.

Intellectual Property (IP) Protection

IP protection secures the intangible assets of a startup, creating a competitive moat:

Patents & Trademarks

- **Patents:** Grant exclusive rights for a new invention (device, process) for a limited period (typically 20 years). Requires public disclosure.
- **Trademarks:** Protect brand names, logos, slogans, or symbols that identify product origin (e.g., McDonald's golden arches).

Copyrights & Trade Secrets

- **Copyrights:** Protect original artistic or literary works (books, music, software code, website copy).
- **Trade Secrets:** Protect confidential business information (formulas, algorithms, customer databases) through NDAs and security (e.g., Coca-Cola formula).

Startup Contracts and Legal Agreements

Contracts provide clarity and bind partners legally. Startups utilize several key agreements:

- **Co-founder Agreement:** Specifying equity split, roles, and a vesting schedule (earning shares over 3-4 years to prevent founders from leaving early with full equity).
- **Non-Disclosure Agreement (NDA):** Prevents employees, contractors, or partners from sharing proprietary secrets.
- **Employment Agreements:** Clarifying salary, intellectual property assignment (ensuring IP belongs to the company, not the developer), and termination clauses.

Ethical Considerations in Business

Startups face unique ethical pressure to "fake it until they make it." Ethical dilemmas include:

- **Growth Hacking vs. Deception:** Inflating user numbers or metrics to attract venture capital.
- **Data Privacy:** Exploiting user data without clear consent.
- **Social Responsibility:** Ensuring sustainable practices and ethical treatment of gig-economy workers.

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