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LEGAL BOOTSTRAPPING: Making the Most of Your Legal Budget

By: Frank A. Natoli, Esq.

Let's face it, for many of us starting a new business on a shoestring budget the prospect of hiring a competent business attorney is little more than a pipedream. As a grassroots entrepreneur, I get that. But as a small business and IP lawyer, I also know that there are some legal considerations a new business cannot afford to overlook. That said, I attempted to identify what I consider to be, the four most important considerations even the bootstrapping start-up will need to address.

1. PROTECT YOUR PERSONAL ASSETS:

In short, this means you absolutely positively need to create a properly formed limited liability entity (LLC, C-Corp, S-Corp, etc.) if you plan on conducting any kind of business activity anywhere. The old "sole proprietorship" that you can file in your county offers no legal distinction between YOU and the company. This means any action filed against you in the course of your business activities will be directed at you and more importantly, your personal assets. A limited liability entity will serve as a shield to protect your personal assets from a law suit. Forming a proper business entity should not be a daunting and expensive process, but be sure to discuss it with a competent legal advisor so you understand all the responsibilities, formalities and obligations involved.

2. PAPER YOUR DEALS PROPERLY:

Too many new businesses anxious to get the revenue ball rolling ignore the importance of having the appropriate contracts and agreements prepared to protect their interests. This can be a big mistake. I always make sure my clients have, at the very least, their primary contract(s) (service agreement, EULA, License, Privacy Policy, etc.) developed BEFORE they begin transacting their business. Bootstrappers also need to be keenly aware that copying and pasting another's contract to your website or using some "boilerplate" contract you grabbed online can be extremely counterproductive. Every transaction, business, website, individual or company has unique issues that should be addressed before committing to any deal. Remember, this is all about an "ounce of prevention . . ."

3. MAKE SURE YOUR TRADEMARK DUE DILIGENCE IS DONE BEFORE YOU START SPENDING BIG MONEY ON YOUR BRAND!

None of us would consider buying a business without conducting the proper due diligence on it. Yet so many entrepreneurs give short shrift to their trademark due diligence, which is also a form of insurance. Here is the scenario we see all the time: new business starts without giving any consideration to their brand or product names (trademarks). In the beginning, this poses no issue. But then things start moving along and more meaningful money is spent on marketing,

advertising and branding efforts. Now, this new business is well on the radar of their competitors and just as things look great – BAMM – you are hit with a Cease & Desist letter from a firm poised to launch an infringement action. Now you realize that you spent all that money on a brand name you have no right to use. If you intend to use your business name as a trademark that identifies your goods or services, you should have that name searched, cleared and filed before you start making a significant investment. Just filing the name with your state of registration does not protect your trademark. Having this done correctly from a knowledgeable professional does not have to break the bank, but it should be in your budget and not overlooked.

4. LEGAL RESEARCH ON YOUR SPECIFIC BUSINESS OPERATIONS:

It should go without saying that if there is any question about the legality of the nature of your business, it should be researched before making any investment. I can't tell how new entrepreneurs come to us with what they think is just a great idea only to realize that it violates the laws of all 50 states and several treaties. Many types of businesses, such as investment advising, financing, sweepstakes/contests, even some retail and e-commerce businesses all require the proper licenses or registrations. In many instances, the entrepreneur can unwittingly be committing a crime. So this is serious. Make sure your business operations clear all necessary federal and state regulations and laws before committing and putting yourself in a compromising situation.

This is by no means an exhaustive list of issues a new business needs to consider. I merely suggested what I think are some of the most important aspects often overlooked by a bootstrapping entrepreneur. I know how expensive reliable legal services can be, which is exactly why I created our service, but wherever possible you should consult a professional to help you avoid the many pitfalls a new business can face.

I am Frank Natoli, Esq., the Founder & CEO of the law firm of Natoli-Lapin, LLC, home of Lantern Legal Services. Lantern Legal is our suite of cost-effective, flat-rate legal solutions designed for entrepreneurs, small businesses, independent inventors & artists. If you believe we can ever be of service, feel free to contact us - your inquiries are always welcome!
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