



BULLETIN

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Startup Law Series- 1

WHAT IS STARTUP LAW?

In general, Startup is the implementation of a new business idea/model with the purpose of solving a problem. The concept of startup, which includes multiple areas of expertise and the requirements of commercial life, is closely related to the legal order that binds the entrepreneur and the investor.

For example, in addition to technical and commercial processes, legal processes also play a vital role in the process of realizing the idea. There are legal processes at every step, from the establishment of the company to ensuring the workflow and finally to the investment and "exit" process, which is the dream of most entrepreneurs. The execution of all these legal processes is the main field of study of startup law, which is the common intersection of law branches such as Intellectual Property Law, Corporate Law, Investment Law, E-Commerce Law, Personal Data Protection Law, Labor Law and Tax Law.

WHAT TO CONSIDER WHEN ESTABLISHING A STARTUP?

In terms of the Incorporation Process:

Another important aspect is the incorporation process of the startup. Which business model and which type of company to establish at this stage is one of the most common and important questions.

Limited and joint stock company have their own pros and cons. For example, it is important to be able to provide capital and continuity in the early stage of company establishment. The minimum capital amount for the establishment of a limited company in Turkey is 10,000 TL, while for the joint stock company it is 50,000 TL. Although startups tend to prefer the less costly route at this stage, it is more advantageous to have a joint stock company in the long-term. In joint stock companies, situations such as the legal liability of shareholders and the fact that the transfer of shares is not subject to registration in the trade registry have positive effects for any investors.

However, if your company was established as a limited liability company, we would like to point out that at this stage, you have the opportunity to convert your company into a joint stock company through a type change transaction.

Moreover, another important consideration during the company incorporation phase is the determination of mutual rights and obligations with the shareholders' agreement to be signed between the owners of the startup that they are going to be shareholders. This agreement regulates important issues such as the conditions and structure of partnership in the company, the management of the company, share transfer transactions, shareholders' obligations towards each other and the company, such as non-competition.

In terms of Intellectual Property Rights Protection.

As an entrepreneur, after creating the business model, it is important to pay attention to whether your business model is original and whether it will not be subject to a legal dispute in the future. Afterwards, it is essential to carry out legal processes for the protection of trademarks, patents and copyrights to protect your original idea and to transfer the intellectual rights to your company. For example, you have founded a technology startup, and you are working with software developers. Transferring the intellectual property rights of the outputs such as software and website designs produced by the employees to the startup protects you from the risk of future disputes and you will be out of the risk zone in this area when the investor examines your company within the scope of legal due diligence.

In terms of Taxation Rights and Obligations:

Following the completion of the incorporation process, the entrepreneur will have tax obligations and some rights. In this context, the entrepreneur must fulfill his obligations as a taxpayer. In addition, with the advice of specialist tax consultants and lawyers, they may benefit from tax incentives and discounts.

In a nutshell, the main focus in the startup establishment phase is growth, but the parallel execution of legal processes at all steps from the establishment has a positive effect in the long and short term. Determining the organization chart for the growth and commercial activities of the company, creating contract sets, taking corporatization steps and completing all these processes on a legal basis, create a positive impression for the investor and play a very important role in the speed of progress of the processes.

Our professional lawyers and financial and tax advisors have extensive experience in startups, and they can provide the right answers and solutions for your startup. Even in a situation that you have already started your project and established your company, some action may be taken to put the startup on the right direction, avoid any problems and have the best resolutions.

If you have any questions, please don't hesitate to [contact us](#).