

Essential Legal Considerations Before Starting a Business



A Tishkoff PLC eBook



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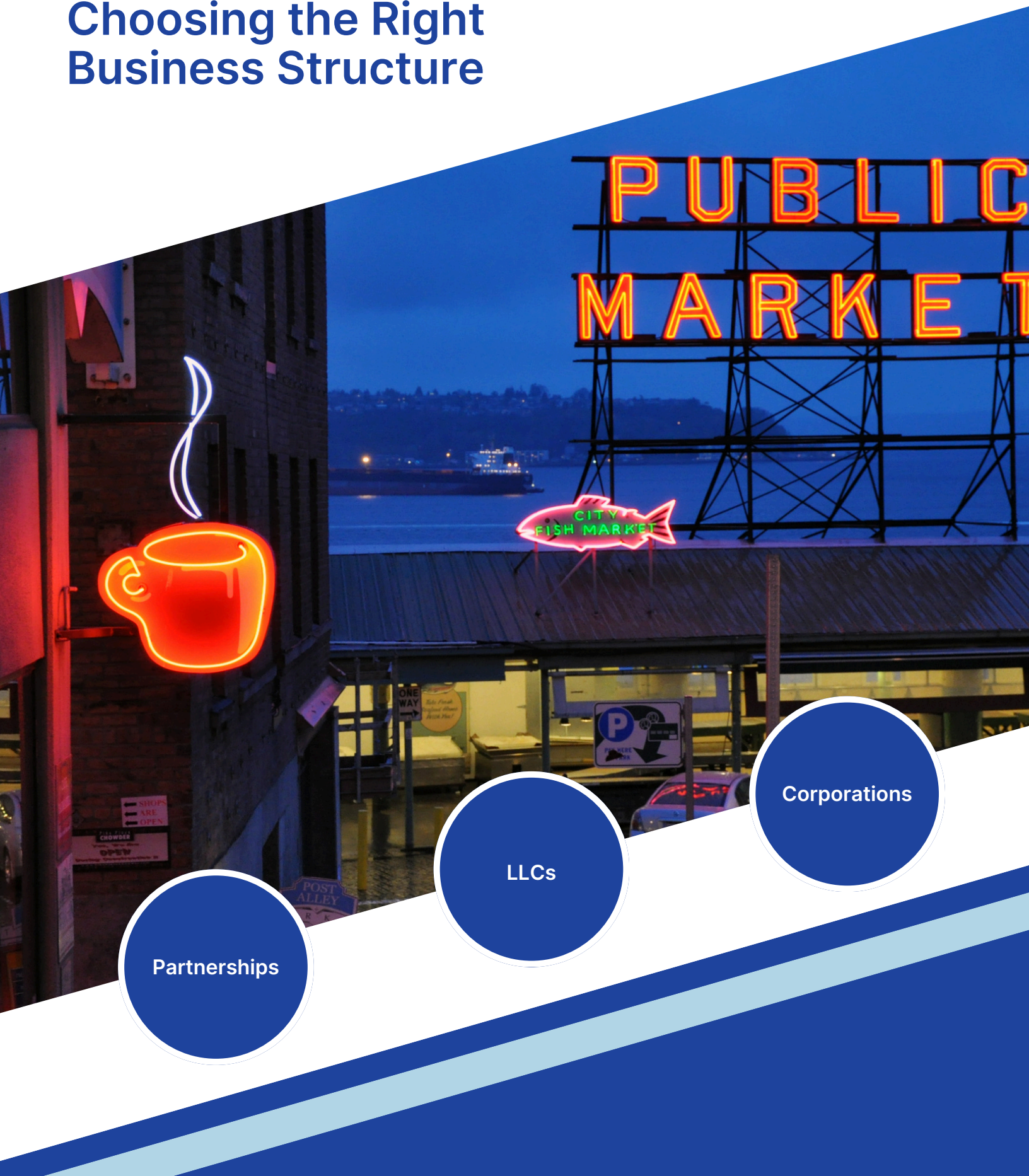
Introduction

Starting a new business is an exciting venture, but it also brings various legal challenges that entrepreneurs must tackle. Addressing these issues proactively can help minimize disputes and costly litigation down the road. By giving early and careful attention to these legal areas, entrepreneurs can concentrate on growing their business confidently and sustainably. This guide offers practical insights into essential legal topics that new businesses should consider from the outset.

Please note this eBook should be used for learning and illustrative purposes. It is not a substitute for consultation with an attorney with expertise in this area. If you have questions about a specific legal issue, we always recommend that you consult an attorney to discuss the particulars of your case.



Choosing the Right Business Structure



Partnerships

LLCs

Corporations

Selecting the proper business structure is foundational because it significantly impacts taxation, personal liability, and operational responsibilities. Every structure comes with distinct benefits and limitations, and entrepreneurs should choose wisely based on their specific circumstances.

A sole proprietorship is the simplest and most direct form of business ownership. Owners report business earnings on personal tax returns but also assume significant risks, as personal assets can be targeted to satisfy business debts or liabilities.

Partnerships are appealing because they allow two or more individuals to share responsibilities and profits. However, they also come with joint liability, meaning partners may face personal responsibility for business obligations. Partnership disputes over money management, profit-sharing, or business direction can unfortunately lead to litigation.

Limited Liability Companies (LLCs) offer valuable protection by clearly separating personal and business liabilities, safeguarding members' personal assets from business creditors. LLCs operate under an operating agreement, which defines internal roles, responsibilities, and how disputes should be resolved, providing clarity and reducing conflict.

Corporations, whether structured as S or C types, provide the strongest protection against personal liability. However, they also entail stricter regulatory requirements and greater administrative complexity. Shareholder disputes, particularly around corporate governance and fiduciary duties, frequently result in litigation.



Intellectual Property (IP) Protection

Protecting intellectual property is crucial for businesses seeking a competitive edge. Entrepreneurs should proactively understand how trademarks, copyrights, patents, and trade secrets can safeguard their innovations and branding.

Trademarks secure critical elements of a brand identity, such as logos, names, and slogans. Conducting thorough trademark searches early on can prevent conflicts and expensive infringement disputes.

Copyrights protect original creative works. While copyright arises automatically at creation, formal registration enhances protection, especially when enforcing rights legally. Businesses should diligently manage licensing to ensure they avoid infringement claims.

Patents offer exclusivity for inventions, giving businesses the right to exclude others from producing or selling their products. Although obtaining patents can be complicated and expensive, the protection provided is crucial for innovative businesses. Patent litigation, however, is particularly complex.

Trade secrets encompass confidential business information that offers a competitive advantage. Effective protection involves rigorous confidentiality agreements and strong internal security measures. Misuse or leaks, especially involving former employees, can lead to serious litigation.





Contracts and Agreements

Well-drafted contracts form the foundation for strong and legally sound business relationships. Detailed agreements clearly articulate each party's obligations, including deliverables, payment terms, intellectual property rights, confidentiality clauses, termination conditions, and dispute resolution methods.

Disputes often arise from unclear or incomplete agreements with vendors, clients, partners, or employees. Clear, comprehensive contracts reduce misunderstandings and limit the likelihood of litigation.

If your business will involve setting up third-party vendor agreements, check out Tishkoff PLC's "Vendor Agreements" eBook: <https://tish.law/wp-content/uploads/2025/01/Vendor-Agreements-eBook.pdf>.

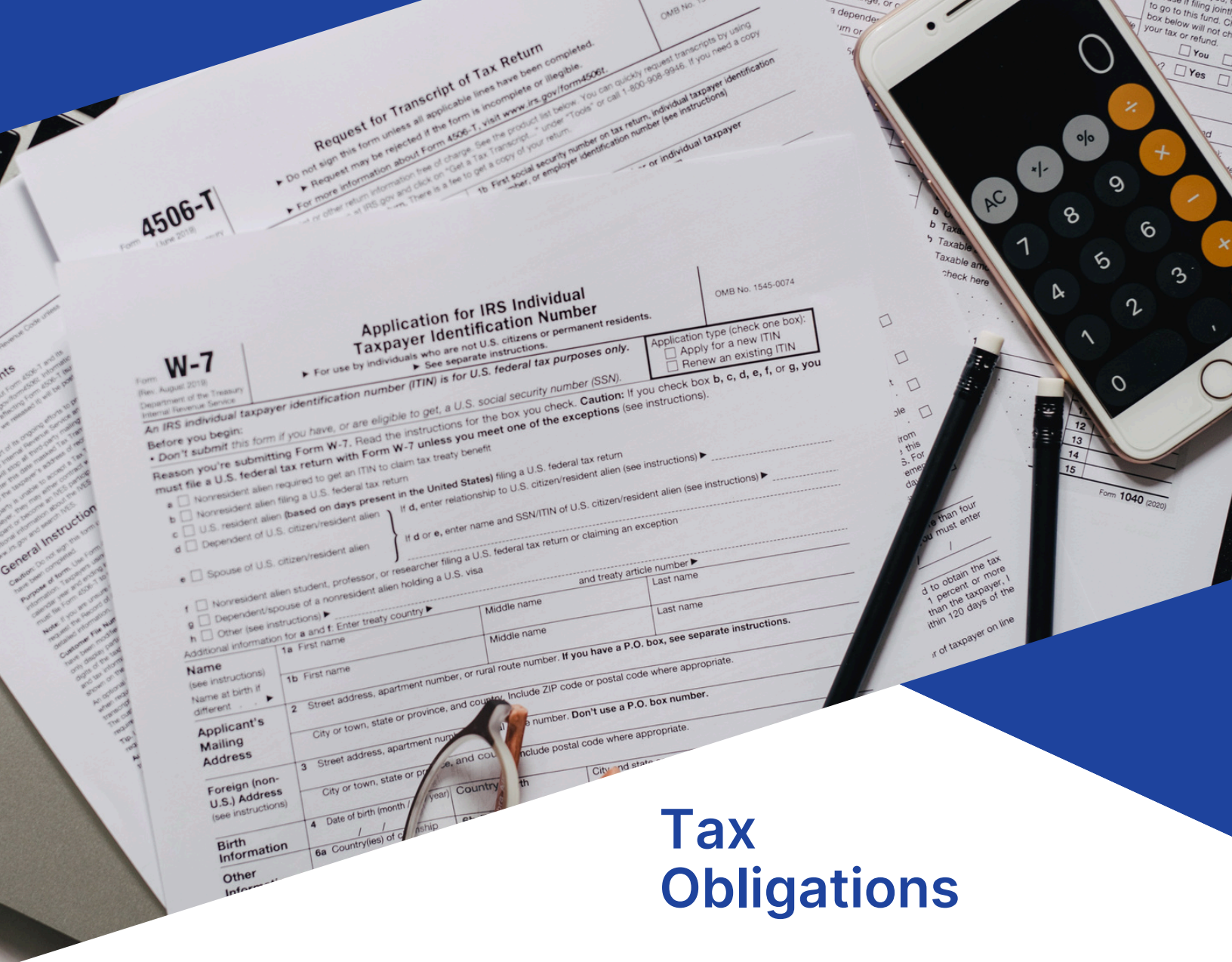
Regulatory Compliance

Businesses must secure all necessary federal, state, and local permits and licenses before commencing operations. Operating without proper authorization can result in fines, penalties, or even forced closure. Staying compliant requires continuous monitoring of permit expirations and regulatory updates to prevent costly enforcement actions.

Proactively engaging with regulatory agencies early in the business planning process can significantly streamline permit acquisition and compliance management. Establishing clear lines of communication and seeking guidance directly from relevant authorities helps businesses stay informed about potential regulatory changes or additional licensing requirements specific to their industry.

Implementing a robust internal compliance program—including regular audits and employee training—also ensures ongoing adherence to evolving regulations, thereby minimizing the risk of disruptions or unexpected compliance issues down the line.





Tax Obligations

Understanding and meeting tax obligations is essential for every new business. Entrepreneurs should be familiar with income tax, sales tax, employment taxes, and industry-specific tax requirements. Consistent record-keeping, timely filing, and accurate reporting are essential to avoid audits, fines, and possible legal actions.

Businesses should consider consulting with tax professionals or certified public accountants (CPAs) to establish effective tax planning strategies from the outset. Leveraging professional expertise can assist entrepreneurs in identifying eligible deductions, credits, and incentives, potentially reducing overall tax liabilities. Additionally, maintaining awareness of changes in tax legislation and regularly reviewing financial practices help businesses adapt proactively, ensuring long-term compliance and financial stability.

Employment Law Compliance

Clearly defined employment agreements that specify job responsibilities, compensation, benefits, and termination processes are crucial. Employers must rigorously adhere to wage laws, classification rules for workers, workplace safety standards, and anti-discrimination regulations.

Common employment-related disputes include wrongful termination, discrimination claims, wage and hour issues, and contract breaches. Taking proactive steps in employment law compliance significantly reduces these risks.

To further illustrate potential employment law pitfalls, the following table provides examples of common violations and associated litigation scenarios. Proactive attention to these crucial aspects of employment law is essential for businesses to foster a positive and legally compliant workplace, thereby minimizing the risk of costly and disruptive litigation.

Violation Type	Description	Example Litigation Scenario
Discrimination	Treating employees differently based on protected characteristics (race, gender, age, etc.).	A female employee is denied a promotion for which she is qualified, and a less qualified male employee is chosen instead.
Harassment	Creating a hostile work environment through offensive jokes, slurs, or other unwelcome conduct.	Employees are subjected to repeated racial slurs by a supervisor, and the employer fails to take corrective action after being notified.

Violation Type	Description	Example Litigation Scenario
Wage and Hour Violations	Failing to pay minimum wage, overtime, or provide required breaks.	Non-exempt employees are regularly required to work more than 40 hours per week but are not paid overtime compensation.
Wrongful Termination	Terminating an employee for an illegal reason (e.g., discrimination, retaliation) or in breach of contract.	An employee is fired shortly after reporting sexual harassment by a manager.
Breach of Employment Contract	Violating the terms of an employment agreement.	An employer fails to pay an employee a promised bonus upon achieving specific performance targets.
Retaliation	Taking adverse action against an employee for engaging in protected activity.	An employee is demoted after filing a complaint with HR about discriminatory practices in the workplace.
Misclassification	Incorrectly classifying employees as independent contractors to avoid paying benefits and overtime.	Workers who perform the same tasks and are under the same control as regular employees are classified as independent contractors without receiving benefits.

Construction and Real Estate Considerations

Businesses involved in construction or real estate must comply with zoning laws and obtain all necessary building permits. Well-crafted construction contracts outlining scope, timelines, payment schedules, and quality standards are essential to preventing costly disputes.

Real estate ownership requires clear titles and documented property deeds, along with a thorough understanding of potential encumbrances or restrictions. Detailed lease agreements help prevent common landlord-tenant conflicts.

Litigation frequently occurs around zoning violations, construction defects, permit problems, and contract disagreements.





Data Protection and Privacy

Compliance with data protection and privacy regulations like GDPR and CCPA is increasingly critical. Robust data security measures protect businesses from breaches that could lead to litigation, regulatory penalties, or damage to reputation.

Common legal pitfalls include unauthorized data access, privacy violations, and insufficient security practices—all of which carry serious legal and financial risks.

If you're interested in the impact using new genAI tools in your business might have on data privacy legal compliance, check out Tishkoff PLC's eBook "Generative AI and the Law for Businesses": <https://tish.law/wp-content/uploads/2025/02/Generative-AI-and-the-Law-for-Businesses-eBook-min.pdf>.

Conclusion

Proactive legal planning significantly reduces litigation risks and supports long-term business success. Engaging with experienced legal counsel early, and maintaining ongoing compliance, positions businesses to confidently navigate complex legal challenges and focus on sustainable growth.

By embedding compliance into company culture, businesses further minimize vulnerabilities and foster an environment of accountability and transparency. Ultimately, strong legal foundations not only protect against potential liabilities but also enhance a company's reputation and competitive advantage in the marketplace.



Questions about business law or litigation?

Contact Tishkoff

Tishkoff PLC specializes in business law and litigation. For inquiries, contact us at www.tish.law/contact/. & check out Tishkoff PLC's Website (www.Tish.Law/), eBooks (www.Tish.Law/e-books), Blogs (www.Tish.Law/blog) and References (www.Tish.Law/resources).

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Further Reading

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