Best Practices for Starting a New Venture When Transitioning From a Similar Job – A Blog Post by David Goldenberg

Layoffs in tech often lead to the founding of new companies. Starting a company in a field similar to your prior job does, however, have some risks. A few thoughts and best practices below.

Being fired from a job can be a challenging experience, but it can also present opportunities for growth and new ventures. Starting a new company can be an exciting and rewarding experience, but it also comes with its fair share of challenges and legal issues that need to be addressed. Here are some best practices for people who have been given notice or recently fired from their job who want to start a new company.

1. Evaluate Non-Compete and Non-Disclosure Agreements

If you were previously employed in a job that required you to sign non-compete or non-disclosure agreements, it is essential to review these agreements before starting a new company. These agreements can restrict your ability to compete with your former employer or share confidential information, which can limit your ability to start a new business. You should consult with an attorney to evaluate these agreements and determine how they may impact your plans.

2. Protect Your Intellectual Property

Similarly, if you have developed any intellectual property, such as code, ideas, patentable inventions or other materials while working for your former employer, you need to ensure that you have the right to use these assets in your new business. Many times the employer will make you sign an inventions assignment agreement, which should be reviewed. In both these cases, if you are unsure, you should consult with an attorney to clarify ownership rights and/or obtain permission to use the intellectual property.

3. Incorporate Your Business

Incorporating your new business is essential for protecting your personal assets and limiting your liability. It is also necessary for obtaining financing and conducting business activities such as entering into contracts and hiring employees. Different types of entities are best for different types of businesses, but whether it's an LLC, S-corporation or C-corporation, an entity will help limit your risk.

4. Obtain Licenses and Permits

Depending on the nature of your business, you may need to obtain licenses and permits from various government agencies to operate legally. These requirements can vary depending on your industry,

location, and other factors. Before getting too far in developing your new idea, it is important to understand what regulatory requirements will apply to your business.

5. Protect Your Personal Assets

Starting a new business can be a risky endeavor, and there is always the possibility of being sued or facing other legal issues. To protect your personal assets and the company, it is essential to obtain adequate insurance coverage and to separate your personal and business finances.

Starting a new business after being fired from a job can be a challenging but rewarding experience. By following these best practices and consulting with an attorney, you can navigate the legal issues involved in starting a new business and minimize the risks associated with entrepreneurship.