

## NURTURING START-UPS

# Now, a clinic for legal advice to start-ups

New-age ventures are having a boom of sorts but face a number of unforeseen hurdles in the law, with TiE's Bengaluru arm finding a need for this service

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Sometime in 2014 as he was getting ready for a funding round, Sameer Grover, founder of consumer cashback app Crown-it, faced an unexpected hurdle. He had been unaware that a key feature in the app was 'unlawful' and could lead to litigation, till a lawyer friend told him.

"I had only a couple of lakhs (of rupees) after developing the product," he said at a recent start-up conference, organised by Legal League Consulting. He discovered that paying for legal opinion on what to do would cost at least that much, if not more. Eventually, he resolved the issue.

The challenge Grover faced in the early phase of his entrepreneurial journey is becoming quite common among start-ups, even as an increasing number of youngsters are taking a plunge into this world. To address this, the Bengaluru chapter of TiE (The Indus Entrepreneurs), a network of global entrepreneurs, has launched an initiative called 'Legal Clinic', offering legal advice to start-up founders.

The idea came from Roopa Doraswamy, a veteran lawyer and promoter of Doraswamy Law Chambers, also a member of TiE. TiE is looking at involving other law companies helping them in other initiatives. Such as J Sagar Associates, Lexygen, Game Changers and Nishith Desai Associates.

"There has always been a challenge in getting expert legal help at low cost or free for early stage start-up founders," said Kunal Kashyap, executive director, TiE Bengaluru. "While we provide a few educational programmes like focused work-



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shops, etc, on legal basics, there was definitely a need for a one-on-one mentoring legal clinic. Roopa Doraswamy initiated this idea and was the first to provide pro bono legal advice here, on one half-day each month."

Currently, Legal Clinic is still experimental. The TiE chapter is looking to impact more entrepreneurs, apart from bringing in more legal experts, said Kashyap.

A start-up revolution is on and new-age entrepreneurs are often seen starting their journey with ideas far ahead of their time, addressing segments never done in the past. Their journey into this uncharted territory often lands them in a legal tangle, with the lack of enough clarity about these new ways of doing business. Sorting these and so early in a start-up's life is also a big challenge because of the huge cost.

"I would say any start-up in a new sector or with a drastically new idea should work on the legal aspects as early as possible," said Manish Kumar, founder and chief executive of Mandii, an online marketplace for financiers and borrowers to raise working capital finance for micro, small and medium enterprises.

"The government is now starting to crack down on some of the online tax aggregators. Tomorrow, they might

come and regulate some other aspects of some other sectors. So, it's good to work early and get to know where you stand as per the law, before the regulators come and knock at your door."

For the start-ups, the real challenge is when the founders give shape to their dream by incorporating a company. There are issues on what type of legal entity to choose, what should be the co-founders' agreement, employee stock options, convertible notes, vendor agreements and employment agreements, among others.

The second big challenge they face is in checking if the business they are starting complies with the law of the land. It becomes more challenging as many of them find the law is not clear enough when you are offering the same service or product via an online platform.

"We have start-ups today who are into both B2B (business to business) and B2C (business to consumer) space. B2B is a little more organised because their jurisdiction is identifiable. B2C will spread to the whole country and at times overseas," said Manoj Kumar, managing partner at law firm Hammurabi & Solomon. "So, we see companies still in a nascent stage facing legal chal-

lenges across the country."

Kumar says when the business or segment is at a nascent stage, with no set rules on functioning, it is always better to start with a robust 'self-regulation mechanism' which is ethical. "The best example is the media industry, which successfully kept the government at the bay by creating credible self-regulation processes," he said.

