

Quitting your job and pursuing your own startup: before you leap

Do you have a technology idea that could become the next big thing? Do you want to quit your job and devote yourself to getting your own startup off the ground?

Not so fast.

Pursuing your great idea may be thrilling, but to ensure that you are not launching yourself into a realm of legal troubles, there are many points to consider. For those who are pondering how to leave their current job while remaining on positive terms with their current employer, this article outlines some strategies that may be useful.

Understand your employment contracts

When you took your current job, you may have signed one or more employment agreements (such as an offer letter, confidentiality agreement or proprietary inventions and assignment agreement). Each of these agreements may contain restrictions designed to protect your employer's confidential information, trade secrets and relationships with customers and employees. A prudent employee who is considering a move to becoming a founder should first review and understand such employment agreements. You may also wish to consult an attorney who will review these agreements and discuss them with you. This is particularly important if your new idea could be considered similar to or related to your current employer's business.

Don't use confidential information or trade secrets

If you work at a technology company, you likely signed an agreement at the start of your employment stating that your employers own anything and everything you create while employed by them. This means that all of the innovations, ideas and developments you created while working for the company belong to the company, not to you as an individual.

Ensure that your new idea does not use, depend on or share any of your employer's intellectual property. Failing to do so could make you liable for infringing or misappropriating your former employer's intellectual property.

Don't use company resources

Similarly, your employer might have rights to your new idea if you used any company resources to develop it. Do not work on your new idea on your company's computer, mobile phone or software: such work likely belongs to your company, even if it was carried out during non-business hours. A corollary to this: don't spend company time working on a new venture. That mis-step can easily lead to disputes about the ownership of your idea, which could result in a bad start to your new venture.

Non-solicitation clauses

Your employment agreement likely includes a clause that restricts you from having former colleagues join you at your new

startup. These restrictions don't last forever, however: just keep the non-solicitation period in mind.

The non-solicitation clause may also restrict you from trying to do business with customers of your former employer.

Finally, note that certain states may limit the enforceability of non-solicitation clauses. For more about enforceability of non-solicitation clauses, [please see our article](#).

Non-competition clauses

Your employment agreement may also attempt to restrict you from competing with your employer for a certain period of time after you leave. If you are in California, such a provision would not be enforceable, except in a few limited circumstances, in other states, however, non-competes may well be enforceable. For more about enforceability of non-compete clauses, [please see our article](#).

Understand your company's policies

Your employer may also have policies that forbid employees from operating a business on the side. Review these policies to understand what is allowed and prohibited with respect to creating a side business.

Be up front with your employer and leave on good terms

It will often be in your favor to be open about your plans with your employer, especially if your new venture does not compete with your employer's business. Speaking negatively about your employer or mentally checking out before your last day is counter-productive behaviors. Leave on good terms by behaving courteously, providing sufficient notice, transitioning your work, following exit procedures and expressing gratitude.

And as you ready for launch

When you are ready to start your new business, it is a good idea to have an experienced corporate attorney prepare the documents to protect your idea and to avoid problems in the future. The attorney can help you protect your startup's intellectual property, avoid significant tax liabilities, abide by federal and state employment laws and comply with securities laws when issuing stock or notes to co-founders, angels, family and friends. For more about some key considerations when starting your company, please see our [top ten tips for founders](#).

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