

# Case Study: Protecting a UAE Web3 Startup from Vendor Disputes and Safeguarding Investor Confidence

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## Executive Summary

In 2024, a UAE-based Web3 startup engaged an Indian software development vendor to build a blockchain-enabled platform. The relationship quickly deteriorated due to missed milestones, lack of deliverables, and contractual non-compliance. With investor deadlines looming, the client faced potential financial loss, reputational damage, and regulatory setbacks.

Tech Legal was retained to assess the contractual breaches, secure recovery, and protect the client's intellectual property. Within 45 days, YourTechLegal successfully negotiated a \$27,500 financial recovery, safeguarded critical source code and IP, and enabled the startup to reassign development to a compliant partner. This intervention not only prevented operational collapse but also restored investor confidence, helping the startup secure \$1.1M in bridge funding.

## Background

The client, an early-stage UAE startup operating in the Web3 and digital assets space, engaged an Indian vendor for platform development. The agreement involved multi-phase milestones, including smart contract integration, token architecture, and exchange compliance features.

Despite initial assurances, the vendor failed to deliver functional outputs. Escalating disputes over scope creep, payment demands, and lack of technical expertise placed the project and its funding commitments at risk.

The startup approached Tech Legal, a law firm specializing in blockchain and emerging technology legal frameworks, to intervene before losses became irreversible.

## Challenges Identified

- **Vendor Non-Compliance** – The Indian vendor failed to deliver agreed milestones despite partial payments being made.
- **Financial Exposure** – The startup had already paid substantial amounts with little usable output.

- Intellectual Property Risk – Uncertainty over code ownership and confidentiality clauses posed risks of IP theft or misuse.
- Regulatory Pressure – UAE’s VARA compliance framework and investor scrutiny meant the startup needed strong legal footing to secure licensing and future capital.
- Investor Confidence – Missed deadlines raised investor concerns, endangering upcoming funding rounds.

## Legal Strategy & Intervention

- Contractual Review & Breach Analysis – Conducted a clause-by-clause review to establish breach of contract under Indian and UAE law.
- Demand & Recovery Proceedings – Issued a structured legal demand notice to the vendor in India, escalating towards litigation but allowing for settlement.
- Negotiated Settlement – Leveraged breach findings to negotiate an early resolution without prolonged court proceedings.
- IP Protection – Drafted enforcement mechanisms to reclaim source code, enforce confidentiality, and restrict misuse.
- Regulatory Alignment – Realigned the startup’s operations with UAE’s VARA requirements, ensuring ongoing compliance while restructuring vendor relationships.
- Strategic Advisory – Advised the client on future vendor selection, escrow-based payment protection, and cross-border legal safeguards.

## Results Achieved

- Financial Recovery: Within 45 days, Tech Legal secured a \$27,500 recovery from the Indian vendor, offsetting a portion of the startup’s losses.
- Project Continuity: The client reassigned the project to a vetted development partner with enforceable legal protections, avoiding further delays.
- IP Protection: Source code and confidential business assets were secured, preventing potential leakage or misuse by the prior vendor.
- Investor Confidence Restored: The client successfully reassured investors of legal safeguards, enabling closure of a \$1.1M bridge funding round.
- Regulatory Preparedness: The company’s governance and compliance structures were aligned with UAE’s crypto regulatory framework, positioning it for future licensing.

## Conclusion

This case demonstrates how Tech Legal’s cross-border blockchain legal expertise delivers practical, timely results. By combining aggressive recovery measures with forward-looking compliance strategies, YourTechLegal safeguarded a UAE Web3 startup from financial and reputational collapse, while restoring investor trust and ensuring regulatory readiness.

Tech Legal continues to support blockchain and crypto ventures in navigating vendor risks, compliance frameworks, and IP protection in the UAE and beyond.

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