



## Stanford eCorner

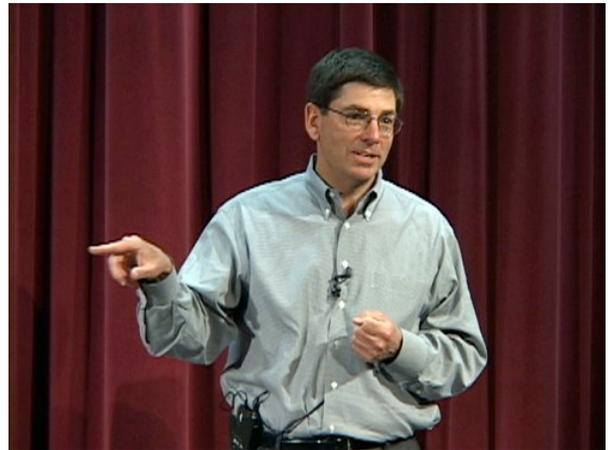
### The Role of Lawyers in the Startup Ecosystem

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Video URL: <http://ecorner.stanford.edu/videos/888/The-Role-of-Lawyers-in-the-Startup-Ecosystem>

In addition to handling the legal work, lawyers help companies get off the ground by making introductions for founders of start-ups to potential investors, mentors, and accountants. They also help negotiate licenses, execute customer contracts, public offerings, and mergers, sit in on board meetings, and give advice.



#### Transcript

So the question what role do the lawyers play in this ecosystem. I touched on a few things so far. One is just helping companies get off the ground. How do you do it? That's less legal at the beginning than it is practical. One of the things that we do is we make the introductions to founders of a startup company to other mentors, to the angels, to just advisers, to venture capitalists, to accountants, to bankers, to search firms, to whatever resources, real estate brokers, whatever services somebody needs just to get them off the ground. We certainly do the legal work. We do the incorporation. We advise on how the company ought to be structured. An example is we had a startup company three or four years ago, 11 students from MIT, they all quit MIT in their senior year without graduating to start this company. They moved out to the west coast and they got venture capital and they decided, a new firm I talked about this if you were here last week, that they were all 11 equal in value to the company and they would all have equal financial stakes in the company forever.

When I heard that, I mean they're all in the conference room sitting there, I said no, this isn't the right answer. I don't know what the right answer is but I tell you this one's not the right answer. You're not going to have 11 equal contributions here and you're going to have to figure out what the hierarchy of ownership is before the venture capitalists figure that for you. Then they went to see the venture capitalists and the venture capitalists said the same thing. This isn't right. Go figure it out. They asked the venture capitalists. The venture capitalists said I don't know yet, figure it out. They came back and I certainly didn't know but I sort of forced to think it through and we sat down in a whiteboard and so on and talked about what the roles were and told them what I thought were kind of relative norms of how the equity would be divided up and they came to a conclusion and juggled it and came up with something that was acceptable to the investors. Then of course there's all the normal legal work, doing the contracts.

We helped Netscape negotiate the license for Mosaic in the University of Illinois. I mean we help negotiate licenses from the Office of Technology and Licensing here in Stanford. We do the legal work for venture capital financing, do customer contracts, do public offerings to mergers or whatever and go to board meetings and give advice. People say this is a promise perplexing us. We've often seen it before after I've been doing this for 30 years and there are some accumulated wisdom there that you can give some business advice from time to time. Obviously, we are venture capitalists, we are business people because we're kind of like Forrest Gump. We're off to the side there, but we can help in a subtle way, I think.