



Stanford eCorner

What Should an Engineer Know About Law and Business?

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Gordon recommends that everyone understand the basics of stock, financings, intellectual property protection, and the necessary ecosystem to launch a company. He also suggests having role models and understanding the mentality and infrastructure that makes Silicon Valley so conducive to startups.



Transcript

And you need to understand the kind of the basics of how stock is a motivator and as allocated in a company, how financings are done. How intellectual property is protected as probably the biggest thing you need to worry about but first of all is how do you have the rights to your invention and how you deal with Stanford it's co-developers on Stanford and, you know, how to think about making the connections that we talked about, the ecosystem to all the things you need to get a company launched. You know, there are always books that have been written. Why did it always happen at Silicon Valley and not as successfully in places like Route 128 where I grew up. I grew up outside Boston. There are certainly lots of technology companies there but the entrepreneurial activity is really a lot less than the amount of venture capital that goes in, a lot less. Why not in Chicago? Why not in Corvallis, Oregon? Research, trials, and so forth. And I have come back to the infrastructure, it's the...what you're going print a circuit board, you know, manufacture for you in a couple of days or instead of a couple months where you can find an angel investor or a lawyer or an accountant or somebody who understands your business instead of going around looking for somebody who's never dealt with you before. Or a landlord who will take words instead of cash for the first nine months of the lease. So I think it's the infrastructure, the mentality, the role models.

I think that everyone of us knows somebody who's been a successful entrepreneur and if we know anybody Googled, we're going to know a lot of successful entrepreneurs pretty simple. There are going to be a lot of very wealthy, early employees there and certainly... I attended a closing the other night. It's just a wonderful thing. This is a company that was started four years ago, 40 engineers in the room. All of them millionaires. We sold the company to a large company and it was within earn out so which is something that lawyers normally say, "Don't do earn outs because they're always litigated." But that was very successful that we sold the company for \$150 million up front and an uncapped earn out, which ended up being another \$350 million. And so the company of about 80 employees mostly had very little venture capital, mostly employee stock. Essentially all of them are millionaires, multimillionaires. It was just a wonderful dinner to look around the room and say 40 engineers who are...

this is their first job can now buy a very nice home in Silicon Valley as a result of four years of work in this company. I think it's just, it's that role model that goes around the community that creates the entrepreneur's dream.