

How law firm Gunderson Dettmer's deal machine swallowed Silicon Valley

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- **No law firm handles as much business for startups as Gunderson Dettmer in Silicon Valley.**
- **Established in 1995, the firm has done well by throwing the Big Law playbook out the window.**
- **Its sole focus on startups and investors makes it a go-to for the who's who of the tech world.**



ANATOLIY CHERKAS/SHUTTERSTOCK; RACHEL MENDELSON/INSIDER

Gunderson Dettmer has done well by throwing the typical Big Law playbook out the window.

Right away, the founders of Anduril knew they needed a good lawyer.

The five inventors came together in 2017 to develop surveillance systems and attack drones for the defense industry. They knew the business would need a lot of cash to get off the ground, which meant many rounds of funding from outside investors and a complex legal structure.

They had also just watched a board coup at Uber that ousted its founder and chief executive. And one of them, the virtual-reality wunderkind Palmer Luckey, had just been fired from Facebook after it bought his startup, Oculus.

“For all five of us coming to the table, there was a fair amount of paranoia or attention paid to corporate governance and board structure,” said Matt Grimm, an Anduril cofounder.

The founders met with a handful of startup lawyers recommended by one of their investors, but they were unimpressed. The lawyers were all cautious types, bristling at the group’s ambitions.

So when they landed at the San Francisco office of Gunder-

son Dettmer, the partner Lou Soto stood out for his moxie. He saw how legal battles elsewhere had left them scarred and presented a menu of options for protecting against dilution and maintaining control of the company through many financings. Unlike the other lawyers, he didn’t prescribe the typical corporate structure.

“This is going to be fun,” Soto told them, according to Grimm.

They hired Soto before even incorporating the business or raising a penny of investment. Five years later, Anduril is worth \$4.6 billion and is still a Gunderson client, sending the firm work for its many rounds of funding and a recent spree of business acquisitions.

Gunderson isn’t the only law firm that specializes in tech and life sciences. But it is the only law firm with a singular focus on startups and the venture-capital firms that back them. Since its founding in 1995, the firm has quietly taken over the industry, representing more than 2,500 startups.

The firm gives counsel to the who’s who of the startup world, with a client roster that includes Plaid, Bolt, Daily

Harvest, Harry's, and Flexport. PitchBook has reported that Gunderson's worked on more venture-capital and growth-equity financings for startups than any other firm for the past eight years. It negotiated close to one-fourth of the \$643 billion invested worldwide in the tech bull run of 2021.

Gunderson also advises more than two-thirds of venture firms on the Forbes Midas List, a ranking of the biggest names in venture capital. Its clients include venture powerhouses like Andreessen Horowitz and Accel, as well as the famed hedge funds Tiger Global and Coatue.

Gunderson has done well by throwing the Big Law playbook out the window. The firm takes on only corporate work, like crafting stock-option agreements and negotiating deals. It doesn't do any litigation or courtroom disputes. That focus makes Gunderson a go-to for startup founders and investors who want their law firm to understand the industry they're in.

"They have arguably a better lens on market dynamics than anyone," Grimm said.

Though it's clear the firm has been successful, the degree to which remains unknown. Unlike other big law firms, most of which share their revenue with trade publications, Gunderson keeps a tight lid on its finances. Based on an Insider analysis of data from similar firms, its annual revenue likely tops \$400 million. Even its junior partners are paid over \$1 million a year, two sources told Insider. And it lists 110 partners on its website – all of whom, in another deviation from Big Law norms, have equity, or an ownership stake in the firm.

Gunderson declined to confirm or share any details about its finances.

Interviews with over a dozen lawyers, founders, and venture capitalists reveal how a firm that has bucked Big Law conventions has nonetheless dominated Silicon Valley's legal landscape.



GUNDERSON DETTMER

Lou Soto is a partner at Gunderson Dettmer.

Keeping up with the Gundersons

Historically, startups have turned to the same few law firms for counsel: Cooley, Fenwick & West, Goodwin Procter, Orrick, and Wilson Sonsini.



ANDURIL

Matt Grimm, far right, poses for a portrait with the cofounders of Anduril.

From the start, Gunderson tried to do things differently.

In 1995, six young lawyers were climbing the ranks at the now defunct law firm Brobeck, Phleger & Harrison when they felt a pull to build something new. In a 2015 talk at the University of California, Santa Barbara, Scott Dettmer described meeting in secret after work around kitchen tables, drafting plans for a firm with an entrepreneurial spirit. They decided they would run through brick walls for clients and advise them from day one all the way to an exit.

The founders set up shop in Menlo Park, California, a tony enclave in Silicon Valley. That put them in position to snatch up clients as the tech industry's center of gravity shifted from the East Coast to the West and the demand for corporate lawyers soared.

The firm rode a tidal wave of investments in internet companies during the dot-com boom, and it hired promising young talent by offering them better pay and perks like foosball tables and snacks. Employees had no need for suits; they wore untucked shirts and slacks to meetings.

"They're living the same ethos that their clients do," said Greg Raiten, who worked at the firm as an associate before becoming a general counsel for tech companies.

The founder flywheel

Since its founding, Gunderson's success has accelerated through a sort of network effect.

Most entrepreneurs come to hire a law firm through a referral from an investor or a fellow founder, said Alda Leu Dennis, a former corporate attorney who's now a general partner at Initialized Capital, a venture firm that uses Gunderson as counsel. Gunderson's depth of experience with fund-formation makes it top of mind for VCs.

"Trust is the most important currency in the business," said Soto, who joined Gunderson as a partner from the rival law firm Orrick in 2012. "The funds trust us. The companies trust us because we represent them. I'd say other firms have a harder time demonstrating that."

This loop of referrals also benefits the entrepreneurs, sources said.



SPRINLY

Mary McCann and Ray Lui are the cofounders of Sprinly, a Gunderson client.

Each year Gunderson advises clients on thousands of venture and growth-equity financings representing tens of billions of dollars. The firm tracks its deal flow using software like Snowflake, a data-analytics service, said a startup founder who works with several firms, including Gunderson, and requested anonymity to discuss Gunderson's inner workings.

The firm's technical chops allow it to analyze and compare those deals and make a current recommendation to a client on how much cash to raise, at what valuation, and on what terms.

"When we say, 'Hey, Lou, we're starting to think about a fundraiser, what are you seeing in the market about board rights or voting rights?' He's able to say, 'I've literally seen 75 deals in the last three months. Here's what the trend is looking like,'" Grimm said.

Soto said the firm's lawyers often ask questions in email threads and Monday-morning partner meetings to crowd-source their knowledge of market data and deal trends.

The firm also benefits from a powerful alumni network sending it referrals. Many Gunderson lawyers jump to their clients' in-house teams, bringing the Gunderson ethos with them. Its alumni include top lawyers at Accel, Addition, Andreessen Horowitz, Dragoneer, FirstMark, General Catalyst, Lightspeed Venture Partners, Lux Capital, Paradigm, and Thrive Capital.

Now that the firm is well established, other founders hear of its reputation and reach out cold.

"I've definitely heard from founders that they want to have this patina of legitimacy or approval where they have a strong, reputable firm representing them," Leu Dennis said.

That reputation of excellence is known beyond Silicon Valley, said Ray Lui, an entrepreneur who runs a vegan-meal-delivery service, Sprinly, from his hometown of Cleveland. His first thought when finding a law firm was to ask people he trusts who have also founded companies.

His network turned up Gunderson. Lui and his cofounder and wife, Mary McCann, hired the firm more than two years ago to design the company's employee stock-option plan. The couple plan to use the firm to support Sprinly in its first fundraiser this year.

Gunderson has tech in its bones

Gunderson says that each year it helps hundreds of entrepreneurs spin up new businesses.

To be sure, most of them fail – sometimes before their lawyers get paid. The firm often defers fees until a startup secures funding, said one early-stage investor who uses Gunderson as counsel. In fewer cases the firm takes company stock instead of cash payment for its services. The same is broadly true of its peers.

In this way, Gunderson is more like the venture capitalists it advises than its peer law firms. It takes on lots of clients, knowing that most of them will stall out but that a rare few will reach such a scale that they hire the firm to execute a merger, acquisition, or initial public offering. A representative for Gunderson declined to answer questions about the firm's billing practices.

"They get in early with the startups, and much like a VC, the ones which grow and continue to use Gunderson services create much more value than the handful where they had to write off the equity/deferred fees," said the early-stage investor, who requested anonymity to speak freely.

Moreover, the trend of venture-backed startups staying private longer means they turn to Gunderson for multiple fundraising rounds, said Adam Sterling, a former Gunderson associate who now leads the UC Berkeley Center for Law and Business. Some clients take their business to a different law firm when they go public.

The similarities go on. Gunderson also touts a venture fund. The firm's partners pool their own money into an investment vehicle called G&H Partners. The venture fund appears on the cap tables of hundreds of tech and life-sciences companies, and its check sizes range from \$50,000 to \$200,000, a former partner at Gunderson said.

Its lawyers have a line of sight into the hottest startups seeking funding, said Matt Turck, a partner at FirstMark, a venture firm that uses Gunderson as counsel and whose general counsel, Eric Cheung, previously worked as an associate at the firm. "They only make a certain amount of dollars per hour," Turck said, so they invest as a way to "leverage the access they have."

Other firms do this. Cooley lawyers made about \$150 million when the firm's client Snowflake went public, according to Bloomberg Law. And Fenwick attorneys pocketed a small fortune after the firm helped take the exercise-bike maker Peloton public, according to a securities filing.

Investing in clients has always been somewhat fraught; some legal-ethics professionals say it can cloud a lawyer's professional judgment and lead to conflicts. That's why firms that do take a stake in clients often take a relatively small one, and often just for part of the fees they charge, with the rest paid in cash, reports suggest. A representative for Gunderson declined to answer questions about the firm's practice of investing in startups.

There are limits to the firm's growth

Law firms can't exactly scale like startups can. Only lawyers – who are trained for three years, then pass a bar exam – can advise on law. Like its peers, Gunderson uses software to help lawyers work more efficiently, but it has stopped short of trying to replace people. (Several startups over the past decade have vowed to disrupt legal services through software. The most famous, Atrium, shut down in 2020 after



BRENDAN MCDERMID/REUTERS

A banner for Snowflake is displayed celebrating the company's IPO at the New York Stock Exchange in 2020.

raising \$75.5 million.)

But Gunderson has grown fast. Its lawyer headcount grew by 30% last year – to say nothing of how many paralegals and other professional staff it has added. The firm now counts over 400 lawyers in 10 offices. In 2021 it elected 15 new partners in its largest new-partner class.

Gunderson needs to hire aggressively to keep up with business. PitchBook data indicates that last year the firm worked on roughly 2,050 venture financings for startups representing \$165 billion in value, up from the previous year's 1,200 deals valued at \$60 billion.

The firm is poised for even more growth. On a recent visit to Gunderson's New York office, the sound of construction echoed through the ceiling.

Even in a hot labor market, Gunderson has attracted many candidates without offering the six-figure signing bonuses and five-digit referral bonuses that other law firms have resorted to.

Steve Baglio, a Gunderson partner who works with startups, said it tries not to “create perverse incentives.” Retention remains strong, he said, knocking on the wood table in front of him.

The firm's practice of investing in startups also gives its lawyers a reason to stay, Turck said. “I'm sure it doesn't hurt from a recruiting perspective to know that as you graduate through the ranks at Gunderson you can participate in those deals through the fund.”

Such deals benefit the entrepreneurs, too, Grimm said. Gunderson became a shareholder in Anduril as payment for work on three acquisitions the defense startup has made in the past year. Grimm said ownership gives the law firm a “long-term incentive” to do great work.

And it has, Grimm said. He's quick to refer his lawyer, Soto, to other founders.

Grimm said, “I think he's startup counsel for three of my friends' companies.”