

10 Things to Know About Startup Law Practice

Insights

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Today's topic: life as a lawyer representing startup companies.

1. What do you do in a typical day?

It really depends on what the clients have going on, as tech startup practices tend to be much more client-driven than deal-driven. When a number of clients do have significant transactions on the table—like a venture financing, an IPO or a sale of the company—those transactions usually take precedence over the more routine work other clients need on a day-to-day basis. Startup lawyers spend most of a typical day working on bigger transactions for their clients (to the extent they have any at the moment), while trying to spend the short lulls in between handling small questions or requests from clients that don't have active deals pending. It can be a lot to juggle!

2. Who do you work with?

Attorneys in this practice area work very closely with the founders and executives at their startup company clients, and eventually the company's general counsel (once the company has reached a stage where they've hired an in-house lawyer). Attorneys representing investors work directly with the venture capitalist making the investment and possibly the fund's GC or COO. Whichever side startup lawyers are on, they're likely also interacting a lot with lawyers representing the counterparties on the transactions.

Within a law firm, fairly junior attorneys work with either a partner or senior associate. They also often consult with the firm's specialists in executive compensation, employment, IP and commercial transactions, and tax, as these are the areas outside of corporate/securities where most startups have frequent legal questions and issues.

3. What does a common career path look like?

Startup practice provides some interesting opportunities for junior lawyers because of the sheer volume of clients. Because there are so many smaller, early-stage clients, senior associates often play a larger role in managing client relationships, and junior associates have a lot more client contact and responsibility earlier than they would in some other practice areas. Partners rely on junior lawyers to manage the day-to-day in order to provide the client with an accessible on-demand resource and to keep the client's costs down. This gives junior startup lawyers the opportunity to develop more quickly, though it also means that junior lawyers need to demonstrate good judgment, maturity and independence early in their careers. That substantial early experience can come in handy, whether these attorneys eventually become law firm partners, go in-house at companies or VC funds, or launch startups of their own.

4. If variety is the spice of life, how spicy is this practice area?

Muy caliente! Startup lawyers, despite being at law firms, typically function as general counsel for their startup clients because early-stage companies rarely have in-house legal resources. As a result, startup lawyers end up fielding a wide variety of questions and requests, only some of which are strictly legal in nature. As with any in-house legal role, when lawyers work directly with business teams and are their first stop for any quasi-legal question, every day brings new surprises. Interestingly, law students often have the opposite impression of startup practice—they tend to think it's highly specialized and sometimes opt for the well-trodden path to a white-shoe corporate firm (where they can rotate through different practice areas), because they think it will provide them with more variety.

5. How much wear and tear?

When startup lawyers spend most of their time working on the company side, they can get stretched pretty thin. Startups like to move very quickly (as Facebook once put it, they aim to “move fast and break things”)—which can be especially hard on their lawyers, who are usually managing dozens of active companies. First-time founders, in particular, often have unrealistic expectations about how long deals—and legal work, in general—should take. Thus, it's a constant negotiation, not with the other side but with the startup lawyer's own client, about timing expectations. Take

that trend and multiply it by the many startup companies these lawyers are representing at any given time, and the pace can become challenging.

On the investor side, it's often a bit better. There's typically less work to do when representing investors, and the client is also usually more sophisticated about how these deals get done (since they do deals for a living). VCs tend to be easier to work with than investment bankers or private equity investors. Having a nice mix between company representations and investor-side deals can make a startup lawyer's workload more bearable.

6. Of the people in this practice group who hate it, what exactly do they hate about it?

Many have complaints that are common among most corporate lawyers, with work/life balance probably at the top of the heap. Some startup lawyers find it increasingly frustrating to explain the same things repeatedly to unsophisticated company founders. Venture financing deals can also be very formulaic, which means attorneys often find themselves negotiating the same few points on every deal (which can get old quickly). Finally, there's a lot of fee pressure with cost-sensitive startup clients, making some attorneys practicing in the space feel like the clients don't value their work.

7. Of the people in this practice group who love it, what exactly do they love about it?

Many lawyers go into corporate law because they're also interested in the business side. Unlike most corporate lawyers, however, startup lawyers are regularly asked to give business advice to their company clients. These clients, many of whom are launching a business for the first time, turn to their lawyers for help with deal terms as well as advice on finding and managing investors, and startup lawyers often enjoy being a business and strategic adviser in addition to a legal counselor.

Startup lawyers also enjoy being the first to know about a lot of interesting developments in the technology space and having clients working on cool or interesting products and services. Another plus for many junior startup lawyers is that they have the ability to bring in business early in their careers, since there are more prospective clients in their age cohort and personal networks than would usually be the case in other practice areas.

8. Are there common avenues *out* of this practice area?

As with most other areas of law, a small minority of the lawyers who start out in this field end up becoming partners in big law firms. Many startup lawyers end up moving client-side, either to their startup company clients or to VC funds (where they often take GC/COO roles). Some lawyers who go into this type of practice do so because they think they eventually want to launch their own startups. Experience in a law firm startup practice can also prepare lawyers for eventually striking out on their own and hanging a shingle.

9. What are some market trends that impact this practice area?

Startup practices can sometimes be countercyclical, because people who are laid off in economic downturns often decide to start their own businesses. However, by and large, this practice area is closely tied to the strength of the VC funding market, as well as M&A and IPO activity.

After significant increases in private company valuations in recent years, there has been a lot of talk among tech industry observers that we may be in the midst of another tech bubble (albeit of a different sort than we saw in the late '90s). Though there have been some signs that startup financing markets have taken a breather of late, the party does not *appear* to be over quite yet.

10. If you had to recommend one candidate from a room crowded with recent bar exam graduates, what specific qualities would he or she have that would ensure success in this practice area?

This practice area requires a lot of soft skills: interpersonal skills, communication skills and pragmatic judgment. While it's not strictly necessary, a demonstrated interest in tech can help land a job at a firm specializing in representing startups, as jobs in startup law practices have become highly coveted in the last few years. Finally, successful junior associates in this area need to be self-starters—being proactive with clients and issue spotting before a problem becomes a problem turns a junior lawyer into a trusted adviser in short order.

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