

Stanford University

Technology Entrepreneurship

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Legal Aspects of Startups

Videos

Role of Lawyers in Startups

Key Concepts

Law and entrepreneurship
company formation, IP, cap tables, copyright, equity split

Reading

There are several places where lawyers get involved in startups. The best startup lawyers should be a trusted partner who helps you to grow the business.

- Formation
- Founder Equity
- Protection of IP
- Equity Compensation Arrangements
- Financings, including process, Seed, Series A, Beyond ...
- Partnerships

- Disputes
- Governance
- Exit/Liquidity

1. Fenwick & West has some great resources on the web: <http://www.fenwick.com/Services/Practices/Pages/Start-ups-and-Venture-Capital.aspx#insights-menu>
2. http://www.fenwick.com/FenwickDocuments/Start-up_Legal_Resource_Guide.pdf
3. Ch. 10 Technology Ventures by Byers et al.
4. [Ecorner talk](#)
5. Jason Mendelson is a startup lawyer and VC with a great and entertaining blog: <http://www.jasonmendelson.com/>
6. <http://www.iplawforstartups.com/>
7. Venture Deals is a great book which I finished last fall, though focused on fundraising issues: <http://www.amazon.com/Venture-Deals-Smarter-Lawyer-Capitalist/dp/1118443616>
8. <http://dealbook.nytimes.com/2012/10/01/wilson-sonsini-retools-strategy-to-land-internet-start-ups/>
9. [Founder's workbench](#)

I'd say the most important things are to:

1. Document everything in writing as much as possible. Who's a cofounder, what's the intellectual property contribution, what's the equity split going to be, etc. If these things are not documented early on, then it can lead to conflicts later.
2. Be extremely careful about IP and doing work on the startup while at a previous employer. You want a clean break. If possible you want your prior employer's blessing in writing. But definitely you do NOT want to do any work on the startup while at your prior place of employment.
3. Have the tough conversations early on about how you're going to split equity, vesting, etc. It's much easier when there are zero dollars involved.
4. International cofounders and immigration issues are very tricky unfortunately. This is an evolving area of the law, so it's hard to give set guidance. Obviously it's much easier if everyone is a local national. There are ways around these issues, but it does add complications and take some time and creativity to solve. Some countries are easier than others. Canada for instance has a Startup Visa now. The US is being slow but hopefully will do something here. Several startups from the online class have had good luck with applying for the Startup Chile program and going there first.
5. If you're starting to wonder if you need to talk to a lawyer about incorporation or IP, then you probably

should. The best way to find a good one is to ask for references from other entrepreneurs in your area. They will tell you who is good to work with. Good startup lawyers will usually defer billing you until you raise funding. Often they will help you to raise funding, but you must convince them that you're a promising startup that is worth taking the risk on.

6. There are several different ways to protect your IP. Trade secrets, trademarks, patents, copyright. A good lawyer will help guide you through these choices for your particular type of business. Often investors like to see that IP is protected, but as an entrepreneur outside of biotech, speed to market and getting your business model right (executing effectively) is often your best protection.

7. Always talk to a lawyer before you accept any money or investment. Especially if friends, family or angel investors are putting in money. Mistakes up front can make it hard to raise money later on.

Finally, here's a terrific set of resources provided by one of the students in the class, Lloyd Chang, thanks Lloyd!

1. [Behind Startups: Starting a Company](#) event video: Legal ([02:11](#)), Insurance ([25:10](#)), Finance ([37:21](#)), Funding ([49:18](#)); *I attended this event in person last year*

2. Software Licensing: [Apache license vs BSD vs MIT](#); *Apache contains a patent grant*

3. [25 Reasons to Incorporate in Delaware](#); *I learned about this via [Stanford Startup Engineering class](#) discussion titled [Question about Delaware C corps for non-US citizens](#)*

4. [Will we cover legal compliance?](#) *It's another discussion from [Stanford Startup Engineering class](#)*

5. [General Data Protection Regulation](#) (EU)

6. [Making Federal Information Technology Accessible: A Case Study in Social Policy and Procurement](#) (USA)

7. [PCI FAQs and Myths](#)

8. [Stanford Law and Technology Association](#)

9. [Law and Entrepreneurship blog \(Notre Dame\)](#)

10. [Law and the Entrepreneur class \(Northwestern\)](#)

11. [Law and the Entrepreneur and Manager class \(MIT, 2003\)](#)

For digital health startups seeking customers in USA, you might find following useful:

12. [FDA 101: A Guide for Digital Health Entrepreneurs](#)
13. [Omnibus HIPAA Rule Making](#)
14. [HIPAA BAA Agreement, Omnibus rules new as of Jan 2013](#)

On a separate note, I find "'legal technology' that empowers all parties in our legal system, not the legal profession per se" interesting:

15. [CodeX: The Stanford Center for Legal Informatics](#)
16. [CodeX - Stanford Center for Legal Informatics facebook group](#)

Assignment

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