

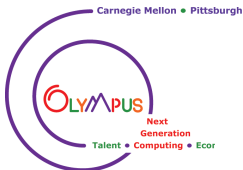
**CONNECTS**

***START SMART***

# How to Shop for a Lawyer

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**Stephanie Dangel**



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**Do Shop!**

# What to Shop For

- **Type**
- **Domain Experience**
- **Price**
- **Affinity/Chemistry**
- **Belief in Your Idea**

# TYPE

## **HBR: Top 10 Legal Mistakes Made by Entrepreneurs**

***#8 – Hiring a lawyer not experienced in dealing with entrepreneurs and venture capitalists.***

**Ask: “How many start-ups have you worked with?”**

**“What other types of lawyers will I need?”**

# Start-Up Experience

	<b>Example 1</b>	<b>Example 2</b>
	<b>\$250,000</b>	<b>\$250,000</b>
	<b>Priced Round</b>	<b>Conv. Debt</b>
<b>Founder</b>	<b>41%</b>	<b>46%</b>
<b>Employees</b>	<b>7%</b>	<b>8%</b>
<b>F&amp;F</b>	<b>12%</b>	<b>6%</b>
<b>Series A</b>	<b><u>40%</u></b>	<b><u>40%</u></b>
<b>Total</b>	<b>100%</b>	<b>100%</b>

# Domain Experience

- **Software?**
- **Medical Devices?**
- **Manufacturing?**
- **Target Market/Customers?**

**Ask: “Have you worked with other startups like mine?”**

# Price

- **Hourly rates vs Flat fees for a bundle of services**
- **Deferred payment**
- **Rates/options for services such as copies**

**Ask:**

**“What type of legal expenses can I expect?”**

**“Do you offer packages?”**

**“Will you consider deferring charges?”**

# Affinity/Chemistry

- **Are you comfortable asking questions?**
- **Do you communicate well?**
- **Do you 'get' each other?**
- **Are your questions being answered?**

**Ask: “How do you feel about working with students?”**



# Belief in Your idea

- **Do they display interest and enthusiasm?**
- **Did they do any research before meeting you? (if you briefed them on your idea)?**
- **Do they buy into your vision – believe in what your company is all about?**

**Ask: what do you think of the potential for my idea/business? Any initial thoughts?**

# TIPS – Managing the Relationship

- **Read and understand Engagement Agreements – its your job**
- **Negotiate – okay to alter the Agreement**
- **Ask if you can talk to one or two clients who are similar to you**

## Tips – Managing Costs

- **Decide whether you want to pre-approve payment of copies, telephone calls...**
- **Ask that projects and budgets be defined before work begins**
- **Magic Write-In: “Until notified by client, all billing costs for work to be completed must be discussed in detail and agreed upon by both parties and pre-approved before work begins.”**

# TIPS – Being a Good Client

- Don't defer payments too long.
- Consider paying a minimum retainer.
- Read and understand the documents
- Pay your bills on time.
- Do some research on your own.  
Ex: Download and try to complete sample operating agreements and other legal documents in advance. Attend Start Smart Seminars.

# Firing a Lawyer

- **Stops being accessible OR responsive.**
- **Overcomplicates contracts and negotiations**
- **Sloppiness, errors – can happen over time.**



***START SMART***



## **Fall: Legal Seminars and Workshops**

**10/16 Raising Capital**

**10/30 Protecting Your Company IP**

**11/18 Structuring 3<sup>rd</sup> Party Relationships**

**Pending: How to conduct Patent Research**



***START SMART***



## **Spring: Legal Seminars and Workshops**

- **Starting a Business with an F-1 Visa**
- **Company Formation (Workshop)**
- **Negotiating a Term Sheet: Case Study**
- **Social Enterprise Legal Issues**

# Olympus/IPI Resources

- **Sample documents**
- **Lawyers that work with Startups**
- **Office Hours – alternate Thursdays**
- **Entrepreneurial Resources**  
([www.cmu.edu/olympus](http://www.cmu.edu/olympus))
- **Startup/Student ‘match-ups’**



# **Top 10 Legal Mistakes Made by Entrepreneurs**

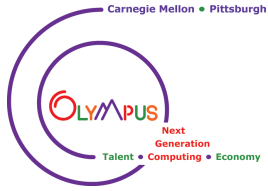
HBR: March 3, 2003

10. Failing to incorporate early enough.
9. Issuing founder shares without vesting.
8. Hiring a lawyer not experienced in dealing with entrepreneurs and venture capitalists.
7. Failing to make timely Section 83 (b) election.
6. Negotiating venture capital financing based solely on the valuation.

# Top 10 Legal Mistakes Made by Entrepreneurs

HBR: March 3, 2003

5. **Waiting to consider international property protection.**
4. **Disclosing inventions without a nondisclosure agreement, or before the patent application is filed.**
3. **Starting a business while employed by a potential competitor, or hiring employees without first checking their agreements with the current employer and their knowledge of trade secrets.**
2. **Promising more in the business plan that can be delivered and failing to comply with state and federal securities laws.**
1. **Thinking any legal problems can be solved later.**



# CONNECTS

**Are you looking for team mates?**

**Are you looking for a team to join?**

**Do you need any advice or help?**

**Any announcements?**

**[www.olympus.cs.cmu.edu](http://www.olympus.cs.cmu.edu)**

# Quick Tips

## 1. Hire a lawyer experienced with startups

HBR: *Top 10 Legal Mistakes Made by Entrepreneurs*

#8 – Hiring a lawyer not experienced in dealing with entrepreneurs and venture capitalists.

## 2. Interview multiple lawyers and ask key questions

- ❖ Have you prior clients in the same domain?
- ❖ What laws do you think will apply to my business?
- ❖ What type of legal services do you think I will need
- ❖ What are your fees and how do you bill?

## 3. Look for good synergy and ‘chemistry’

- ❖ Do you communicate well? Are you comfortable with each other?
- ❖ Does he/she ‘get’ your business?