Law firms double as mentors for founders of new ventures

How much territory should you cede to investors during early funding rounds, how do you protect intellectual property, and which regulatory roadblocks must be avoided? Startups and the young entrepreneurs driving them wrestle with traditional problems that every private entity faces, even as they seek to upend markets through technology.

Now, a growing number of boutique law firms and established players are reaching out to guide these ventures through legal and procedural minefields. Their work goes beyond advice and documentation as they literally mentor the founders in matters that could potentially shape the startups’ future.

Madhavan Srivatsan was a partner at a large law firm before becoming an entrepreneur and setting up his firm, Law Office of Madhavan Srivatsan, to assist young guns who may lack knowledge and experience.
“Your first investment round is absolutely critical and the rights you give to the investors at this stage determine how your subsequent rounds go,” he said, underscoring the significance of legal guidance for startups. “Founders are so engrossed in building businesses that they often don’t give the regulatory landscape due attention.”
Firms such as Srivatsan’s deliver advisory on business setup, conduct internal diligence before fundraising, and draft term sheet and other papers, providing support to founders at every step. The personal attention is where they score over large legal services companies.

“Regardless of the time, I have to be there 24/7 for my clients, and this approach is also important for me to grow along with them,” Srivatsan said.

Roma Priya, founder of Burgeon Law, said startups operated at the nexus of multiple sectors and required a nuanced approach to deal with legal aspects. “For instance, there are online-first FMCG brands. Areas like investment, approvals and partnerships, whom one can partner with and whom one cannot, are crucial,” she said.

In a way, law firms act as partners of entrepreneurs, contributing to their new ventures’ foundation.

“We consider the paying capacity of startups and customise the pricing strategy. We can’t bill them the hourly rate that’s applicable to bigger or established corporations. Startups’ paying capacity may be less during the initial stages. As they grow, they realise the importance of legal help and may revise payments,” Roma said.

Ikigai Law assists various businesses, from startups to mature tech entities. In seven years of operations, its work has covered sectors such as blockchain, drones, space science and emerging tech businesses, and it often leads policy and regulatory debates in these areas.

“As agile enterprises looking to scale up, startups need legal partners who can match their agility,” said Anirudh Rastogi, founder and managing partner, Ikigai Law. “It’s also important to have with you a legal team well in tune with the ways of working of the private equity and venture capital world.”

For legal services teams, the difference between large corporates and startups boils down to stretching the scope of the sector and providing nuanced support. “Unlike in the case of large corporate clients, lawyers need to be particularly conscious of the UI/UX of the startup’s business, so they can offer effective legal assistance,” Rastogi said.
Burgeon’s Roma said every new-age company was different and most went beyond the boundaries of one sector. For a long time, they did not realise the importance of seeking sound counsel. “Scaling up is difficult without setting the foundation right,” she said, stressing on the need for startups to sign up for legal services.

Burgeon has seen 3x growth in revenues this fiscal. Delhi-based Ikigai, which has a team of around 20 ‘digital native lawyers’, is more than doubling its business every year.

Entrepreneurs find personal guidance clubbed with legal services beneficial. Manoj Dawane held the positions of chief experience officer and vice-president at Bharti Airtel and Ericsson India before deciding to do something of his own. He reached out to Burgeon for legal advice. He said apart from standard services, mentoring by the law firm helped him a lot as he formed his own company, applied for patents and tried to raise funds.

“Drawing up contracts and deciding what rights to give to an investor, protecting intellectual property and understanding legal aspects of coding were some of the areas where partnering with Roma and Burgeon paid off. I have been a part of established companies, but when it comes to starting up, you need a bit of hand-holding,” he said.

Nitin GR, CEO of automotive startup Grandpitstop, and a client of Srivatsan, said the boutique firm’s hands-on approach and closer engagement had been a boon of sorts for him and other co-founders, who are engineers. “We had around 15 patents, so taking special care of filing and protecting them was very important to us,” he said.

Nitin found that boutique firms provide greater value at a lower cost, but he admitted that as Grandpitstop’s requirements grow more complex, it may need the support of a prominent legal firm.

It’s not just boutique law firms that count startups among their clientele. Eminent names such as Nishith Desai Associates and Cyril Amarchand Mangaldas are also serving them, roping in specialists from different teams based on the nature of projects. “One key difference, and a big advantage, in working with startup clients is that as lawyers, we are able to constantly learn and keep ourselves updated about emerging technologies and business models,” said Harshita Srivastava, a lawyer leading such assignments at Nishith Desai Associates.
It provides new-age ventures advisory on business contracts and guides them in cross-border expansion, corporate governance and regulatory frameworks. “The externalisation [global expansion evaluation] work has grown the fastest in recent years as more Indian startups look to spread their roots and go global,” Srivastava said.

Prominent experts also work with policymakers to frame new laws and regulations. Srivastava, for instance, was on a SEBI committee that was set up in 2018 for the new listing platforms for startups.

Nishith Desai Associates has a flexible pricing model for startup clients. “In some cases, we have also experimented with models where we took equity in return for services,” Srivastava said. “Entrepreneurs need a lot of guidance; they need to be made aware of several things. We fill the gap. But as the ecosystem grows, we also see that some entrepreneurs are well prepared and aware of legal aspects.”

Novorjuris Legal identifies itself as a modern venture specialising in corporate, technology and IP-focused consultations. “Documentation and help with securing patents and investments are among the primary tasks that we do for new-age companies. As they are disruptive in nature, we tweak our offerings to meet their special requirements,” said Sharda Balaji, founder and director, Novojuris legal.

Chennai-based Vakil-Search.com claims to incorporate around 1,000 private companies every month. It has a dedicated team for startups. “Often, we help entrepreneurs arrive at the basic metrics of their business and sometimes, we even translate an idea into data,” said Hrishikesh Datar, founder and CEO, Vakilsearch.com.