

# LEGAL NOTES

## Lawyering Like an Entrepreneur

A startup itself, Silicon Legal Strategy ponders its next steps as it caters to San Francisco's early-stage companies

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Contributor

**Andre Gharakhanian** is eager to grow his business, but he's wary. He wants to keep everything that's made it successful, from the zealously responsive customer service to the birthday celebrations for each of his 14 employees. Yet he's concerned that expanding too quickly in San Francisco or opening offices in Seattle or Boston might erode his winning formula.

"It's not appealing to grow just to grow," Gharakhanian says. "How do you be successful and keep your vision?"

He sounds like an ambitious startup founder, which he is. But his venture is a boutique law firm that caters to clients much like himself: focused, innovative and savvy. His firm, **Silicon Legal Strategy**, serves the booming population of early-stage companies clustered in San Francisco's SoMa (South of Market) neighborhood. About two-thirds of the firm's work is for startups and the balance is with investors, including small venture firms and angel investors.

Gharakhanian, 36, looks a lot like his clients, favoring jeans, a sweater and boyish slicked-up hair. His day-old beard has hints of gray. In a little more than five years, he's grown Silicon Legal to six associates, seven staffers plus a partner in Santa Monica, Calif. Gharakhanian has poached three staffers from big-name firms in the past three months, and he's on the prowl for more.

Last year, the firm had a hand in 192 deals, a four-fold increase from just three years before. Its attorneys have handled financings for **Boundary Inc.**, **Jetpac**, **Rovio**, **TaskRabbit Inc.** and **Uber Technologies Inc.**, among others. Clearly Silicon Legal Strategy



Andre Gharakhanian, the 36-year-old founder of Silicon Legal Strategy, looks a lot like his startup clients, favoring jeans, a sweater and boyish slicked-up hair.

PHOTO BY OSCAR URIZAR, RED EYE COLLECTION

has hit on a winning formula: Provide affordable, responsive legal advice to nascent companies whose busy founders have better things to do than grapple with contracts and equity allocations.

That approach upends how big firms serve small startups, says Gharakhanian, who spent a decade at large practices in Chicago and San Francisco, handling M&A work, and private equity and securities matters. He realized he was trained to provide comprehensive advice, "but without the context and the actionability and the very helpful user interface. It's a waste of time for a startup client, and it makes their lives more difficult. You're providing them with way too much information."

When he launched Silicon Legal Strategy in 2007, he already knew that time-pressed young founders wanted practical, succinct legal help. The firm creates "a day-to-day advising relationship" with its clients and provides a smorgasbord of legal services tailored to startups. Its legal

team creates corporations and stock plans, handles transactional matters and drafts contracts for new hires, customer and supplier agreements, licensing deals and real estate leases.

He'll refer specialty work, such as patent matters or virtual currency issues, to larger firms. But ideally, Silicon Legal Strategy's attorneys can provide the suite of legal services a startup needs until it's ready to hire an in-house lawyer.

Gharakhanian's business strategy means serving a sizeable number of clients—his largest accounted for less than 5% of his total business last year—and emphasizing responsiveness over rainmaking. His associates bill between just 1,200 and 1,400 hours annually so they don't compromise their attention to client matters. Attorneys at major firms typically bill between 1,800 to 2,100 hours a year.

When **Ticketfly** co-founder **Dan Terec** emails a question to Silicon Legal Strategy, he usually gets a response within minutes.

"I always joke that there's two Andre

Gharakhanians. The guy never sleeps," says Teree, who has relied on the firm's business and legal advice since Ticketfly's beginnings in late 2007.

The San Francisco-based social ticketing site has grown in five years to 105 employees and raised \$37 million through three rounds of funding. In July, it announced a \$22 million Series C round led by **SAP Ventures**. Teree says that even after the company hires an in-house lawyer, he'll continue using Silicon Legal Strategy as a sounding board. "From a financial perspective, he's certainly not the cheapest.... But he's not a guy who burns the meter," he says of Gharakhanian.

The firm's hourly rates are 30% to 40% less than what larger firms charge, Gharakhanian says. Hefty legal rates tend to



Andre Gharakhanian

cause two hefty problems, he explains: Clients feel justified in being outrageously demanding, or they avoid consulting with their lawyer in a misguided effort to hold down their legal costs.

Large firms also routinely defer a startup's \$25,000 legal retainer until it secures funding. Gharakhanian rejects that model, requiring clients to pay a \$5,000 retainer up front. Those who balk wouldn't have been good clients, he says, because anyone who's failed to budget for legal advice has probably also failed to budget for a lot of other unsexy and vital business basics.

The firm was involved in just 10 financings in 2008 but had increased that number by 5x a year later. In 2010, Silicon Legal handled 104 deals and in 2011, more than 140. Recent deals have included a \$4 million seed round in February for San Francisco-based **StyleSeat Inc.**, which lets clients book hair and beauty appointments online, and a \$15 million Series B round for **Boundary** in July led by **Scale**

#### Venture Partners and Lightspeed Venture Partners.

Riding the current of such rich deal flow gives Gharakhanian and his team perspective on trends and a long-term view on business decisions that they can share with clients.

When he advises startups in negotiations with large companies such as **American Express**, he sees startup owners balk at corporations' indemnification clauses.

But they know that if they refuse to sign, they'll have to walk away from the deal. "Sometimes not doing the deal is a bigger risk than taking on indemnification," Gharakhanian says. Once a startup has its foot in the door of a large company, it has leverage to craft more favorable terms the next time around, he says.

He's intimately familiar with the growing pains that his clients suffer as they scale, such as losing one's cohorts. Onetime Silicon Legal Strategy Partner **Kristin Sverchek**, who joined the firm in 2009, left last year to become in-house counsel for client **Zimride Inc.**, a San Francisco-based ridesharing service.

"I miss him every day," Sverchek says. "It was the best working relationship I've ever had.... You're helping people fulfill their dreams. And Andre had a "no-assholes" policy. He'd fire them. Most law firms would not do that."

The only time Gharakhanian looks less than upbeat in an interview is when he mentions Sverchek's departure. But he perks up, noting that Silicon Legal Strategy expects a busy year, thanks in no small part to "a ton of money sloshing around in Silicon Valley" to seed promising startups. More funding will also likely mean more demand for Gharakhanian's legal services. His New Montgomery Street office have room for only 25 employees, so he has to decide his next steps.

He could grow the San Francisco office, but repeating the same template in other hot cities has its appeal, too, if it's even possible. He's not willing to scale the business if he has to sacrifice his hallmark responsiveness and intimacy with the SoMa startup scene.

"We don't want to turn into another large firm," Gharakhanian says. "Being a full-service firm is overrated."

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## Attorney at a Glance



**Andre Gharakhanian**  
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**Education:** Gharakhanian received an undergraduate degree in economics from the University of Michigan in 1999 and a law degree from Georgetown University Law Center in 2002.

**Experience:** He began practicing law in 2001 at Mayer Brown in Chicago. He joined Orrick Herrington & Sutcliffe in the Bay Area in 2004, when he relocated to San Francisco for his wife's job as a pharmaceutical sales rep. He launched Silicon Legal Strategy in 2007.

**Accolades:** *The Daily Journal* in 2012 named him one of California's top 20 attorneys under age 40. In 2001, was a winner on the NBC game show "The Weakest Link."

**Recommended reading for entrepreneurs:** "Rework" by Jason Fried and David Heinemeier Hansson; "The E-Myth: Why Most Small Businesses Don't Work and What To Do About It" by Michael E. Gerber; and "Barbarians at the Gate: The Fall of RJR Nabisco" by Bryan Burrough and John Helyar

**Finding balance:** If you're working too much, you're probably not operating effectively or delegating well, says Gharakhanian, who leaves work at 5 p.m. so he can have dinner with his wife, Amanda Rickel, and 3-year-old son. He works on the ferry ride home to Tiburon and after his son is in bed.