

Recap: “Venture Capital Speaker Series—Paul Vronsky, Kleiner Perkins Caufield & Byers”

By Joyce Li, J.D. Candidate 2018 | February 19, 2016

On February 10, 2016, the Berkeley Center for Law, Business and the Economy ([BCLBE](#)) welcomed Paul Vronsky, general counsel of Kleiner Perkins Caufield & Byers, for a discussion of his role at Kleiner Perkins and the future of venture capital.

A graduate of Stanford Law, Vronsky made his start at Gunderson Dettmer Stough Villeneuve Franklin & Hacigian, LLP, where he first encountered venture fund formation and management. Venture funds are unique among corporate work in that they require long-term legal strategies to anticipate the unpredictable life cycles of companies. The exceptionally high tax rate on capital gains also necessitates skills in tax law in order to truly master venture fund work, which Vronsky honed in a post-graduation class at his alma mater. Subsequently, by the end of Vronsky’s four years at Gunderson, 70 to 80 percent of his time was being dedicated to Kleiner Perkins alone.

As general counsel, Vronsky is now responsible for a broader scope of issues, but plays a more intermediary role. He referred to the bulk of his work as a sort of issue spotting, in order to engage relevant specialists who are often outside counsel. Further, while Vronsky spoke of the incredible value provided by his formative training at Gunderson, he also expressed appreciation for the opportunities to pause and reflect offered by his new role, allowing him to engage with relevant articles or survey a field through conversation with leading scholars.

With regards to the future of venture capital, Vronsky touched on the growth of so-called “unicorn businesses”, start-ups whose valuation has exceeded \$1 billion, which now total [over 170 companies](#). From Vronsky’s perspective, Kleiner Perkins has “seen this movie before,” having invested in Google during the burst of the dot-com bubble. Given the limited nature of capital, he predicts that only those with “enough in the bank” will weather the current economic storm. However, with respect to attorneys entering the job market, Vronsky regards this winnowing effect as an advantage that will allow them to start their careers in more sustainable firms or companies.

Vronsky also discussed a worrisome trend in seed funding. Start-ups eager to gain initial capital may inadvertently lose large portions of ownership to seed investors. For example, pro rata rights will allow seed investors to maintain their portion of shares indefinitely, which means that founders may have to cut into their own shares to obtain Series A funding from higher level financiers such as Kleiner Perkins. Vronsky thus believes that start-up lawyers have a key role to play in anticipating and preventing these potential pit falls.

At the end of the day, Vronsky said that he considers the role of Kleiner Perkins to be of advisory influence. Despite often being minority owners, venture capitalists maintain an ability to set tone, and thus can still effect significant change.