

LATHAM & WATKINS AND CONSENSYS PARTNER ON CONVERTIBLE NOTE GENERATOR

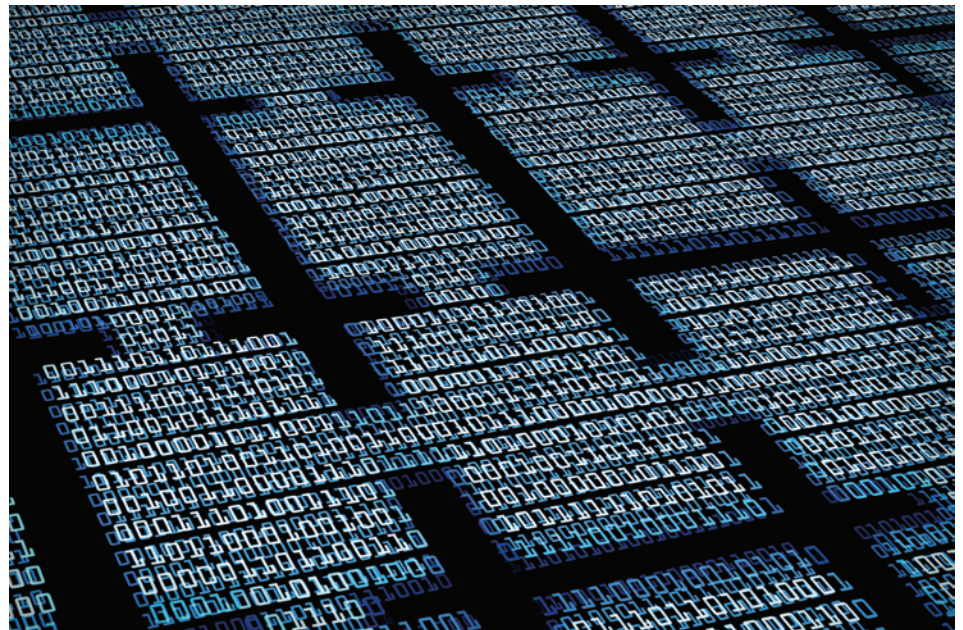
BY FRANK READY

Blockchain developer ConsenSys has partnered with law firm Latham & Watkins to develop a document generator tool called the Automated Convertible Note.

The basic idea is that a startup will be able to use the document generator, which is available free of charge, to create convertible notes with customizable market standard terms. If at some point the leadership behind said startup decides that they would like to begin distributing digital tokens, the Automated Convertible Note includes provisions for that too.

Federico Soddu, an in-house lawyer at ConsenSys, said that the tool will “allow startups in the space to spend a lot less time and effort trying to figure out how they should set up their external investment.”

Essentially the document



generator walks users through a series of questions and has them input data ranging from the company state of incorporation to the par value of company common stock. At the end of the tunnel should be waiting a viable first draft of the convertible note.

As for the “how” of the whole project, Latham & Watkins has worked with ConsenSys on multiple projects over the last

two years, including on the form that the developer was using in-house that eventually served as the foundation for the Automated Convertible Note.

“Over time [we] tweaked it and got it more to a place where I think we all wanted it to be. So the legal underpinning was sort of there to begin with,” said Stephen Wink, a partner at Latham & Wat-

kins and co-chair of the firm's Blockchain and Cryptocurrency Task Force.

On the technical side, the Automated Convertible Note is supported by OpenLaw, a ConsenSys backed-blockchain-based protocol for legal agreements that also allows for automated document drafting. OpenLaw recently announced a partnership with Rocket Lawyer, which is exploring a blockchain-fueled smart contract service for its widely used legal automation platform.

Beyond the utility for startups, it's possible that the Automated Convertible Note could continue to push the discussion around digital tokens forward.

"We were really excited to work on this project and help ConsenSys because we really see this tool and the form that

they're currently using as advancing the conversation from a regulatory perspective," said Yvette Valdez, a partner at Latham & Watkins and a member of the firm's fintech industry group.

Of course, digital tokens can pose an entirely different kind of headache to young businesses because of the ongoing confusion surrounding regulation over the blockchain space.

"There are a lot of folks who profess to be experts in the blockchain [legal space] but in reality they're either making pretty big assumptions on where the regulations may land or there's kind of an ignorance towards some of the concerns from the securities and commodities side," Soddu said.

To be sure, the blockchain developer and Latham & Wat-

kins are far from the only companies in the legal space looking to actively engage with startups. Last August, the firm of Paul Hastings launched a free knowledge resource and document assembly service called Ignite that was designed to help emerging companies deal with some of the financial and legal demands unique to a new business.

Early-stage entrepreneurs can also seek guidance on GitHub, where law firm Cooley has made its Series Seed Note documents available for download. The package includes useful items such as a convertible promissory note and investor suitability questionnaire.

Frank Ready is a reporter on the tech desk at ALM Media. He can be reached at freedy@alm.com.