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AI Decoded: Building a Legal Function at Startup Speed

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Perplexity has become one of the most closely watched companies in AI, shipping new products at remarkable speed. In this episode of *AI Decoded*, Proskauer partner Oliver Howley speaks with Perplexity general counsel and vice president of operations Nathan Barksdale about building a legal function from the ground up — and keeping pace as the business scales.

OLIVER HOWLEY: Welcome back to *AI Decoded*. Our first season focused on the practical AI issues that businesses are grappling with today. Now, we're speaking with the people building and scaling the companies that are shaping the AI industry, starting with a company that's been at the center of the AI conversation, Perplexity.

Founded in 2022, Perplexity pioneered the AI answer engine, delivering sourced, cited answers to user queries instead of simply returning a list of links. Today, it's valued at over $20 billion and has expanded well beyond search, with Comet, its AI-native browser, and Computer, an orchestration layer that harnesses more than 20 AI models.

Joining me is Perplexity's general counsel and VP of operations, Nathan Barksdale, who I've had the pleasure of working with over the past few years.

Okay, so let's start at the beginning. I remember being introduced to you soon after you joined Perplexity, and since then, you've kind of built the legal function from the ground up whilst the business has been scaling rapidly. Can you talk us through the business rationale for hiring you in the first place? And then once you got your feet under the desk, how you built the legal function and what you were looking for and the areas in which you were focusing?

NATHAN BARKSDALE: Yeah. So the number one reason why I was hired was to drive the business to move faster. So before myself, it was outside counsel doing a lot of the deals. They didn't really understand the inner workings of the team. They didn't have the connections across hundreds of people to be able to facilitate and orchestrate moving those deals in a way that was beneficial to the end goal. Typically, when companies are building in house, the first attorney is the biggest problem they're having. And normally, it would be litigation, right? We're faced with these big suits against these industry players. And so it would make sense for them to hire a litigator. But for us, the end goal was how are we doing? How do we do more deals? How do we move faster and how do we align our business initiatives with the growth of the business.

OLIVER HOWLEY: Right.

NATHAN BARKSDALE: So when I was brought in, that was my number one focus.

OLIVER HOWLEY: Revenue, revenue, revenue, yes.

NATHAN BARKSDALE: That quickly changed to a lot of other areas that kind of facilitated and suited my background. But then, when I started hiring the team, I focused on that commercial purpose of driving the business deals forward, and then facilitated added pieces that would kind of fill out our team.

And so when I hire any lawyer on our team, I look at what would make them a good kind of startup lawyer, someone that can work with others and collaborate very well, but is not afraid of doing the dirty work. Usually, when people make it to me, they have great resumés, they have a lot of wins under their belt, they have a list of accolades. So it's not about "Are they the right person, or do they have the skill set for the job?" It's "Do they have the intangibles that make them a great lawyer for a high growth business that everyone needs to pitch in and move forward?"

OLIVER HOWLEY: So you started with the commercial growth and you yourself, as a background of commercial law and other things — I'm very aware of that — but you've built beyond commercial, right, in terms of legal expertise? Where did you go first after hiring commercial contracting lawyers?

NATHAN BARKSDALE: First I went to product. I think we are known for shipping very fast. I think in that particular—

OLIVER HOWLEY: Very, very fast, yeah.

NATHAN BARKSDALE: —year we were averaging a new feature or product a day. We've slowed that down to be more aligned with our goals for facilitating our big products. But we were not really focused on product counselling and ensuring all of the risk issues and really understanding, in detail, how these products were built upon one another. So I then went to product counsel and we have — I had a product legal.

OLIVER HOWLEY: I suppose, though, no in-house counsel can do everything. So, in terms of the outside counsel that you bring in to support the business, what separates them from the many other law firms that can be banging on your door asking to represent you?

NATHAN BARKSDALE: It's similar to how I hire individuals. So, everyone already has a great resumé. You don't know how many times I've been in a pitch meeting where they say, "Oh, we know this judge." Well, that's not going to help you win a case. It's a good thing that you're familiar, but everyone is familiar with those judges. But what are the intangibles that set you apart is how innovative you are, how forward thinking you are, how you really think about these issues. I've had outside counsel sit me down and say, "Why don't you just settle?" And that tells me you don't really want to work at the hard stuff, and you're not willing to dig in. And they would, but it's not something that we're looking for. We're looking for people to roll up their sleeves and vigorously defend us and help us create a strategic path around these issues that would help us move forward into the future.

OLIVER HOWLEY: Obviously, the business has changed a lot over the years and so has the technology itself in a dramatic way. How has that evolution of the product and of the technology changed the legal questions that come across your desk? How has the legal work evolved alongside the technology?

NATHAN BARKSDALE: It’s made it much simpler. People understand Computer a lot more than they do the answer engine. With the answer engine, it was a new way of retrieving information and providing it to you differently than what Google has done, right? And people didn’t understand how that happened. People thought we were stealing. People thought we were regurgitating exact copies of articles. There’s a lot of misconceptions about what was actually happening and how these wonderful, concise answers of many different sources ended up on your screen. People understand that Computer works on behalf of the user. And so when someone requests Computer to do something and combine sources with actions — it knows that it’s acting on behalf of the user, and so it’s a representative of the user, and that’s a lot easier to understand from a legal concept. And who is actually in control in that moment. When you’re visiting a website, Computer is doing that at your request. And you have more control over it.

OLIVER HOWLEY: One thing I think people don’t necessarily appreciate about your role is that you are not only the general counsel of Perplexity, but you’re also VP of Operations. And that’s not a common combination in business, or in AI companies, but it seems to have worked remarkably well at Perplexity. Why was that the right structure for the business? Who came up with that? And how did the two roles complement each other?

NATHAN BARKSDALE: Our strategic advantage in this industry, that’s highly competitive, is our size and how fast we can move. We’re about 447 people as of yesterday with our new hires. And our ability to be more nimble than all of our competitors, we need to maximize what that means for us. And a lot of it is not necessarily control or managing many different teams, but it’s alignment and collaboration amongst those teams. I’ve been a part of organizations where you have a very broad C-Suite and it’s usually finance versus legal versus product versus business and everyone has their own agenda, but we are all technically the business together.

Early in my career, someone told me that — they said, “don’t have lawyers in your team. Refer to yourself as, like, a service of the business. Like you are the business. You represent the business,” right? And that’s how we’re kind of developing our team. So I roll up to our chief business officer, our legal ops team, our finance team — we’re all a part of our business meetings, and so there doesn’t feel like there’s a separation between teams because overall we’re one team together.

Ultimately, for my team, real estate, HR, a lot of it is contract problems, a lot of it is legal issues. And so instead of one of the teams being the last to know because you're working with a small group of people and then "Oh, I need to loop in HR, oh, I need to loop in this team" — we're kind of all there together because they're all on one unified team together.

OLIVER HOWLEY: Brilliant.

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