

Starting Your Own IP Law Practice— What Questions Should You Ask (Yourself and Others)?

I. Introduction

Are you sane?

You think you want to start your own law firm? Or, you think you want to practice out of your basement in your slippers? Or, you think you want to develop an intellectual property (IP) law practice in a large general practice firm? Let's start by asking yourself some questions:

1. Are you ready to work the long hours needed?
2. Are you ready to take financial risk?
3. Do you have a high tolerance for risk?
4. Do you have the drive?
5. Do you have the patience to see it through?
6. Do you have the business savvy to run a business?

7. Do you have the time?
8. Do you have the stamina?
9. Do you have the self-respect to make mistakes and live through it?
10. Can you face failure and survive?

These questions are only the beginning. . . .

This book is designed to encourage you to ask yourself, and others, the right questions. It is not a “forms” book. It is a “what’s it like” book. It is a book that will help you ask questions, look at options, and decide what is best for you. The questions are ones that every practitioner should ask. The answers are yours.

This book will explore these questions through the experiences that practitioners like you have faced in setting up various types of practices focused on intellectual property, whether in their basement or in a large general practice firm. Through these case studies, you will see the issues involved in starting an IP practice, including acquiring office space, equipment, and staff; getting (and keeping) clients; what goes into establishing fees; accounting practices, and associated procedures; and managing the practice, office, staff, and employee benefits. One way to compile your thoughts in working through the decision whether to start your own IP practice is through the list of interview questions and checklist provided in Appendices A and B.

Numerous attorneys in various IP legal structures were interviewed for this book. Included are IP attorneys who have set themselves up as solo practitioners, who have set up a practice with two or three others, who have set up a practice to focus solely on patent prosecution, who have set up a practice to focus solely on trademark work, or who have set up a practice in a general firm or corporation. These attorneys have faced similar issues and dealt with them in creative ways.

II. Getting Started

The first set of questions focuses on “why.”

- Why do you want to start your own practice/firm?
- Why do you need to start your own practice/firm?

Has there been an incident that is provoking you to do so?
Why are you allowing this to provoke you?

Knowing the source of these triggers will help in dissecting whether starting an IP practice is the solution.

The existence of an agitating circumstance that prompted the decision to start one's own practice was a common theme among the attorneys interviewed, regardless of the type of practice they eventually started. In most instances, an irreconcilable conflict between the individuals and their organization arose—irreconcilable in that fundamental structural issues (such as clients, work-life balance, etc.) made the choice to strike out on their own almost the only option. These same fundamental issues generally drove the choices that those individuals made about the character of their own IP practice. You *will* need the courage of your convictions to persevere when heading out on your own.

The second set of questions pertains to “how much.”

How much experience do you have?

How much experience is necessary to start a practice/firm?

How much professional risk will there be?

How much financial risk will there be?

How much risk can you tolerate?

How much money will you need to get started?

How much money will you need to have saved to support your personal life style while starting your own practice/firm?

How much of a distinction will there be between your personal life and your professional life?

If answering “why” and “how much” results in a decision to strike out on your own, self-analysis of your personality traits may provide further insight. Thus, the third set of questions requires introspection.

What are the necessary or desirable personality characteristics of someone who starts a firm/practice?

What factors should be considered in making the decision to start a solo practice or to join forces with others?

What can others bring to the table for you to consider starting a practice with them?

Are you boss material or does a partnership better reflect your personality?

In the case studies explored in this book, many of the practitioners leveraged divergent skill sets (often beyond just “legal” skills) when starting some form of IP practice with others. While strategies to cover multiple disciplines were used, division of skills along functional lines also occurred (e.g., business management, accounting, and information technology (IT)).

The need to allocate resources is inevitable. You cannot do everything and still practice law. The immediacy of determining what you can do yourself versus what you can (or have to) out-source is mandatory (whether by trial and error or careful forethought). The more self-aware you are, the more effectively you will allocate your most precious resource—your time!

The fourth set of questions explores “how.”

How do you set up a legal entity?

How do you decide which corporate structure to adopt?

How long do you need to plan for starting your own firm?

How do you decide what to name your firm?

How do you decide what the compensation structure should be for founders?

How should you allocate the money needed to start a practice/firm?

Too many questions? Sorry. There are many more you need to ask.

Do you need a written business plan?

Do you want one?

What issues do you consider and cover in your business plan?

Where do you look for financing?

What is required to get the financing you need?

Do you need to get malpractice insurance immediately?

(The short answer is yes.)

Where do you obtain malpractice insurance?

How much malpractice insurance will be needed?

How much does it cost?

How long can you survive without a paycheck?

III. Space, Equipment, and Staff

Once the decision to start your IP practice is made, logistical questions become paramount. Many questions come to mind regarding space, equipment, and staff. A common theme among many of the practitioners interviewed was the reliance on a mentor, someone who had gone before. Many had talked to friends and colleagues asking for advice on the nuts and bolts of starting an IP practice. The mentor was often pivotal in helping to move the “crazy” idea of starting out on one’s own into the realm of the possible.

So, here are some logistical questions you should ask:

Where do you first open your office?

What are some of the considerations in deciding where to hang your shingle?

If you decide you want to lease space, how do you find it?

Where do you start looking?

What terms are negotiable with your landlord?

Should you consider an office in a shared suite?

If you are going to be a solo practitioner, it is often tempting to start out in your home. Low overhead, possible tax incentives, flexible work hours, lax dress code (e.g., working in your pajamas) are all tempting.

But *should* you open your first office in your home?

If you do, there is still the decision of *where* in the home?

How do you discipline yourself?

How do you stay focused?

In the current technological age, there is the possibility of a virtual office.

What is a virtual office?

Is it practical or possible to have one?

What considerations go into creating a virtual office?

What about equipment and supplies?

What do you need on the first day you open your door?

Is there a checklist published somewhere for equipment and supplies?

Should you buy or rent equipment?

Do you buy new or used equipment, and if so, where?

What about computers and software?

What type of computer system should you put in place?

Should you go with a Mac or a PC, and does your system need to be compatible with your clients' systems?

What software is needed to get started?

What kind of printer?

Do you need a fax machine?

What about a scanner?

Do vendors give any deals? How do you find these vendors?
How do you get the deals?

How much does all this cost?

How much should be budgeted for office space, equipment, and supplies?

What about staffing?

What staff do you need on your first day?

If not on the first day, when do you hire staff?

Is it best to use:

contract employees?

temporary employees?

part-time employees?

full-time employees?

a temp service?

Staffing should be sufficient for you to focus on doing quality work. While this requirement seems obvious, it can be hard to put into practice. Starting an IP practice, particularly on your own, may not allow for the backup systems you were accustomed to having when part of a larger infrastructure. If you are coming from a large firm, for example, there are fewer opportunities for review or for bouncing ideas around. There may be no associate to prepare the first draft. There may be no support staff to prepare the forms or proofread the documents before they go out to the client. Oh, and don't forget—you may now be the rainmaker.

At the same time that diversions to nonlegal tasks (e.g., IT, human resources, accounting) are increasing, the need for you to put out work and get paid is also increasing. Balancing these

needs, especially in the first couple of years of a new practice, make doing quality work more difficult than you might imagine. Be sure the work product your new practice sends out is pristine. If you don't have the time to do it well, then it's probably time to evaluate your staffing needs, and ask for help. You only get one chance at making a good first impression, and infinite opportunities for making a bad one.

What about advertising?

What mechanisms do you use for announcing the opening of your practice?

Do you have professionally created stationery and business cards or do you create them yourself?

How much do you budget for advertising?

TIPS AND TACTICS

Introduction

The following is a modified checklist derived from an article by Michael C. Smith (a litigator who initially set up his practice in his home) entitled Starting a New Law Office: A Checklist, *Texas Bar Journal*, page 532, July 2008 (see also mcsmith.blogs.com/files/08-06—opening-a-new-law-office.pdf; www.texasbarcle.com/CLE/LMHome.asp; and www.texasbarcle.com/materials/special/lawpractice.pdf):

1. Select a name.
2. Set up a legal entity (e.g., LLC, S Corporation).
3. Get an EIN (Employer Identification Number), also known as a Federal Tax Identification Number (see <http://www.irs.gov/businesses/small/article/0,,id=93350,00.html>).
4. Get malpractice insurance (some carriers will advise you on setting up your practice/firm).
5. Get a post office box.
6. Get a phone number.
7. Get Internet access.
8. Get a fax number either through the phone company (which requires a separate line and a fax machine) or through an online faxing service (see, for example, www.eFax.com or www.nextivafax.com or www.nextivafax.com).
9. Get a domain name (see www.networksolutions.com or www.godaddy.com).
10. Get an e-mail address either through a service such as Yahoo or Google, or one that is associated with your domain name and make sure it is accessible through the Internet (see www.networksolutions.com).
11. Find office space, negotiate a lease, and, if not handled by a landlord, do the following:
 - a. Set up an account with the electric company.
 - b. Set up an account with the gas company.
 - c. Set up an account with the water company.
 - d. Install an alarm system.
 - e. Install signage.
 - f. Negotiate and schedule remodeling/repainting.

12. Lay out office space (e.g., location of phone lines, network connections, furniture, etc.).
13. Procure furniture (e.g., shop at used office furniture stores, home furniture outlets, etc.).
14. Set up a phone system (for determining the number of phone lines, balance the up-front cost against the anticipated number of employees) and make sure it has a roll-over feature, an intercom feature, and a voicemail feature.
15. Set up a server, a network (e.g., a Wi-Fi network, a Virtual Private Network (VPN) for remote access), and a back-up.
16. Set up computer workstation(s), printer(s), scanner(s), copier(s), and software (e.g., word processing software, voice recognition software).
17. Set up a calendar system and a docketing system (e.g., www.tabs3.com, www.cpaglobal.com, and www.computerpackages.com).
18. Procure office supplies (e.g., printer paper, copy paper, Post-it notes, pens).
19. Notify your state bar, relevant courts, the U.S. Patent and Trademark Office (USPTO), the post office, and vendors, of your new contact information.
20. Notify your (former) clients of your new contact information.
21. If clients are willing to transfer their work to you, assist with preparing transfer letters for them to sign and send to your former firm.
22. Make sure you have insurance, including health insurance (e.g., use COBRA for transitional insurance), liability insurance (e.g., malpractice), and insurance against theft and damage to office/equipment, etc.
23. If practicing with someone else, get agreements in writing. AND consider doing this before step 1.
24. Transfer your retirement account from your previous employer.
25. Create a directory of client contacts, potential client contacts, etc.
26. Set up bank accounts, including an operating account and an IOLTA (Interest on Lawyers Trust Account), and get credit cards(s).
27. Find an accountant and set up an accounting system (e.g., QuickBooks) and a billing system.
28. Set up a filing system for both electronic and paper files, and consider going paperless and setting up a paperless case management system.
29. Consider staffing requirements.
30. Procure coffeemaker, refrigerator, microwave, and other kitchen supplies.

IV. Clients

So, you now have an office, a staff, and computers and printers. But you need clients for success. What's next?

Do you have the necessary contacts to get clients?

Do you need guaranteed clients to get started?

What should be the focus of your initial client base?

Many practitioners have clients who will follow them. Don't forget your legal and ethical obligations in this area. Be sure to know the rules in your state regarding how and when to approach potential clients, particularly those you know from working with your former law firm. Be realistic in assessing whether your cur-

rent clients will be receptive to you starting a new firm. Be careful about the bridges you burn and the new ones you are building.

How do you keep your current clients while transitioning to your own firm?

Do you need to provide discounts or other incentives to get clients?

How do you handle the transfer of current client files?

What mechanisms do you use to get client files transferred to your new firm?

For obtaining new clients, the list of considerations grows even longer.

What marketing strategies, tools, techniques, and activities should you use to make new contacts and get new clients?

Do you make cold calls?

Do you advertise, and if so, how and where?

TIPS AND TACTICS

The following is a modified list of steps and tips derived from an article by Melanie Carstarphen entitled *A Primer for Going Into Solo or Small Firm Practice: Your Best Next Six Steps*, *Texas Bar Journal*, 2008, VOL 71; NUMB 7, pages 584-585 (<http://direct.bl.uk/bld/PlaceOrder.do?UIN=232816088&ETOC=RN>)

The six steps the author identified are:

1. Talk to people.
2. Make a decision.
3. Visualize your plan.
4. Develop your plan.
5. Network, Network, Network.
6. Finally? Celebrate, of course.

The following tips are derived from these six steps:

1. Relax and enjoy the journey.
2. Find trustworthy mentors.
3. Use a professional coach.
4. Examine your ideas and write them down.
5. Examine your goals and write them down.
6. Establish a mission and write it down.
7. Develop a business plan and write it down.
8. Break your plan into smaller parts and implement these.
9. Identify your target client(s).
10. Network.

11. Identify resources for obtaining client(s).
12. Script a two-minute speech about your services.
13. Network, network.
14. Evaluate your speaking and presentation skills and improve on them.
15. Evaluate your physical image (e.g., physical appearance, dress, and attitude) and improve on it.
16. Network, network, network.
17. Expand your network—do volunteer work and get involved in your community.
18. Remember, your reputation is everything.
19. Network, network, network, network.
20. Celebrate your successes . . . while you network.

What about a website?

Should you establish a website?

If so, should you do so immediately?

What is the value of a website?

What information is needed on a website?

What about maintaining clients? What activities do you need to employ?

What about giving “credit” to attorneys for getting clients?

Do you implement such a system?

If so, what does this system look like?

Does it last for a short period of time, or in perpetuity?

Consider client conflicts and conflicts of interest. Chapter 10 provides a detailed discussion of some of the most common conflict issues, and guidance on how to avoid them in your practice. Do you anticipate any problems with client conflicts? If so, have a plan and policies on resolving conflicts up front. What factors do you consider when determining which client to select when there is a client conflict?

V. Fees, Practices, and Procedures

Nobody likes to deal with bills, billing rates, billing systems, or accounting systems. But you must. That is, unless you are a trust-fund baby, a lottery winner, or independently wealthy, and you simply enjoy practicing law without financial remuneration.

A common theme among those starting an IP practice was the amount of time spent preparing and reviewing bills. Like it or not, bills are the lifeblood that runs your IP practice. The bills must be timely and accurate, and payment pursued diligently to ensure the continued operation of the practice you have worked so hard to establish.

First, ask yourself about fees.

How do you set your fees?

Should you bill on an hourly or a project basis?

Do you set your hourly rate lower or higher than it had been at your previous firm?

Do you set fees at different levels depending on the client?

Do you provide discounts or other incentives to encourage clients to pay?

Second, ask yourself about billing.

Do you require retainers?

How do you determine which clients have to pay retainers?

What practices do you put in place to get clients to pay their bills?

At what point can you refuse to do any other work for, or withdraw from, a client who is delinquent on bills?

Do you do your own billing or do you outsource it?

If you do your own billing, what software do you use?

Do you accept credit cards?

What techniques do you use in the presentation of bills that result in fewer concerns by clients?

Third, ask yourself about accounting practices.

Do you use cash basis or accrual basis?

Why is one better than the other?

Do you use an accounting firm for your day-to-day accounting needs?

Do you do your own accounting?

Do you establish a system for auditing your books?

VI. Managing the Practice, Office, Staff, and Benefits

How do you manage the practice, the office, and the staff? And what about benefits? What do you need to know if you decide to provide benefits?

What is there to learn about managing the practice? Do you use practice forms to ensure consistency? If you do use practice forms, where do you get them? Who should manage your practice?

What do you do about docketing? Is it done internally, or do you outsource it? If you do docketing internally, what docketing software do you use? If you outsource docketing, where do you find a company that does such docketing?

What do you do about managing people? Do you hire a professional personnel manager? Do you contract with a personnel management firm? If the latter, where do you find a personnel management firm? Do you have a personnel manual? If not, how do you create or obtain one?

How do you establish staff salaries? Do you do your own payroll or outsource payroll? If you outsource payroll, where do you find a firm that does all the necessary activities for payroll (including taxes)? Where do you learn about managing the office and staff?

What about benefits? What benefits do you provide?

VII. Miscellaneous Issues

What other questions should you ask yourself or others about starting a law firm? Do you still want to start your own law firm? Again, are you sane?

For ideas on how to approach the questions regarding the start of an IP practice, review the results of the interviews presented in this book for the following:

Case Study 1—Solo Patent Practitioner

Case Study 2—Two-Person/Two-Office Patent Practice

Case Study 3—Small Firm Patent Practice (Three Practitioners)

Case Study 4—Small Paperless Patent Firm

Case Study 5—Small Trademark Practice

Case Study 6—IP Practice in General Law Firm

Case Study 7—Ten-Plus Practitioner Patent Prosecution Firm

Case Study 8—In-House IP Practice

Hopefully, among all the answers to the questions, a practitioner's story will resonate with you, and give helpful ideas on your own road to discovering the best IP practice for you.

Of course, no book by lawyers is complete without a little legal analysis. The most relevant to consider in setting up an IP practice on your own is the ethical rules around conflicts and legal responsibility. The last chapter provides some considerations to keep in mind when determining the scope of both subject matter and clients that your new IP practice can, or should, accept.

Whatever road you choose, best of luck in all your endeavors!