



**This sheet is provided by Parazim for informational purposes only. It should not and cannot be construed as legal advice, a legal solicitation, or an advertisement. You should contact your own lawyer to determine what is appropriate for your business.**

## **-HIRING AN ATTORNEY-**

At some point, all entrepreneurs contemplate whether or not they should hire an attorney, and if so, how to go about it.

Many startup founders launch and run their company on a tight budget. For the entrepreneur who is attempting to cut costs, many legal tasks can be accomplished without the assistance of an attorney. Under certain circumstances, however, it is always best to hire a lawyer.

### **QUESTION**

Is it necessary for me to hire an attorney to startup my business?

### **ANSWER**

Maybe not. Some entrepreneurs have the luxury of hiring an attorney to handle all startup concerns. This preventative legal care may reduce the risk of accumulating larger legal bills later. However, sometimes this is not practical for a new venture. If money is tight, there are many items you can take care of independently using self-help resources online.

### **QUESTION**

What tasks can I handle myself?

### **ANSWER**

There are many tasks an entrepreneur can complete in order to save on costs, such as:

- Drafting a business plan
- Researching and choosing a business name; filing a fictitious business name
- Researching and purchasing a domain name for a website
- Applying for loans or grants
- Executing NDAs or consulting agreements
- Obtaining an employer identification number
- Obtaining permits and licenses

- Leasing commercial space and equipment
- Hiring employees, contractors, and vendors (though hiring a worker as an independent contractor versus an employee is a decision to be made with legal advice)

Some other tasks that can be accomplished via online "self help" legal services (and consulting with your tax accountant) include:

- Creating a legal entity (partnership, LLC, corporation)
- Creating or modifying partnership agreements, operating agreements, buy-sell agreements

### **QUESTION**

When should I hire an attorney?

### **ANSWER**

A new business with adequate funds can hire an attorney to complete any or all of the tasks listed above. Preventative legal care now may help to eliminate larger legal bills later. For example, if a company invests time and resources into marketing and building a brand over a year's time, only to get sued a year later for trademark infringement, this may turn out to be much more costly than securing legal assistance from the start, in order to appropriately address trademark issues.

A new venture operating on a tight budget, however, may instead choose to cut costs by preparing "self help documents" utilizing online resources. In this case, the company may wish to have a startup lawyer review those documents.

Alternatively, a company may choose to completely hold off until a more serious legal situation arises. Examples of those situations might include:

- Being investigated for compliance issues such as violating laws or government regulations, including those regulating your specific industry
- Being sued (ex.: trademark infringement)

It is important to note that many attorneys offer a free consultation. Thus, when in doubt, you may want to schedule an appointment with an attorney to discuss your options.

### **QUESTION**

What should I look for in an attorney?

### **ANSWER**

Working with an attorney can be intimidating, so it is best to find one that you feel comfortable with, enjoy working with, and trust. You will want to work with someone that is responsive. To a startup, time is often of the essence. The attorney should be knowledgeable in startup law and have experience to handle your particular legal issue.

The more experienced the attorney is, the more expensive she will likely be. Therefore, it is not necessary or reasonable to hire the most senior partner to tackle less

complicated or routine tasks. When hiring a less experienced attorney, however, it may be useful to ask the attorney to provide an estimate of how much time it will take to complete a task, and request a cap in alignment with such estimate.

**QUESTION**

Is it appropriate to interview prospective attorneys?

**ANSWER**

Yes. Many attorneys offer a free consultation. It would be prudent to meet with the prospective attorney to discuss your legal issue in order to determine if they would be a good fit for you.

**QUESTION**

How do I hire an attorney?

**ANSWER**

After you have expressed interest in working with an attorney on a particular matter and engaged in an initial consultation, she will present you with an engagement letter. This letter will detail the scope of work she will provide, subject matter, the client-attorney relationship, fees, expenses, review potential conflicts, and other responsibilities. Once you sign and return the engagement letter, the client/attorney relationship begins.

**QUESTION**

What are the payment options?

**ANSWER**

Traditionally, lawyers offer 3 types of fee arrangements: hourly, contingency, and fixed rates (as discussed below). It may benefit the entrepreneur to find out if modern payment options are available, such as revolving credit, subscription plans, or "self-help" document review plans.

- Hourly rate: The attorney will charge you by the hour and divide the hour in 6-minute increments. For instance, if the attorney worked on your project for one hour and 12 minutes she will charge you for 1.2 hours of work.
- Contingency: The attorney will take a percentage of the money you receive if you win the case or settle out of court. If you lose, the attorney does not receive a fee. This type of fee arrangement is common in personal injury cases. You will still be responsible for court costs and other expenses. The fee agreement should clarify the attorney's percentage and whether her share will be calculated before or after other costs are deducted.
- Fixed fee: The attorney will charge a set price for a specified project. This is common in routine legal matters such as creating a partnership

agreement.

**OTHER RESOURCES:**

- <http://smallbusiness.findlaw.com/business-lawyer-resources>
- <http://www.nolo.com/legal-encyclopedia/small-business>
- <https://www.sba.gov/business-guide>