How to Open Your Law Firm Novice

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What Requires To Open Your Law Firm

To open a typical law practice firm requires certain dedication, effort, and research. Although the way the law firm operated in the past is different than it is operated nowadays, there is a certain trend to follow. A recent graduate can’t simply walk into an office space suitable for a law firm and sign up for the rent. The lawyer needs to study the area, so at least to know what kind of clients to expect because the law firm cannot exist without them. About two years ago, an opportunity showed up to open a law firm in a building at a major intersection, where Gerry Spence, a prominent lawyer, noticed that on Sunday afternoon there are more people there than in his native Wyoming. Gerry Spence’s observation may be certainly right about the location, but he is not definitely right about the court opportunity is always available if you are a repeated bar exam taker which contributes little to accumulation of knowledge.

The cost to rent the whole floor of a potential law firm is between $2,500 and $2,800 considerably inexpensive considering that one bedroom apartment costs pretty much the same $3,000. The office space, half a floor, has enough square feet multiple attorneys at least five. There is a separate room to serve as a mini kitchen and a waiting room designed for potential customers.

To analyze this proposition, a business plan has to be present, and the best way to analyze the business plan is SWOT (Strengths, Weaknesses, Opportunities, and Threats). Strength indicates on characteristics of the business that give advantage over others. Weakness indicates on characteristics that place the business or project at a disadvantage to others. Opportunities are the elements that the business could take for its advantage. Threats are elements that could cause trouble for the business such as other competitors. Under strengths, the law firm is located in a
prestigious area. Under weaknesses, there is a catch with the rent price. The rent agreement needs to be for at least multiple years. The landlord explained that few landlords in the city would go to a lower period for the same rent because the tenant may leave the building vacant before the contract expires. He continued that there are certain seasons when there are more clients, and it is going to be even harder to find a substitute than before the rental if the vacancy falls offseason.

Under opportunities, the building locates at a major intersection attracting many passersby, and the landlord was flexible with the rental meaning you could have lower it to let’s say 25% less without hearing surprised that it is unconscious. The landlord’s answer after a pause would follow that he could pay electricity bills, but the rental price would stay the same. Although stability is his major concern, the landlord’s last client left a few months ago, and he obviously owns this building and perhaps some others which may show some kind of inconsistency with the immediacy of rent – perhaps being under the last client’s impression. Under threats, an attorney in the vicinity who contributed to the law firm to receive and send reciprocal referrals is not going to be considered to be a competitor.

To set up this law firm, I would like to make sure that the protocol or procedure is in place because this is a blue print or business plan for a law firm to function. The system in place would discredit malpractice claims if one arises later such as a conflict of interest. The first step is to set up a fee. The fee agreement needs to be in writing such as what to charge for associates, paralegals, and outside vendors. Fee estimates are a two-way sword because it may be too high or too low, and if it is the letter, the client will be upset upon hearing the actual price. It is easier when there is a partner because that is what the law firm charges in general. There needs to be a standardized engagement letter with a scope of representation and any limitations such as a
limited representation despite the fact that Rule 1.5 suggests but does not require that fee arrangements should be in writing except contingency. Other documents should include disengagement, non-engagement letters, and similar forms for each of the partners. An engagement letter does not only serve as a safeguard to remind the client about the agreement but also a trust to clarify any misunderstandings about the attorney-client relationship and also for the reason to keep the client engaged by reading, acknowledging and, eventually signing it to memorialize the event. Disengagement and non-engagement letters serve to protect the client from a later encounter for misrepresentation. Some lawyers write rules of professional conduct and other rules as a remainder on the wall. An example is Rule 1.2 which states that a lawyer shall abide by a client’s decisions concerning the objectives of representation. This rule goes together with Rule 1.4 to remind a lawyer to answer phone calls; in other words, not to drop the ball in any of the clients’ matters and keep the cases under control. Also, the rule may be as simple as not to leave the first interview without discussing fees or not to engage into an intimate relationship with a client because it undermines representation or to treat other clients as you wish to be treated as a client.

To set up a salary or compensation, we are going to use a simple formula either 50-50 or based on number of working hours. For a law firm with more than one attorney, the compensation formula would look like the following way: (partner fees collected) + (partner fees generated)/ (total fees collected) + (total fees originated) = percentage of partner’s share. Assuming that I and my partner(s) would receive referrals evenly from the attorneys around the area, not to mention the other referrals, partner fees generated is not going to be a factor in this formula, but the sole factor is going to be fees collected based on the hours invested. The fees are going to match the attorney’s less our experience in spite of differences in the area of practice.
Therefore, for example, if the attorney charges $300 per hour or for a particular matter in the vicinity, we are going to charge $100 less. The best way to present a fee is through a price list for the reason also that clients do not like surprises. In order to overcome an experience obstacle to impress a client, we would need to be more focus on research and pay attention to detail documents.

To make the formula work, we need to document the representation, and a trust account should be separated from an operating account. There may not be any projected long-term life cycle such as start-up, growth, maturity, and decline. A short term marketing plan is a revolving door for a few months whoever comes in before the firm develops a nitch or specialty practice such as insurance, health care, social security, environment, or sports law. Any referrals should come from more than one source. If there is a reciprocal referral exchange among the lawyers, a dispute or disagreement would certainly contribute to a source of income. For that reason, at least one additional source of referrals may need to be present although may be unnecessary because disputes may be reconcile in firm as well as out of firms if attorneys know each other for a long time. For example, an attorney and a defense counsel may work on numerous cases. An outcome in one case may not result the same in another.

In either case, an example of a third party referral would be friends, neighbors, or co-workers, etc. whose work is justified to be completed at a discount. Another source of representations would be from volunteering, co-counseling, or Bar Association events. To reward referral sources, for example, may mean a weekly dinner among five of us to discuss life in general. Similarly, in this kind of environment, fees don’t expect to change hands.

At a later time, a CPA will be available to edit financial statements at H & R Block, or TurboTax may suffice. By analogy, Billing Specific promises to take care of law firm finances,
but in the beginning, it may be unnecessary similarly to a credit card processing machine.

Budgeting should be a part of every law firm, not a major issue though that consumes all the time similarly to installing a server described below.

The law firm would need to file a certificate of incorporation before opening the door to customers. One of the considerations is what type of entity to file. There are 50,000 law firms in the United States. Typically, they are operated under two types: P.C. (professional corporation) or LLC (limited liability company). Other options available to file are Limited Liability Partnerships “LLPs”, Professional associations “PAs”, Professional Limited Liability Company “PLLC”, or simply partnership. PLLC is a type of limited liability company that is owned and operated by the members of the same profession such as attorneys. In New York, for example, Thomas Law Firm operates as a PLLC. For a partnership, partners share profits and losses equally. Although a written agreement is not necessary, it is recommended to clarify the scope as well as rights and duties similar to the engagement letter. As a general rule, it is better to have a written partnership agreement in place than for the court to pronounce an implied partnership with possible adverse consequences. What common between LLC and LLP is a shield that protects owners from personal liability. The IRS treats one-member LLCs as sole proprietorships for tax purposes, where the owner must report all profits (or losses) of the LLC on Schedule C and submit it with your tax return. LLP is treated more like PLLC, tax breaks for owners and employees of professional corporations that aren’t available to other type of businesses. Important to notice, the list does not include corporations. The reason is that shareholders are mostly non-lawyers, and it would undermine the purpose of the profession because Rule 5.4 prohibits sharing fees with non-lawyer.
The law firm is not going to be sound like Paul Weiss, but perhaps it may sound like Lincoln Legal similarly to Lincoln Financial. I assume that there is not going to be secrecy between attorneys except in confidential cases, so files may be shared evenly – no need to build walls or install separate file cabinets unless in compliance with the rules of professional conduct. At a later time, files may be stored in an electronic database where two copies are available. Mentioning technology, the landlord promised WiFi in the building.

In terms of a marketing tool, some law firms have utilized the website as a mere proactive tool for reaching clients such as publishing newsletters and other information to the point where clients don’t have to come to the office to get the bargain. In that way, a law firm divides its clients into one or more market segments by arranging them according to industry groups. This is called impersonal networking. There is a great outcome in impersonal networking versus personal networking in office because more audience is involved, but there is a catch – personal willingness supported by a strategy needs to be present. Explaining a mission statement to a client such as what your law firm is about and giving away your business cards with links to social media as well as attending social events are a part of the networking. Presentations are another way to exercise impersonal networking by getting in front of the people. Ethical rules allow targeting general audience because it does not consider solicitation. In such a matter, distinguishing yourself from a salesperson is to provide basic information as opposed to sell a product. This is how referrals come in play to the law firm.

Although I don’t have a specific set of technology in mind for a law office, office buildings do look different and function different as technologies are designed and implemented. Without questions, technology would turn the law firm in multiple ways: increase the hardware, printing done in multiple ways, etc. while a traditional closet would store a server. Generally,
newer attorneys are more prone to use technology which increases efficiency. On the other hand, there are lawyers from an older generation that still use a type writer in a sense. In comparison, an example of a virtual version of the law firm is when an attorney tells clients briefly about the law firm or representations while directing to the online source on the website including a mobile version where all forms are located to prevent an inadvertent attorney-client relationship.

In building the website, the most expensive part is customization. While advertising a website is costly, a more expensive part is utilizing a search engine optimization for a law firm when its name pops up at the front of the list while typing certain key words such as attorneys, injury attorneys, etc. Attaching a blog to the website gives clients a general overview of a niche or practice area your law firm is exercising or what personality to expect either from an attorney. It is advised to go no more than blogging as opposed to a real-time communication with clients because it may undermine an attorney-client privilege.

Technologically wise, websites run from servers. Personally, I’m familiar with Lenovo ThinkServer TD 340 currently not in operation. It was a rather a curious purchase. Also, to access the web site, I have a Sony Vios laptop with 4 GB RAM, 1 TB Hard Drive, 1 GB Video Card, and the monitor size is 41.7 cm or 16.4 inches from law school days. I admit 1 GB Video Card is not enough to support fully its operating system Windows 10, and 4 GB RAM is a bit slow. Besides, the only HDMI port burned out when I connected it to a living room TV set which shows the weakness of the video card. The capacity of this laptop is 8 GB RAM while the video card is embedded into the board meaning you cannot change it without buying a new motherboard. To buy RAM piecemeal is quite expensive for either brand newer models up to $200 per piece but nowadays discounted to $100. Because there are only two slides available, two 4 GB RAM would cost $200 up to $400. The laptop also has a CD/DVD burner which most of them
do if included, and a battery life of about 4 hours. Ideally, I would prefer a laptop with 16-32 GB RAM up to 64 GB as a separate purchase with a video card 2 MB and higher. If I were to choose a desktop, RAM numbers would be in hundreds and video in tens or at least 8 GB because desktops have space to store more memory. Nowadays, the situation with Sony Vios and Lenovo ThinkServer are inactive. Sony wound up its laptop business, while Lenovo stopped producing ThinkServer TD 340 after it completely sold all of its quantities and didn’t refill the order for further sale.

In comparison, nowadays as technology grows by day even on a micro level lighter more capacitated computers, an analogous laptop to Sony Vios 16.4” would be HP – ENVY 17.3”, Dell Inspiration 17 5000 Series (Intel), or Lenovo Ideapad Y700 (17’’). HP, Dell, Lenovo’s versions all have in common 17 inches monitors, 16 GB RAM maximum allowed to store on the computer, 4 GB Video Card as well as a touch screen. HP, Dell, and Lenovo run on an Intel processor. What differs is the hard drive: Dell has 2TB, HP has 1TB as well as Lenovo has 1TB. Dell’s battery is 74WHr, 6-C (Int) 74 WHr, 6-Cell Battery (Integrated), HP’s battery is 6-cell 62WHr Lithium-ion Battery, while Lenovo’s battery is 4 Cell 60 Watt Hour Li-Polymer. The price for Dell is $1,149, HP is $1099.99, while Lenovo costs $1,349 respectfully.

I also have Sony Experia Z1 phone, an older model, but it suffices for now and would carry no sophisticated business applications. Sony Experia comes with 2GB RAM, 16 GB internal storage, 64 GB expanded via a microSD card, a 3000mAh battery, and a 20.7 megapixel camera running on Android 4.2. A useful accessory for Sony Experia Z1 is DSC-QX10 lens to take pictures of clients, evidence, and crime scenes. It produces video resolution of 1440 x 1080. Although the pictures are saved on the internal memory of the lens while the image shows on the phone from a wireless signal, for compliance with confidentiality rules, it is better to take
pictures on a separate camera not connected to the phone anyhow. A good example is Sony Cybershot 16.2 megapixels with no WiFi or Olympus’ camera.

In comparison, nowadays, while bending screens are just a talk, Sony Experia series Z5 entails the following specifications: combined memories 32 GB internal with microSD up to 200 GB 3GM RAM, 23 megapixel camera, a 2900 mAh battery running on Android 6.0 (Marshmallow). The newest Experia X series are not much different from previous Sony Experia Z5: the memory stays the same 200 GB, operating system Android 6.1, a lower battery 2620 mAh, and add on some features such as finger prints.

In contrast to the automated operations of the laptop and cell phone, there are certain technical issues with the server operation. ThinkServer TD 340 specifications are the following: maximum hard drive cage storage up to 48TB if the hard drive is a 3.5 size or 16tb if it is a smaller size 2.5 up to 192GB RAM supporting almost all operating systems. There are multiple coolers inside with a recommendation of a battery backup. However, there is some catch. Microsoft Outlook recommends a separate server meaning there needs to be at least two serves. VMware, an equivalent to Microsoft Windows Server 2012 R2, but it is a free version wouldn’t load on certain models. What you can do is to load any recent version of Windows or Server 2012 and on the top of it VMware. For Server 2012 R2, there is a preferable option to load the server without the multimedia platform meaning you are going to communicate with the server in a programming language as opposed to click a mouse around.

There is another technical issue with raid configuration for the server. Once you connect a hard drive to the initial raid configuration, an additional hard drive would not automatically add on without reconfiguring the whole system meaning that you would need to erase information on the whole drives. Also, emails use Simple Mail Transfer Protocol (SMTP) and Internet Access
Message Protocol (IMAP). Time Warner Cable as well as other cable companies blocks port 25 for resident accounts because it brings spam, and they need to spend extra time filtering the port. Port 25 is available for business accounts only. Therefore, the landlord’s free WiFi may not be free at least for the server.

Finally, viruses cannot be mentioned while operating the server. The minute you connect the server to the Internet, it goes down in “flames” in seconds without a firewall or an antivirus. You need to back up data such as configuration of the operating system beforehand. This basis information about the server operation obtained after weeks of labor including reinstallation and configuration. My conclusion is that it is much easier to run a website from a commercial server than to configure an SQL database on your server without a proper training.

Discussing a printer for a law firm in times when 3D printers just appear on the market, I own a laser printer to share experience with. I’m a loyal customer to HP printers starting from HP Deskjet 510 and earlier, 610 and 710 versions. HP Deskjet 610 is my law school printer and broke once during that time. Although this laser printer that I purchased after the law school time in fact did not break, there is some kind of a glitch in the software that would not allow printing right away. Besides malfunctioning, the printer may be controlled wirelessly, but the wireless network is limited and does not share with devices such as a cellphone or PlayStation. The display is a touch screen. The size of the printer is substantial mainly because it includes a scanner, a fax, and three paper feeders. Around 450 pages go into the feeders. The optical scanning resolution is 2400 x 4800 dpi. The printing may be done from a USB drive or memory cards. There are four types of ink cartridges: black, cyan, magenta, yellow as well as four print heads. The cost of each ink cartridge as well as the header ranges from $50 to $70. The printer itself cost around $300 on sale.
In comparison, Fujitsu 500 iX is recommended for legal work scanning with the following specifications: optical resolution is 600 x 600 dpi, stronger WiFi up to 50 meters outside. Both the laser printer and Fujitsu have color image sensor (CIS). Fujitsu uses 3 color LED, while the laser printer does not specify. However, the price tag for Fujitsu is $400 and up.

Other useful equipment handful for a law office is an electronic white board useful for clients to draw diagrams, explanations, and outlines. The board costs around $1200, and its size is 52” x 39”. It is connected through a cable to a computer or a server. Anything written on the board goes to the computer reflected back by a projector, so it looks like you are writing on a board. There is an option to run from a wireless device instead of cable. The board requires a projector, and a standard one is for the price around $300. I chose a more expensive version for the price around $500. It has an XGA 1024 x 768 native resolution as well as a long lamp life up to 10,000 hours in an economy mode but regularly 4,500 hours. The lamp provides 3000 ANSI lumens of brightness. The higher the factor is such as 6000 ANSI, 9000 ANSI, etc., the better the view is.

My criteria in choosing projectors were that there be various ports available, and the projector includes the following ports: a couple of HDMI ports, mini HDMI, as well as an old port such as VGA Cable. There is an option to insert a WiFi donge into the USB flash drive slot to display contents from your PC similarly to an electronic board for the price of $50. There is also an Android application which allows broadcasting from a phone such as Experia Z1. This projector is still on sale for a higher price though.

In comparison, Microsoft Surface Hub, a large touch screen TV, is designed for team meetings and to simplify this type of connectivity at a costly price for a 55-inch version, for a similar size to the electronic board, is $8,999, and a 84-inch version is $21,999 when I checked
the last time. The monitor includes 8 GB RAM and 4 USB ports. The smaller model weighs 105 pounds, while the board weights twice less. I’m in favor of a simplified technology but at a reasonable cost – perhaps for a future plan. I assume the TV would be useful for clients to see the strategy in a better way with a touch screen and all the multimedia present.

An ancillary device for a law firm’s supplies should include a backup storage of almost all documents on two or more drives. Seagate is an affordable internal and external hard drive. In fact, I happen to have internal and external versions: 400 GB and 150 GB purchased earlier. As I was writing this essay on page 12, my Sony laptop described earlier burned out when the electricity supply was interrupted multiple times on a stop-and-go basis. As mentioned earlier, Sony discontinued all of their laptops, so there is no support. I happened not save the data, and another computer does not recognize Sony’s hard drive. Besides choices of rewriting the whole work which may easily equate to any legal work or going to a computer repair store to retrieve the data which may take a week, I realize that the laptop may start from a battery supply by itself. I guess here is a lesson to keep at least two copies of any work.

A battery charger, running on a separate line from a power cord, would make a difference in terms of retrieving, transferring, and saving around 70 GB of data on Seagate’s drive. I did not have a cloud base storage similar to Google Drive which would cost $2 for 100 GB for the reason that it takes half a day to organize the data, but I would reconsider because of this accident when it comes especially to the involvement of personal clients’ information. There is the business interruption insurance on the market for a reason.

Besides proper documentations and technology to open a law office, the law firm would need to purchase physical objects such as office furniture, lamps, and bookshelves. Some law
firms collect art such as paintings like Lincoln’s portrait. I have one attorney in mind whose wife is a collector of paintings and decorates his office.

While gearing up with the office equipment and electronics for a law firm, the software should be the following: Microsoft Office installed, a trial version of database for lawyers, or the one that includes all functions such as Cleo, cloud powered software, for $39 and higher. As an alternative to Cleo, Amicus Attorney, Time Matters, Practice Master, Rocket Matter, Firm Manager, ProLaw, and AbacusLaw are all in Cleo’s price range with a few exceptions. Another alternative is a customized database to keep a second copy mentioned earlier. A scanner with Adobe Acrobat Reader is implied. Adobe Acrobat Standard, Pro, or Suit which includes Photoshop CS5 would be unnecessary.

Net Documents, a SAAS platform meaning putting hardware in the hands of the third party, promises to arrange office documents. While Net Documents may be not necessary in the first half of the year, more advance software to look for from a commercial email server is Microsoft Outlook which includes a calendar and runs from the law firm server or Credenza which synchronizes Outlook. An anti-virus such as Kaspersky and a firewall would suffice. Besides Platform, Microsoft Office, Cleo and similar, basic accounting software needs to be in place – QuickBooks or even Excel would suffice. Since there is not going to be a tax issue at least for the first six months regardless whether the small office is a professional corporation (P.C.) or limited liability corporation (LL.C).

I don’t think I and my partner(s) need to go further and purchase a smart watch because it is not going to be related to operate a law firm. In the short term, we would not need a credit processing machine unless a client shows up with a credit or debit card because a credit or debit card stimulates payments. Similarly, OCR Software and Voice Recognition Software are
unnecessary. Also, sharing file software would be unnecessary if I can give the same file on a thumb drive across the room, but on the other hand, if sharing file protocol software is a part of the operating system, it is more convenient and consistent to access shared folders from one source as opposed to have it on different computers. Later, at some point, the server may come into operation. Entranet, an inside network, deserves a consideration as well.

When it comes to a personal website, it is easier to operate one from a commercial account as opposed to a law firm server for the same reason as Cleo’s all inclusive software database is easier to run. If considering working the same hours from 9 a.m. to 5 p.m. or more as many other attorneys do, there is no time to deal with the server if not knowing how to operate it. However, the story will change if there is a secretary, paralegal, or an IT personal who would look after the server at least on a weekly basis, or the software is customized similarly to a tailor made suit.

One of the advantages to be an attorney at your personal law firm is that you don’t depend on your boss. This freedom is not merely in terms of turning down your clients but also choosing your activities. Personally, I always like to play soccer and go ballroom dancing, and I’m wondering whether I can catch up with these activities during the working hours shift. In comparison, in a big law firm environment, associates under a pressure to produce certain billable hours, and often they lose control of their time.

One of the disadvantages with a private law firm struggles like any other business. Most practitioners expect revenue to exceed expenses, or at worse, revenue should equate expenses. A solution is to set off funds, so that if no one comes into the office in rainy days, it is going to be enough in the meantime. However, no one coming into the office may be true if there is a solo practitioner as opposed to a law firm of five where either of us may bring clients. Another reason
to set off funds is recommended for the reason that much work even simple one such as drafting a testamentary document will be discounted and may take an unusual amount of time in the beginning. Therefore, the discounted work, which is also called low bono, should cover at least operating expenditures. The third reason to set off funds is because you get all kinds of clients in the beginning: those that cannot pay bills fully or those whose case is beyond an area of expertise. At this point, clients get to choose you and not vice versa. At the end, it is worth trying because it gives an undeniable experience which would be transferred to subsequent cases.

A judicial clerk, a friend of mine, started a law firm which shortly after ceased to exist, and he finished working in another law firm. The first few months are going to be the hardest. Selecting other attorneys to practice for a group of five, and traveling to the office knowing that there is little work to do is discouraging. Even after the law firm is in operation, we need to make at least $150,000 in revenue, whereas $30,000 goes on rent and $60,000 for each of us.

Experience matters to start a law firm like in any other field, but working at a routine civil service job will not add experience to opening a law firm maybe in the first few months. It is not considered “experience” to make minor court appearances, create billable hours or similar. Experience from the law school should suffice to open a law firm. In the beginning, I and my partner(s) don’t expect to have a secretary or a paralegal in our office, but as the practice evolves, we expect to hire legal personnel as mentioned of five individuals. Similarly, in the beginning, we don’t expect to have a law library – just a few law books saved from law school days, but as practice evolves, we are going to acquire the supporting books. It is recommended in the first years of law practice to sign up for all the editions because it is either free or at a low cost. Later, we would pick which books are handy on a permanent basis.
In conclusion, since the last five years from the time when the opportunity to open a law firm arose and from the time I spoke with the landlord about leasing the office space, I still pass by the building. The opportunity to open a law firm at the same place still seems to be viable similarly to installing Microsoft Office 2007 on a brand new laptop – the combination that still works nowadays. I don’t see a reason why not to rent a considerably inexpensive law office space except there is a waiting period or a wish line… Therefore, my strategy has shifted a bit.