General Practice, Solo & Small Firm Division

A service of the ABA General Practice, Solo & Small Firm Division

Law Trends & News

PRACTICE AREA NEWSLETTER

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SUMMER 2010
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CHAIR'S NOTE

Dear Division Member:

Below is the most recent issue of *GPSolo Law Trends & News*. As always, this is a very exciting issue, and I am very happy to present it to you. As with prior issues, this publication is designed to help simplify your practice by including articles, checklists, and other valuable practice information and practical tips.

In this issue, there are portions of newly published books, one about giving representation and counseling to small corporations, and the other about with tips on how to manage your law firm. These books not only cover most issues attorneys will face but also have many forms an attorney will need in that representation. Click through to take a look at the topics in these books; if you like what you see, you can immediately purchase them.

With this issue, *GPSolo Law Trends & News* is now completing its sixth year and is certainly a member benefit. We hope you agree that with each edition, *Law Trends* continues to provide meaningful articles for you, and that this edition, like the others, helps you in your daily practice. I encourage you to take just a few moments to read the list of articles included below. Of course, it is yours to download and keep as a reference for the future. And, as in the past, you can either download specific articles, or you may download the entire newsletter by clicking the PDF link.

There are many Division members integrally involved in putting this publication together. Their hard work and dedication are certainly present. I thank them for producing another fine year of *Law Trends* for the Division. Each of the assistant editors did a fine job. Without their superb efforts, none of this would be possible.

I hope each of you enjoys this issue of *Law Trends*. Next bar year, the publication will continue quarterly, and we hope you continue to find it a source of valuable information. If you are interested in either writing an article or participating in the production of the newsletter, please contact Jim Schwartz at attyjls@aol.com. Jim has been the editor since its launch six years ago and will continue as editor next year. I thank him for his work as well.

Best regards,
James M. Durant, III
Immediate Past Chair, General Practice, Solo & Small Firm Division

LETTER FROM THE EDITOR

Dear Division Member:

I have been editor of *GPSolo Law Trends & News* since its founding. We are now completing our sixth year as a publication. In that time, we have strived to bring you timely and helpful articles and checklists—all to help you in your daily practice. I am proud of the quality of articles and tips given this year, and I hope you enjoyed them as well.

For a publication like *Law Trends* to excel, the people working on its behalf must be a dedicated group of volunteers. To be sure, I have had the extreme pleasure of benefiting from the efforts of such a group this past year. And so, with this being our final issue of Law Trends for this volume, I want to take this opportunity to thank the men and women from the Division who have volunteered their time and worked on Law Trends throughout the year. They are as follows:

Assistant Editor-in-Chief

Kathleen Hopkins

Assistant Editors

Jason Allen, Brian Annino, Anthony Archibeque, Ken Ashman, John Carr, Travis Cushman, Henry DeWoskin, Chuck Driebe, Todd Frommeyer, Jennifer Hilsabeck, Chantis Jenkins, Travis Life, Ignacio Pinto, Jay Ray, and Sarah Sharp Theophilus

Lastly, I also want to recognize Tom Campbell of the ABA staff. Without his incredible assistance, none of this would be possible. His dedication and zeal can be seen in the product delivered to you, and I sincerely want to thank him for a job very well done.

I again congratulate each and every one of them and look forward to their continued help next year.

Very truly yours,

Jim Schwartz

Editor

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Converting Prospects Into Clients

By Kevin Chern

If you peruse any legal industry websites, newsletters, or magazines, you read a lot about how to market your law firm. By this point, you know most of your marketing and advertising options. If you are online, you market your law firm with your website, blog, and social media. You may have even hired an search engine optimization expert or a marketing team to boost your presence on search engines. On top of your online presence, you can be found on paper, in the phonebook, and perhaps on billboards and park benches. If you are doing your marketing right, you should be getting a lot of phone calls and emails from prospective clients.

A phone call or an email, however, does not mean you automatically get a new client. After putting together a good marketing plan and convincing consumers to make the first call, it is the attorney's job to convert prospects into clients. In today's legal market, however, converting prospects into clients can be difficult when consumers can choose from hundreds of thousands of available attorneys. Instead of relying solely on your shining personality, it is a good idea to create a client conversion plan that incorporates strategy, human contact, and technology to close the sale with prospective clients. Here are a few rules to follow to increase your odds of converting prospects into clients:

Make Sure a Real Person Answers the Phone When Prospective Clients Call

Consumers call law firms to find solutions and answers to their legal questions, not to listen to voicemail messages. Not only does voicemail stop the intake

process, it encourages potential clients to call other law firms until they get a real person on the phone. Accessibility of the attorney is a reflection of the service that will be provided. While you are in the office, dedicate a phone line to new business calls and have an attorney pick up those calls. This will show potential clients that you value their business and care about each clients' unique matter. If no one in your office can answer the phone, consider hiring a virtual receptionist to answer the phone and set appointments. Many potential clients work during the day and may need to call your office after hours. Although potential clients may not be able to speak directly to an attorney late at night, a virtual receptionist will greet callers with a friendly voice, ask questions to get the intake process rolling, and set up a more convenient time for you to speak directly to that person.

Ask Questions That Encourage Consumers to Make Conclusions About What They Need

Although potential clients may call your office to get answers, the attorney should be the one asking questions during the first call. By asking the right questions, you can identify why a person is calling you and what will motivate that person to come to your office or hire you. Instead of asking someone whether or not they want to hire you, help potential clients voice their concerns and build up their desire to take action. Ask questions that induce action: *What is motivating you to call today? Do you want to affect change in your life? What do you want to achieve through this process?* After hearing themselves vocalize their issues, consumers will be more likely to move forward and find solutions to their legal issues.

Find Ways to Relate to the Consumer and Avoid Technical Talk on the First Call

Show consumers that you are more than a suit huffing and puffing through mountains of paperwork in a messy office. Just like your client, you care about your family, pop culture, the winner of last night's game, and so forth. Listen to potential clients and draw commonality between yourself and them. A consumer is more likely to like you, meet with you, and retain you if they relate to you.

Eliminate Obstacles and Excuses

Two of the hardest parts of client conversion are getting consumers to come in to your law office and convincing clients they are ready to pay for a lawyer. Create a sense of urgency by scheduling appointments within 48 hours of the initial call, and create a desire for reciprocation by moving your own schedule around for the potential client. Better yet, bring the appointment to your client by setting up a virtual law office platform to supplement your brick and mortar office. A virtual law office (VLO) allows you to upload and download documents securely, complete legal forms online, and connect with your clients from any Internet connection. On top of that, a virtual law office gives clients a convenient way to make payments and track costs because it allows clients to pay by credit card, review invoices, and track billing and case status as the attorney completes tasks and updates the VLO case file.

Don't Write Consumers Off Just Because They Didn't Initially Retain Your Legal Services

About 50 percent of people who contact you will show up for their

appointment, and 85 percent of the people who show up should hire you, but that does not mean that all of these people will hire you right away. Make the most of your marketing efforts by following the "8–10 touches rule." If a potential client misses the first appointment, give them a follow-up call to schedule a new meeting. If they miss the second meeting, try again. If they never make it to the first appointment, send an email and follow up letters with your contact info and a reminder about some of the motivations and desired outcomes the potential client expressed to you when he or she first contacted your law firm. After that, put prospects and leads in a 30-day cycle and touch base once each month by making a quick phone call, sending a card in the mail, or emailing them. Instead of focusing on a sales pitch, show contacts you have their best interests in mind by sending them a news clipping that might interest them, a link to your most recent blog post, a notice about free events at your law firm, or holiday postcards. To make follow-ups easy, set an alert on your calendar or create a follow-up plan with your staff or virtual receptionist. If you make an effort to stay in contact with your leads, you will build more lifelong client relationships as well as a valuable resource for referrals and new business contacts.

Kevin Chern is president of Total Attorneys, a leading provider of marketing and practice management services to small law firms, serving thousands of law firms nationwide. Previously he was managing partner of the country's largest consumer bankruptcy law firm. Under his direction, a staff of 180 employees in 19 states served approximately 450 new clients each week. He is also an author and a contributing writer to several legal blogs. For more info, visit Kevin on the web at www.totalattorneys.com.

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Tempting Fate: Avoid Emailing Unprotected Draft Documents to Clients

By Todd C. Scott and Wendy Inge

A lawyer was recently asked to construct an antenuptual agreement for a bridegroom. Using the email attachment feature, he sent a draft agreement in MSWord format to his client for review. Soon after receiving the draft, the client declined to pursue the matter, sincerely expressing to his attorney that he no longer had the heart to enter into a premarital contract with his fiancé.

Within three years, the married couple was already contemplating divorce, and that's when the lawyer became aware that not only had his client used the draft agreement as a final document that was signed by both he and his spouse —a document that the lawyer fully acknowledged was incomplete as to several important provisions at the time the client received the draft—but also the client had decided to "change a few things" by using the word processor's cut and paste features in the areas of the document that addressed the client's disclosed assets.

In this era of electronic communication and sending documents by email, clients now have a greater ability than ever before to take partial or incomplete legal documents and make substantial changes to the work product for their personal use. Changes like the ones described above can greatly damage the client's standing and significantly expose the attorney to a malpractice claim.

Before the era of email and electronic transmissions, sending drafts of documents to clients was much more controlled. The lawyer simply marked the hard copy of the document as a "DRAFT" either with a notation on every

page in a watermark, or in a header or footer, or some other similar manner.

The document in its hard copy form was difficult to change on its face, and any edits came back either accompanied by handwritten notes on the original hard copy draft or a photocopy of the draft with changes. The party who drafted the document then made the subsequent changes to the document once both parties agreed to them and circulated another updated draft. The process went on until a final document was reached by both parties. Throughout the negotiation, the party who drafted the original document had complete control over the subsequent printed, hard copy versions and any and all changes that were made, regardless of which party actually suggested the terms.

Electronic transmissions, while immensely faster, are easier to change by either party or anyone else in receipt of them—including your client. Lawyers sending draft documents should be aware that any document sent electronically can be opened and changed with relative ease. So what is a lawyer to do to protect a draft document from being used as a final binding agreement?

You can maintain a level of control over the draft document similar to the type of control lawyers had in the hard copy era with a relatively simple solution. One of the easiest ways to prevent unauthorized use of or changes in draft documents is to publish the document in PDF format before sending it to another party by way of electronic transmission. Software that works within your word processor to convert the document to a PDF is available free of charge from software producers like PDF Maker and CutePDF, and will create a PDF version of your document just as quick as sending it to the printer.

After that, anyone who is determined to cut a paste a few things in a document that has been converted to PDF format would have to resort to expensive OCR software to do the job, or perhaps do it the old fashioned way: with a scissors, glue, and white-out. In short, a PDF can still be manipulated, but it would take great effort and a lot of bad intent.

The following are a few other tips for maintaining further control over what happens to a draft document that is electronically sent from your firm to your client for review:

- **Mark as Draft, Convert to PDF:** Any document in production that leaves your office should be marked as “DRAFT” on every page. The “DRAFT” marking can be done with the watermark feature in your word processor, and it can be removed easily at the time the document is finalized only by using the word processor.

- **Skip the Signature Lines:** Excluding the signature lines from the PDF draft document works as a deterrent to anyone attempting to use the draft documents as a final product. Someone who is not familiar with a basic legal document may find the lack of signature lines a significant hindrance that prevents them from using the draft document. The lines can always be added later as the document goes into its final form.

- **Include Cover Letter or Email:** Always include a transmission letter or
email that explains to the client that the document is only intended

as a draft. This will provide some documentation of the status of the document as a "draft" in the event the client decides to use it without following-up with the lawyer.

- **Review All Documents Carefully for Revisions and Keep Copies of Relevant Drafts:** These steps can be critical to tracking the history of a developing document and providing the institutional memory of why various changes were made and items were omitted or added.

- **Agree Ahead of Time:** When swapping draft documents electronically and editing them, have an understanding with your client as to the method that will be used to identify any edits or changes to the document.

Saving drafts will require that the firm to develop a reliable system for naming and identifying drafts within their document management system. Both the staff members and the lawyers involved in document production need to understand the system and use it to prevent the possibility of errors (like inadvertently signing the wrong "draft" as a final one). Numerous malpractice claims arising from drafting errors can be traced to poor document management in which the wrong draft or version of a document was mistakenly finalized.

Drafts are particularly important in a malpractice lawsuit because they can trace the progress of the underlying matter. In a contractual negotiation that is prolonged (for example, a property settlement agreement where the parties go back and forth repeatedly), it is important to keep track of not only the final agreement, but also the various drafts that pass between the parties. Without the written drafts, no one will remember exactly what happened months or years later. The drafts become a road map of how the parties reached their final agreement.

Todd C. Scott is VP of Risk Management at Minnesota Lawyers Mutual Insurance Company and blogs regularly about legal malpractice trends at www.attorneysatrisk.com. Wendy Inge is the director of Risk Management Programming at Minnesota Lawyers Mutual and regularly teaches lawyers around the United States about avoiding malpractice and ethics complaints in their law practices.

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The Three Roles of a Small Firm Practitioner

By Ann M. Guinn

To be successful, you must understand and fulfill various roles in your business. Michael Gerber did a great job of identifying the three roles of a small business owner in his best-selling book, *The E-Myth Revisited: Why Most Small Businesses Don't Work and What to Do About It.*

The problem is that everybody who goes into business is actually three-people-in-one. The Entrepreneur. The Manager. The Technician. And the problem is compounded by the fact that while each of these personalities wants to be the boss, none of them wants to have a boss. So, they start a business together in order to get rid of the boss. And the confl ict begins.

Let's consider what these three roles look like in a law firm:

1. ***The entrepreneur***—The person with the dream, the vision of what the practice can become. You set the course for the firm to follow. If you don't have a definite plan, the firm will be forced to find its own way—and, as I am fond of saying, "If you don't know where you're going, you'll probably end up somewhere else." Circumstances, trends, clients, economics, etc., will shape a business without a vision and a plan. No vision, no goal, no plan—no recipe for success.

I frequently ask attorneys to describe where they see their firms in two years, five years, and 10 years from now. In 18 years of asking, I can count on one hand the number of attorneys who had given much thought at all to the future of the firm, other than that it will still be in existence. I remember vividly the

day I asked a 60-something-year-old attorney where she planned to be in five years. She looked completely stunned and then blurted out, "I just assumed I would be dead." I guess that's a plan, too, but it wouldn't be my first choice!

Entrepreneurs aren't locked into tradition—they dream of what might be. They live in the future, think outside the box, take calculated risks, are willing to make mistakes, and see opportunity all around them.

Take a moment to test your visionary skills:

- If your firm could be anything you want it to be, what would that look like?
- What's the craziest idea you've ever had for your practice?
- Did you give it a try?
- How did it work out?
- If you didn't try it, what held you back?
- What do you want to be known for?
- What do you need to do to make that happen?
- Describe the best business model you can come up with for a law firm.
- Is that your current business model?
- How can you adopt that model in your own practice?

When considering what might be possible, be aware of what other law firms are doing, but spend more time looking at what other industries are doing. When you copy another law firm's business model, you are not being innovative, and you won't have the competitive edge. Unless you can improve upon their ideas in some meaningful way, you'll always be Avis to their Hertz.

Okay, "How can I get these brilliant new ideas?" you ask. Well, to get new ideas, you have to take in new information from new sources and new experiences.

- Spend time thinking about your business and its future. Where are you now, where do you want to go, and how will you get there? Go on an annual retreat. Spend a couple of days by yourself away from distractions (that means Las Vegas is out, a quiet resort in off season is in). All you need is a yellow legal pad and a pen.
- Do something you wouldn't ordinarily do, try something you wouldn't ordinarily try. Rent a movie you've never heard of, try ordering a new dish at your favorite restaurant, read a book on a topic that is of no interest to you. (I borrowed a book from the library on the history of undergarments—I'd like to tell you that it was uplifting, but it was just plain boring!) Take a new route to work or to another regular destination, read a business magazine, or buy fresh flowers for your desk. You get the picture—shake things up a little. Each new experience will give you new information.
- Watch trends and demographics in your geographic area for new opportunities.
- Check out other service industries. What value-added services does your hairstylist offer? How does your mechanic charge for services? How does your CPA maintain communication with you throughout the year? How do you feel when you're speaking with your doctor? How does your financial advisor market her services? Other service professionals can be a great

source of new ideas.

• Refuse to let the "what ifs" or "buts" argue you out of new ideas.

• If you have negative people in your life, don't share your new ideas with them until you've put them into action. Well-meaning, but fearful, friends and family members can quash even the most exciting ideas, and you don't need that.

Envision your dream firm and then stand back and let the Manager in you make it happen.

2. ***The manager***—The person responsible for the day-to-day operations of the firm. The manager keeps the business solvent, staffed, on track, productive, and efficient. Small firms don't have the layered infrastructure found in larger firms; they don't typically have a CFO, marketing director, human resources manager, or firm administrator to assume the myriad responsibilities of the manager. In a small firm, the manager typically handles tasks ranging from marketing to coaching employees to analyzing financial statements to collections calls on past-due accounts, and everything in between. As if this weren't enough, the manager must also implement the plan that will help the firm fulfill the vision of the entrepreneur. Sounds like a full-time job, doesn't it? However, in a small firm, the manager is usually a practicing attorney, as well.

It is the role of manager for which most attorneys are ill prepared. Law schools tend not to offer courses on law practice management, and not many post-law school continuing education programs deal with the business side of the practice of law either. That leaves solo and small firm practitioners on their own to figure out how to run a business. Thankfully, there are a great many excellent books dealing with various aspects of business management available through the American Bar Association and your local bookstore. [NOTE: A suggested reading list is included in the book from which this article was excerpted.] In addition, the American Bar Association and a number of state bar associations now sponsor solo/small firm conferences each year. Lucky attorneys find mentors to teach them what they need to know, both about the practice of law and about running a law firm.

3. ***The technician***—The person who actually performs the work (the attorney, in a law firm). This is what you trained to do, where your passion lies, where you are most comfortable. For the most part, attorneys just want to practice law. That's what they studied for, and that's where their skills lie. I think most attorneys would be happiest if they could just concentrate on the legal work all day long and never give a second thought to a timesheet, a past-due account, or a networking opportunity.

Which of these roles is your favorite? How do you feel about the other two? How much time do you spend in a month in each role? What can you do to get better at handling each of these roles?

I have often noticed a distinct disconnect between the technician and the manager. When I ask a solo practitioner about a current case, the technician becomes quite animated describing the circumstances of the matter and the strategies that will help the client. Let me ask about last year's profit and loss

statement, and the technician's brow furrows, a frown appears, and the attorney's whole physical demeanor can change. It's obvious to me which role is most comfortable for the attorney—and, it's usually not that of the manager.

The Three Roles of a Small Firm Practitioner reprinted from Minding Your Own Business *(pp. 2–5) by Ann M. Guinn, 2010.*

Ann M. Guinn is a consultant to solo and small firm practitioners on law practice management issues. With more than 27 years' experience in the legal community, Ann is committed to helping attorneys increase profitability in their practices through improved financial management skills, customized marketing plans, and increased efficiencies.

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The Practice of Law in a War Zone

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> *. . . leaving today with apprehension and excitement. Miss my family already. Wondering what the next year will bring, why do we need so many lawyers, and what usefulness a small-county State's Attorney will have to the Army in Afghanistan?*
> **—Matthew J. Goetten Journal Entry, December 26, 2008**

After nine months in Afghanistan the first two questions were asked and answered. As for the last, well . . . contact my chain of command.

On December 26, 2008, I said goodbye to my wife and two children and my staff at the Greene County State's Attorney's Office. Later that day I reported to Ft. Benning, Georgia, to be deployed to Afghanistan with the Illinois Army National Guard in support of Operation Enduring Freedom. A guardsman for nearly 10 years, this—one of the single largest deployments in my state's history—was to be my first deployment in support of combat operations. I had spent the previous year training with the 33rd Infantry Brigade Combat Team in Urbana, Illinois, in preparation for my transition from Greene County State's Attorney to Army Judge Advocate. It was a journey I would make with the assistance of other Illinois State Bar Association members.

Alexander the Great, Genghis Khan, the British Empire (three times), and most recently, the Soviet Union, each with arguably one of the greatest armies known to man in their respective moments in history, each broke themselves on the rugged terrain and disjointed tribal affiliations in Afghanistan. Military scholars will no

doubt differ in their assessments of what makes the United States campaign different—but how many lawyers did Alexander the Great have at his disposal? How many Illinois lawyers?

I am not sure about the number of lawyers employed by any of those armies, but I am not going out on a limb to suggest that zero were licensed in Illinois. Perhaps therein lies the advantage, at least recently. OK, there are admittedly other advantages to being a member of the greatest military the world has ever known but . . . I was deployed with a team of Illinois lawyers. Our mission was to provide legal support to Task Force Phoenix commanded by Brigadier General Steven Huber. In all, our legal team consisted of six citizen-soldiers practicing civilian law throughout Illinois and a full-time Illinois guardsman from Springfield.

Greene County State's Attorney Matt Goetten with the other members of his legal team in Afghanistan head home after a court martial at Bagram Air Base. Capt. Janie Miller (from left) was the trial counsel and is a public defender in Champaign County; Goetten, who operated as assistant trial counsel on the case; PFC Olivia Rivera, military justice paralegal; and Maurice Dale, also a paralegal.

So what does a small-county state's attorney, a collar-county assistant state's attorney, a Champaign County public defender, a plaintiff's attorney from the Metro East, a legal assistance attorney from the Quad Cities, and a full-time Illinois guard judge advocate do in support of the brigade mission in a combat zone? The answer is everything.

With titles and job descriptions including claims, operational law, international law, military justice (think prosecution), legal assistance, fiscal law, contracts, and administrative law, the Task Force Phoenix legal team performed for the Army nearly every legal function performed by members of the ISBA. Of course, we did so while armed and in protective gear—an ensemble the ASA and I are advocating for prosecutors in our respective courts. The Illinois lawyers to my left and to my right brought the breadth of legal knowledge and the depth of understanding to serve the brigade in these diverse subject areas.

My official title for the task force was chief of administrative law. My duties included advising officers investigating matters from loss of military equipment to combat deaths of U.S. service men and women, and recommending actions on the investigations to the command. I advised the base commander on fiscal and

contract issues effecting the base operations. I received an education in all legal matters noncriminal. However, as with any position, the majority of my time was spent doing "other duties as assigned."

I was fortunate, due to my criminal law background, to have an opportunity to assist Captain Janie Miller, a Champaign County public defender, in court-martialing a soldier accused of receiving kickbacks from local national contractors to the tune of several hundred thousand U.S. dollars. Captain Miller and I, both experienced trial attorneys, were rudely introduced to the military system. After several months of agonizing and often frustrating preparation (you try producing a local national to testify without subpoena power), the day of trial finally arrived. When Captain Miller suggested to the judge we could take care of a procedural matter after we broke for the day, we were both surprised at the response. "Counsel, we will not be breaking until we are finished." At 0200 the following morning (that's 2 a.m. for you nonmilitary types), 18 hours, and 14 Diet Cokes later, the judge announced the sentence. Tee times are hard to come by at Bagram Airfield, and judicial efficiency is highly valued when military judges ride a circuit from Germany to include Kuwait, Iraq, and Afghanistan.

While my legal education in the hostile-fire-zone included many other exciting and interesting events, my most fulfilling work was providing legal support to the soldiers of Task Force Phoenix. As complicated as our legal mission was in Afghanistan, it did not compare to the difficult life-and-death decisions being made by the brave men and women of the task force protecting and transporting the rest of us every day. I participated in many training and briefing events aimed at clarifying for these troops the rules of engagement and escalation of the use of force. As I stated many times to more soldiers than I care to count, "I want you to come home, I just don't want you to come home in handcuffs." The decision to pull the trigger is, for the majority of soldiers, the most difficult decision they will ever face. Assisting with the simplification of our regulations and rules governing that act was, from a personal standpoint, the most important role I played. These soldiers risked life and limb on a daily basis to enable the task force to succeed in its mission—to train the Afghan National Army and Afghan National Police. Knowing I played a small part in protecting them was important to me.

I did not play a direct role in mentoring the Afghan Army legal officers but in my travels throughout the country was exposed to the burgeoning legal system. Often termed the "rule of law," the important societal pillar—law and order—has just begun to be propped up in a society preferring *jirgas* (meetings of local elders) to trials. Many international partners, including the United States, continue to assist the Afghan government in propping up "cops, courts, and corrections." The sentiment among the international legal community, including the United States Army, is that without recognizable rule of law Afghanistan will continue to be unstable. To that end, our task force did provide legal mentorship directly to the Afghan National Army. Each successive rotation makes gains on the last, but the end state is a work in progress.

Members of the legal team stand outside the group's Afghanistan office. Front row (left to right): Capt. Sarah Smith, attorney at Ezra & Associates, Collinsville; LTC Bob Roth, full-time Army National Guard; Sgt. Niko Oliver, New York Army National Guard (paralegal); and Capt. Jason Humke, Lake County Assistant State's Attorney; Middle row: Sgt. Maurice Dale, ISU student (paralegal); SPC Elizabeth Fozard (paralegal); PFC Olivia Rivera (paralegal). Back row: Capt. Erin Burns, an Arkansas Air Guardsman; Captain Janie Miller, Champaign County Senior Assistant Public Defender; Capt. Will Detrick, staff attorney with Prairie State Legal Services, Rock Island; Matt Goetten, Greene County State's Attorney

Despite the numerous other attributes distinguishing the United States's military from the others in history, ISBA members contributed as Army lawyers and in other important Task Force Phoenix roles. I was proud to serve alongside Illinois lawyers serving as intelligence officers, commanders, public affairs officers, and other diverse nonlegal roles. Their legal training experience enabled each of them to contribute to the mission in a unique way. While I was proud to wear the uniform and serve with every member of the Illinois Army National Guard and the sister services supporting the task force, I was especially proud to serve with my fellow ISBA members. These men and women answered the difficult call and served the United States, the State of Illinois, and the Illinois State Bar Association honorably and with distinction. Genghis Khan should have been so lucky.

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REAL ESTATE

Found Money Or Lost Opportunity? Still Too Few Take Advantage of the Federal Historic Tax Credits Program (Part 1) »

By Stephen J. Day

Found Money Or Lost Opportunity? Still Too Few Take Advantage of the Federal Historic Tax Credits Program

By Stephen J. Day, AIA

Part 1: Program Background and Basics

This is the first of a two-part series on the Federal Rehabilitation Tax Credit Program that allows developers and owners to attract cash investments for their historic properties redevelopment projects. Part 1 explains the background and basic parameters of the program and describes recent changes in the law. Part 2 describes more detailed aspects of the RTC program and application to typical development projects.

Introduction

Since the 1970s, the federal Rehabilitation Tax Credits (RTC) program has spurred the redevelopment of more than 35,000 historic buildings in the United States. More than $50 billion in construction funds have been associated with these projects, providing approximately $10 billion in tax credits for investors. In 2008 alone, $5.6 billion in private investment was placed, and more than 67,000 new jobs were created in connection with this tax incentive.

Still, there are approximately 300,000 additional structures in the United States that are potential renovation candidates for RTC credits (and potential candidates for investor cash infusions into these projects), with thousands more added to the list of eligible candidates every year. And every year, developers (and lenders in possession of foreclosed properties) pass up clear opportunities for millions of dollars in investment cash for their building rehabilitation projects.

Why are so many leaving so much money on the table? The reasons are complicated, but many owners that could utilize the credits are either unaware of the program or are discouraged from involvement because of (sometimes inaccurate) perceptions regarding the program's complexity or misperceptions regarding historic landmarks designation and its impacts.

With the Housing Recovery Act of 2008 (P.L. 110-289, the Act) the program's scope has been widened—with changes that have largely flown under the radar in the development world. Yet with the right project in the right set of circumstances, the RTC-related cash investments can make the difference between a project that is economically viable and one that will not work. As the economy slowly recovers, the RTC program could add a significant boost to projects that include the redevelopment of historic structures.

This article summarizes the basics of the Rehabilitation Tax Credits program, gives an overview of which redevelopment projects are eligible, describes how developers can take advantage of the program, outlines recurring legal and tax challenges involved in using the credits, and provides an overview of recent changes in the law that expand the availability of the credits.

The Federal Rehabilitation Tax Credit Program: Background

With the wave of urban renewal projects and other large scale developments of the 1960s and 1970s, cities and towns across the country saw the demolition of thousands of historically significant buildings (and entire neighborhoods). This contributed to a growing historic preservation movement, which led to a series of legislative initiatives. Beginning with the Tax Reform Act of 1976 (P.L. 94-455) and especially with the Tax Reform Act of 1986 (P.L. 99-514), a system of tax credits was established to encourage the adaptive reuse of structures through tax incentives. Since then, the Federal Historic Preservation Tax Incentives Program has quietly played a major role in real estate development involving historic landmark properties. The IRS Code, at sections 38 and 47, includes provisions for the rehabilitation tax credit, which can be utilized in connection with "qualified rehabilitation expenses" for renovations of "certified historic structures" and other buildings constructed before 1936.

I have been associated with a series of historic preservation collaborations over the past 20 years, representing the wide range of development projects that can benefit from the program. Traditionally, this program has been seen as applicable only to large rehabilitation projects. And while larger projects will generally be more efficient and attract a higher investment price in exchange for the allocation of credits, there is a growing market for smaller projects in tax credit investment circles. Our rehabilitation projects have included the following, all of which generated substantial cash investments due to the RTC program:

- The Arctic Club Hotel, an iconic Seattle historic landmark redevelopment project. This development included more than $25 million in qualified expenses, generating the potential for approximately $5 million in historic rehabilitation credits.
- The Holley Mason Building, in downtown Spokane, a historically significant industrial building converted to office use, including approximately $5 million in qualified expenses, with $1 million in credits.
- The General Automotive Building, in Portland's Pearl District, a "Non-Historic" building rehabilitation using the little-known (and little-utilized) 10 percent tax credit, involving $7 million in qualified expenses, generating $700,000 in tax credits.
- The "Five & Dime"—an adaptive reuse of a National Register-

listed Woolworth's store in the historic Mississippi delta town of Clarksdale. This building was converted to commercial and residential uses, with approximately $1.2 million in qualified expenses and a total of more than $200,000 in federal tax credits, in addition to Mississippi state historic credits. This is an example of a smaller tax credit project—part of a growing segment in the investor market.

In spite of thousands of success stories like these across the United States, the RTC program has not reached its full potential. Part of this is explained by the fact that the tax credits rules and process can be complicated. The documentation can be extensive, and the program is not well-suited to every project or development scenario. But a major reason for lack of use is that few understand the program—and many are unaware that it exists at all.

It is true that there are many traps for the unwary that must be avoided if Rehabilitation Tax Credits are to be fully realized for a project. Still, this particular tax credit program is relatively straightforward (especially compared to the intricacies of such programs as the New Markets Tax Program). And the RTC program presents one of the few significant tax credit advantages that remain available to real estate developers after the 1986 code changes eliminated most tax credits for real estate investors.

Basic Parameters of the RTC Program

What Is the Rehabilitation Tax Credits Program?

This program, administered jointly by the U.S. Department of the Interior (through the National Park Service) and by the Department of the Treasury (through the IRS), makes tax credits available to developers that rehabilitate qualified buildings. There are actually two federal credit programs: one for historic structures and a lesser credit available for "non-historic" structures that were built prior to 1936.

The Internal Revenue Code (IRC) section 47(c)(3)(A) stipulates that in order to qualify for the "historic" credit, qualifying buildings must be "certified historic structures" defined as: (a) buildings listed on the National Register of Historic Places; or (b) buildings that contribute to a National Register Historic District or another qualifying local historic district. Treas. Reg. section 1.48-12(d). For the historic properties, a tax credit equal to 20 percent of the "qualified expenditures" in the renovation of certified historic structures may be allocated to the developer entity. So if an owner spends $5 million on qualified expenditures for a rehabilitation of a certified historic structure, there could be $1 million in tax credits available to directly offset income taxes owed by that entity or one or more of its members/partners. There is a lower credit (10 percent) available for the rehabilitation of nonhistoric structures built before 1936.

Who Uses the Tax Credits? Recent Changes Expand the Pool

Typical Tax Credit Investors. The Rehabilitation Tax Credits are used by owners (or long-term lessees) of certified historic structures (for the 20 percent credit) and "non-historic" structures built before 1936 (for the 10 percent credit). Rehabilitation Tax Credit utilization by individuals is limited, due in large measure to the passive activity loss provisions introduced in the

Tax Reform Act of 1986. *See* IRC section 469 regarding passive activity provisions and phaseout of credits. Historically, the typical structure has involved bringing a corporate tax credit investor entity into the development group as a member of the owner entity—or as a member of long-term lessee—and allocate the tax credits to that investor, in exchange for cash investment in the project.

The tax credit investors contribute anywhere from 60 cents to 95 cents on the dollar of each credit, in exchange for allocation of the tax credits. The investment "price" depends upon such variables as the size of the project, the local market, project parameters, and so forth. This arrangement can be extremely positive for the developer: the tax credit investor comes into the project early and contributes cash at a crucial point in the project. In exchange, the credits (which are typically not as useful for the developer) are allocated to the investor entity. Affiliates of lending institutions are common users of the credits, although (as an example) one of the most active investors involved with investing in Rehabilitation Tax Credits development projects is Chevron Texaco.

Alternative Minimum Tax Revisions. The pool of potential tax credit users has been broadened somewhat by the recent (2008) changes in the Code, based on provisions in the Housing Recovery Act, although more could be done in this regard. For example, the Act expands the use of the rehabilitation credit by providing a new exemption from the alternative minimum tax for tax credit investors. In the past, the application of the alternative minimum tax provisions had practically eliminated the benefits of the credit for individuals.

For qualified rehabilitation credits properly taken into account for periods after December 31, 2007, the IRS treats the minimum tax as zero with respect to the rehabilitation tax credit. This allows an individual taxpayer to use the rehabilitation tax credit to offset regular tax liability—broadening the pool of potential tax credit investors and effectively expanding the number of historic properties that can utilize the RTC to include smaller projects that in previous years might have been considered too small in scope to be attractive candidates.

Leasing to Nonprofit Entities. The Act also expands the pool of investors and qualifying projects by relaxing the restrictions on leasing rehabilitated buildings to nonprofit and tax-exempt entities. Previously, taxpayers could not take full advantage of the RTC program where more than 35 percent of the building was leased to tax exempt entities. With new changes as a result of the Act, investors can qualify for the full amount of the credit provided that less than 50 percent of the building is leased to tax exempt entities.

What Is a "Certified Rehabilitation" of a Historic Structure?

As a prerequisite to utilizing the 20 percent historic tax credits, the proposed rehabilitation work must be certified by the Secretary of the Interior as being in conformance with the Secretary of the Interior's standards for rehabilitation. *See* IRS section 47 (c)(2)(B) & (C); Treas. Reg. section 1.48-12(d). This certification and review process is administered through the National Park Service (NPS), in conjunction with the State Historic

Preservation Officer (SHPO) in each state. Application for certification of a rehabilitation is made to the NPS through the SHPO. The SHPO reviews the applications for certification and forwards its comments and recommendations to the NPS for final approvals. In general, in order to be certified, the rehabilitation must be consistent with the historic character of the structure or the applicable historic district. The defining historic features and character of the structure must be maintained and not destroyed or compromised by the rehabilitation work.

Part II of this article will explain specific aspects of the RTC program in greater detail, including an explanation of development restrictions that must be considered if taking advantage of these tax credits.

Stephen J. Day is both an architect and attorney. He has collaborated with a variety of clients and colleagues in real estate development projects over the past 20 years, focusing on the redevelopment of landmark historic properties. For more information on the tax credit projects he has been associated with, go to www.StephenDayArchitecture.com and www.rp-lawgroup.com. Stephen can be reached at (206) 625-1511.

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Justice Systems in Canada and the United States

By Selina Koonar

Judicial independence as a prerequisite to justice is evident in both the Canadian and American legal systems. Both Canada and the United States stem from the common law system. However, its justice systems are very distinct. The Canadian judicial system is a unified system in which all courts are part of the same system and the Supreme Court of Canada has the final authority throughout Canada. Conversely, the United States has two parallel and sovereign judicial systems in which the federal justice system applies federal law and the state systems are sovereign over the interpretation of state law.

The "supreme law" in both Canada and the United States is their constitutions. Canada's Constitution is a combination of both codified and uncodified acts, conventional practices, and traditions. The Constitution Act 1867, originally the British North America Act, provides the core of the Canadian Constitution. It describes the structure and workings of government at the federal and provincial levels, among other things. The Constitution Act 1982 includes the Charter of Rights and Freedoms, which functions as an entrenched Bill of Rights, is also an integral part of Canada's Constitution. Because it has a long and storied history as a member of the Commonwealth, Canada's legal system is solidly embedded in the British common law tradition. However, Quebec has its own separate history as a French colony, which makes it a special case in many aspects of law, and to this day it retains a unique civil system for handling issues of private law. Both Canadian legal systems are subject to, and protected by, the Constitution of Canada.

The law of the United States was also originally largely derived from the common law system of English law, which was in force at the time of the Revolutionary War. However, the supreme law of the land is the United States

Constitution and, under the Constitution's Supremacy Clause, laws enacted by Congress and treaties to which the United States is a party. These form the basis for federal laws under the federal constitution in the United States, circumscribing the boundaries of the jurisdiction of federal law and the laws in the fifty states and in the territories.

Although Canada and the United States both stem from the English common law system, their justice systems are very distinct. The Canadian court system is made up of many courts differing in levels of legal superiority and separated by jurisdiction. Some of the courts are federal in nature, whereas others are provincial or territorial. This intricate interweaving of Canada's federal and provincial powers is typical of the Canadian constitution. Generally speaking, Canada's court system is a four-level hierarchy. Each court is bound by the rulings of the courts above them; however, they are generally not bound by their own past rulings or the rulings of other courts at the same level in the hierarchy. The Canadian Constitution gives the federal government the exclusive right to legislate criminal law, while the provinces have exclusive control over civil law. The provinces have jurisdiction over the administration of justice in their territory. Almost all cases, whether criminal or civil, start in provincial courts and may be eventually appealed to higher level courts. The quite small system of federal courts only hears cases concerned with matters that are under exclusive federal control, such as immigration.

The U.S. court system is quite complicated. While the U.S. Constitution states that federal law overrides state laws where there is a conflict between federal and state law, state courts are not subordinate to federal courts. Rather, they are two parallel sets of courts with different, and often overlapping, jurisdictions. State courts systems always contain some courts of general jurisdiction. All disputes that are capable of being brought in courts, arising under state or federal law, may be brought in one of the state courts, except in a few narrow cases in which the federal law specifically limits jurisdiction exclusively to the federal courts. Unlike state courts, federal courts are courts of limited jurisdiction, which can only hear the types of cases specified in the Constitution and federal statutes (mainly federal crimes, cases arising under federal law, and cases involving a diversity of citizenship between the parties). Furthermore, federal courts must defer to state courts in their interpretation of state laws. The U.S. Supreme Court may review the final decision of state courts, after a party exhausts all remedies up to a request for relief from the state's highest appellate court, if the justice believes that the case involves a question of constitutional or federal law, or a criminal case is the federal writ of habeas corpus.

Another main difference between the Canada and U.S. justice systems is the selection of judges. In Canada, judges are appointed by the government, not elected. Judges of the Supreme Court of Canada, the federal courts, the appellate courts, and the superior-level courts are appointed by the federal government. The federal government appoints and pays for both the judges of the federal courts and the judges of the superior-level court of each province. The provincial governments are responsible for appointing judges of the lower provincial courts.

In many American jurisdictions, judges are elected. In some cases, the

elections are partisan, where the nominee is affiliated and supported by a political party. Others are not. Each state court system has different rules for the purpose of electing judges as well. In California, for instance, any qualified lawyer can run for judicial office at election time. The process is nonpartisan. If a vacancy arises between elections, the governor appoints the judge. While the election of judges keeps the administration of justice consistent with prevailing social ideal, this system comes with many problems, particularly if the elected judge makes decisions "for the vote."

There are Canadians who would like to see their judges be elected as is the case for some American judges; however, there is no indication that the long-standing British tradition of appointing judges will be altered in Canada anytime soon. It is doubtful if an elected judiciary would be consistent with the Canadian constitution. Those who favor the appointment method point out that the election approach could possibly threaten the judiciary's ability to be independent in its decision making. Though political patronage has certainly been a factor in the appointment of some judges, judges appointed to the Supreme Court of Canada have been remarkably nonpartisan and well respected by Canadians of all political stripes.

Finally, it should be noted that Canada's legal system is quite open to using case precedents from both England and the United States when there are insufficient precedents in the realm of Canadian law. For the most part, Canadian jurists will refer to American cases dealing with privacy rights, as the United States has many precedents in that area. However, they often consider decisions by both the English Court of Appeal and the House of Lords when judging a wide range of matters. Once a Canadian court has established a non-Canadian court or magistrate as being a persuasive authority, it can use those decisions as foundations for its own. In this way, Canada's legal system truly incorporates a living body of laws.

Selina Koonar practices as a cross border lawyer. She is dually licensed to practice law in the United States (WA) and Canada (BC). She is currently pursuing a masters of law degree, studying cross border issues, at the prestigious Osgoode Hall School of Law at York University. She may be contacted at selinakesq@gmail.com or visit her legal blog at http://www.selinakoonar.com.

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Pre-Sentencing Tips: Little Things that Can Make a Big Difference

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Accompany Your Client to the Interview With the Probation Officer Who Will Prepare Your Client's Pre-Sentence Report (PSR)

Your client's interview with the probation officer who will prepare the PSR is an often underestimated component of the sentencing process. In fact, some defense counsel question whether they should even accompany their client to the interview. Defense counsel should not only accompany their clients to the interview, but should prepare their client in advance of the interview. Having a well-prepared client can have a substantial positive impact on the sentencing outcome. Here's why:

· Judges continue to rely heavily at sentencing on the recommendation of probation officers.
· The probation officer makes a number of critical decisions from whether to apply enhancements to recommendations on disputed issues of fact such as the amount of loss.
· Inaccurate information provided in the PSR can adversely affect the length and location of any period of incarceration.

What you should do before the interview:

· Obtain the documents and forms needed by the probation officer and have your client complete them in advance of the interview.
· Present your view of the case in a letter to the probation officer, including any cases supporting your position—remember, the government often lays out its version of the case and its guidelines calculation, along with victim impact statements, for the probation officer so you want to ensure the officer gets a balanced view.

· Do your homework on your client—gather and provide the probation officer any background information on your client, such as social or family history.
· Provide your client's statement of the offense to the probation officer (your client can do this at the interview, but it is often preferable to set it forth in writing so as not to admit to more serious conduct than charged).
· Prepare your client for the questions and issues that will be addressed at the interview.

What you should do at the interview:

· Ensure your client provides accurate and truthful information.
· Ensure your client is respectful to the probation officer.
· Advance the positions set forth in your letter in person on the offense conduct, your client's role in the offense and any grounds for variance.
· Ask for the dictation date—make sure you get all the information to the probation officer well before that date.

After the Interview, Follow-up With the Probation Officer *Before* He/She Completes the PSR

Although the sentencing guidelines are now "advisory," the PSR remains a critical component of the sentencing process. Indeed, when crafting a sentence most judges give great weight to the PSR. In light of this, defense counsel should attempt to shape and mold the content of the PSR as much as possible *before* the probation officer begins preparing the PSR.

In one particular case, a prosecutor advised defense counsel that he intended to seek a sophisticated means and abuse of skill enhancement at sentencing. The potential impact on the ultimate sentence if *both* of these enhancements applied was significant because it would have resulted in an advisory guidelines range that included a potential term of imprisonment. By contrast, the possibility of a sentence of probation increased exponentially if only one, but not both, of the enhancements were found to apply.

Instead of waiting for the probation officer to circulate the PSR so that objections could be made, defense counsel spoke with the probation officer before he started drafting the PSR to explain why neither enhancement applied. Although the probation officer expressed his belief that both enhancements applied, defense counsel nonetheless followed up with a detailed letter reiterating his position and included legal authority to support that position.

When the probation officer circulated the PSR to the prosecutor and to defense counsel, the PSR made no reference to a sophisticated means enhancement. Once the prosecutor learned this, he decided not to press for the sophisticated means enhancement at sentencing, which he most certainly would have done had it been recommended in the PSR. And all defense counsel know that with some judges it can be exceptionally difficult to argue against application of an enhancement against your client when both the PSR and the prosecutor press for that enhancement. Thus, from a strategic standpoint, it makes more sense to try to keep unfavorable information from being included in the PSR in the first place instead of arguing to a judge why you are right, and both the

prosecutor and the PSR are wrong.

Never Underestimate the Importance of Letters of Support

The *Booker* decision has reinvigorated judicial discretion and defense attorneys must utilize every measure to augment their client's prospects for a favorable sentence. In this climate, character letters of support now take on added significance and are an absolute must in providing the court personal insights that are difficult to glean from the limited perspective afforded in a court appearance. Defense counsel must take the necessary steps to ensure that the letters are drafted properly in order to achieve the desired result.

Here are some ideas you might want to consider when pursuing this endeavor:

· Have your client identify a diverse mix of people, including family, friends, current and past coworkers and the broader community (e.g., neighbors).
· Send a letter to those individuals asking each to express their personal view of the client and to request lenient treatment at sentencing.
· Be sure to explain the current judicial process and the type of letter that would be most helpful to the client. A letter expressing resentment and anger might be improperly attributed to the client at sentencing.
· The letters of support should attempt to persuade a court that substantial incarceration would serve no useful purpose and if the circumstances call for it, could imperil your client's ability to support and provide for the welfare of his or her family.
· Letter writers should reflect on events and exchanges that reveal the true nature of the client and attempt to concisely capture those thoughts in the letter. In doing so, the writer should briefly describe the nature and duration of the relationship with the client. There is no page limit, but the court may receive multiple letters, so recommend a page limit of one to three pages.
· Have the letter writers send their drafts to you before sending to the court so that you will be able to suggest any appropriate revisions.
· Once in final form, assemble all of the letters and provide them to the court en masse with your other sentencing materials.

Do not underestimate the value of letters of support. It has been our experience that courts and probation officers do read and consider these letters, as they are a vital part of the sentencing process. If the letters are well-drafted and heartfelt, your client may derive a meaningful benefit.

Always Confirm Whether Your Client Is Potentially Eligible for the BOP's Residential Drug Abuse Program (RDAP)

Another avenue to explore with a client is whether he or she would be eligible for the Federal Bureau of Prisons Residential Drug Abuse Treatment Program (RDAP). RDAP is a specialized program that can benefit offenders with substance abuse problems while also offering the added incentive of a potential reduction in their sentences beyond earning good time credit.

The treatment is an intense 500-hour, six-to-twelve-month program, and eligible graduates may qualify for an extended halfway house placement and a sentence reduction of up to one year.1 The program is voluntary, and candidates must have a documented substance abuse problem, usually verified by the PSR. Also, the candidate must have 36 months or less remaining on his or her sentence.

Verify that your client does not fall into one of the categories of inmates who are not eligible for the sentence reduction, such as INS detainees, having a prior conviction of certain violent offenses, or having a current offense involving violence or the possession of a dangerous weapon.2

Obviously, defense counsel's primary objective will always be to avoid or reduce a prison sentence, and the RDAP program can be a means to ease a client's passage through the prison system.

Endnotes

1. See 18 USC § 3621 (e)(2).
2. The policies and procedures of the RDAP program are set forth in BOP Program Statement 5330.10, Drug Abuse Programs Manual, Inmate, available at http://www.bop.gov/policy/progstat/5330_010.pdf.

Pre-Sentencing Tips: Little Things That Can Make a Big Difference, by Meredith Auten, Marcos Hasbun, and Adrian Mebane, 2009, Criminal Justice Section Newsletter, *Winter 2009, pp. 6–7, 12.*

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How Do You Mediate a Criminal Case?

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Mediation and other forms of dispute resolution are becoming more commonplace in the criminal sector. The criminal mediation program in Anne Arundel County, Maryland is an internal program of the State Attorney's Office (SAO) consisting of one mediator and one case manager. Since 1983, the program has been assisting the SAO and the citizens it serves to resolve criminal cases prior to trial. The program continues to thrive with an average of 250–400 cases being resolved through mediation each year. Mediation assists the parties, the prosecutor's office, the courts, and the public to save time, money, and frustration. By discussing their interests, concerns, and developing agreements in a confidential setting with the assistance of an impartial mediator regarding their conflict, parties often experience more satisfaction and achieve long-term resolution that avoids escalation and resolves problems.

Selecting Criminal Cases for Mediation

Clearly, not all criminal matters are appropriate for mediation. Although mediated in some victim-offender programs, felony cases or serious misdemeanors rarely lend themselves to mediation. Conversely, minor misdemeanors, particularly involving individuals who have some form of a relationship, often benefit from mediation. Assault, trespassing, malicious destruction of property, harassment, telephone misuse, arson threats, and theft are examples of criminal disputes frequently referred to mediation. Family members, business associates, and neighbors are examples of groups that typically gain more by participating in mediation to address their grievances.

Cases referred to the mediation program originate from several different sources. The majority of cases referred to mediation are carefully investigated

by a specific screening unit within the SAO to initially determine whether mediation is a plausible option. If domestic issues are present, the victims' assistance program plays a role in deciding whether a case should proceed to mediation. Prosecutors may refer cases on their docket to mediation. Criminal defense attorneys familiar with the program may recommend cases for mediation. Judges may refer parties to mediation when they appear for trial. On occasion, members of the public seek to refer their own dispute to mediation. The mediation program performs the final screening function to assess whether a case is mediation-appropriate. Cases approved by all applicable screeners are then scheduled for mediation. Should the case fail to meet any screener's criteria, the matter is discussed internally, and any case ultimately rejected for mediation proceeds to prosecution. Incidents of domestic violence, physical injuries, and the parties' criminal history are examples of factors that influence a decision about whether to mediate a case.

Who Participates in a Criminal Mediation?

The parties named in a criminal complaint and the mediator are the primary participants in the criminal mediation session. The defense attorney's participation in the criminal mediation session is an attorney–client decision. If attorneys do accompany their clients to mediation, they usually assume a more passive role in the mediation process itself as compared to their clients. Prosecutors do not participate in the mediation session. The mediation process is voluntary for the victim and the defendant. Either party may elect to bypass mediation and proceed to prosecution.

When and Where Does Criminal Mediation Occur?

Criminal mediation always takes place prior to trial. The SAO sends to the parties and their attorneys, if applicable, a letter and brochure about mediation. The letter requests that recipients contact the mediation program to discuss the option to mediate. When parties contact the program, the case manager or mediator describe the mediation process, field questions, and if the party is agreeable, schedules the mediation session.

Mediation sessions occur at various times throughout the day on all business days. The program identifies a mutually convenient time, date, and location for mediation to occur. Written confirmation notices are sent out to all anticipated attendees. Mediation sessions are held at the SAO office in a private conference room. When there is delay in scheduling a mediation session, prosecutors and defense attorneys typically jointly consent to a postponement of the trial date to permit more time for mediation to occur. Judges are often willing to grant such a request.

How Does the Criminal Mediation Process Work?

When a criminal matter is referred to the mediation program, the case manager performs the initial screening function. The mediation program has access to any information compiled by the SAO, including attorney case files, charging documents, screening unit data, prior criminal history records, police reports, and any other pertinent information on file. Related cases and the prior legal history between the parties are examined. The mediation program screens both the victim and defendant within the criminal and civil legal system. The mediator then performs the last internal screening to finally determine if a case is appropriate for mediation. Cases that are rejected for

mediation travel the traditional channels to trial.

During the mediation, the mediator welcomes the parties, introduces the mediation process, and addresses any other important items or questions. After the introduction, the mediator presents the parties with a consent form to review and sign expressing their willingness to participate in mediation. In a confidential setting, both parties are then given an opportunity to offer their perspectives, share any concerns, and identify their interests or needs with regard to the matter. Important issues are discussed more thoroughly and an option-building phase follows. Parties discuss various options or ideas for how the situation could be resolved. The ideas generated are then evaluated more critically to determine if they are acceptable and realistic solutions. Once the parties have developed and finalized their resolutions, the mediator commits their agreement to writing, which both parties sign. If all parties consent, a mediation agreement may include a requirement that counseling or treatment programs be completed by a certain date. The parties receive a copy of their mediation agreement, and the mediator retains the original agreement document. With the exception of the written mediation agreement, all communications associated with the mediation screening, scheduling, and the mediation session are confidential.

What Happens After Criminal Mediation Occurs?

Following the mediation session, but prior to the scheduled trial date, the mediator meets with the prosecutor assigned to the case to share the content of the parties' written agreement and provide a recommendation for case disposition. Cases that resolve through mediation may be subject to one of two possible legal case dispositions. A case may receive a *nolle prosequi* disposition or be placed on an inactive docket. The final decision with regard to case disposition rests with the prosecutor. The prosecutor may file a disposition immediately with the court or close out the matter in person on the trial date. In the latter case, the mediator provides the prosecutor with a folder containing copies of the written mediation agreement for the prosecutor and the court. Under either scenario, parties are usually excused from appearing for court on their trial date.

Why Are Criminal Cases Mediated?

Like civil cases, the stakeholders to a criminal matter may all benefit from exposure to mediation. The parties receive a confidential forum to air their grievances, discuss the matter thoroughly, and have a unique opportunity to design their own resolutions. Many parties fear the trial experience and the harsh consequences that may flow from it. Others may feel frustrated or overwhelmed by the complexities of the criminal justice system. Mediation allows parties to steer their own course with respect to their dispute and create win-win outcomes. As with civil cases, criminal mediation frequently saves parties time, money, and aggravation. Mediation may prove advantageous not only to the parties, but also to the prosecutors. Insufficient evidence, unpredictable witnesses, lack of information, risk of disappointing outcomes for victims or any other factor that may render a case difficult to prove at trial may make mediation a more attractive option. In some cases, victims may gain something (perhaps more valuable) through engaging in the mediation process rather than an adversarial judicial proceeding that risks an uncertain result. The judicial system, yet another important stakeholder, is positively

affected by criminal mediation. On the trial date, the prosecutor provides the court with a written copy of the parties' mediation agreement. The court places the agreement on the record to conclude the court's review of the matter.

Criminal mediation can save the judicial system considerable time, resources, and expense. Research has shown that individuals who participate in criminal mediation are less likely to re-encounter the criminal justice system.

Jean Whyte directs the criminal mediation program for the Anne Arundel County State's Attorney's Office (Frank R. Weathersbee, State's Attorney). She can be reached at SAWHYT33@aacounty.org.

NOTE:

The **Maryland Judiciary's Mediation and Conflict Resolution Office** (MACRO) offers grants to Maryland State's Attorneys' Offices to start or expand criminal mediation programs. MACRO was created by and is chaired by the Honorable Robert M. Bell, Chief Judge of Maryland's highest appellate court. According to Chief Judge Bell, "Criminal mediation can often get to the root causes of ongoing conflicts that otherwise reappear before the courts over and over again. In mediation, the participants may find permanent solutions by agreeing to certain forms of relief that the courts are prescribed from providing."

How Do You Mediate a Criminal Case, by Jean Whyte, 2006, Criminal Justice Section Newsletter*, pp. 12–13, Winter 2009.*

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When IP Valuation Is Necessary: The Sales/ Commercial Transaction

By Weston Anson

There are many situations in which intellectual property or intangible assets may need to be valued—whether for transaction reasons, litigation reasons, tax reasons, estate planning, mergers, or other scenarios. Regardless of the scenario, the most important underlying concept in all IP valuation is that it is very much *context-specific*. What we mean by this is that the contextual environment can change how an asset is valued, for what period of time the asset is valued, whether the asset is valued at today's value or under some other scenario, etc.

In general practice, not all of these complex intellectual property issues come up. Nonetheless, at some time all general practitioners are going to face one or more situations in which clients have specific needs to value intellectual property. In this chapter, we have selected what we believe to be the most frequent reasons that intellectual property needs to be valued—particularly in the case of a non-specialist general practice law office. We are going to focus on the six most important areas for general practitioners—important in the sense of those that tend to come up most often. Our coverage for each of these contexts is relatively brief. It is intended to give a flavor of the issues that arise in each of these contexts. Below are some of the contextual situations in which clients most often need help, and that most general practice attorneys will face in terms of intellectual property valuation:

- sale or other transaction,
- divorce,
- bankruptcy,
- estate planning,
- licensing of IP, and
- litigation.

We have already addressed valuation in general in earlier chapters and have dealt in some depth with specific valuation methodologies. In chapter 5 of the book from which this article was excerpted, we set the scene for a philosophical overview of valuation guidelines, which we believe is important. In addition, we also addressed in another chapter the impact of a depressed economic environment as it affects IP valuation (and, in general, all valuations).

In the previous chapter, we provided a detailed overview of how different types of intellectual property have different valuation considerations, approaches, and concerns.

In this article, it is time to look at specific IP valuation situations in which a general practice attorney's client base will most often need advice. In this way, we discuss the final but most important underlying issue of intellectual property valuation—context.

Perhaps the best way to illustrate what we mean by context is to look at Exhibit 1. The reader can see that eight different situations or contexts are listed, including a going concern sale, reorganization or bankruptcy, estate settlement, divorce, etc. In general, and specifically for this discussion, we will assume that the same intellectual property is being valued, but the valuation is taking place in different situations and under different conditions and contexts.

Value Is Context Specific
• Going concern sale • Reorganization / bankruptcy • Liquidation • Estate settlement • Divorce • Donation • License • Litigation
CONTEXT + TIME = VALUE

Exhibit 1: Various Valuation Contexts

Before we take a somewhat more detailed view of these different contexts, a brief overview might be helpful. In bankruptcy, that particular context will drive down the value of all IP—virtually without exception. In divorce, the context will clearly affect how each party not only looks at the value of their IP, but how they perceive the current ownership and possible future benefits. On the other hand, for tax or donation purposes, one must be sure that the valuation meets the standards of the taxing authorities, as well as certain standards in regard to the commercial value of the IP. Licensing may bring a large value, but one that's realized only over a much longer term. Finally, in litigation, the environment is much more complex, and the value conclusions are clearly based on the perceptions of the litigation that each side may hold.

To further illustrate how context can affect valuation of intellectual property, in some situations value can be even more substantial. There can be as many as four different values for a given bundle of intellectual property. In bankruptcy, valuation is even more context-driven than in other situations. As a company moves from going concern to liquidation, the value of its intellectual property will change precipitously.

In Exhibit 2, we see four value curves labeled as context continuums. In the first curve, one assumes that the company is a going concern and is merely going through a financial reorganization. In that context, the value of IP will stay steady or even rise. If that same company goes through a formal reorganization, shedding some of its hard assets and making itself a leaner corporate entity, then the value of the intellectual property will likely drop in the initial period of the reorganization but, as the curve shows, may very well regain its value over time. The next contextual scenario in bankruptcy is an orderly disposal. In that case, one can see that the value will drop immediately after the announcement of the orderly disposal is made, and then continue to drop further as time goes on. Finally, in liquidation, the value of intellectual property drops precipitously as soon as liquidation is announced and tends to continue to fall over time.

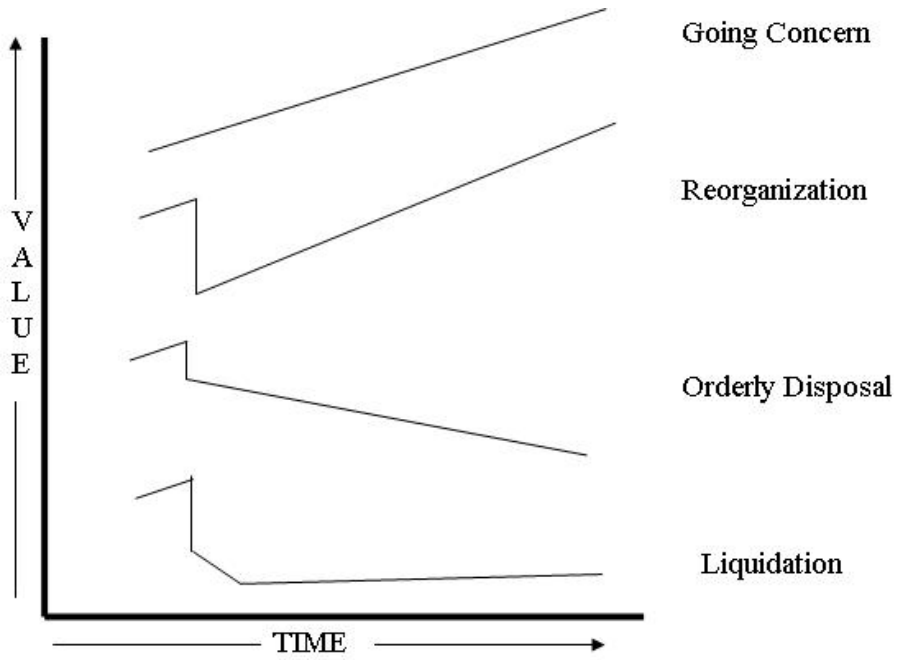

Exhibit 2: The Context Continuum

Now we will look at each of the six most likely situations in which the need for IP valuation will occur. These areas are particularly appropriate to general practice, where client needs will tend to be less esoteric and where the reason for valuation will be more common.

Sales of intellectual property or other commercial transactions, such as a merger or a joint venture, is the context that is most reflective of true market values. When a client is engaged in a sale or transaction, typically true arm's-length values will be arrived at on the assumption that there is a willing buyer and a willing seller. These sales or transactions can occur through a number of mechanisms or contexts. For

example, there can be a one-on-one negotiation in which a buyer has approached an owner, and the negotiations will certainly be based on an arm's-length market value. Similarly, a client may own a portfolio of intellectual property and choose to negotiate with several people. That negotiation can take place through sealed bids, a sequestered auction, or even an open cry auction. Or, the seller can engage in traditional negotiations with each of two or more possible buyers at the same time.

Examples of commercial transactions and sales range across all types of intellectual property. Some recent simple examples include the following:

- Within the last two years, Citigroup sold one of its classic trademarks, the red umbrella, to St. Paul Travelers, a large insurance entity. While the total amount of the compensation was not announced, reliable sources placed the number in the low eight figures. In return, Citigroup continues to operate under its Citi name and what it refers to as a "red arc" design. Once Citigroup had made the decision to change its logo, it suspected that it had a ready buyer in the insurance industry because, dating back several decades, the Travelers Insurance Co. had been using the red umbrella as its signature trademark. The St. Paul Travelers Insurance Co. was delighted to regain exclusive use of the umbrella, and continues to use it effectively in the unification of its branding.

- A business method patent sold recently for $2.6 million. The patent was unique because it was based on a technology of location matching. In other words, the system works with location-aware devices, such as laptops that are connected to a remote server. This allows users of a social network service, for example, to make connections with other users based on specific geographic preferences and/or proximity. For example, a user who subscribes to a mobile social networking service can set up his or her profile to indicate the types of people he or she would be interested in meeting and locations for those meetings—with specific geographies in mind. Clearly it's a patent that social websites such as MySpace, Facebook, or Match.com would theoretically be eager to use.

- The Tower Records name and trademark were sold for approximately $2 million within the last few years. While at one time Tower was the nation's largest retailer of music, the business model of music purchase and download has changed dramatically. Although as a company Tower decided to exit its physical stores, its name, trademark, and associated web-based assets were attractive to several bidders. As a result, a substantial price was reached for a trademark that theoretically was no longer in business.

- Other intangible assets are sold in open-market transactions on a regular basis. Most obviously, of course, are domain names, which have a vibrant marketplace in which new and established domain names are constantly being offered for sale. Similarly, databases and information-based assets are also being bought and sold in a true market-based sale or transaction.

As one would expect, the most appropriate valuation approach in a market sale or other transaction is, of course, the true market-based approach. Since one assumes there are willing buyers and willing sellers, we know that, wherever appropriate, the market-based approach will be used in this context. In the best case where comparable transactions of similar assets can be found, that will give guidance to both parties in terms of true market value. On the other hand, where assets such as uncommercialized technology are sold, the two parties may try to establish value

based on either reproduction or replication cost. Finally, the projected future income that the asset may bring to its current or new owner will often be the basis of value.

The important thing to realize is that each party will get what it believes to be true market value from its own specific perspective—again, perspective being part of the context of a market-based sale. What is most important to remember is that the perspective of the willing buyer ultimately sets the value and determines whether a transaction will take place. If, on one hand, the prospective buyer establishes that, from its market point of view, value is less than what the seller perceives, there will be no transaction. Conversely, if the potential purchaser sees greater value than the current owner can believably extract from the asset, then there will be a transaction.

Some specific issues need to be considered in sale and transaction valuation environments, including the following:

- The form of sale to use, such as direct negotiation vs. sealed bid vs. auction.
- The number of buyers—whether there is one buyer or multiple buyers.
- The value that is most important is the value to the buyer or buyers, as they will determine whether they can reach a level where the seller believes it is getting economic benefit from the sale.
- Financial considerations, of course, are important, including whether an all-cash transaction will take place.
- A matter for consideration is whether potential exists for a long-term licensing agreement as opposed to an outright sale (within that context of licensing is a wide range of sub-issues, which we will discuss later).

Finally, one must consider whether the purchaser is a private or public company and how various financial and accounting regulations may affect it. In its broadest definition, a business transaction includes sales, acquisitions, mergers, spinoffs, licensing, and joint ventures that involve transferring title of intellectual property from one entity to another. The valuation process is obviously driven by business issues. However, national and international tax and accounting regulations and standards also play a role in these transactions. In the United States, the most important of these regulations, particularly for public companies, are FASB sections 141, 142, 144, and 147.

This is an area of great complexity, and we provide this overview simply to alert the general practitioner that expert tax advice is typically needed in addition to expert IP valuation advice. Briefly, however, these FASB sections primarily speak to valuation and the booking of assets. They require that all business combinations must use the purchase method of accounting and must value all the intangibles in what is known as a purchase price allocation report. This purchase price allocation also must be updated on a regular basis for so-called “impairment tests,” to see if the value of the intangible asset has been impaired or reduced in value.

In addition, these regulations also provide standard provisions for depreciating the remaining useful life of intangible assets and address how those assets will be amortized. Again, these sections require that any intangible asset or IP that has a finite useful life must be valued, capitalized, and then depreciated. However, those intangibles with indefinite useful lives (e.g., many trademarks) are not amortized.

IP and intangible asset valuation methodologies under FASB are somewhat affected. However, the normal market, cost, and income valuation method approaches are accepted, as is the relief from royalty methodology. The IP and other intangible assets must be valued on an asset-by-asset basis in what is known as a stand-alone value. So what does all this mean? We are simply signaling that some of the practical issues affecting value and valuation in mergers and acquisitions can be complex. There is more detail and more complexity, while at the same time, the regulations are striving for more transparency and more frequent verification of the value of intangibles. This is a very complex topic and is not well understood by many who are not specialists in IP and the accounting aspects of these regulations.

Weston Anson is chairman of CONSOR, an intellectual asset consulting firm specializing in trademark, patent and copyright licensing, valuation, and litigation support. He can be reached at wanson@consor.com or 858-454-9091.

Do you want to learn more on this subject or need forms to help your clients with the numerous issues arising in intellectual property valuation and management? If so, click here to purchase the author's book, which includes numerous forms and checklists.

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HIPAA and Employment Law

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The Health Insurance Portability and Accountability Act (HIPAA) was passed more than 10 years ago. Today, at the end of this first decade of the new century, America's healthcare system is still undergoing a radical transition that affects everyone—from patients to health care providers and business entities that deal with those providers. And that includes doctors, lawyers, and CPAs. To some people, HIPAA is nebulous and shrouded with confusion—for good reason: it is indeed a hefty body of legislation. The final rule is nearly 700 pages. Everyone should know the law that applies to their health information and that of their employees.

Application to Employment Law

One of the leading cases in the area of HIPAA and employment law is *Equal Employment Opportunity Commission v. Boston Market*, 2004 U.S. Dist. LEXIS 27338. In this case, the EEOC sued the defendant, Boston Market, alleging disability discrimination. Defendant sought an order from the court permitting it to communicate with several entities, including the psychologists treating the plaintiff-employee, Christine Gagliardi.

Plaintiffs authorized the defendant to obtain all medical records and to depose Gagliardi's doctors, but asserted that HIPAA "preclude[s] ex parte discussions by Boston Market with those entities."

Plaintiffs first argued that New York law provides a statutory psychologist/patient privilege that precluded the defendant from engaging in ex-parte communications. The district court began its analysis by examining whether state law was preempted by HIPAA, since the case was in the district court under federal question jurisdiction.

Plaintiffs argued that New York law was more stringent than HIPAA and

should control. The court cited the Seventh Circuit Court of Appeals decision in *Northwestern Memorial Hospital v. Ashcroft*, 362 F.3d 923, 925 (7th Cir. Ill. 2004) which determined that "HIPAA regulations do not impose state evidentiary privileges on suits to enforce federal law." The court explained that a more stringent state law may be applied (1) when the suit is in *state court*, or (2) in federal court when "state law provides the rule of decision."

The *Boston Market* court was persuaded by this reasoning and found that New York's psychologist/patient privilege statute did not apply. The court still decided in favor of plaintiffs, finding that HIPAA "clearly regulates the methods by which a physician may release a patient's health information" and ex parte communications that are not HIPAA-compliant are prohibited.

HIPAA can be an obstacle for attorneys defending employers attempting to gain information from a plaintiff-employee's treating physician. (*See, e.g.*, Brian K. Powell & Richard A. Bales, *HIPAA as a Political Football and Its Impact on Informal Discovery in Employment Law Litigation*, 111 Penn. St. L. Rev. 137 (2006)). Prior to HIPAA's enactment, employers in most states could use ex parte communications with a treating physician as an informal and cost-effective form of discovery. Since enactment, however, HIPAA acts "as a gag order on health care providers, prohibiting any disclosure of PHI to a defendant-employer absent the plaintiff-employee's written authorization." Section 164.512(e) lifts the gag order. Under this section:

> A covered entity may use or disclose protected health information without the written authorization of the individual, as described in § 164.508, or the opportunity for the individual to agree or object as described in § 164.510, in the situations covered by this section, subject to the applicable requirements of this section . . .
> (1) Permitted disclosures. A covered entity may disclose protected health information in the course of any judicial or administrative proceeding:
>
> > (i) In response to an order of a court or administrative tribunal, provided that the covered entity discloses only the protected health information expressly authorized by such order; or
> > (ii) In response to a subpoena, discovery request, or other lawful process that is not accompanied by an order of a court or administrative tribunal, if:
> > (A) The covered entity receives satisfactory assurance, as described in paragraph (e)(1)(iii) of this section, from the party seeking the information that reasonable efforts have been made by such party to ensure that the individual who is the subject of the protected health information that has been requested has been given notice of the request; or
> > (B) The covered entity receives satisfactory assurance, as described in paragraph (e)(1)(iv) of this section, from the party seeking the information that reasonable efforts have been made by such party to secure a qualified protective order that meets the requirements of paragraph (e)(1)(v) of this section.

In a recent decision, *Vaughn v. Epworth Villa*, 537 F.3d 1147 (10th Cir. Okla. 2008), the Tenth Circuit Court of Appeals examined whether the employer,

Epworth Villa, lawfully terminated its employee, Bernadine Vaughn, after she disclosed unredacted medical records to the EEOC to facilitate her discrimination claim. Vaughn, an African-American woman, had been disciplined for making errors on a patient's medical records. She alleged that a younger, white employee had made the same errors and was not disciplined. Vaughn filed her claim with the EEOC and brought copies of a patient's medical records to prove that the other employee had made the same errors and gone unpunished. The records included details of the patient's medication regimen and narcotics records. Epworth Villa discovered the unauthorized disclosure a year after Vaughn filed the claim and terminated her employment.

In response to her termination, Vaughn filed suit against Epworth Villa and alleged that she was terminated in retaliation for filing her discrimination claim with the EEOC. The district court granted Epworth Villa's motion for summary judgment, finding that Vaughn's disclosure violated the HIPAA privacy regulations and her termination was appropriate. Vaughn appealed the decision. The Tenth Circuit held that Vaughn's actions were "protected activity" under HIPAA, but it was still a violation of Epworth Villa's company policy and procedures. This violation justified their termination of her employment. Vaughn's retaliation claim was unsubstantiated absent proof that other employees violated the company policy against disclosure.

In *Coleman v. City of Tucson*, 2008 U.S. Dist. LEXIS 101325 (D. Ariz. Dec. 4, 2008), a former city employee, Timothy Coleman, brought suit against the City of Tucson alleging discriminatory employment practices. Coleman was diagnosed with various medical and psychological conditions that required him to take extended absences from work.

As a result of his disability, Coleman was unable to meet the demands of his position, and he sought reasonable accommodations. Coleman alleges that the city failed to provide these accommodations and that he was punished for his disability, including being forced to take medical retirement. Coleman sought relief under various state and federal regulations, including HIPAA. The court dismissed the portion of Coleman's claim under HIPAA, citing *Webb v. Smart Document Solutions*, 499 F.3d 1078, 1081 (Cal. 2007), and reaffirming that HIPAA does not provide a private cause of action. The court permitted Coleman to bring his claim for discrimination under the Americans with Disabilities Act (ADA), the Arizona Civil Rights Act, and his common law case of retaliation.

In *Rigaud v. Garofalo*, 2005 U.S. Dist. LEXIS 7791 (Philadelphia, Pa.) the employee sustained a work-related injury that made her eligible for workers' compensation benefits. The employee was referred to the health-care provider and the doctors for treatment. The employee alleged that one of the doctors contacted her employer and accused her of forging a refill authorization on a prescription, and that the doctor released information about that incident in violation of the HIPAA Privacy Rule (see 45 C.F.R. § 160.103 *et seq).* The court found, that based on HIPAA's failure to provide for a private federal remedy and the absence of any legislative intent to create a private right of action, it lacked subject matter jurisdiction over the employee's claim.

Melanie Bragg is the owner of Bragg & Associates in Houston, Texas. She is also the president of Legal Insight, a company founded in 1993 to provide

legal education on a variety of subject to healthcare professionals. Her phone is 713-993-0300, and her email address is melanie@mdbragglaw.com.

Do you want to learn more on this subject or need forms to help your clients comply with HIPAA? If so, click here to purchase the author's book, which includes appendices with numerous forms, checklists, and copies of relevant regulations.

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Should Your Client Be Using a Nondisclosure Agreement?
When a client is embarking on a new venture, a good nondisclosure agreement, or NDA, can be indispensable. It will help the client protect the idea, business plan, marketing plan, and other proprietary information it may need to disclose during the course of identifying and engaging suppliers, distributors, employees, and other key relationships for a successful launch.

A good NDA will prohibit both disclosure and use of the proprietary information and will provide for equitable relief in the form of an injunction, preferably without the necessity of a bond, in the event of a breach. Nondisclosure agreements may be called NDAs, nondisclosure agreements, nondisclosure and non-circumvention agreements, confidentiality agreements, proprietary information agreements, and so forth, and they may be either one-way or mutual.

Does Your Client Have an Idea That May Be Patentable?
Actually, an "idea" is not patentable. To be patentable, an invention must be useful, new, and nonobvious to a person having ordinary skill in the area of technology related to the invention; and a complete description of the working invention must be provided.[1]

A patent is the grant of a property right to the inventor of a patentable invention, issued by the U.S. Patent and Trademark Office (USPTO) in the United States, or comparable authority in another country or region. The term of a new U.S. patent is 20 years from the date an application for the patent is filed with the USPTO; or in certain cases, from the date an earlier related application was filed, subject to the payment of maintenance fees. U.S. patents are effective only within the United States, U.S. territories, and U.S.

possessions. Under certain circumstances, patent term extensions or adjustments may be available.

A patent confers the right to the patent holder to exclude others from making, using, offering for sale, or selling any product that embodies the patented invention in the United States or importing such products into the United States. The USPTO does not assist patent holders with the enforcement of patent rights.

As described by the USPTO, there are three types of patents:[2]

1. Utility patents may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof;
2. Design patents may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture; and
3. Plant patents may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.

Inventors may prepare and file their own patent applications in the USPTO and represent themselves in the proceedings. However, unless a client is already experienced in patent prosecution, it would be well advised to seek an experienced patent lawyer or agent, since even if the client were able to obtain a patent without adequate representation, the patent obtained may not adequately protect its invention. Only lawyers and agents registered to practice before the USPTO are permitted to represent inventors before the USPTO.[3]

If your client potentially has a patentable invention, it should consult a qualified patent lawyer or agent while the invention is still "new," or it will lose the right to protect the invention. Under U.S. patent law, an invention cannot be patented if, among other things, the invention was in public use or for sale in the United States for more than one year before the patent application was filed. For this reason, and because resources are often quite limited in a small business, it may be a good idea for an inventor to file a provisional patent application before testing the market for an invention that may be patentable.

Endnotes

1. See the U.S. Patent and Trademark Office website guide to patents at http://www.uspto.gov/web/offices/pac/doc/general/index.html.
2. *Id*.
3. *Id*.

Jean L. Batman founded Legal Venture Counsel, Inc. in 2004 to provide outside general counsel services to investors, entrepreneurs, and small businesses. Prior to forming Legal Venture Counsel, Ms. Batman was a Partner in the San Francisco offices of Duane Morris LLP, one of the country's 100 largest law firms. Ms. Batman Chaired the ABA Business Law Section's Small Business Committee from 2001 to 2005, served as a Board Member of the ABA Business Law Section's Publications Board from 2001 to 2005, cofounded and Co-Chaired the ABA's Private Placement Broker-Dealer Task Force in 1999, and is a member of The State Bar of California and the National Association of Development Companies.