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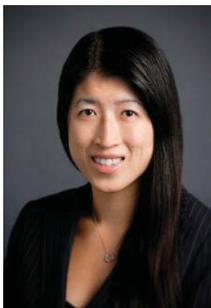
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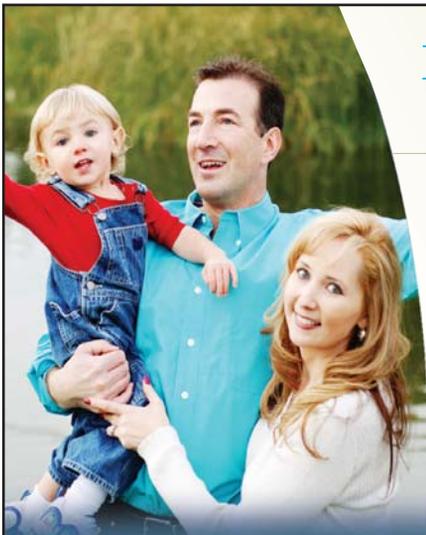
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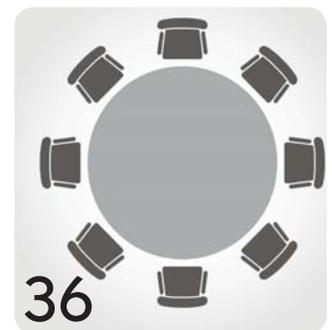
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Benefits and Opportunities

WE'VE ENJOYED A BOOST in Bar membership at the end of 2016 and hope to see that continue through the new year. It's our hope that you've found our programs—networking events, volunteer opportunities, Valley Bar Network, section meetings, fee arbitration, and resources such as Fastcase, listserves and Versatape (affordable MCLE), along with significant member discounts—to be to your satisfaction and helpful to your practice or business.

Our Bar is here to benefit you and we want to hear about your practice and business needs, what has or hasn't been useful, and what you'd like to see added to the benefits you already receive.

In the past decade, providing MCLE programs and products has become a very competitive marketplace. We know that you have many options to obtain your MCLE credits and hope that you'll continue to use the Bar as your primary provider. We need to learn what you expect from our MCLE programs so that we can most effectively meet your needs.

We strive to have interesting topics, well-qualified speakers, and make available Versatape recordings of every seminar to make every program accessible to those unable to attend a specific meeting in person. We've also begun to provide informational webinar programs which will be offered more frequently throughout the year.

Section membership and programs allow you not only to get

KIRA S. MASTELLER
SFVBA President



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your MCLE at a reduced price, but also offers an opportunity to network with vendors and other professionals working in your practice area or crossover areas of the law. We invite you to attend other Section meetings to expand your networking and marketing beyond your specific area of law. Creating a web of professional resources can only bring positive results and potential business referrals.

The Bar has also updated its website. Please visit the site and give us your feedback. Also, be sure to view the calendar of events regularly so you won't miss our many upcoming programs and Section meetings.

Also, be sure to mark your calendars for our April 4, 2017 Judges' Night as we honor a trio of fantastic judges—Paul A. Bacigalupo, Thomas Trent Lewis, and Holly J. Fujie—along with special guests, California Supreme Court Associate Justices Carol A. Corrigan and Ming W. Chin.

Lastly, please note that the California State Bar is not sending out paper statements this year. Dues must be paid online by March 1, 2017. For more information go to www.calbarjournal.com/December2016/TopHeadlines/TH1.aspx.

The State Bar has also extended the time to report your Group 3 N-Z MCLE compliance this year to March 1, 2017. You can complete your report online at <http://mcle.calbar.ca.gov/MCLE.aspx>. 



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Multi-Tasking at Its Finest

WHEN I WAS A YOUNG BOY, every Sunday evening at 7:00, my family (Dad, Mom, older brother Danny and yours ever-so truly) would congregate like tonsured acolytes in front of our television set.

Sunday after faithful Sunday, we watched as a self-conscious Ed Sullivan introduced the evening's entertainment with the look of a guy who'd spent most of the day sitting on his car keys. He couldn't sing, he couldn't dance, he couldn't tell a joke to save his life, but he sure knew people who could do all that and more. There was one, though, who really stood out. His name was Erich Brenn and his talent was...wait for it...plate spinning.

Every so often, Sullivan would roll-out the debonair Austrian who could keep nine dinner plates balanced and spinning on tall sticks, moving like a demented fly trapped in a lampshade from one to another and back again to the dizzying cacophony of Aram Khachaturian's "Sabre Dance."

The above jaunt down memory lane was dusted-off and fork-lifted to the front of my memory by the challenge of piecing together this month's cover story. The term multi-tasking was decades away from vogue when Ed Sullivan introduced Brenn to America, but, as it surely applied to him, it applies to those attorneys who choose to take the rocky road of solo practice, all the while keeping their billing, marketing, case management,

MICHAEL D. WHITE
SFVBA Editor



michael@sfvba.org

research, drafting, administration, record-keeping, client relations, finances, and personal life plates spinning on all cylinders all the time, each to the individual tunes set by the clients they represent.

They are legion—almost half of all licensed lawyers in the country practice on their own, says the American Bar Association—and their work is hard and the insights shared here are revealing.

One shared with me that, "The sole practitioner has to be a self-starter



The solo practitioner has to be a self-starter and very focused and disciplined."

and very focused and disciplined." Otherwise, he added, "It would be too easy to get distracted."

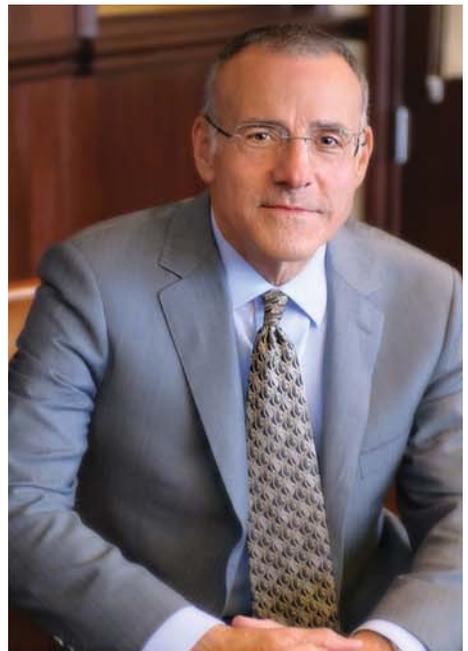
Another stated that, for her, "The

practice of law has a very steep and time intensive learning curve, so it's very time consuming to learn how to practice law...it's challenging to be a solo and the sole source of income for a family, especially at first."

More on the personal side, with one solo saying, "I have one son left at home and he is close to going to college. My wife is very understanding of solo practice and its demands," and lauding his family for their "support and understanding."

Quite a balancing act. How they do it is a wonder to me and, all in all, I think Herr Brenn—now 97 and according to his son, still "spinning"—would be proud to see his work pass into such capable hands.

Regards.



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BLACK HISTORY MONTH						
			<p><i>Valley Lawyer Member Bulletin</i> 1</p> <p>Deadline to submit announcements to editor@sfvba.org for March issue.</p>	<p>Membership & Marketing Committee 2</p> <p>6:00 PM SFVBA OFFICES</p>	<p>Bankruptcy Law Section Attorney's Fees 3</p> <p>12:00 NOON SFVBA OFFICES</p> <p>Judge Victoria Kaufman and attorney John Faucher will discuss the distinction between consumer debt and business debt for purposes of the means test and to obtain attorney's fees under §523. (1.25 MCLE Hours)</p>	4
5	 <p>VBN 6 VALLEY BAR NETWORK</p> <p>5:30 PM CHABLIS RESTAURANT TARZANA</p> <p>VBN is dedicated to offering organized, high quality networking for SFVBA members.</p>	7	8	9		11
12	<p>Board of Trustees 13</p> <p>6:00 PM SFVBA OFFICES</p>	<p>Probate & Estate Planning Section and Family Law Section 14</p> <p>Marriage, Love and Death—A Valentine's Day Special! 12:00 NOON MONTEREY AT ENCINO RESTAURANT</p> <p>See ad page 25</p> 	<p>Workers' Compensation Section 15</p> <p>WPI Analysis 12:00 NOON MONTEREY AT ENCINO RESTAURANT</p> <p>Dr. Bruce Fishman outlines the latest regarding WPI under <i>Alvarez Guzman</i>. (1 MCLE Hour)</p>	16		17 18
19	 <p>SFVBA OFFICES CLOSED</p>	<p>Taxation Law Section Partnership Profit Interests 21</p> <p>12:00 NOON SFVBA OFFICES</p> <p>Frederick Muller will outline and detail the latest regarding partnership profit interests. (1 MCLE Hour)</p>	22	23	24	25
26	27	<p>Editorial Committee 28</p> <p>12:00 NOON TONY ROMA'S</p>				



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SUN	MON	TUE	WED	THU	FRI	SAT
WOMEN'S HISTORY MONTH						
			<p><i>Valley Lawyer</i> Member Bulletin 1</p> <p>Deadline to submit announcements to editor@sfvba.org for April issue.</p>	<p>2</p> <p>Membership & Marketing Committee</p> <p>6:00 PM</p> <p>SFVBA OFFICES</p>	<p>Bankruptcy Law Section 3</p> <p>Discharges</p> <p>12:00 NOON</p> <p>SFVBA OFFICES</p> <p>Hon. Barry Russell and attorneys J. Scott Bovitz and Ira Katz will discuss the latest regarding U.S. Code Title 11, evidence, civil procedure and trial tips. (1.25 MCLE Hours)</p>	4
5	<p>6</p>  <p>5:30 PM</p> <p>CHABLIS RESTAURANT TARZANA</p> <p>VBN is dedicated to offering organized, high quality networking for SFVBA members.</p>	<p>Sponsored by</p>   <p>Angel Benoun—a specialist in the marketing of foreclosures, estate properties and probate real estate—will bring attendees up to speed on real estate probate listing agreements and addendums. Open to all current members. (1 MCLE Hour)</p> <p>Board of Trustees</p> <p>6:00 PM</p> <p>SFVBA OFFICES</p>	8	9		11
12	13	<p>Probate & Estate Planning Section 14</p> <p>Certificates of Independent Review—Trust Us, They Are Worth It!</p> <p>12:00 NOON</p> <p>MONTEREY AT ENCINO RESTAURANT</p> <p>Attorneys Eugene Belous and Nancy Reinhardt explore case law and statutory framework for gifts to care custodians and disqualified individuals; how to overcome the presumptions of invalidity; and practice tips to limit the liability of the drafting attorney. (1 MCLE Hour)</p>	<p>Workers' Compensation Section 15</p> <p>12:00 NOON</p> <p>MONTEREY AT ENCINO RESTAURANT</p>	16	17	18
					<p>St. Patrick's Day</p> 	
19	<p>Family Law Section 27</p> <p>Crossover Issues between Dependency and Family Courts</p> <p>5:30 PM</p> <p>MONTEREY AT ENCINO RESTAURANT</p> <p>Judge Michael Convey and Elise Greenberg lead the discussion on Family Law Court and Dependency Court crossover issues in child custody proceedings. Approved for Legal Specialization. (1.5 MCLE Hours)</p>	<p>Taxation Law Section 21</p> <p>Settlements</p> <p>12:00 NOON</p> <p>SFVBA OFFICES</p> <p>Certified Specialist Cory Stigile will discuss settlements with the California Board of Equalization. (1 MCLE Hour)</p>	22	23	24	25
26		<p>Editorial Committee 28</p> <p>12:00 NOON</p> <p>TONY ROMA'S</p>	29	30	31	

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READERS MAY NOTICE FROM THE GOLD INSIGNIA on the cover, or from taking a look at the number of the MCLE test on page 27, that this issue marks the 100th edition of *Valley Lawyer*. The San Fernando Valley Bar Association is honored to reach this major milestone.

Our award-winning magazine—the successor to the SFVBA’s newsletter, *Bar Notes*—was established in 2008. (A different, short-lived *Valley Lawyer* was published by an outside publisher in the mid-90s.) SFVBA’s President at the time, Sue Bendavid, introduced *Valley Lawyer* to members in her June 2008 President’s Message:

“I am pleased to introduce the first issue of *Valley Lawyer* magazine. In our ongoing effort to improve services and communication to members, we decided to update *Bar Notes* to this format. Similar to publications of the Los Angeles County Bar Association (*Los Angeles Lawyer*) and the State Bar (*California Lawyer*), we chose *Valley Lawyer* as our new name to identify us in relation to the geographical area we serve. *Valley Lawyer* will include articles, announcements and other information of interest to our

legal community. Your ads in *Valley Lawyer* will provide useful information to members and a revenue source to the SFVBA to help minimize dues and other charges.”

Since its inception, the monthly magazine has grown in size and content while undergoing incremental design changes. Over nine years, *Valley Lawyer* has employed three different editors (Bar staff Angela Hutchinson, Irma Mejia and Michael White), a number of photographers, and two printers, and published hundreds of articles authored by SFVBA members.

Through its evolution, *Valley Lawyer* has had one constant, graphic artist Marina Senderov. Marina is a local freelance designer who, working behind the scenes, gives members a modern, aesthetically pleasing, and professional magazine, a publication that stands out among those of other bar associations of the SFVBA’s size and larger.

With Marina’s artistic vision, *Valley Lawyer* has been recognized in recent years, locally by the Los Angeles Press Club and nationally by the National Association of Bar

Associations.

Valley Lawyer wants to acknowledge and thank Marina for her years of contributions to the magazine and the Bar. 




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Employee Privacy in the Workplace

By David G. Jones

WITH THE PREVALENCE OF handheld recording devices, cellphones with recording capabilities, smart watches and other potentially covert recording devices, it's become increasingly easy for employees to secretly record conversations in their workplaces in order to document alleged acts of discrimination, harassment, and retaliation by their employers.

California law prohibits individuals from recording conversations unless all parties to the communication consent to the recording. This legal standard is often referred to as the "all-party consent" or "two-party consent" requirement. California Penal Code Section 632 codifies this concept.

Given the proliferation of such recording devices, employees and employers continue to seek clarity and guidance regarding the effect and admissibility of secretly recorded conversations related to their employment claims. Unfortunately,

California courts continue to inconsistently and arbitrarily consider the subjective beliefs of a particular employee, boss, or co-worker who is covertly recorded at work to determine whether a violation has occurred without proper consideration of the objective standard established in existing law.

Cases in various jurisdictions have resulted in multi-million dollar verdicts and settlements under circumstances where employees were able to establish discriminatory and retaliatory conduct through the use of secret recordings.¹ While the use of secret audio recordings at trial can ultimately be effective in combating post-termination assertions of a party at the time of trial, the character and admissibility of these recordings are in great doubt.

The decisions of California courts appear to establish a bright line rule that all workplace recordings are violative of PC §632

and therefore inadmissible given that there often exists a reasonable objective expectation of privacy in the workplace. Such a reading of the statute is inconsistent with existing California authority and the statutory language of PC §632.

The California Supreme Court should take steps to clarify this important question of law and establish certainty for the employment sector in California.

California Courts Stumble

The California Legislature enacted PC §632 to ensure an individual's right to control the first-hand dissemination of a confidential communication.² Section 632 prohibits an individual from overhearing a confidential communication without the consent of "all parties" to the conversation.³

As to the admissibility of such recordings, §632 also provides that "[e]xcept as proof in an action or prosecution for violation of this



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section, evidence obtained as a result of eavesdropping upon or recording a confidential communication in violation of this section is not admissible in any judicial, administrative, legislative, or other proceeding.”

In *Flanagan v. Flanagan*, the California Supreme Court held that a confidential communication or conversation is one where “a party to that communication or conversation has an objectively reasonable expectation that the communication or conversation is not being overheard or recorded.”⁴

In situations where an employee is talking to a group of employees in a common area workspace, consent may not be required from participants because the conversations are subject to being overheard and, therefore, are not confidential. To recover on a §632 claim, the aggrieved party must prove that a reasonable expectation of privacy existed and that the communications were confidential.

The problem which often arises in litigation is that the party who was secretly recorded submits a conclusory declaration or affidavit which simply states that the recorded conversations were intended to be confidential or private. While the statute requires the court to evaluate the recorded party’s reasonable expectation of privacy, the reality is that most courts simply accept the self-serving declarations of the recorded party without looking to the factual context or the content of the communications.

While trial courts and courts of appeal throughout the state purport to conduct a meaningful analysis of existing case law as it is applied to the relevant facts in analyzing §632 claims, they often fail to properly consider the contextual evidence relating to the expectation of privacy as to the various individuals involved.

At the same time, many courts, while not expressly stating that all recordings in the workplace are a violation, regardless of setting, have found that a reasonable expectation of

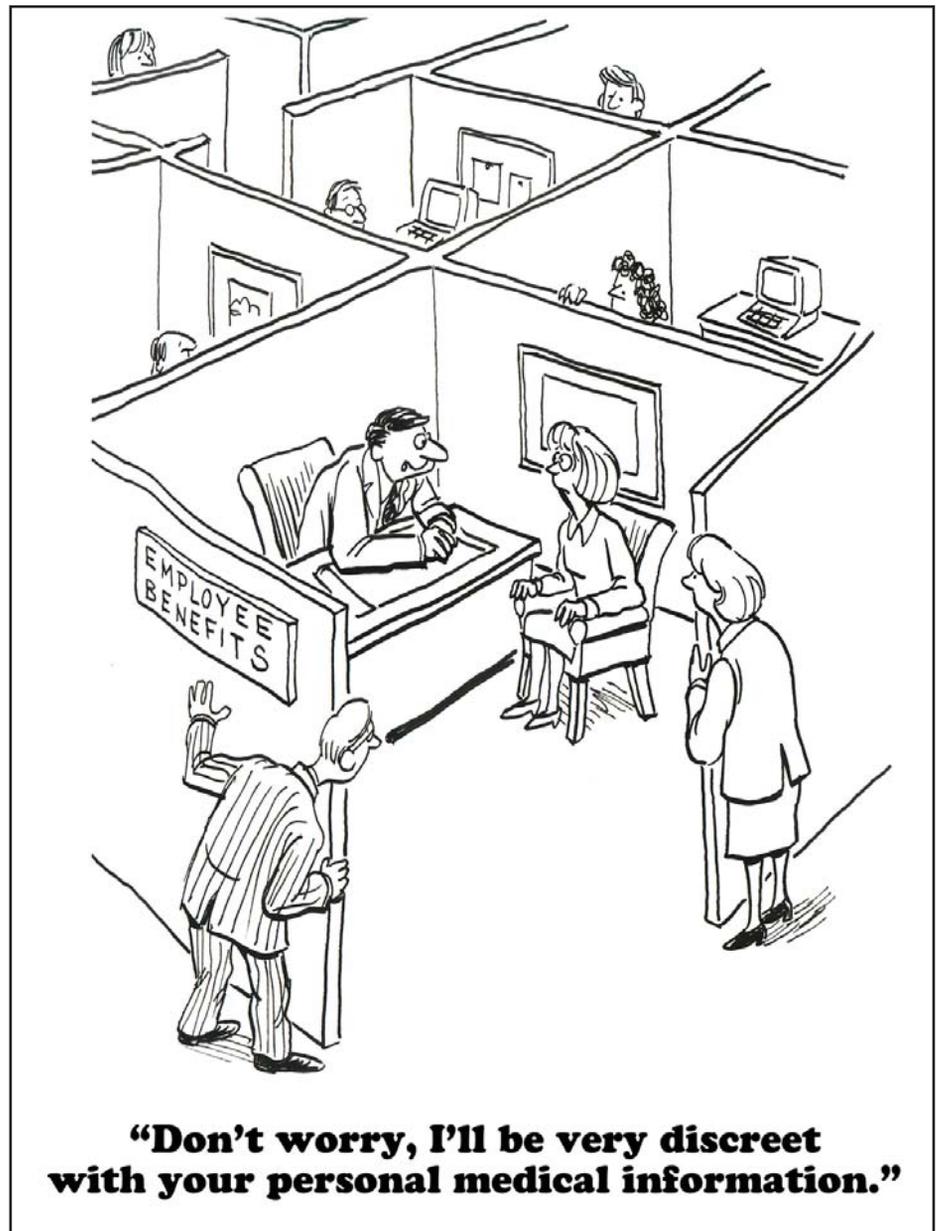
privacy can be established if an affected individual is simply willing to declare under oath that they had a reasonable expectation that the conversations were private and not being recorded. This creates a situation where courts have effectively legislated a ban of secret workplace recordings, contrary to both the phraseology and intent of PC §632.

Objective v. Subjective Standard

This flawed analytical framework, which has been adopted by multiple California courts of appeal, cannot form the basis for a proper determination of the existence of violations because it fails to faithfully apply the specific statutory language of PC §632.

The canon of statutory construction “*expressio unius est exclusio alterius*,” or “the express mention of one thing excludes all others,” is certainly applicable to the interpretation of the statute. PC §632 expressly states that confidential communications do not include communications which “... the parties to the communication may reasonably expect” that it “may be overheard or recorded.”⁵

Had the legislature so intended to alter the meaning of confidential communication to include the subjective expectation of privacy of the participants, it clearly would have included more narrowly worded language. Instead, the legislature used



the term “overheard,” making clear that many communications would remain non-confidential.

The California Supreme Court concisely summarized the principles and methodology for the interpretation of statutory language in *Allen v. Sully-Miller Contracting Co.*:

“Where, as here, the issue presented is one of statutory construction, our fundamental task is “to ascertain the intent of the lawmakers so as to effectuate the purpose of the statute.” . . . We begin by examining the statutory language because it generally is the most reliable indicator of legislative intent. . . . We give the language its usual and ordinary meaning, and “[i]f there is no ambiguity, then we presume the lawmakers meant what they said, and the plain meaning of the language governs...””⁶

Further, courts, it ruled, must strive to give significance to every word, phrase and sentence employed by the legislature.⁷

Based upon these precepts, the only plausible reading of the critical language of the statute is supportive of the position that no expectation of privacy exists, in particular, in factual scenarios where conversations are recorded in the workplace in group settings or open areas of the workplace where such conversations are likely to be overheard.

A Misplaced Reliance

The test of confidentiality is “an objective one defined in terms of reasonableness.”⁸ A communication is not protected when “...the parties to the communication may reasonably expect that the communication may be overheard or recorded.”⁹

Section 632 does not apply to communications which the parties expect may be overheard.¹⁰ California courts continue to determine that the subjective intent of the persons claiming that their privacy was violated under PC §632 is, standing by itself, enough to establish a reasonable expectation of privacy.

Situations exist in the workplace where a conversation is not entirely private and, in those scenarios, there may not be a reasonable expectation of privacy.

In *Sanders v. American Broadcasting*, the court suggested that “an employee might expect that workplace conversations may be overheard by other nearby employees, while not expecting that conversations will be electronically intercepted and overheard by a supervisor in another part of the building.”¹¹

Cases such as *Walker v. Darby* are frequently cited as support for a finding that mere subjective and conclusory “... affidavits attesting to the declarants’ expectations their conversations were

private and not being recorded,” are sufficient to establish a reasonable expectation of privacy.¹² This logic is circular as it relies upon evidence, not objective in nature, to establish a privacy violation in a manner which is not contemplated by PC §632.

California courts continue to accept self-serving affidavits of employers and their employees stating they had an objectively reasonable expectation of confidentiality in connection with disputed secret recordings. However, the question of an objective expectation of confidentiality “is a question of fact that may depend on numerous specific factors...”¹³

Further, the conclusion that an expectation of privacy exists in places such as hallways and open conference rooms is illogical and a clear misapplication of the statute. In addition, the presence of multiple individuals during a conversation clearly is contrary to a private conversation which is not intended to be overheard. An objective consideration of the presence of multiple individuals, coupled with the public nature of the settings, dictate that no expectation of privacy would exist in these scenarios.

It appears that trial courts regularly and incorrectly substitute their determination as to the reasonableness of the expectation of privacy in these particular settings when such a determination should be left to a jury.

Employees’ Protected Activity

When an employee records non-private conversations at the worksite to gather evidence of discrimination and retaliation, such conduct will often logically constitute protected activity under anti-discrimination and whistleblower laws and thus not constitute a violation of California PC §632.

For example, the U.S. Department of Labor Administrative Review Board has held that the recording of workplace conversations can be protected

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whistleblower activity under the Energy Reorganization Act of 1974.¹⁴

The Second Circuit has held that making a secret recording to collect evidence of discrimination is a protected activity and that employers, as a matter of law, cannot take action against employees for making those recordings.¹⁵ The fact that an employer calls an activity a violation of duty does not remove the protection of Title VII for participation-protected activity.¹⁶

California courts and the Ninth Circuit are silent as to whether these recordings are considered protected activity in furtherance of evidence collection as to an employer's discriminatory or retaliatory conduct. Ninth Circuit courts apply the test from *O'Day v. McDonnell Douglas Helicopter Co.* to determine whether or not an employee's "opposition" conduct constitutes "protected activity."¹⁷ The test requires that courts first balance the protection of persons engaging reasonably in activities opposing discrimination and the interests of employers in the objective selection and control of personnel.¹⁸

The Ninth Circuit balancing test does not provide sufficient guidance as to whether or not recordings by an employee at the worksite of discriminatory and retaliatory conduct is protected activity. While under the balancing test the protection of the employee opposing discrimination would much outweigh the employer's control of personnel, current case law does not provide sufficient guidance. An employee's opposition activity is protected only if it is "reasonable in view of the employer's interest in maintaining a harmonious and efficient operation."¹⁹

Given the foregoing, an employee who genuinely believes she is being subjected to discrimination, harassment, or retaliation by her employer will be engaged in protected activity in the event that she records her boss or co-workers in the open areas

of the office where such conversations are likely to be overheard. As such, these recordings will not violate §632 and will also likely be admissible to oppose summary judgment or at the time of trial.

Inconsistent *Per Se* Rule

The apparent reliance on the subjective expectations of parties recorded in the workplace by California Courts of Appeal creates a *per se* violation of PC §632 in every instance in which an employee records a workplace conversation. This *per se* rule is inconsistent with the language of the statute, the intent of the legislature, and the principles of basic common sense. Employees should be free to record conversations in non-private areas of the workplace to bolster their claims of discrimination and harassment. 

¹ Mulligan, Thomas S., "Texaco Chief Is 'Outraged' Over Scandal," *Los Angeles Times*, November 5, 1996.

² Cal. Penal Code §632.

³ Cal. Penal Code §632(a).

⁴ *Flanagan v. Flanagan*, 27 Cal. 4th 769, 776 (2002) (The Court of Appeal had held that the \$5,000.00 civil penalty was available for each violation. The Supreme Court, however, required the Court of Appeal on remand to separately consider the 27 telephone calls to determine which of the 27 would support a damage award according to the clarified standard.)

⁵ Cal. Penal Code §632(c).

⁶ *Allen v. Sully-Miller Contracting Co.*, 28 Cal.4th 222, 227 (2002) (citations omitted).

⁷ See *Klein v. United States*, 50 Cal.4th 68, 78 (2010); *Dyna-Med, Inc. v. Fair Employment & Housing Comm.*, 43 Cal.3d 1379, 1386-87 (1987); *Brown v. Superior Court*, 37 Cal.3d 477, 484 (1984).

⁸ *Frio v. Superior Court*, 203 Cal. App. 3d 1480, 1488 (1988).

⁹ Penal Code §632(c).

¹⁰ *Id.*

¹¹ *Sanders v. American Broadcasting Companies*, 20 Cal. 4th 907, 918-19 (1999).

¹² *Walker v. Darby*, 911 F.2d 1573 (11th Cir. 1990).

¹³ *Kight v. CashCall, Inc.*, 200 Cal. App. 4th 1377, 1396 (2011).

¹⁴ *Franchini v. Argonne National Laboratory*, ARB Case No. 13-081 (Sep. 28, 2015).

¹⁵ See *Heller v. Champion Int'l Corp.*, 891 F.2d 432, 436-437 (2nd Cir. 1989).

¹⁶ See *Grant v. Hazelett Strip Casting*, 880 F.2d 1564, 1569-72 (2d Cir. 1989) (employee's gathering and keeping evidence regarding discrimination claim despite employer's order to the contrary is protected activity); see also *Sanders v. Madison Square Garden, L.P.*, 525 F.Supp.2d 364 (S.D.N.Y. 2007); *EEOC v. Kallirs, Phillips, Ross, Inc.*, 401 F. Supp. 66, 74 (D. N.Y. 1975).

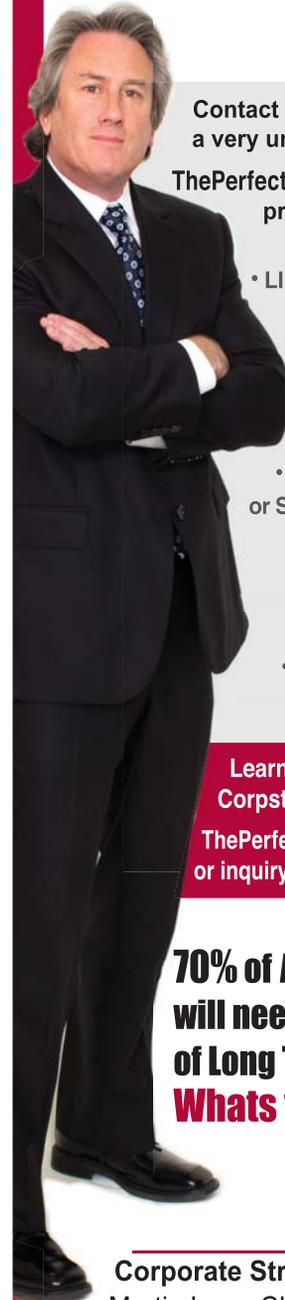
¹⁷ *O'Day v. McDonnell Douglas Helicopter Co.*, 79 F.3d 756, 763 (9th Cir. 1996).

¹⁸ *Id.*

¹⁹ *Silver v. KCA, Inc.*, 586 F.2d 138, 141 (9th Cir. 1978).

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NAVIGATING TRADEMARKS: A Primer

By Sevag Demirjian





Understanding how the United States Patent & Trademark Office operates can go a long way in protecting a trademark and maximizing its effectiveness. Choosing the right trademark can help avoid future disputes, expense and other headaches.



IN OUR INCREASINGLY COMPETITIVE GLOBAL market fueled by online sales, the protection of trademarks has become more important than ever. While familiar with trademarks and the importance of registering their marks, most business owners are not familiar with the specific rules and procedures of the United States Patent and Trademark Office (USPTO). Understanding these rules and procedures can help in choosing better trademarks and maximizing their protection.

Trademarks in General

The U.S. Trademark Act—also known as the Lanham Act—was enacted in 1946 and codified at 15 U.S.C. §1051. The Act lays out the federal laws regulating trademarks, including registration with the USPTO and infringement.

It provides two separate registers for the registration of trademarks with the USPTO, the Principal Register (Principal) and the Supplemental Register (Supplemental).¹ The Principal Register, also known as the primary register, is the commonly used one.

The Supplemental Register, also commonly known as the secondary register, can be very useful to potential trademark registrants, especially if the potential trademark is one that could be labeled as “descriptive” by the USPTO or the courts. Descriptive and suggestive marks lie in a gray area, with varying degrees of registrability and protection. Obtaining a full understanding of descriptive marks and their relation to the Supplemental Register is necessary to make informed decisions regarding trademarks.

Trademark Strength

To properly understand the importance of the Supplemental Register, it’s important to first understand the various levels of distinctiveness of trademarks. Distinctiveness is an important concept in trademark law, helping to determine the strength and registrability of marks. Different marks are afforded different levels of registrability and protection.

There are five main levels of distinctiveness associated with marks: fanciful, arbitrary, suggestive, descriptive, and generic.² Arbitrary and fanciful marks are considered “inherently distinctive” and are afforded the greatest likelihood of registration and protection immediately upon use in the marketplace without the need of debate as to whether the term is descriptive or not.³

Arbitrary marks are words that have nothing to do with their products or services, such as “Apple” for computers or “Brother” for copy machines. Fanciful marks have no meaning in the English language, such as “Kodak,” “Nike,” or “Google.” Fanciful marks do not contain terms that require use by competitors. No other camera/film provider needs to use the term “Kodak” when selling their goods.

On the other end of the spectrum are generic marks. These are terms that all competitors in a certain industry need to use as they directly describe the product or service being offered and cannot be afforded any trademark protection,⁴ though there are exceptions.⁵ For example, one automobile maker cannot be awarded protection over the word “car” or “reliable,” as these are generic terms used to commonly describe the vehicles they produce.

In the gray area in-between these categories lie suggestive and descriptive marks that may or may not be offered trademark protection. They include words which clearly describe an ingredient, quality, characteristic, function, feature, purpose, or use of the specified goods or services.⁶

Much trademark litigation surrounds the labeling of certain trademarks as being suggestive as opposed to being descriptive, or descriptive as opposed to generic. Unfortunately, the line of demarcation separating these categories is not always clearly delineated.⁷ Not even the respected Judge Learned Hand was able to create a reliable rule, declaring that, “It is quite impossible to get any rule out of the cases beyond this: That the validity of the mark ends where suggestion ends and description begins.”⁸

Descriptive vs. Suggestive Trademarks

Suggestive marks suggest but do not describe a function, feature, or aspect of a product as they require some imagination, thought, or perception to reach a conclusion about the goods in question.⁹

Descriptive marks do not require such imagination as they convey an immediate idea of the ingredients, qualities, or characteristics of the goods.¹⁰ Suggestive marks are inherently distinctive and protectable, similar to fanciful and arbitrary marks, but may be difficult to differentiate from descriptive marks, which are harder to protect.

Examples of famous suggestive marks include “Citibank” for financial services, “Greyhound” for



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transportation, “Crunch” for chocolate, and “Jaguar” for high-end sports cars. The subtle difference becomes clear when the aforementioned are compared to famous descriptive marks, such as “Bank of America,” “Staples,” and “Holiday Inn.”

Sometimes the differences are not clear and can only be determined in court. “Wite-Out”¹¹ and “Wet Ones”¹² were the basis of highly publicized lawsuits which offered them both strong protection after finding both marks suggestive and not descriptive.

Descriptive marks are not inherently distinctive but can acquire distinctiveness with sufficient consumer recognition of the mark associated with a certain product or service (also known as acquiring secondary meaning).¹³ Proof of substantially exclusive and continuous use of the mark applied to the applicant’s goods for five years preceding the application must be submitted.¹⁴

Trademark litigation can get very expensive when a litigant must establish that a descriptive mark has acquired secondary meaning. Beyond the expense, it can be difficult to definitively prove that a descriptive mark has acquired secondary meaning, especially for marks that are not famous and/or have not been in common use for an extended period of time.

Factors that courts take into consideration when determining secondary meaning can include: (1) the volume of sales of the product/service; (2) the amounts spent on advertising; (3) length of use; (4) exclusivity of use; (5) copying by others; (6) customer surveys; (7) customer testimony; (8) the use of the mark in trade journals; (9) the size of the company; (10) the number of customers; and (11) actual confusion.¹⁵

Many of these factors can be complicated and expensive to prove. A mark is considered to have acquired secondary meaning when, in the minds of the public, the primary significance of a mark is to identify the source of the product rather than the product itself.¹⁶

Descriptive marks more closely resemble generic marks.¹⁷ These are marks which instantly inform a consumer of the type of product or service they are offering.¹⁸ The big difference being that descriptive marks can be protected if they acquire secondary meaning.¹⁹

The word “staples” would be generic or descriptive in the sale of office supplies, as it is a type of office supply and would have to be used by all office supply salesman in the regular course of business. Thus, without a strong showing of secondary meaning, the word “staples” can’t be protected by any one office supply salesman as it would unfairly restrict competition. Over the years, enough consumers have connected the word “staples” with the office supply store that the term took on a secondary meaning, connecting it in consumer minds with the office supply chain.

The same reasoning applies to virtually every industry, such as “trunk,” “gas” or “reliable” when selling cars. Common descriptive marks utilize an owner’s name in the mark, or the geographic location of a mark, such as “Bob’s Autos” or “Reseda Cleaners,” which would be hard marks to protect against, e.g., another person named “Bob” opening an auto shop or another cleaners opening in Reseda.

The almost universally-known descriptive marks we referenced—“Staples,” “Bank of America,” and “Holiday Inn”—resemble generic marks, which are mostly non-protectable, yet they serve as strong trademarks. How were these companies able to turn these descriptive terms into strong trademarks? Although not the only path to protection, and not the one all the aforementioned examples took, one readily available solution lies in the little-known Supplemental Register.

Principal vs. Supplemental Registers

The Principal Register is where most trademarks approved by the USPTO end up upon registration. Some applied-for trademarks will not be approved, with some marks being rejected as being descriptive, since they cannot be afforded protection until they can acquire secondary meaning or “acquired distinctiveness.” What if the owner of a new business hadn’t yet acquired a presence in the community to establish a distinctive presence with consumers? Would he or she be forced to choose between changing their name or risking exposure for approximately five years until secondary meaning can be established?

Luckily, there is a way to build a path to protection while using a descriptive mark, until sufficient secondary meaning for that mark has been established—namely, registration in the Supplemental Register.

Since its creation in 1946, the little known Supplemental Register has provided potential registrants with a safety net after their failed attempt to register a mark deemed descriptive by a USPTO examiner. Finding a mark to be inherently descriptive, but still capable of potentially identifying goods or services with a source, an examiner will likely suggest registration of the mark on the Supplemental Register.²⁰

Registration in the Supplemental will generally be seen as a less effective registration than one in the Principal. Although this may technically be true, many, if not most, trademark owners will rely on the features and benefits provided by the Supplemental, without ever needing the additional benefits the Principal Register provides.

The following features can be attached to all marks, whether on the Principal or the Supplemental Register

- The right to use the stronger registered symbol as opposed to the common law trademark symbol as the

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the registered mark is stronger than its trademark counterpart, signifying that the mark has been registered with the federal government.

- The right to prevent others from registering similar marks with the USPTO. The mark will appear in trademark searches on the USPTO database, thus appearing to be a regular trademark for those who don't know the difference. The registration will prevent others from registering similar marks since it will be considered prior art by the USPTO.
- The right to obtain additional monetary remedies in an infringement lawsuit, including profits, damages, costs, and possibly attorneys' fees.
- The registration can be used as priority to an international trademark application(s) in some foreign countries and regions.

Most of the additional rights that a Supplemental registration lacks will only become apparent if litigation over the mark results. As trademarks do not expire, assuming it is renewed every ten years, trademark owners could enjoy a lifetime of trademark protection without ending up in litigation.

Cease and desist letters referencing a Supplemental registration are usually effective in curtailing infringement and avoiding litigation, especially if the recipient does not consult a trademark attorney who knows the difference.

Additional Benefits of the Principal Register

Additional benefits of the Principal Register include a statutory presumption that the mark is valid; that there is prima facie evidence of ownership of the mark; there is acknowledgment that the registrant has exclusive use of the mark; that it makes the mark eligible for incontestability; and proof that the mark has acquired secondary meaning.

These features won't have many practical applications in the regular use of the mark, but they can be of huge benefit in a legal dispute. They shift the burden of proof onto the other party in challenging the mark's validity, its ownership, exclusive use, and/or that a secondary meaning has been achieved.

Additionally, Principal Register marks are eligible to achieve incontestable status with the filing of a Section 15 declaration after five years of continuous, uninterrupted use of the mark in commerce from the date of registration in the Primary.²¹

Incontestability

Incontestability is another feature of trademarks that is not

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very well known. Any trademark litigation will surely include a motion to cancel a plaintiff's mark for various procedural or substantive reasons. Having the mark declared incontestable helps reduce the complexity, risk, and cost of litigation for registrants by limiting the grounds available to third parties seeking to cancel the trademark.²²

Incontestability shields a registrant from certain challenges to the validity of a mark, notably challenges based on descriptiveness. These include challenges that the mark is descriptive because it merely depicts the goods or services, is descriptive because it is primarily merely a surname, or is descriptive because it is a geographic place name.²³

As most incontestability advantages only help to reduce the risk of a finding of descriptiveness, the label "incontestable" can be misleading. The trademark can, and certainly will, still be contested at trial; it will just be a bit harder for the mark to be contested and canceled, as the court will shift the burden to prove a litigant's arguments and take the mark's incontestable status into consideration. The label "less contestable" would probably have been more accurate.

Trademarks on the Supplemental Register are not eligible for incontestable status; they must first be moved to the Principal Register to be eligible.

Moving from the Supplemental to Principal Register

When discussing trademarks, the suggestion is sometimes made to "amend" or "move" a registration on the Supplemental Register to the Principal Register. This is actually an informal reference as there is no process in place to move a trademark at the USPTO. The only way to move the registration is to file a new trademark application designating the principal registry. In the new application, the registrant references their registration on the Supplemental Register, which will be taken into consideration when determining eligibility for the Principal.

Normally, this is done after a mark has been on the Supplemental for five years. So a Supplemental registrant would have to wait five years to be registered in the Principal, then another five years to be eligible for incontestability—a total of ten years, unless a difficult showing of acquired distinctiveness earlier can be made.

While the general rule is that five years of continuous use of a registered mark is considered adequate to gain acquired distinctiveness and eligibility for registry on the Principal Register, in some situations the USPTO may still reject these as they are very clearly descriptive. This means the USPTO may require additional arguments that evidence that the mark has acquired distinctiveness, in the form of one or more of the previously mentioned eleven factors.

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Newly registered trademarks also require a showing that the mark is still in use after the initial five-year period. For this reason, it makes sense to file the five-year declaration of use form—sometimes called a renewal, even though technically one is only required every ten years—concurrently with either the incontestability form for marks on the Principal, or with a new application to move a mark to the Primary for marks on the Supplemental. Upon approval of the Principal application, most registrants allow the Supplemental registration to lapse when the 10-year renewal is due.

Intent-to-Use Applications

Although the above discussion primarily focused on marks currently in use, the registration process can also begin for marks that intend to be used in the near future. Most trademark applications are filed as regular “in use” trademarks on a “1a” application. A trademark can also be applied for before it is used “in commerce” with a 1b application, commonly known as an intent-to-use application.

These applications will move through the same approval process, except they require the filing of an “allegation of use” (also known as a statement of use), submitting evidence that the trademark has been used in commerce, within six months of the application’s approval. For additional fees, this six-month time frame can be extended up to three years.

Registration on the Supplemental Register is limited to marks that are applied for with 1a use in commerce applications. An intent-to-use 1b application rejected for descriptive reasons cannot be directly registered to the Supplemental Register. For this reason, it may be best to wait until a mark is in use before filing an application if it is clearly descriptive.

A statement of use can be filed in response to a descriptive rejection to a 1b application, but the filing date of the application will be moved to the date the statement of use is filed.²⁴ This could be risky, as the application could possibly be rejected if a third party filed an application for a similar mark after the filing date of the 1b, but before the statement of use filing date.

This seems unlikely but happens fairly often. For this reason, it is best to file a statement of use immediately upon use or wait until the mark is being used in commerce and the application is filed in the Supplemental Register. An added advantage of filing directly in the Supplemental is that the application will not publish for opposition prior to registration like those in the Primary. This allows registrants to file their marks semi-privately, without raising any flags or opportunities for competitors to challenge. In summary,

listing a trademark in the Supplemental Register offers the following significant advantages:

- It provides an easy option for registering descriptive marks that have the potential to acquire distinctiveness and become strong marks in the future, protecting the mark during the five-year period when consumer recognition is established.
- It permits use of the super-scripted registration symbol, providing actual notice of registration to potential infringers.
- It guarantees that the trademark appears in the search results of the USPTO trademarks database, while preventing others from registering similar marks.
- It creates a USPTO registration that can be referenced as priority for some international trademark applications.

Trademark owners and their attorneys should be aware of the Supplemental Register and all its benefits and shortcomings. When choosing a potential trademark for a product or service, keep in mind the protectability of the mark. What category would the mark fall in? How strong would the protection be?

Choosing a mark that is easier to protect goes a long way to help avoid legal disputes, excessive costs, and other headaches in the future. An understanding of the rules governing trademark registration and protection can greatly assist in making smart decisions when helping a client craft the right image for their company. 

¹ Lanham Act §1051 and §1091.

² *Abercrombie & Fitch Company v. Hunting World, Inc.* 537 F.2d 4 (2nd Cir. 1976).

³ *Id.*

⁴ *Id.*

⁵ *Walt-West Enterprises, Inc. v. Gannett Co.*, 695 F.2d 1050, 217 U.S.P.Q. 1206 (7th Cir. 1982).

⁶ *In re Gyulay*, 820 F.2d 1216, 3 USPQ2d 1009 (Fed. Cir. 1987).

⁷ *Abercrombie* 527 F.2d 4.

⁸ *Franklin Knitting Mills, Inc. v. Fashionit Sweater Mills, Inc.*, 297 F. 247 (S.D.N.Y. 1923).

⁹ *Stix Products, Inc. v. United Merchants & Manufacturers Inc.*, 295 F. Supp. 479, 488 (S.D.N.Y.1968).

¹⁰ *Id.*

¹¹ *BIC Corp. v. Far Eastern Source Corp.*, No. 99 Civ. 11385, 2000 U.S. Dist. LEXIS 18226, at 8 (S.D.N.Y. Dec. 19, 2000).

¹² *Playtex Products v. Georgia-Pacific Corp.*, 390 F.3d 158 (2d Cir. 2004).

¹³ Lanham Act §1051 2(f).

¹⁴ *Abercrombie* 527 F.2d 4.

¹⁵ *ET Browne Drug Co. v. Cococare Products, Inc.*, 538 F.3d 185 at 199 (3rd Cir. 2008).

¹⁶ *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 211 (2000).

¹⁷ *Abercrombie* 527 F.2d 4.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ Lanham Act §§23-28 and 15 U.S.C. §§1091-1096.

²¹ Lanham Act §15.

²² Lanham Act §14.

²³ *International Trademark Association Bulletin*, August 1, 2009 “Incontestability: Does Anybody Really Understand It?” By Peter S. Sloane and Laura J. Winston, Leason Ellis LLP, White Plains, New York, USA.

²⁴ 37 C.F.R. §2.75(b).



Test No. 100

This self-study activity has been approved for Minimum Continuing Legal Education (MCLE) credit by the San Fernando Valley Bar Association (SFVBA) in the amount of 1 hour. SFVBA certifies that this activity conforms to the standards for approved education activities prescribed by the rules and regulations of the State Bar of California governing minimum continuing legal education.

1. The United States Lanham Act codified at 15 U.S.C. §1051 sets forth the federal laws regulating trademarks.
 True False
2. An intent-to-use trademark application is a 1a application.
 True False
3. The five main levels of distinctiveness associated with trademarks are fanciful, arbitrary, suggestive, descriptive, and generic.
 True False
4. "Kodak" is a good example of a descriptive trademark.
 True False
5. The two registries available for registration of trademarks are the Principal and the Secondary.
 True False
6. Arbitrary marks describe a feature of a product or service.
 True False
7. Suggestive marks are not inherently distinctive.
 True False
8. "Bank of America" is an example of a suggestive mark.
 True False
9. Descriptive marks can acquire distinctiveness over time.
 True False
10. The amount spent advertising a mark can be a significant factor in court.
 True False
11. You can only use the ™ symbol after registering your trademark.
 True False
12. Principal and Supplemental registered marks are eligible for incontestable status after five years.
 True False
13. A trademark can be moved from the Principal Register to Supplemental Register by filling out the proper USPTO form.
 True False
14. Incontestable marks cannot be challenged in court.
 True False
15. Submitting evidence of use of the mark in commerce is required for trademark registration.
 True False
16. You can send a cease and desist letter even if your mark is only registered on the Supplemental Register.
 True False
17. Registration of your mark can be used as priority to your international trademark application in some foreign countries.
 True False
18. Supplemental Register marks do not appear in searches of the USPTO database.
 True False
19. It is relatively easy to establish that a descriptive mark has acquired secondary meaning in court.
 True False
20. Trademarks expire after ten years.
 True False

MCLE Answer Sheet No. 100

INSTRUCTIONS:

1. Accurately complete this form.
2. Study the MCLE article in this issue.
3. Answer the test questions by marking the appropriate boxes below.
4. Mail this form and the \$20 testing fee for SFVBA members (or \$30 for non-SFVBA members) to:

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ANSWERS:

Mark your answers by checking the appropriate box. Each question only has one answer.

1. True False

2. True False

3. True False

4. True False

5. True False

6. True False

7. True False

8. True False

9. True False

10. True False

11. True False

12. True False

13. True False

14. True False

15. True False

16. True False

17. True False

18. True False

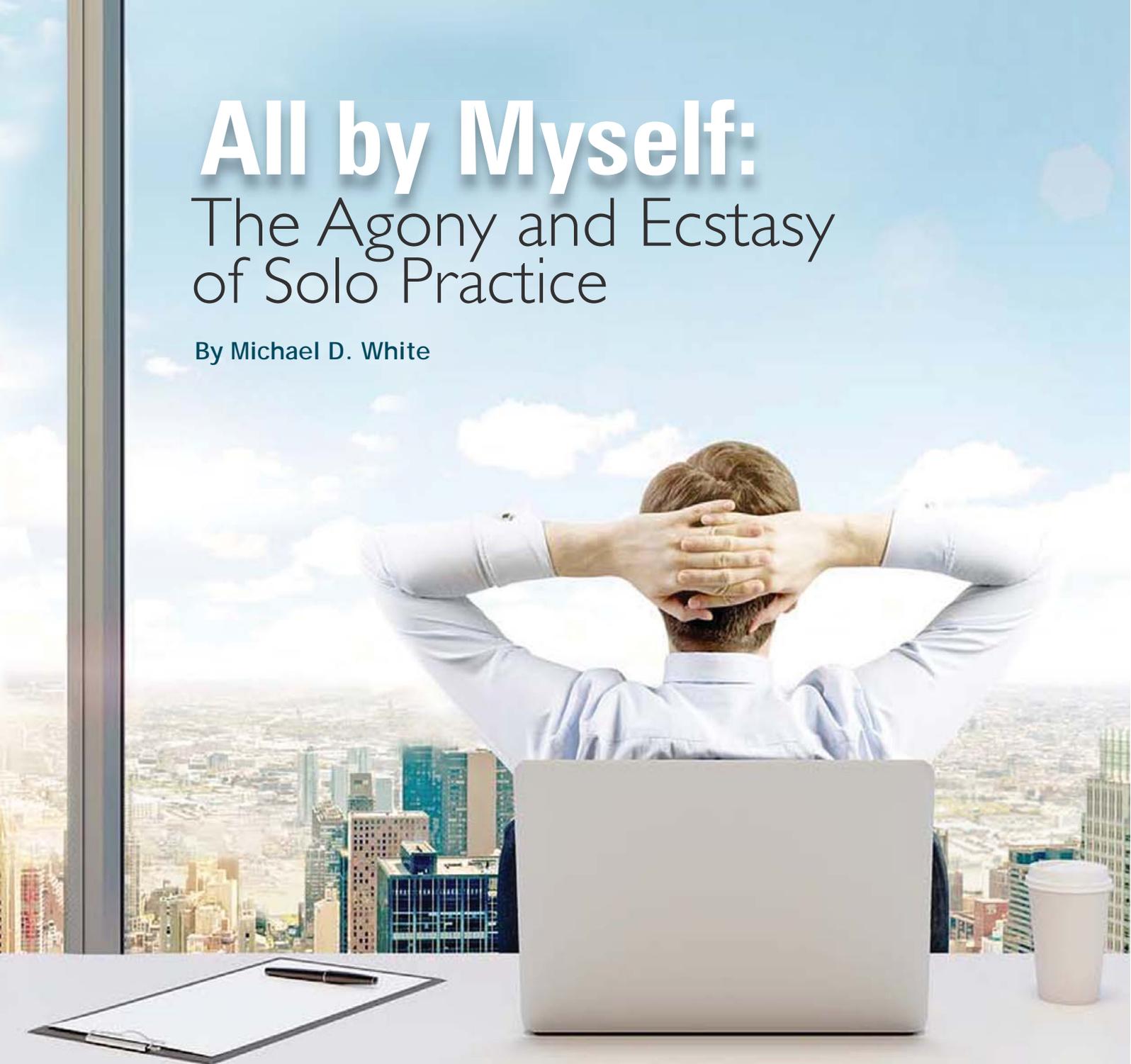
19. True False

20. True False

All by Myself:

The Agony and Ecstasy of Solo Practice

By Michael D. White



Currently almost half of the lawyers practicing in the United States are in solo practice, a career path with both singular advantages and often vexing challenges.



Michael D. White is editor of *Valley Lawyer* magazine. He is the author of four published books and has worked in business journalism for more than 35 years. Before joining the staff of the SFVBA, he worked as Web Content Editor for the Los Angeles County Metropolitan Transportation Authority. He can be reached at michael@sfvba.org.

SUCH LEGAL LUMINARIES AS John Adams, John Marshall, William Brennan, and Hugo Black did it at various times during their legal careers. So did Abraham Lincoln, who once advised a young attorney to “Always bear in mind that your own resolution to succeed is more important than any other one thing.”

The “it” is serving as a solo practitioner, the career path for, according to the American Bar Association, some 49 percent of American lawyers. Solo practice is a path that can provide immense satisfaction, but also drain the resolution to succeed that set them off on their solo quest for professional satisfaction.

Why Go Solo?

According to the latest research, a common path for solos is to work for a large firm and then gradually move to a small or medium-sized firm before going it alone for a variety of reasons, from downsizing to the shock of unfulfilled expectations.

“When I passed the bar, I was excited to be hired at the insurance defense firm that I clerked at while awaiting bar results,” recalls Westlake Village family law attorney Kathy G. Neumann, who’s been in solo practice for nearly 13 years. “Three weeks after I was hired, the partnership imploded, so I, along with other more experienced attorneys, was on my own.”

A few months later, Neumann was hired at another insurance defense firm, but, within one-and-a-half years, the staff was eliminated, one by one. “I worked at another firm for five-and-a-half years as of counsel, but it too suffered growing pains, and eventually unraveled.”

Bankruptcy attorney Steven R. Fox’s path was blazed by the experience of seeing his expectations of legal professionalism sorely bruised. “When I started practicing, jobs were plentiful for young lawyers,” he says. “I had a clerkship with a federal bankruptcy judge and I obtained a

job at a small downtown bankruptcy firm. I figured I would work for firms in downtown L.A. all my life. I even thought about being a partner in the firm I was at, but I watched the firm and how it worked.”

What Fox, who practices in Tarzana, saw was “a lot of warts, a lot of problems in how the firm operated. There were many inefficiencies. The people there were not really motivated to work hard.”

But what pushed Fox over the edge to go solo was his learning his firm had an attorney who had committed “serious errors of judgment and it was necessary for the good attorneys to leave the firm.”

Litigator Mark S. Shipow spent the first 28 years of his legal career in medium- and large-sized law firms before burnout led to his decision to go into solo practice. The “firm culture,” he says, “had changed in ways that I didn’t really like, and my kids were older and needed less financial support from me. I explored a few options, including consulting, becoming a judge, becoming a mediator.”

In the interim, Shipow loosened the screws holding together his relationship with the firm. He arranged with his firm to do work on a contract basis and set up his own practice. That evolved to his becoming a solo practitioner “doing the same type of business litigation I had done my entire career.”

Advantages

What’s the upside of going solo? “Being able to maintain a flexible schedule, not having to report to others, more relaxed atmosphere, better able to balance work and private life,” says Shipow, a check in the plus column seconded by tax attorney and certified public accountant Hratch J. Karakachian.

A solo practice, Karackachian says, offers “flexibility both in terms of the daily work schedule and running the operation. Such things as the decision to take on or not take on certain clients,” an issue that sometimes leads



“

I can decide which clients I wish to accept, and can go the extra-mile when needed, even if the client cannot pay for all of the fees.” —

Kathy G. Neumann

to conflict in a highly-structured firm environment.

“I am my own boss,” says Steve Fox. “The office has the feel of a classic small law firm, something I like. Attorneys who meet me at my office like the feel and the vibe. The office is organized, efficient and quiet. You can think. I turn away most of the potential calls to me office as they do not fit the model of what I want in clients and/or in cases.”

“I work hard, and reap the benefits,” says Neumann. “I can decide which clients I wish to accept, and can go the extra-mile when needed, even if the client cannot pay for all of the fees. I can schedule my time off at my discretion.”

And, she adds, “job security...of sorts.”

Downside

“Job security...of sorts?”

“As an employee, you’re paid a salary, so you have consistent income, whether the client has paid or not,” says Neumann. “As a solo, your receivables are inconsistent, so you must act as your own collection department.”



“

I have represented lawyers and law firms in bankruptcy cases and...I see really good lawyers who often are really bad businesspeople.” —

Steven R. Fox

Freedom has both its benefits and its drawbacks, at least partially borne out by a 2015 analysis for *CNN* and *Business Insider* conducted by the University of Tennessee, which estimated that attorneys working in solo practice earn an average of slightly less than \$50,000 per year.

Throw into the mix “an unpredictable workload, a lack of interaction with others, a lack of being part of a team, and having to do everything from research, drafting, and administration yourself,” says Shipow, as well as “the need to be a self-starter and the fact that it’s too easy to get distracted.”

Also, adds Karakachian, “the collegiality is missing. You don’t have an equal to run things by and get insights and feedback.”

Flying solo also makes it “harder to have good backup,” says Fox. “You always have to worry about cases. The last time I went on vacation and did not worry about the clients and cases was probably in 1993 when I had no access to any phones for about five days. Another attorney covered for me.”

Another drawback is many solo attorneys spend between 25 percent and half their time on non-practice, routine business maintenance functions such as filing and basic drafting to exhibit preparation. Affording a full-time paralegal or assistant is beyond the means of many solos. So how does a solo practitioner meld the day-to-day obligations of running a business with practicing law?

“That’s a really tough part of the law [practice] and, frankly, a lot, or perhaps most, lawyers are not good at running a business,” says Fox. “They are good at being lawyers. These are two really different skills. I have represented lawyers and law firms in bankruptcy cases and these cases are revealing because I see really good lawyers who often are really bad businesspeople.”

Shipow maintains a delicate balance, handling the inevitable business-side issues “as they come up by meshing them with other daily activities. I try not to let things like billing, record-keeping and filing back up. With a flexible schedule, I can run the business in off hours, or practice law off hours, as the need and schedule dictate.”

Marketing the Solo Practice

Without the support staff and logistical wherewithal available to larger firms, marketing a solo practice can be a challenge. Shipow’s comparatively flexible schedule allows some time to be creative in how he markets his practice.

He relies on “word of mouth through colleagues and clients from my 35 years of practice and through a couple of networking groups,” he says. Social media such as Facebook and Twitter, Shipow feels, “can be distracting,” with precious time spent having to filter content.

On the other hand, Neumann relies on a combination of “networking, a website, and good relationships with

friends, family and former clients” to market her practice.

Fox’s marketing strategy is based on lesson learned from his physician father “that where you treat people with integrity, respect and courtesy, and you help them, people will develop confidence in you and send you potential work. His medical practice was built 100 percent on handling cases for other doctors who did not want the difficult medical problems. He returned each patient when the patient was well again.”

“The business model,” Fox says, “requires integrity and respect in order to succeed. My primary source of business is other attorneys who believe I will do good work for their clients and only recommend a bankruptcy filing if that is the best solution.”

Preparing for Disaster

The enjoyment of total control of one’s own solo operation is tempered for the need to prepare for disasters — professional, personal, or natural. One online authority recommends that solos



“

Solo practitioners provide a valuable service for clients that can’t afford a large firm, or don’t want to be lost in the shuffle of large firm clients.” —

Mark S. Shipow

“should keep clear records about the mundane,” everything from passwords, and contact information, to the “critical,” such as case status, court dates and billing data.

Preparation for some runs from, in Neumann’s case, the simple and existential — “a business line of credit, and fingers crossed” — to the moderately sophisticated and refined.

Disaster prep, says Shipow, “is probably my weakest link. I have malpractice insurance, computer backup, and my personal life is in pretty good order.”

“Thorough caseload management and focus on the essentials,” Shipow says, is also key. “I try to stay as organized as possible, so things don’t fall through the cracks. I keep a list of cases and what needs to be done on a weekly basis. I only take cases that are within my areas of expertise. Occasionally I get outside help for specific projects.”

On the business side, Fox maintains his electronic data and information on multiple offsite backups and sits on a cash reserve with a commitment to not run up debt. “On the personal side, I have one son left at home and he is close to going to college,” he says. “My wife is very understanding of solo practice and its demands. I think the preparation on the personal side is that my family is supportive and understanding.”

The Future of the Solo Practice

Faced with the proliferation of do-it-yourself legal websites, the transformation in how the law is practiced, and the increasingly complicated challenges facing any small business owner, solo practitioners are compelled to become creative in crafting the tools needed to deliver value to clients in the future.

“I expect that being a solo practitioner will always continue to be an option,” says Neumann. “Because overhead costs are lower for a solo than for a firm, quality legal work can save

a client a substantial amount on fees. Many clients don’t care about having a firm because their relationship is with their attorney. And now a website is often the face of the firm, rather than having the name of a law firm on a building.”

Solo practice isn’t going away, “nor should it,” says Shipow. “Solo practitioners provide a valuable service for clients that can’t afford a large firm, or don’t want to be lost in the shuffle of large firm clients.” In addition, “in this era of more legal specialization, good solo practitioners who focus on a particular area can provide good service to clients.”

“Sole practitioners who handle everything are more problematic, and I think it will be increasingly difficult for them to survive,” says Shipow, voicing an opinion shared by Karakachian, who observes that “a solo practice will be viable with a lawyer who has a highly specialized practice.”

“Big firms,” says Fox, “can do great work, some very sophisticated work, that few solo practitioners can do. At the same time, though, they are very expensive. Over the years, I have banded with other solo practitioners to essentially replace the need for a large firm because each of us has the skills the client needs and our charges will be a third to a half the charges the big firms charge.”

Fox says solos “will offer the middle class and the small businesses legal work which they cannot afford to purchase from the large firms and which these people know should not be purchased on the internet.”

When All is Said and Done

So would it be wise to recommend that a newly-minted, bright-eyed law school grad hang out their own shingle? The answer by general acclimation: no...and a very qualified yes.

To Karakachian, the idea of embarking on a solo practice comes down to a simple and straightforward, “Only as an absolute last resort.”

“Not if it can be avoided,” says Shipow. “I believe firms provide



A solo practice will be viable with a lawyer who has a highly specialized practice.” —

Hratch J. Karakachian

invaluable training for new attorneys, in terms of how to practice law, working with and supervising others, marketing, and the business of running a practice. I always recommend to new attorneys that they make every effort to get into a firm environment for at least a few years.”

Fox would not recommend it because “having some time in another firm allows you to watch how it operates, its mistakes, its warts, and its good things. You get to develop ideas about what you would want your firm to be, its feel and vibe, and the types of clients it represents.”

“Part of the problem,” says Neumann, is that law students “learn to think like lawyers in law school, but we don’t learn to practice law there. I think it’s valuable to have an experienced attorney teach you procedures and answer questions.”

The practice of law, she says, “has a very steep and time intensive learning curve, so it’s very time consuming to learn how to practice law. Also, it’s challenging to be a solo and the sole source of income for a family, especially at first.” 

By Maya Shulman

Court Challenges Spendthrift Trust in *Pratt v. Ferguson*

A SAD REALITY OF FAMILY court is that not all support orders are easily enforced. That usually isn't the case with run-of-the-mill cases involving minimum wage dads and moms, but the more sophisticated ones who'd, say, use a spendthrift clause in a trust as an excuse not to pay support to an ex or a child—or, as in the case of *Pratt v. Ferguson*, six children. But thanks to a September 6, 2016, California 4th District Court of Appeal ruling in *Pratt v. Ferguson*, this will stop—not just in trust cases with spendthrift clauses, but similar cases where a trustee might attempt to arbitrarily withhold support.

The appellate judges ruled that a court should order payment of child support from the obligor's share of a trust regardless of any clause barring the trustee from making distributions subject to claims by the beneficiary's creditors.

Pratt v. Ferguson

David Pratt and Cynthia Vedder had six children between 1990 and 2003 and divorced in 2009. Orders requiring Vedder to reimburse Pratt for medical and child care expenses, and for child support, were made in 2010 and 2012, with child care support and expenses exceeding \$93,000 by April 2014.

The trustee for Vedder's father, Robert Vedder, was directed to pay each beneficiary a share of trust income at age 25, with further distributions of income thereafter and distributions of principal at ages 50, 55, and 60, with the remainder of a beneficiary's share paid out at age 65. The trustee also was permitted to make discretionary distributions of principal at any time.

The trust contained a standard spendthrift clause, along with a shutdown clause, which read: "All provisions for the payment of periodic installments of principal to any beneficiary shall become inoperative



Maya Shulman practices with the Shulman Family Law Group in Calabasas, specializing in adoptions, child support, divorce and other family law issues. She can be reached at mshulman@sfg.us.

during any period when and to the extent that, if paid, they would become subject to the enforceable claims of creditors of the beneficiary.”

Vedder's share of the trust assets was worth more than \$200,000 at the end of 2013. In January of 2015, Pratt filed a petition to compel Robert Ferguson, trustee of the Vedder Revocable Trust, to satisfy the orders from Vedder's share of the trust estate. The trial court denied the petition based on the shutdown clause which prohibited the trustee from making certain distributions if they would become subject to Vedder's creditor's claims.

After considering California Probate Code Section 15305 and the legislative intent behind it, as well as out-of-state cases that have already faced similar issue, the appellate court opined that the beneficiary of the trust should not be allowed to enjoy his or her trust benefits to the exclusion of support of his or her dependents.

Finding the trial court's failure to exercise discretion is an abuse of discretion, the *Pratt* court stated that “the trustee may not exercise his discretion to avoid distributions under the trust with the improper motive to prevent the trust estate from being used to satisfy Vetter's child support obligations.”

Regarding *Pratt*, the court concluded that under Section 15305, subdivision (c), “a court may overcome the trustee's discretion under the narrow circumstances present here: when there is an enforceable child support judgment that the trustee refuses to satisfy. Under these circumstances, the trial court may order the trustee to satisfy past due and ongoing support obligations directly from the trust.”

The *Pratt* appellate court reversed by further finding that “where discretion is conferred upon the

trustee with respect to the exercise of a power, its exercise is not subject to control by the court, except to prevent an abuse by the trustee of his discretion.”¹

Spendthrift Trusts

A spendthrift trust is an arrangement whereby a settlor sets aside property for the benefit of another in which, either because of a direction of the settlor or because of statute, the beneficiary is unable to transfer his or her right to future payments of income or capital, and his or her creditors are unable to subject the beneficiary's interest to the payment of his or her debts.

Spendthrift trusts are usually established with the object of providing a fund for the maintenance of another person, known as the spendthrift, while also protecting the trust against the beneficiary's imprudence, extravagance, and inability to manage their financial affairs.

In some cases, a spendthrift clause may be construed as not intended to exclude the beneficiary's dependents. Even if the clause is construed as applicable to claims of the dependents for support, it is against public policy to give full effect to the provision.

A provision in the trust is not sufficient cause to exempt the trust from enforcement of a judgment for support of a minor child or support of a spouse or former spouse. As a general rule, the beneficiary should not be permitted to have the enjoyment of the interest under the trust while neglecting to support his or her dependents.

It is a matter for the exercise of discretion by the court as to how much of the amount payable to the beneficiary under the trust should be applied for such support and how much the beneficiary should receive.

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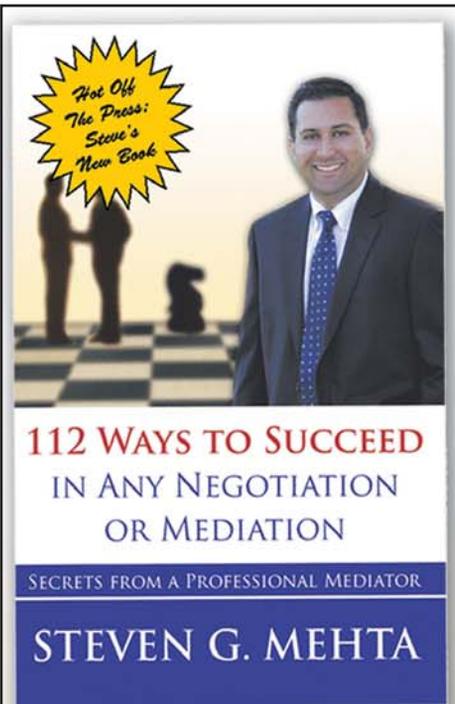
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Even though the beneficiary's spouse has obtained an order directing the beneficiary to pay a specified amount for support, the spouse cannot compel the trustee to pay the full amount ordered unless the court determines that it is equitable and reasonable under the circumstances of the particular case to compel the trustee to make the payment.

The result is much the same as though the trust were created not solely for the benefit of the beneficiary, but also for the benefit of the beneficiary's dependents. Prior to *Pratt*, it was not uncommon for the trustee to withhold distribution of the income from the trust or sometimes even the trust res itself, also known as the trust corpus.

Such withholding may have occurred because the beneficiary exerted pressure on the trustee since there may have existed a familial or familiar relationship between the trustee and the trust beneficiary; or because the trustee, in his or her discretion, did not feel that the support payments from the trust were warranted and felt it was the trustee's duty to preserve the trust solely for the benefit of the trust's direct beneficiary.

It was also not inconceivable that the settlor maintained that the trustee is to exercise his or her absolute discretion regarding any claims for payment requested of the trust, including, but not limited to, requests for the payment of past or even current ongoing child (and often spousal) support.

Change in California Law

Section 15305 of the Probate Code transformed California law. The Code of Civil Procedure Section 709.010 formerly included a provision giving the court discretion to divide periodic payments to a beneficiary from a trust (including a spendthrift trust) between the beneficiary and the person or persons entitled to child or spousal

support from the beneficiary. The amount that could be applied to child or spousal support was limited to the amount that could have been applied to child or spousal support on a like amount of earnings. This provision has been removed from §709.010, leaving §15305 to govern this situation.

Pursuant to Probate Code §15305(b), if the beneficiary has the right under the trust to compel the trustee to pay income or principal or both to or for the benefit of the beneficiary, the court may, to the extent that the court determines it is equitable and reasonable under the circumstances of the particular case, order the trustee to satisfy all or part of the support judgment out of all or part of those payments as they become due and payable, presently or in the future.

In plain language, this means if the support obligor is the beneficiary under a trust, the support obligee may petition the court to order the trust to pay the obligor's benefits to satisfy the obligor's support payments to the obligee. But can the court order a trustee of the spendthrift trust to exercise its discretion to satisfy a support judgment either from trust income or principal when the trustee has chosen not to make a payment to the beneficiary?

California borrowed a statute from Wisconsin that relates to the enforcement of child support.² In *Ventura County Department of Child Support Services v. Brown*,³ when the county and the mother of minor children sought to satisfy judgments against the father for child support arrearages and ongoing support from father's interest in trust of father's deceased mother, Ventura County Superior Court Judge Glen M. Reiser ordered payments from trust funds. The trustee appealed and the Second District Court of Appeal held that trustee's exercise of discretion was misdirected and was in bad faith

and with improper motive, and in this circumstance, court could overcome trustee's discretion to refuse to pay enforceable child support judgment.

Under Probate Code §15305(b), when a trust instrument gives a beneficiary the right to compel the trustee to make payments to the beneficiary, the trial court may order the trustee to satisfy a support judgment from both present and future payments. The section is silent on the trustee's exercise of discretion.

By contrast, §15305(c) contains language referring to a trustee's exercise of discretion: "Whether or not the beneficiary has the right under the trust to compel the trustee to pay income or principal or both to or for the benefit of the beneficiary, the court may, to the extent that the court determines it is equitable and reasonable under the circumstances of the particular case, order the trustee to satisfy all or part of the support judgment out of all or part of future payments that the trustee, pursuant to the exercise of the trustee's discretion, determines to make to or for the benefit of the beneficiary."

The appellant in Ventura County claims that under subdivision (c), the trial court must defer to the trustee's exercise of discretion when fashioning a support order.

Prior to *Pratt*, there were no California cases interpreting §15305(c) and specifically the issue of trustee's exercise of discretion. The question has now been aired and put to rest, and the state is better for it. 

The opinions stated are the author's only and do not purport to represent opinions of the SFVBA. Alternative views and comments are also welcome and will be considered for publishing in Valley Lawyer.

¹ Rest.2d Trusts, §187, p. 402; 11 Witkin, Summary of Cal. Law (9th ed. 1990) Trusts, §97, p. 973.

² See Wis. Stat. Ann. §701.06(4).

³ *DCSS v. Brown*, 11 Cal.Rptr.3d 489, 117 Cal.App.4th 144 (Cal. App., 2004).

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Roundtable: SPLITTING THE BAR

The State Bar of California finds itself in the withering glare of intense scrutiny, from the media, politicians, and the lawyers it was created to serve. The largest mandatory bar association in the world, the 90-year old organization is in the cross-hairs of state legislators, as well as its members, who point to state audits documenting misspent fees and mismanagement of the Bar's dual functions of protecting the public and assisting attorneys in meeting their professional obligations.

As a result, momentum is building behind a recommendation being made by several state lawmakers to split the Bar into two separate entities—a new “California Legal Services Regulatory Board” to oversee licensing, legal education, regulatory, and disciplinary functions and a non-profit, professional “California State Bar” to handle both organization's trade association functions.

Valley Lawyer asked readers whether the State Bar should be split in two, left as is, or undergo a major overhaul. These SFVBA members weigh in on the issue.



ANN A. HULL

Law Offices of Ann A. Hull, Inc., Woodland Hills

I prefer that the State Bar be left as it is. I am concerned that splitting the organization into one marketing division and another educational/policing division would harm the perception among both attorneys and the general public.

Marketing is associated with junk mail. Likewise, education and policing activities don't necessarily bring to favorable images, either. I am also concerned that having two separate divisions would also likely be more costly.



MYER J. SANKARY
Advanced Mediation Services, Studio City

Current proposals to divide the State Bar into separate entities are complex and incomplete in their analysis, raising many questions and uncertainties. One of the biggest motivators for creating a separate voluntary non-profit organization arises from the effects of the Open Meeting law or Bagley-Keene Act, which imposes undue burden on the functioning of the sections' meetings and activities. Another factor...is the unfortunate lack of funds to properly finance the activities of the Sections.

Another factor is the possibility of violating the antitrust laws in its present dual function. And from what I have been informed, the financial loss from annual meetings has now resulted in cancelling this year's annual meeting.

What concerns me most is the law of unintended consequences. How do we know that the proposal for division will improve the situation for both the legal profession and the public which it serves? There is no assurance that a purely regulatory Bar will be able to rid the profession of bad apples. There is no assurance that a voluntary bar association will be able to continue to maintain the quality of continuing education and training necessary for maintaining the high standards required to practice law in the State of California.

Does anyone know for sure whether the proposed division will lower or increase the annual fees required to be paid by lawyers to continue to maintain the right to practice law? One thing is certain... membership in the voluntary bar association will drop precipitously and the consequences are unknown. Once the step is taken legislatively, the damage to the legal profession and to the public which it serves may be irreparable.

Because of these uncertainties and other concerns, I am opposed to the division of the State Bar, and urge its leadership to find ways to fix the problems within the current system.



DAVID G. JONES
Santiago & Jones, Woodland Hills

While I understand some of the technical arguments in support of de-unification of the State Bar and its various sections, I strongly believe in a unified bar. Despite its inherent conflicts of interest, administrative issues related to transparency and lack of responsiveness to members and the public, as well as bar dues and voluntariness of membership, I truly believe that a strong, centralized State Bar is best for attorneys, the public and the practice of law.

There will always be arguments and criticism to be made against a large governing body which seeks to so many serve many varied interests, but a strong bar which has the authority to govern and police its members helps not only to ensure high standards for attorneys, but also helps the attorneys within that Bar garner the appropriate respect and standing in the community which allows necessary stability and continuity.

A decentralized Bar would create factions and weaken the overall image of our State Bar, and by extension, its attorneys.




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catherine@sfvba.org

RAMON LOPEZ GARCIA NEEDED AN ATTORNEY. After graduating from a university in Mexico and ranking among the top ten students in his class in the 1960s, Garcia traveled north after he accepted a position as a mechanical engineer in the United States. While lawyers at the company that hired him handled the legal paperwork and acquired a passport so he could travel to and from the United States, he wasn't informed that he was being given a work visa, not permanent residency status.

As a result, after 31 years working in the United States, he was shocked to learn that he was unable to collect his Social Security benefits due to the fact that he was neither a permanent resident nor a U.S. citizen.

Five lawyers gleaned from the Yellow Pages rejected Garcia's case, but one call to the SFVBA's Attorney Referral Service (ARS) connected Garcia with Rebecca Pathak, a bilingual immigration attorney, both qualified and willing to handle what she saw as "a clear path for a seemingly solid case."

Proving that Garcia paid into his benefits seemed simple at first glance, but missing paperwork and government red tape created exasperating road blocks. Different paths had

to be surveyed, strategies had to be redeveloped. "It was a good example of a case that you just kind of have to rethink your strategy and not be attached to one approach," says Pathak. "We just had to switch gears and it turned out to be successful."

Pathak is a graduate of the University of San Diego School of Law and works as a solo practitioner based in Burbank. Admitted to the State Bar in 1999, she specializes in immigration and entertainment law.

Within a year of hiring Pathak, Garcia obtained his green card and received his earned Social Security benefits. On track to U.S. citizenship, he has once again retained Pathak to represent him.

"Thank you [Catherine] and the San Fernando Valley Bar for sending me such fabulous clients," says Pathak.

Garcia's wife summed up the experience, calling the decision to contact the ARS "an answer to a prayer" and saying that working with Pathak was a "terrific experience" because she "was knowledgeable, punctual, and achieved results."

According to Garcia, the biggest roadblock he's now facing is memorizing American history and politics for his citizenship test. 

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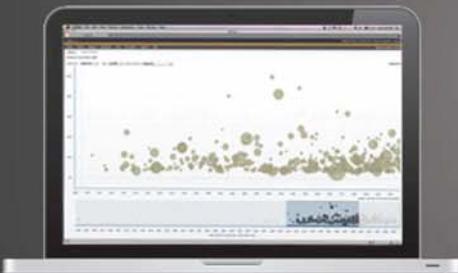
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The VCLF Wants You!

THE DECISION TO BECOME AN attorney can be motivated by an entire universe of personal reasons. But generally, one factor common to almost every person who has taken the oath is a desire to help people. That desire was the catalyst for the founding of the Valley Community Legal Foundation and one that continues to fuel its work today.

Since its inception, the VCLF has served the dual purpose of doing outstanding work for worthy causes

and enhancing the reputation of lawyers as a positive influence in the community. In fact, very few lawyers—or laymen, for that matter—get a chance to see their actions translate into meaningful positive

results the way that those who work closely with the VCLF do. However, an often-undermentioned opportunity for members of the San Fernando Valley Bar Association is the chance to be considered for a seat on the VCLF Board of Directors or become a VCLF volunteer.

VCLF directors and volunteers come from a variety of backgrounds. Retired elected officials, mental health professionals, retired police officers, forensic accountants, and yes, quite a few lawyers and judges, find themselves sitting on the Board. The eclectic nature of the group is actually considered to be a benefit of membership by many. Rarely would a freshly-minted attorney

D. SHAWN BUCKLEY

Director



shawn@burkleyhouse.com

get to work informally with a well-respected judge.

Former law enforcement officers and criminal defense attorneys regularly strategize on the best allocation of resources, while professional fundraisers and novices to the world of charitable foundations come together in monthly meetings to work on and manage events like last year's highly successful online Virtual Gala.

Members are currently producing several new informational videos,

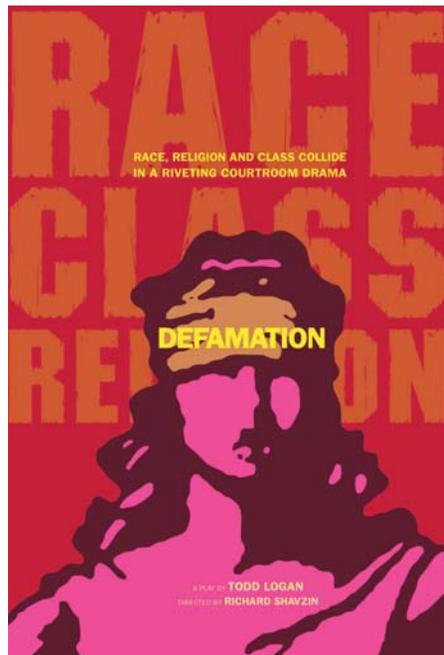
setting up information displays at SFVBA events, contributing articles to local publications, co-producing socially engaging educational theater, and

responding to scholarship applications for deserving students. Put simply, the VCLF Board brings together a diverse set of skills and people to collaborate on increasingly diverse methods of raising funds for worthy causes.

Yet, behind every cause that the VCLF supports are people who need and deserve help—an abused woman who needs safe transportation to a shelter; a student who dreams of someday working in the legal profession, but may lack the funds to take the next step; children seeking comfort in the bewildering and scary atmosphere of a courtroom; or a homeless person just trying to stay warm and dry on a blustery, stormy night.



Behind every cause that the VCLF supports are people who need and deserve help.”



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Helping scores of others, like those above, in their time of need only happens if people are willing to take the time to donate to or participate in helping the VCLF accomplish its worthy mission.

Currently, the VCLF finds itself at a very dynamic point in its history. SFVBA members with perhaps untapped skills and energy are encouraged to consider applying for a place on the VCLF Board or making themselves available as volunteers. Applicants with a background in fundraising and charitable works are particularly welcome. But other

skills are needed too. If you have fluency in social media, for example, we encourage you to come forward. Web design skills are also extremely welcome, as is help from experts in marketing, sales, advertising, and event planning.

In short, the VCLF is excited to provide you with a gratifying opportunity to use your particular talents to help the Foundation accomplish its continued mission of community service.

We look forward to meeting you soon! For more information, contact the VCLF at info@TheVCLF.org. 

About the VCLF of the SFVBA

The Valley Community Legal Foundation is the charitable arm of the San Fernando Valley Bar Association. The Foundation's mission is to support the legal needs of the youth, victims of domestic violence, and veterans of the San Fernando Valley. The Foundation also provides educational grants to qualified students pursuing legal careers. The Foundation relies on donations to fund its work. To donate to the VCLF or to learn more, visit www.thevclf.org and help us make a difference in our community.

NEW MEMBERS

The following joined the SFVBA in December 2016:

Andy Beltran
Los Angeles
Litigation

Eric R. Canton
Law Offices of Richard A. Fisher
Encino
Personal Injury

Gabriela Higgins
Neighborhood Legal Services
of LA County
Glendora
Family Law

Alleen Markarian
Granada Hills
Family Law

Thomas W. Newton
Van Nuys
Real Property

Katherine O'Brien-Field
Calabasas

Kathryn Irene Phillips
Law Offices of Kathryn Irene Phillips
North Hollywood
Family Law

Douglas J. Rosner
Law Offices of Douglas

Joseph Rosner
Westlake Village
Elder Abuse

Richard Ian Ross CFLS
Westlake Village
State Bar Certified Specialist: Family Law

Walter P. Saavedra
Whittier
Criminal Law

Richard Taklender
Office of District Attorney
Los Angeles
Criminal Law

Christina Toroyan
Granada Hills

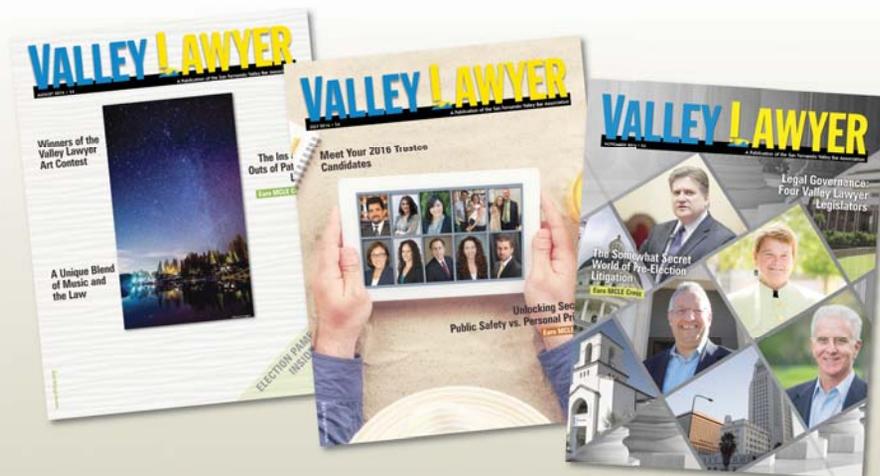
Rodrigo J. Torres
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Contact SFVBA Executive Director Liz Post at (818) 227-0490, ext. 101 or epost@sfvba.org to sign up your firm today!

A Classic Pro and Con

Dear Phil,

How do I make an expert witness budget? For example, in a medical device failure matter, with potential multi-district and multi-state federal litigation, how do I estimate this cost of the case? And once that is set, what are the options for financing? My small firm is not sitting on a mountain of cash.

Sincerely,

Sigh



Illustration by Gabriella Sendoros

DEAR SIGH: YOUR QUESTION IS A CLASSIC demonstration of the pros and cons of running a small firm. On the one hand, you get to choose the cases and issues you take on; on the other hand, you probably lack the financial resources to compete with larger firms. Furthermore, self-financing a case can yield tremendous returns or financially ruin a small firm.

In the case of a medical device failure, you're rarely alone. As a small firm, you shouldn't be the financier of the entire movement against a device manufacturer, although you can personally conduct an internet search to determine if anyone else has made similar complaints and whether similar litigation already exists. If so, it's critical to speak to the complainants and lawyers involved to obtain guidance on the experts already retained and familiar with issues surrounding the device's failure. That way you won't be held responsible for any basic research, analysis and testing costs and you'll have a potential built-in expert almost ready to testify.

As for a budget, you have to consider hiring and preparing two experts through initial litigation—a medical device expert and a medical expert who can speak to your

particular client and the circumstances of the device's failure. Without those experts up front, you're vulnerable to a summary judgment from the defense's own expert testimony.

If your case involves multi-district and multi-state litigation, you'll probably need to partner with a larger and better financed law firm familiar with these types of cases. You may be surprised how generous these firms can be for bringing potentially large and wide-reaching tort claims to their attention.

Assuming you want to undertake this project on your own, you will have to enter the world of litigation and lawsuit financing. There is a big trade off when you use litigation financing. It's very expensive, but if timed correctly—obtaining the financing shortly before settlement or trial—the financing can allow you to compete with any heavyweight law firm and yield huge financial returns.

Best of luck,

Phil

Dear Phil is an advice column appearing regularly in *Valley Lawyer Magazine*. Members are invited to submit questions seeking advice on ethics, career advancement, workplace relations, law firm management and more. Answers are drafted by *Valley Lawyer's* Editorial Committee. Submit questions to editor@sfvba.org.



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