

Business & Careers

Improving legal service delivery by going online



Luigi Benetton
Hi-Tech

Doug Simpson holds a degree in computer science. Engineer Monica Goyal worked for years in the technology industry. Both Michael Bluestein and Michael Carabash profess passion for both business and technology. These technophile lawyers believe they can improve the delivery of legal services. That's why they moonlight as founders of software start-ups that serve the legal market.

While what they're doing isn't new, they're banking that a combination of experience practising law plus a business plan will

help them succeed as technology entrepreneurs.

Prior experience as a "lawyer on the clock" convinced Bluestein that lawyers "know what the market wants, how the technology is used, how it integrates with current systems." In his opinion, that gives them an edge over software developers without a legal background.

Unsurprisingly, the market for Time Is Money Billing Systems (timbs.ca), which Bluestein runs during his time away from his job as in-house counsel, includes any professional who tracks time. "We started with lawyers because that's what I'm familiar with," Bluestein says.

The other three lawyer/tech entrepreneurs also serve markets they know well: members of the public seeking accessible legal services. Access is "a big failing in the structure of our justice system," Goyal says, calling the

opportunity "a huge market of under-served clients."

Even market niches can be significant. For instance, Carabash helps dentists buy and sell dental practices. Dentistlegalforms.com "serves our law firm's clients (both prospective and actual), is niche in its focus (only for Ontario dentists), and gives our law firm a competitive advantage over other firms that target dentists," he explains.

"Few lawyers develop specialized knowledge in the dental field," he says of his firm and website.

The expert system behind the small claims process management service mylegalbriefcase.com started to form in Monica Goyal's mind when she noticed that few services were marketed to self-represented small claims court litigants.

Outside events and trends can influence a business plan as well. Goyal's site came online "around

the time when Ontario increased the small claims amount from \$10,000 to \$25,000," she recalls. For his part, Bluestein chose to develop for Apple devices owing to his findings that iPhones and iPads are immensely popular among American lawyers. (Android development is next, he says.)

Developing automated time capture for mobile Apple devices proved a high barrier to entry. "It took a lot of development effort," Bluestein says. "Many competitors saw roadblocks and didn't bother to solution around it."

Starting a technology firm while practising law is not for the faint of heart. Carabash's start-up to-do list included everything from preparing business requirements to process flows to wireframes to hiring developers to testing the software "religiously."

"There's nothing worse than

having a product that's full of bugs," Simpson says.

"Very little sleep and no free weekends or evenings," says Bluestein of his current routine. Goyal is thankful for her family network, given her workweeks of 60 to 80 hours.

As a rule of thumb, "projects take three times as long and twice as much money as you think they will," Simpson says. To keep timelines and budgets under control, he recommends entrepreneurs prevent scope creep.

For instance, when he started his legalsystematics.com forms site, he would rather do a good job on just wills and power of attorney, and put off family trusts and other parts of estate planning. "I've seen many projects fail because there is no finish line," he says.

Businesses rarely work out according to business plans and

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Business & Careers

'Avoision' now part of taxation equation

DONALEE MOULTON

The line between tax evasion and tax avoidance — one legal, the other not — is becoming blurred. The recent haze results from a novel way of looking at taxation and has led to the resurgence of a word that defines this new vision: avoision. The lexicon has significant implications for accountants and their clients.

Avoision, a union of the words "avoidance" and "evasion," seems straightforward enough on the surface, but it is the nuance of the language that is important, said Rainer Vietze, a senior manager with Grant Thornton's national tax group in Toronto. "Tax avoision taints the concept of avoidance by combining it with the concept of evasion."

The invented word has been around since at least 1979, but it has taken on new significance in the aftermath of an economic downturn and increasing enforcement efforts by governments around the globe. "There is heightened awareness about tax-related issues, and there is an injection of morality into those issues," said Kim Moody, a partner with Moodys LLP in Calgary.

Governments, he added, are struggling to find additional revenue and collecting more tax is understandably attractive. "They

are looking for ways to increase their revenue stream, so they say, 'Let's make it immoral to avoid tax.' But it's a slippery slope."

That moral element of the tax language is becoming more common around the world and here at home. Canada's Minister of Revenue Gail Shea, for example, in a public statement made earlier this year referred to "tax cheats" and promised, "our government is committed to cracking down on individuals who avoid paying their fair share of taxes."

The difficulty, however, is in defining the word "fair." Traditionally, it has been left to the *Income Tax Act* and the courts to guide and clarify. Now, political agendas and public pressure are playing a greater role, and the definition of what is acceptable is narrowing — even though the law has not changed. A favorite target is big business.

"Governments are demonizing multinationals who have arranged their affairs in a manner that minimizes their worldwide effective tax burden in a lawful manner," said Dan Lundenberg, a U.S. tax partner with Grant Thornton in Toronto.

As a result of the adverse publicity, he added, "some multinationals are shying away from what was perceived to be normal tax planning."



Moody

That was the case with Starbucks in Britain. Following public outrage and an investigation by members of parliament, the international coffee company offered to pay U.K. corporate taxes for the first time in five years — even though it legally does not owe any of this money. The offer to pay £10 million in taxes this year and next year is strictly voluntary.

While the public and political pressure to pay tax is understandable, Starbucks' voluntary payment has many tax professionals surprised — and concerned.

"Companies have an obligation to maximize shareholder value but they also have a reputation to manage," noted Moody. "The Starbucks payments may be good PR, but it's shortsighted."

"We don't even know what it is,"

he added. "Is it a charitable donation? It's definitely not a tax."

Starbucks is not alone. The U.S. earlier this year investigated Apple Inc., and the way it legally structured its business to pay less tax. During the hearing, it also became clear the technology giant could have saved even more money in tax payments using legally approved tax structures.

The threat to reputation is having a direct effect on companies' bottom lines. "Clients are making decisions on tax planning based on reputational risk in addition to the merits of the proposed planning. Many clients are saying no to tax planning that creates a higher tax burden on the company in order to avoid future bad publicity. As a result, these clients have less resources to devote to growing their business," noted Lundenberg.

The focus on image over tax savings — avoision — also affects the advice accountants offer. "If you put together a plan that leaves nothing on the table for the CRA, you can guarantee they will get their nose out of joint," said William Innes, a tax lawyer with Rueter Scargall Bennett in Toronto. "Common sense is required as a practical matter. That is what the courts are doing."

The Supreme Court of Canada

has spoken out on the question of morality and tax in its 2011 decision in *Copthorne Holdings Ltd. v. Canada* and found the two do not share common ground. In his 71-page decision, Justice Marshall Rothstein stated that, "The most difficult issue in this case is whether the avoidance transaction was an abuse or misuse of the Act. The terms 'abuse' or 'misuse' might be viewed as implying moral opprobrium regarding the actions of a taxpayer to minimize tax liability utilizing the provisions of the *Income Tax Act* in a creative way. That would be inappropriate. Taxpayers are entitled to select courses of action or enter into transactions that will minimize their tax liability."

Political and public pressure to do otherwise, however, is likely to affect the recommendations accountants provide and even the reputation of the profession itself, noted Vietze, "such that over time our advice will become more conservative and guarded, thereby losing its value. In the worst-case scenario, it could cause the profession to lose global respect. At the same time, this added ambiguity as to what is acceptable versus unacceptable tax planning will not help our relationship with taxing authorities."



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entrepreneurs may need to adapt. For instance, Carabash initially set up a lawyer referral service on his other online business, dynamiclegalforms.com. This part of the site didn't catch on very quickly.

"It took a few years for me to recognize the issues, and when I did, I changed the business," he says. He now focuses the site on selling legal forms, which Carabash says poses higher barriers to entry.

Distribution might seem less difficult in the Internet age, but the right deals can improve sales. "Last year we relied on a lot of third-party deals companies like Groupon or WagJag," Carabash says. "They sold a fair amount, but deal sites have merged or vanished, leaving us with a less robust distribution channel. But we're seeing sales in line with last year, even without the deal sites." Carabash assumes that word of mouth has kept sales from falling off.

"I'd like to see my software available in places like Staples, Walmart and Costco," he adds.

To his surprise, Bluestein found cold calling works well "if you get the right person." He works his network as well as trade shows to get the word out.

While Goyal primarily markets mylegal-briefcase.com to the non-legal market, she partnered with the online practice management tool Clio to link the two systems. "(It) allows people who use both of our services

to use data...across our two sites," she says.

Carabash, Goyal and Simpson generate leads for their legal services from their technology ventures, but lead generation might not be the best motive for creating technologies like theirs. Goyal points to more cost-effective lead generation tools like Google Ads. "You'd be surprised at how many lawyers do not even have a website," she says.

Expanding to the United States gives some entrepreneurs pause. Carabash cites higher levels of competition and a more litigious environment as reasons to delay entry to the American market. "I'd rather be a big fish in a small pond that I'm familiar with," he adds, noting that he'd rather expand through Canada first.

Bluestein, on the other hand, figures he should have gone after the U.S. sooner. "U.S. firms move on attractive technology more quickly," he says.

Goyal advises start-ups create a "minimum viable product" to test their markets. "Just get out there," she urges. "You won't know if an idea will interest people unless you put it out there."

"The longer you wait, the more likely somebody else will come up with the same idea and run with it," she warns.

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