

In Focus: *FocusLawLA*

There are times when Tony Liu of FocusLawLA feels more like a marriage counselor than a litigation attorney. He says a business dispute, when you peel back the layers, is more like a bad divorce than a purely legal matter. His first job is to calm down the client, so that the goals and how to best get there can be thought about clearly.

"The biggest mistake most new partnerships make is that the individuals are good friends outside of the office, so they think they should work together, but they don't really know each other well," Liu says. "They start out with good intentions about making a lot of money together, but haven't communicated their expectations on the details of who will contribute what, who will work the long hours during client crises, or what to do if their initial plans don't work out."

When things fall apart, the personal ramifications can extend to your family, such as how to explain that the investment you made is gone because you trusted someone too much or you indulged in wishful thinking about how the business was doing, Liu notes.

One of his recent cases involved a large commercial real estate company started by two childhood friends. When the founders decided to retire and pass on the business to their children, the fights between the families were so bitter that the managing partner was ready to destroy the firm and transfer the money overseas.

"I advised them about the consequences of what they could and could not do legally," Liu says. "We were able to work out a solution by buying the shares of the other partners through leveraging the existing equity of the property, but it was an expensive lesson for all of them."

Liu grew up in Taiwan and his family came to Los Angeles when he was 11. In 1995, he got his B.A. in finance at California State University, Fullerton. Having worked as a realtor in college, he specialized in real estate. He aspired to work in the industry at a higher level, but that required an advanced degree. His wife told him that if he was going to keep studying, it would be better if he



Tony Liu, CEO, FocusLaw LA

chose a profession that would not have him working every weekend and dependent on occasional sales in a volatile sector.

Liu was in the first graduating class at the Chapman University Fowler School of Law in 1998, spent a year earning a master's in taxation at Golden State University, and passed the bar in 2003. While studying law, he had externed in a bankruptcy court in Santa Ana.

"I realized that the glamour of being an entrepreneur had a downside that rarely gets talked about in the media, which is that so many startups end up becoming less about dreams and more about damage control," he says.

Liu mastered representing clients in court, but gradually realized this was not always in their best interest. Today, less than two percent of his cases go to trial, while the rest are either arbitrated or settled. Yet it is important to be able to try cases when necessary, so during a slow period in 2008-09, Liu earned an advanced law degree at Chapman in trial advocacy. As part of the curriculum, he served as a Deputy District Attorney in the Orange County D.A.'s office prosecuting misdemeanors. He has also volunteered in the City of Anaheim's City Attorney's Criminal Division to keep his trial skills sharp.



"Most lawyers dealing with civil matters have no real trial experience," he says. "I've found that if the other side knows you have no fear of going to trial, it creates leverage in negotiating a settlement."

About 60 percent of his cases involve disputes between partners or shareholders over charges of mismanagement or breach of fiduciary duty. The rest are about resolving disputes with manufacturers or vendors, trade secrets and intellectual property, commercial landlord-tenant issues, and similar matters.

In addition to the standard hourly arrangement small companies can afford (most clients have 3 to 20 employees), he offers several types of Outsourced General Counsel programs, the equivalent of having an in-house legal department at a fraction of the cost. Clients who opt for this pay a monthly retainer and get a discounted hourly or flat fee estimate for litigation. Since the typical small business lawsuit runs \$50,000 to \$90,000, this option is increasingly popular.

"When someone comes to me in a partnership dispute, I first assess the situation to make sure they understand whether the business is really worth saving," he says.

One such miscalculation involved three partners who bought a building. They began using its value for their own personal purposes and one of them eventually claimed he was entitled to 80

percent of the ownership. Liu represented one of the defendants. Arbitration took 20 days and ended in a decision against the partner who brought the suit. He filed for Chapter 7 to avoid having to pay the others' legal fees. He and one of the defendants had spent a total of \$1.5 million, while Liu's client spent about \$250,000 to prove he had done nothing wrong.

Liu is a strong believer in strategic prevention, by way of assessing what the legal risks to a company could be and helping clients to take steps to be prepared. But no one was ready for COVID-19.

Since the start of the COVID-19 crisis, his workload has increased 20 percent, though with much less travel. He used to have two chairs in front of his desk, now replaced by two 32" monitors. He has clients in San Diego, yet most are in the L.A./O.C./Riverside area, allowing for in-person meetings as needed.

"The crisis will pass, but many of the problems we've been dealing with will require fresh approaches," he says. "After the first months, clients now realize they need to think about not just the legal issues, but how to keep their bank accounts healthy, how their business model might need to keep changing, new ways to get the work done, and protecting their reputation." — By Scott Smith, California Business Journal.

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