

SHOULD YOU USE AN ONLINE LEGAL FORM COMPANY FOR YOUR BUSINESS?

The proliferation of Internet usage and access has increased the use of online legal form companies by business owners. Many owners look to various websites and form services for entity formation documents, employment agreements, asset purchase agreements, contracts with third parties, and other general corporate governing documents. Companies like LegalZoom and Rocket Lawyer contrast their services with those of a law firm by advertising “common” legal documents at a fraction of the price and “without expensive hourly fees.” These companies offer services regarding forming, naming, and running a business, with all of these resources just a mere click away. They even provide you with forms for you to prepare your own Will or Warranty Deeds to transfer real property.

Unfortunately, corporate law is absolutely *not* a form practice. Online form companies are not the same as a law firm, and more importantly, they cannot give you legal advice customized to the individual needs of you or your business. LegalZoom’s disclaimer expressly states: “LegalZoom is not permitted to engage in the practice of law. LegalZoom is prohibited from providing any kind of advice, explanation, opinion, or recommendation to a consumer about possible legal rights, remedies, defenses, options, selection of forms or strategies.” The disclaimer even says that LegalZoom’s information is “not guaranteed to be correct, complete or up-to-date.”

A common nightmare resulting from poorly prepared corporate documents arises in the context of “business divorces.” There are certain questions that cannot be addressed by a standard online form. What are the owners’ day-to-day roles? What constitutes a “fundamental” change in the corporate purpose? What happens when the one owner decides to retire? What do the owners do when they are deadlocked on an important decision? How do they break a tie? What if someone is buying into a business that was established 15 years ago? What do owners do when one owner wants to sell his interest to a third party? What recourse does one owner have if he discovers that the other owner has started a separate entity that is stealing business opportunities from the company? These types of questions are among the hundreds of issues that simply cannot be solved by downloading a form online and filling in the blanks. These are, however, issues that can be addressed in governing documents which are properly prepared after a thorough discussion with the individual owners.

Each and every provision in a corporate document can and should be unique to an owner’s business. Every business owner needs to put the same time and care into preparing corporate documents as they would into any other aspect of their business. More often than not, it is more cost effective to address the anticipated issues with competent counsel rather than taking the perceived “less expensive” short cut. If you are interested in forming a new business or evaluating your business’s current documents, please seek the advice of counsel to ensure your goals are attained. The attorneys at Waldron & Schneider would be happy to assist you.