

29 Ways To Protect Your Business From Lawsuits

Business Lawsuits by the Numbers:

- 36% to 53% of small businesses are sued in a given year.
- 31% percent of lawsuits filed against small businesses are for breach of contract.
- When a case goes to trial, it can cost anywhere from \$3,000 to \$150,000 to resolve.
- The median combined costs of lawsuits for both parties can easily top \$50,000 and reach above \$100,000.
 - 1 \$54,000 for a premises liability lawsuit such as a slip and fall suit.
 - 2 \$66,000 for a real property lawsuit such as a home defect suit.
 - 3 \$88,000 for an employment lawsuit such as discrimination or workers' comp suit.
 - 4 \$91,000 for a contract lawsuit such as a breach of contract suit.
 - 5 \$122,000 for a malpractice lawsuit such as a medical malpractice suit.

95% of lawsuits are settled before they go to trial.



Employment and Labor

- 01 Familiarize Yourself With Labor Laws**
Although larger businesses have the luxury of in-house legal departments, most smaller businesses must hire outside counsel.
- 02 Understand the Terminology**
It's nearly impossible to comply with the aforementioned labor laws if you don't know what their key terms mean.
- 03 Hire a Human Resources Consultant**
Despite what you might think, small businesses are actually more vulnerable to employment lawsuits than larger companies.
- 04 Hire Competent Lawyers**
Although larger businesses have the luxury of in-house legal departments, most smaller businesses must hire outside counsel.
- 05 Keep Open Communication With Employees**
Because employees are the most common plaintiffs in lawsuits, it's absolutely crucial to be upfront with potential employees and treat your current employees well.
- 06 Implement a Complaint Procedure**
Setting up a detailed procedure for employee complaints offers protection against lawsuits.
- 07 Follow a Discipline Plan**
It's a good and worthwhile idea for business owners to establish a specific process to follow any time discipline of an employee is necessary.



Intellectual Property

- 08 Protect Your Intellectual Property**
This means that you seek patents for inventions, copyrights for works of art, and trademarks for your business's brand.
- 09 Keep a Close Eye on Your Competitors**
Investigate your competitors as well as your market and industry by reading publications, press releases, shareholder announcements, and company updates.
- 10 Grant Ownership**
Whenever you create intellectual property, you should grant ownership to every employee or independent contractor involved in its creation.
- 11 Offer Lawsuit Alternatives**
If a person or business infringed upon your intellectual property, taking them to court isn't your only option.

Cybersecurity and Privacy

- 12 Opt for Cyber Insurance**
Cyber insurance is a kind of insurance that protects businesses or individuals against risks related to the internet and network threats.
- 13 Limit Access to Accounts**
It's not a wise practice to grant every employee access to each network, account, or computer system in your business.

Finances

- 23 Have a Separate Legal Entity**
If your business is a sole proprietorship, it can lead to issues for your personal assets if your business gets sued. You can avoid this either by having a trust that owns your business or separating your business and personal finances in some other way.
- 24 Keep Your Cash Minimal**
It's best not to keep more cash in your business than what is necessary to run day-to-day operations. If your business loses a lawsuit, the winner can easily go after that cash.

- 25 Take Advantage of Exemptions**
Although it's different for every state, certain assets are considered exempt. They may include retirement accounts, insurance products, or parts of your homestead. One strategy to avoid financial damage from a lawsuit is to invest more of your business's cash in these assets.

Insurance

- 26 Purchase a Business Owner's Policy**
While larger companies may want to either purchase a commercial package policy or customize their policies based on their specific risks, many small- to mid-sized businesses opt for a business owner's policy.

- 27 Consider Getting Specialized Insurance Coverage**
For many businesses, specialized insurance coverage is worth looking into. One popular option is professional liability insurance, also referred to as errors and omissions insurance. This helps protect your business against claims related to any mistakes employees may make in their professional services.

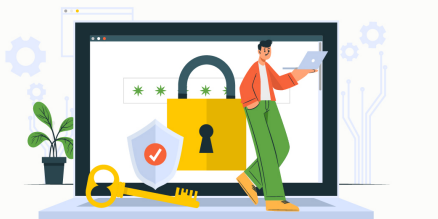
- 28 Add Umbrella Insurance to Your Policies**
Getting commercial umbrella insurance is a safe bet for business owners. As its name implies, this type of insurance covers what your regular policy doesn't.

- 29 Report Early**
In the case that you do have a claim, it's important to report it to your insurance as promptly as possible. Reporting early can help your claim get resolved quickly, and it can also help you avoid lengthy and costly legal entanglements.

- 14 Back Up Your Files**
In the event of a power outage or some other technological breakdown, you need to be able to access your files. At the very most, set up automatic backups for every month.
- 15 Maintain Customer Confidentiality**
It's always been important to maintain client confidentiality. In the wrong hands, sensitive information can be used to commit fraud, discrimination, and other illegal activities.



- 16 Maintain Employee and Business Confidentiality**
Leaked information about your employees can also lead to lawsuits. Several different categories must be kept strictly confidential.
- 17 Download and Update Security Software**
Because most businesses now operate mostly in digital formats, computer viruses pose a great threat. In addition to halting your business's operation, this incident may cause files to get lost or stolen.



Contracts

- 18 Add Specific Clauses**
You can add provisions to contracts that could save you from lawsuits later on.
- 19 Have a Business Attorney Review Your Contracts**
You know your business better than anyone, but no one knows business law better than a business lawyer.
- 20 Define Your Services**
To significantly decrease the likelihood of legal disputes, define the services you offer to each customer. This information may include details about the negotiated products or other services.
- 21 Automate the Process**
Not every aspect of a contract should be left to a computer. However, an online system can reduce human error by keeping and managing the following:
 - A contract portfolio
 - Contract deadlines
 - Main milestones
 - Measurable progress
- 22 Incorporate Reasonable Recourse**
Although implementing all of the above can help you avoid contractual disputes, sometimes they are bound to happen. That's why it's important to include clauses that address recourse in the event of a dispute.

