

**Bridge the Gap Mentoring Program
Introduction to Conflicts of Interest
Resource 23**

Resource 23 will start a discussion about how to screen for, recognize and avoid conflicts of interest.

- Review the conflict of interest rules. See Rule 16-107 NMRA, Rule 16-108 NMRA, Rule 16-109 NMRA, Rule 16-110 NMRA and Rule 16-111 NMRA. (find at <http://www.conwaygreene.com/nmsu/lpext.dll?f=templates&fn=main-h.htm&2.0> or <http://www.law.cornell.edu/ethics/nm/code/>) and Restatement Third Law Governing Lawyers § 121-135.
- Discuss conflict of interest if the new lawyer served (or is serving) as a law clerk to a judge or other adjudicative officer See Rule 16-107 NMRA, Rule 16-108 NMRA, Rule 16-109 NMRA, Rule 16-110 NMRA and Rule 16-111 NMRA. (find at <http://www.conwaygreene.com/nmsu/lpext.dll?f=templates&fn=main-h.htm&2.0> or <http://www.law.cornell.edu/ethics/nm/code/>) and Restatement Third Law Governing Lawyers § 121-135.
- Discuss the importance of adequately screening for conflicts of interest. If in an Inside mentoring relationship, share with the new lawyer the firm's procedure for screening for conflicts. If in an outside mentoring relationship, describe the mentor's office procedure for screening for conflicts.
- Explain the importance of including prospective clients and declined clients in a conflicts database. Are these clients treated like former clients in terms of conflicts? What does this mean if another client comes along with interests adverse to the prospective client that never hired the lawyer?
- Discuss the different types of conflicts of interest that can arise—particularly in a new lawyer's practice area(s) or office setting.
- Give examples of conflicts which can be waived with informed consent. Explain how to document your clients' consent to conflicts.
- Discuss the substantial relationship test which, when met, prohibits a lawyer from representing a client against a former client. Discuss whether informed consent by the former client can cure the conflict.
- Discuss screening walls, when they apply and practically speaking, how a law office manages them.

Resource 23

- Discuss how conflicts are handled when a lawyer changes firms. Should a lawyer be concerned about the same issues when hiring non-lawyer personnel who come from another firm?
- Discuss the propriety of working on a case where opposing counsel is a spouse, close relative, or any person with whom the lawyer shares a close personal relationship. Does client consent cure the potential problem?
- If the new lawyer works in a small firm or has a solo practice, discuss the conflict of interest rules articulated in the attached materials excepted from the Louisiana State Bar Association. Practice Assistance and Improvement Committee. "Practice Aid Guide: The Essentials of Law Office Management." New Orleans: Louisiana State Bar Association, 2007. Print sample conflict of interest forms and letters and discuss whether they are good samples to use in New Mexico. Share with the new lawyer ideas for other conflict forms and letters.
- If the new lawyer works in a small firm or has a solo practice, discuss the attached article that gives tips on effectively managing conflict checking. Scott, Todd C. "Conflict-Checking Systems: Three Great (and cheap) Ways to Effectively Manage Conflict Checking." GP Solo Feb. 2006, Law Trend & News Ethics Vol. 2, Number 2.
- Read and discuss these attached articles: Schneider, Harry Jr. "An Invitation to Malpractice Ignoring Conflict of Interest rules can Open Pandora's Box." ABA Journal 1992, Professional Liability <http://www.abanet.org/legalservices/lpl/downloads/invitaiton1.pdf>. and Schneider, Harry Jr. "An Invitation to Malpractice (Part 2): Once a conflict of interest is spotted, take action promptly." ABA Journal Jan: 1993, Professional Liability Matter ed. Print. <http://www.abanet.org/legalservices/lpl/downloads/invitaiton2.pdf>.

Resource 23

Practice Aid Guide

The Essentials of Law Office Management



Published by the Louisiana
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These materials are available online at www.isba.org

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Conflicts of Interest

Conflicts of interest can pop up at any time. The best advice is to perform a preliminary conflicts check before the initial consultation with a potential client, and then another, more comprehensive, conflicts check after the initial consultation but before accepting the representation. Finally, another conflicts check should be performed each time a new party enters into the legal matter. If a conflict is found and the conflict is one that is not consentable, or is consentable, but the consent was not obtained, then the lawyer must decline the representation, or if already representing the client, withdraw from the representation. Otherwise, the lawyer may face grave consequences, including disqualification, mandatory withdrawal, disciplinary actions, reversal of proceedings, forfeiture of fees, and malpractice claims. A non-engagement letter or a disengagement letter (see pages 30 and 32) should be sent to document such declination or termination of the representation.

Types of Conflicts

Generally, conflicts of interest fall into two categories. Conflicts may arise from directly adverse representations or where the representation of a client is materially limited as a result of the lawyer's other responsibilities or interests. A directly adverse conflict arises when you are called upon to represent one client against another client. A lawyer cannot represent two opposing parties in the same litigation. Moreover, a lawyer may not act as an advocate in one matter against a client the lawyer represents or represented in some other matter. Former clients are an excellent example of this type of conflict.

Even when there is no directly adverse conflict, a conflict of interest may nevertheless exist if there is a significant risk that the lawyer's representation may be materially limited as a result of the lawyer's responsibilities to other clients, to third persons, or as a result of the lawyer's own personal interest.

- This type of conflict may arise in the context of dual or multiple representations (*i.e.*, representing a husband *and* a wife, or a buyer *and* a seller, or two or more clients forming a business entity).
- It also may arise in the context of a financial interest (*i.e.*, owning a percentage of a client's business or making an agreement to limit malpractice liability to a client).
- Further, a conflict may arise in the context of a hidden interest (*i.e.*, romantic involvement with a client). You should not have sex with your clients. Nor should you enter into any business transactions with your clients, or knowingly acquire an ownership or other pecuniary interest adverse to your clients.¹
- You should not enter into an agreement to limit your malpractice liability without first making sure that your client is represented by independent counsel.

You should closely scrutinize the circumstances of each representation to determine whether the clients have "differing interests" that may call for different attorneys representing each client. It is also your duty to reject or disengage from any representation which is going to cloud your independent professional judgment and not allow you to render objective advice.

Consentable Versus Non-Consentable Conflicts

You must independently and objectively decide whether a conflict is consentable. "When a *disinterested* lawyer would conclude that the client should not agree to the representation under the circumstances, the lawyer involved cannot properly

¹ Most legal malpractice insurance policies exclude from coverage claims where the insured attorney has a greater than 10 percent interest in his client's business.

ask for such agreement or provide representation on the basis of the client's consent." Annotated Model Rule of Professional Conduct at p. 124 (ABA 2d ed. 1992) (emphasis added). When in doubt, the attorney should decline the adverse representation.

While clients may consent to representation notwithstanding a conflict, some conflicts are non-consentable. When the lawyer is representing more than one client, the question of consentability must be resolved as to each client. Consentability is typically determined by considering whether the interest of the clients will be adequately protected if the clients are permitted to give their informed consent to a representation burdened by a conflict of interest. Representation is prohibited if under the circumstances the lawyer cannot reasonably conclude that the lawyer will be able to provide competent and diligent representation as required by Rules of Professional Conduct 1.1 (see page 81) and 1.3 (see page 82). For this reason, conflicts where clients are aligned directly against each other in the same litigation are non-consentable. Other conflicts are non-consentable because applicable law prohibits the representation. For example, under federal criminal statutes, certain representations by a former government lawyer are prohibited, despite the informed consent of the former client.

Consentable Conflicts

Not all representations containing the types of conflicts described above have to be declined or terminated, if the potential or existing client gives informed consent. The following types of transactions can be entered into, but only with the client's informed consent:

➤ **Business transaction or acquiring pecuniary interest adverse to the client.**

You may not enter into a business transaction or acquire an ownership or other pecuniary interest adverse to the client unless:

1. the transaction is fair and reasonable to the client;
2. the terms are fully disclosed and given to the client in writing, in a manner clearly understood by the client;
3. the client is advised in writing well in advance of the transaction to seek advice of independent counsel; and
4. the client consents in writing.

➤ **Using information relating to a client's representation.**

You may not use information relating to the representation of an existing or former client to the disadvantage of the client, unless the client has been fully informed and consents to its use.

➤ **Compensation from another party.**

You may not accept compensation for representing a client from any person other than the client unless the client gives informed consent, or the compensation is provided by contract with a third person, such as an insurance contract or a prepaid legal service plan; there is no interference with a lawyer's independence or professional judgment or with the client-lawyer relationship; and none of the client's confidential information is revealed.

➤ **Multiple client settlements.**

You may not enter into an aggregate settlement of the claims of multiple clients unless each client gives informed consent in a writing signed by the client.

➤ **Former clients.**

If you formerly represented a client in a matter, you may not represent another person in the same or a substantially related matter if that person's interests are materially adverse to the interest of the former client, unless your former client gives informed consent, confirmed in writing.

➤ **Imputation of conflicts of interest.**

While lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by Rules 1.7 (see page 84) or 1.9 (see page 87), unless the prohibition is based on a personal interest of the prohibited lawyer and does not present a significant risk of materially limiting the representation of the client by the remaining lawyers in the firm.

➤ **Special conflicts of interest for former and current government officers and employees.**

You may not represent a private client in connection with a matter in which you participated personally and substantially as a public government officer or employee, unless the government agency gives its informed consent, confirmed in writing, to such representation. Additionally, your firm and associates may not represent this client, unless you have been screened from any participation in the matter, you are not given any part of the fee, and your former government agency is notified immediately in writing.

► **Former judge, arbitrator, mediator or other third-party neutral.**

You may not represent a client in connection with a matter in which you participated personally and substantially as a judge, other adjudicative office, or law clerk to such a person, or as an arbitrator, mediator or other third-party neutral, unless all parties to the proceeding give informed consent, confirmed in writing. Additionally, your firm may not represent this client, unless you are screened, you are not given any part of the fee, and written notice is given to the appropriate tribunal.

► **Organization as client.**

If an organization is your client, you may not represent any of its directors, officers, employees, members, shareholders, or other constituents unless the organization consents. If you represent an organization, you may also represent any of its directors, officers, employees, members, shareholders, or other constituents subject to the provisions of Rule 1.7 (see page 84). If the organization's consent to the dual representation is required by Rule 1.7, the consent shall be given by an appropriate officer of the organization.

► **Financial assistance to clients.**

Financial assistance to clients is allowed under certain circumstances. See Rules 1.4(c) and 1.8(e) and discussion on page 39.

Non-Consentable Conflicts

Some conflicts simply cannot be waived. Not even a very detailed consultation and a subsequent written client consent evidencing the client's desire for your representation will do. Consequently, you must not enter into certain prohibited representations and transactions with your clients. These prohibited transactions include, but are not limited to:

- Preparing an instrument giving yourself or any person related to you any substantial gift from your client, including a testamentary gift, unless you and your client are related.
- Negotiating an agreement giving yourself literary or media rights to a portrayal of the representation.
- Directly adverse representation in the same matter.
- Despite the prohibition in Rule 1.8(e) (see page 85) against providing financial assistance to clients, it is permitted under certain circumstances. (See page 39 in the Fees, Billing and Trust Accounts section.)
- Agreeing prospectively to limit your liability to a client for malpractice unless the client is independently represented in making the agreement or settle a claim or potential claim for malpractice liability with an unrepresented client or former client without first advising the client in writing that independent representation is appropriate.
- Acquiring a proprietary interest in the cause of action or subject matter of the litigation, except you may acquire a lien authorized by law to secure your fees/expenses and contract with your client for a reasonable contingent fee in a civil case.

Informed Consent

You've determined that there is a conflict and that the conflict is consentable. What do you do next? (Remember, if the conflict is non-consentable, your job is finished except for the mailing out of the non-engagement or disengagement letter.) First, you must conclude that the conflicting representation will not inure to the detriment of your client or clients. The Rules of Professional Conduct require that this decision must be made using objective, reasonable and independent standards. Second, each client must consent to the representation after being informed of the conflict. And the consent that is required is "informed consent." New Rule 1.0 Terminology paragraph "e" (see page 81) defines informed consent as the agreement by a person to a proposed course of conduct after the lawyer has communicated adequate information and explanation about the material risk of and reasonably available alternatives to the proposed course of conduct. Informed consent is voluntarily and knowingly granted after full disclosure of all relevant information that likely would influence the client's decision.² So what should be included in the client's informed consent letter?

1. The full disclosure of all relevant information transmitted in writing to the client in a manner reasonably understood by the client.
2. An acknowledgment that the client was given an opportunity in writing to seek the advice of independent counsel in consenting to the conflict.
3. The client's consent in writing.

² Schneider, Harry H. Jr., "An Invitation to Malpractice," ABA's Standing Committee on Lawyer's Professional Liability.

4. An acknowledgment that all affected clients were sent the informed consent letter.
5. If applicable, an assurance that the disqualified lawyer is being screened from any participation in the matter and will not be given any part of the fee, nor reveal any protected confidential information.

See page 31 for a sample informed consent letter.

The following Rules of Professional Conduct should be reviewed when embarking on a conflicts of interest check:

- Rule 1.7 - Conflict of Interest: Current Clients (see page 84);
- Rule 1.8 - Conflict of Interest: Current Clients: Specific Rules (see page 84);
- Rule 1.9 - Duties to Former Clients (see page 87);
- Rule 1.10 - Imputation of Conflicts of Interest: General Rule (see page 87);
- Rule 1.11 - Special Conflicts of Interest for Former and Current Government Officers and Employees (see page 87);
- Rule 1.12 - Former Judge, Arbitrator, Mediator or Other Third-Party Neutral (see page 88); and
- Rule 1.13 - Organization as Client (see page 88).

Additionally, all conflicts of interest checking systems should:

- Be integrated with other office systems;
- Provide conflicts data for everyone in the office;
- Check for varying spellings of names;
- Show any party's relationship with the client; and
- Remind lawyers to document all conflict search results with memos in the file.

Conflicts of Interest Checklist

- ☐ All attorneys and staff must disclose necessary information concerning potential conflicts relating to past clients at prior places of employment, but not confidential information.
- ☐ Prior to the initial consultation, the potential clients must disclose all name information, including their other names (*i.e.*, maiden, other marital, etc.), opposing parties' names, and associated persons' and/or entities' names.
- ☐ Thereafter, at the initial consultation, the potential clients must disclose more detailed information in order for a more comprehensive conflicts check to be made.
- ☐ The attorney then performs the conflicts check, reviewing the master client list, the former client list, and the subject matter list, if applicable.
- ☐ The Conflicts Search Results Memo must be circulated to all attorneys and staff for their review and input.
- ☐ Follow up with any attorney or staff member who fails to return the Conflicts Search Results Memo within 24 hours of distribution.
- ☐ Analyze the results of the circulated memo and of the preliminary and comprehensive conflicts checks to determine whether there exists a conflict.
- ☐ If no conflict is found, the new client is entered into the conflict system and sent an engagement letter.
- ☐ If a conflict is found and the attorney is not allowed to accept the representation, send a non-engagement letter explaining the conflict.
- ☐ If a conflict is found and the attorney is allowed to accept the representation:
 - disclose the circumstances which give rise to the actual or potential conflict;
 - disclose a description of actual/foreseeable adverse effects of those circumstances;
 - if the potential conflict arises out of dual or multiple representation, then disclose that no attorney-client privilege exists as between the clients;
 - if the potential conflict arises out of a past representation (*i.e.*, past representation of adverse party in an unrelated matter), then disclose all pertinent non-privileged facts necessary for the potential client to make an informed decision as to whether to waive the conflict.
- ☐ Obtain written informed consent after advising the potential client to seek independent legal advice regarding the waiver.¹
- ☐ If a conflict is found, all necessary disclosures are made, and written informed consent is obtained, accept the representation by sending an engagement letter.²

- ❑ Once representation has been accepted, perform another conflicts check each time a new party enters into the legal matter. If the new party creates a conflict, withdraw and send a disengagement letter.

¹ Remember, some conflicts cannot be waived, even though an informed consent was obtained.

² However, we recommend that you do *not* accept the representation because informed consents do not cure all conflicts and there may still be a violation of the ethical rules.

Conflicts of Interest Search Form

(Privileged and Confidential)

The following must be completed by the potential client, attorneys and staff:

1. Obtain all the information on the potential client:

Name _____

Other names _____

Nicknames _____

Address _____

Spouse's name _____

Spouse's other names _____

Spouse's nicknames _____

Address (if different) _____

Opposing parties' names _____

Associated persons or entities _____

Potential client stops here and Preliminary Conflict Check performed. If no conflict is found, potential client completes § 2 and then attorneys and staff complete the remainder.

2. Determine which area of law is involved and write in the names, nicknames or other names of the associated persons/entities involved:

If litigation matter, who is the:

Insured _____

Plaintiff(s) _____

Defendant(s) _____

Insurer _____

Tutor/minor _____

Expert witness(es) _____

If divorce matter, who is the:

Client _____

Spouse _____

Child(ren) _____

What is/are the age/ages of the child(ren)? _____

If corporate/business/real estate matter, who is the:

Owner(s)/spouse(s) _____

Buyer(s) _____

Partner(s) _____

Seller(s) _____

Officer(s) _____

Directors _____

Shareholder(s) _____

Subsidiaries/affiliates _____

Key employees _____

Property address(es) _____

Any opposing party in a transaction _____

If probate matter, who is the:

Deceased _____

Spouse/child(ren)/heir(s)/legatee(s) _____

Succession representative _____

Attorney for succession representative _____

If worker's compensation matter, who is the:

Injured worker _____

Employer _____

Insurer _____

If estate planning matter, who is the:

Testator/testatrix _____

Spouse/child(ren)/heir(s)/legatee(s) _____

Trustee _____

If criminal matter, who is the:

Accused _____

Victim(s) _____

Witness(es) _____

Co-Defendant(s) _____

If bankruptcy matter, who is the:

Client _____

Creditor(s) _____

Spouse _____

Results of Search

Conflict System Search done by _____

Title _____ Relationship to firm _____

Instructions:

- ☐ Duplicate of this form and attached Conflicts Search Results Memo routed to and signed by all attorneys and staff.
- ☐ No conflict found; entered as new client into conflict system and engagement letter sent by _____
- ☐ Conflict found, analyzed, and client accepted (explain reasons) _____

- ☐ Engagement and Informed Consent letters sent by _____
- ☐ Conflict found, client not accepted, non-engagement letter sent by _____

Conflicts of Interest Search Results Memo

1. Circulate this form to all attorneys and staff, making sure to attach the completed Conflicts of Interest Search Form.
2. Give a deadline for the return of the memo: _____
3. Have all attorneys and staff answer all of the following questions:
 - a. Do you have any business interest with:

Client? Yes ___ No ___

Anyone associated with client? Yes ___ No ___

Anyone associated with persons/entities? Yes ___ No ___
 - b. Do you have any personal interests with:

Client? Yes ___ No ___

Anyone associated with client? Yes ___ No ___

Anyone associated with persons/entities? Yes ___ No ___
 - c. Have you had any current or past relationship, affiliation or association with this client?

Yes ___ No ___
 - d. Do you know of any reason we should not represent this client? Yes ___ No ___

If you have answered yes to any of the above, please give details below:

Signature of Attorney/Staff: _____ Date: _____

Sample Conflict of Interest Non-Engagement Letter

June 20, 20—

Mr. John J. Non-Client
123 Main Street
Anytown, Louisiana 45678

Re: Conference on June 19, 20—;
Potential Personal Injury Claim against Mr. Smith.

Dear Mr. Non-Client:

I enjoyed meeting with you recently regarding your potential claim against Mr. Smith. As we discussed, I have a possible conflict of interest. Although we did not discuss the particulars of your potential claim, it does not appear to be appropriate under the ethical rules for our firm to represent you. We must therefore decline to represent you. Under these circumstances, you should consult other counsel immediately to determine your rights and interests. Please keep in mind that you may be facing important deadlines, so you should not delay in contacting other counsel.

Thank you for offering us this engagement. If we may be of service to you in other matters in the future, we hope you will contact us then.

Sincerely,

FIRM NAME

Attorney Name

Sample Conflict of Interest Informed Consent Letter

June 20, 20—

Mr. John J. Potential Client
123 Main Street
Anytown, Louisiana 45678

Dear Mr. Potential Client:

Below is your Informed Consent of our firm representing you in a business acquisition, to which you may agree after careful consideration of all the facts, even though there are actual and potential conflicts of interest. At this time, we wish to remind you of the relevant information with respect to the potential conflict, which you should use to make your decision.

- This representation will
- This representation will also
- " _____"

We previously recommended to you in writing that you seek independent legal advice regarding the conflicts. Having followed that advice, you sought independent legal counsel and were apprised of conflicts that exist and may arise. Nevertheless, if you knowingly and voluntarily consent to representation by the firm, (FIRM NAME), and waive any and all actual and potential conflicts of interest, please sign below and return this letter to us.

[Optional]

[Additionally, Attorney Smith has been disqualified from taking any role in the representation of your case and will be screened from any participation in the matter. He will not be given any part of the legal fee, nor will he be allowed to reveal any of your confidential information he obtained while working at his prior law firm.]

All affected clients have been put on notice by being sent a copy of this informed consent letter.

Sincerely,

FIRM NAME

Attorney Name

Client Signature _____

Client Name Typed _____

Date _____

Sample Conflict of Interest Disengagement Letter

June 20, 20—

Mr. John J. Former Client
123 Main Street
Anytown, Louisiana 45678

Re: File Subject or Matter Description
Calcasieu Parish, Louisiana

Dear Mr. Former Client:

Thank you for allowing us to be of service to you in the above-captioned matter. The joining of A.B. Sea, Inc. in your lawsuit has created a conflict of interest for our firm because one of our partners, (Attorney Name), has been and continues to be A.B. Sea's primary counsel in other matters. Your continued representation would result in an adverse conflict of interest.¹ Therefore, we must withdraw from representation of you at this time. Additionally, Mr. Wisdom will refer A.B. Sea to independent counsel for representation in your matter.

We are enclosing your entire file with this letter, as well as a check in the amount of \$750.00, representing a refund to you of the amount of the advance deposit which has not been earned. You should contact other counsel immediately to further pursue (and protect) your interests in this matter. Your new counsel should have adequate time to serve your best interests, and you should provide said counsel with your file for necessary review. A complete status of the matter with deadlines noted is attached.

Our final invoice for service rendered is enclosed. It was a pleasure serving you, and we wish you the best in all your future endeavors.

Sincerely,

FIRM NAME

Attorney Name

Enclosures

(CAVEAT: Make sure any withdrawal/termination is in compliance with Rule 1.16 of the Rules of Professional Conduct.)

¹ A conflict that is reasonably anticipated, although not present at the inception of the representation, can be waived in advance with adequate disclosure and consent by the client.

Sample Conflict of Interest Financial Assistance Agreement

June 20, 20—

Mr. John J. Client
123 Main Street
Anytown, Louisiana 45678

Dear Mr. Client:

This is a Financial Assistance Agreement between you, Client, and our firm, outlining the terms by which this firm may advance you financial assistance in connection with pending or contemplated litigation, as permitted by Rule 1.8 (e) of the Rules of Professional Conduct and jurisprudence.

Subject to your written consent below, we may advance you any or all of the following:

- Court costs and expenses of litigation, including but not limited to: Filing fees; deposition costs; expert witness fees; transcript costs; witness fees; copy costs; photographic, electronic, or digital evidence production; investigation fees; related travel expenses; litigation related medical expenses; and any other specific expense directly related to our representation. [Your repayment of these expenses advanced by our firm is contingent on the outcome of the matter for which you hired our firm, provided these expenses were reasonably incurred] or [Your repayment of these expenses advanced by our firm is not contingent upon the outcome of the matter for which you hired our firm, and you remain liable to us for these expenses]. We will provide you with a written statement of our specific financial assistance and the timeframe within which you have to repay it;
- [If you are an indigent client, and are unable to pay for legal representation, our firm may pay court costs and expenses of litigation on your behalf];
- Actual invoiced costs incurred solely for purposes of our representation: Computer legal research charges; long distance telephone expenses; postage charges; copying charges; mileage and outside courier service charges .We *cannot* pass on to you any overhead costs that may be incurred by us, which may include, but are not limited to: Office rent; utility costs; charges for local telephone services; office supplies; fixed asset expenses; ordinary secretarial and staff services. [However, if you are paying us at an *hourly rate*, and not at a fixed rate or on a contingency basis, we may advance you reasonable charges for paralegal services. If we do advance paralegal services to you, you will be notified at the beginning of the representation.]
- If your are in necessitous circumstances (after a determination by us that without minimal financial assistance, your case would be adversely affected), we may provide financial assistance to you, in addition to court costs and litigation expenses, as follows:
 - You acknowledge that we have not used this advance or loan guarantee as an inducement by us, or anyone acting on our behalf, to secure employment;
 - You acknowledge that neither our firm, nor anyone acting on our behalf, has offered to make advances or loan guarantees prior to being hired by you, nor that we publicized or advertised a willingness to make advances or loan guarantees to you;
 - Financial assistance may not exceed the minimum sum necessary to meet your needs, and/or your spouse's needs, and/or your dependents' needs for food, shelter, utilities, insurance, non-litigation related medical care and treatment, transportation expenses,

- education, or other *documented expenses* necessary for living; [Please note that a blanket request for assistance without documented receipts or invoices cannot be honored.]
- You agree that you will not broadcast to others our financial assistance to you.

Subject to your written consent below, we may advance you financial assistance, with the following restrictions:

- Financial assistance that we may provide to you cannot bear interest, fees or charges of any nature;
- We may use our firm's line of credit or loans obtained from financial institutions in which we have no ownership, control and/or security interest (unless our ownership, control and/or security interest of a publicly traded financial institution is less than 15%), provided we make reasonable, good faith efforts to obtain a favorable interest rate;
- In using a line of credit or loan, we may not pass on to you interest charges, including any fees or other charges connected to such loans, in an amount exceeding the actual charge by the third party lender, or ten percentage points (10%) above the bank prime loan rate of interest as reported by the Federal Reserve Board on January 15th of each year in which the loan is outstanding, whichever is less;
- We may only provide a guarantee or security on a loan to you to the extent that the interest charges, including any fees or other charges connected to such loans, do not exceed ten percentage points (10%) above the bank prime loan rate of interest as reported by the Federal Reserve Board on January 15th of each year in which the loan is outstanding;
- Prior to the execution of any settlement documents, approval or any disbursement sheet (as provided in Rule 1.5), or upon submission of a bill for our services, we will provide you with a complete text of Rule 1.8 (e), as re-enacted, of the Louisiana Rules of Professional Conduct, effective date of April 1, 2006;

This Agreement is null unless you date and sign below.

Sincerely,

FIRM NAME

ATTORNEY'S NAME (typed or printed)

CLIENT'S NAME (typed or printed)

ATTORNEY'S SIGNATURE

CLIENT'S SIGNATURE

DATE

DATE

WITNESS NAME (typed or printed)

WITNESS'S SIGNATURE

DATE

Home
Calendar
Committees
Contact the
Division
Sponsors
Periodicals
Publications
Resources

GP|Solo Law Trends & News

Ethics

February 2006

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Table of Contents

Conflict-Checking Systems: Three Great (and Cheap) Ways to Effectively Manage Conflict Checking

By Todd C. Scott, Esq.

The purpose of a conflicts check is to ensure that your commitment to your client's matter will not be distracted by your commitment to any other person. Many attorneys believe that this commitment can be upheld by a brief moment of thought, comparing their client's circumstances to that of the firm's other clients, at the time they are being retained for their services.

Professional liability insurers and risk management professionals continually stress the importance of a conflict-checking system in law firms to help identify potential conflicts at the time the attorney-client relationship is established. Consistently, it has been shown that a check for conflicts-of-interest that does not include the use of a thorough list or database will leave the firm vulnerable to an embarrassing, and potentially negligent conflict-of-interest problem.

Establishing a reliable conflict-checking system in your firm can be a relatively easy thing to do. However, the system is only as good as the information that is put into it. Therefore, creating the conflict-checking system and maintaining it should be viewed as an ongoing and permanent commitment to securing your client's confidence and your devotion to their best interests will never be questioned.

The elements necessary for conducting an effective conflicts check in your law practice are:

- Establishing a thorough, well-maintained list of names;
- Ensuring that the conflict-checking procedure becomes a part of firm's routine;
- Everyone in the firm is trained in the procedure and involved in the system.

The best conflict-checking system is one that will work, and that the members of the firm will find easy to use and maintain. There is nothing inherent in a computer-based conflicts program that makes it superior to a well-maintained manual system. However, since a computer-based conflicts system can conduct a thorough check rather quickly, it is more likely to be used routinely by the firm, and it is less likely to overlook a single name buried in a large database.

A Forms-Based Conflict System

In a forms-based conflict system, you search for conflicts by checking a list of the firm's clients (current and former), a list of "other parties," and a list of lawyers who have represented other parties involved in your client matters. These searches must be conducted prior to the new client signing a retention agreement with your firm.

The primary conflict review occurs when you check the client list. You are looking to see if any person who is an adverse party to a new matter is currently being represented by the firm in another matter, or has been represented by the firm in the

Resource 23

Permission Granted ABA 2006

past.

If a review of the client list reveals no potential conflicts, you should then review the other parties list and the lawyer list to see if there are any relationships involving the firm's current or past legal matters that the new client would probably want to know about.

The best way for the law firm to establish and maintain these lists is to keep them in three separate binders. The client list in the first binder is updated every time a new client retains the firm to handle a legal matter. A Client Data Sheet containing basic information about that client is added to the binder in alphabetical order, and is permanently stored in the binder.

The second and third binders containing lists of other parties and lawyers are always being updated as a client's matter is ongoing. As you learn of new parties and individuals, as well as attorneys that become involved in your client's matter, you fill out a short Conflicts File Memorandum form indicating the name of the person and their relationship to the legal matter involving one of your clients.

Be aware that of the three binders described above, it is the list of other parties related to your legal matters that will easily become the largest volume. Knowing exactly which names to add to that list can change depending upon the areas of practice that you are involved in. The list should include any person significantly involved in any of your legal matters, as well as any individual closely associated with the firm. The parameters described here are wide and may include witnesses, heirs, and parties, as well as investigators, adjusters, and the third-party vendor who fixes the firm's computers. (For further guidance about the names that should be included in this list, see the Conflict Parties list included in MLM's online library.)

Remember, a conflict of interest can be waived by your client if the individual agrees to the waiver after you have fully disclosed the potential conflict to them. Therefore, if you are on the fence as to whether a conflict of interest does exist, advise your prospective client of the relationship you have discovered in your search, and let them decide whether the connection is too close for their comfort.

Using Software to Search for Conflicts

One common misunderstanding involving law office software is that there is a category of software products called "conflict checking software." Although there are a handful of software programs that purport to be used exclusively for conflicts checking, for the most part, there are no software titles available for lawyers to perform this exclusive task.

In the world of law office software, conflicts checking tools are commonly available in case management software programs. The connection between conflicts checking and case management software makes sense. After all, if you take the time to enter detailed information about your clients, former clients, witnesses, opposing counsel, interested parties and just about everyone else who has ever come in contact with the firm in a software program, what it starts to resemble is a large database of firm information that can be used for several purposes – including conflicts checking.

Since case management products became affordable for use in small law offices in the days of Windows 95, this category of software has rapidly secured its spot as the hub of a law firm's information system. Case management software performs two vital functions for a law practice: it is a comprehensive database of information concerning the firm's clients, and it also serves as a calendaring/docket-control system that can be accessed throughout the firm.

The manufacturers of case management software understand that lawyers want to have the ability to quickly and easily perform conflict checks across the program's

entire database. Therefore, performing a conflict check in a case management program is usually as simple as pushing a single button after entering a name to search for within the system. The searches are so quick and so thorough, that after determining that the name "John Smith" was not found in the lists of current clients, former clients, and other parties, it will then search the calendars of the lawyers in the firm, and even the note pads within the electronic client files to see if someone has come in contact with the name in an informal way.

For those lawyers interested in the conflicts-checking features of case management software but don't have an interest in establishing a firm-wide database program, you may want to consider purchasing a single-user version of a case management application and use it exclusively for maintaining the conflicts database. With this type of set-up, the software program would be installed on one workstation within the firm, and the computer user would become the firm's designated conflicts checking clerk.

Case management software comes with many dynamic features for tracking client information all throughout the firm – but there is no requirement that the purchaser use the software for all that it can do. Just as many users logon to Microsoft's Outlook for nothing more than to send and receive e-mail, it would be okay if your firm purchased a case management software product simply for its conflict-checking abilities.

A Simplified Tool That You Already Own

Not all automated conflict checking systems for law firms need to be in a specialized software application. Did you know that you can create a simple, searchable database in any word processing program? By taking advantage of the search features in your word processor you can easily create a dynamic conflict checking tool.

To create this simple database in Microsoft Word, start by creating a table in your document by selecting "Insert/Table" from the "Table" menu. Indicate in the Insert Table screen that you want your table to have 8 columns and 100 rows, and then click OK. When the table is inserted in the word document, label the tops of each column as follows: No., Date, Contact, File, Matter Type, Relation Code., File Status, Misc. Information.

Once the table is created with column headings, it should be permanently saved in the firm's computer network. As new files are opened at the firm, enter names of persons related to the matter in the table just as you would enter them in the binders of your forms-based conflict system. Over time, the document will become quite lengthy as the names of many persons associated with your case files are added to the table. (To add more rows to the table, put your cursor in the bottom right cell and click the Tab key. Let the table get as long as you like.)

You need not worry about searching for potential conflicts in such a long list because your word processor has a quick search tool for finding a needle in a haystack. In Microsoft Word 97 or 2000, the search tool can be found if you click on the "Edit" menu and choose "Find." After that, just enter the name you are searching for, and if the name appears somewhere in the table, it will be indicated during the search.

If the name of an individual that is about to retain your firm appears somewhere on the list, you may have a potential conflict of interest with another matter. It is up to the attorney who is assigned to the matter to determine if a conflict of interest exists, using the criteria in ABA Model Rule 1.7 and your local rules of professional conduct.

The conflict checking database you create in your word processor is really no different than the manual, form-based system – it just holds more information, has an easy search feature, and does not need to be printed and kept in binders. Like all

databases, it should be back-up regularly on tape or disk and copies of the backup should be kept off-site. The system meets the needs of most small law firms, but larger firms should consider employing the larger database capabilities found in case management software.

Todd Scott is Vice president of Risk Management and Member Services at Minnesota Lawyers Mutual Insurance Company, a professional liability carrier that provides insurance products and risk management services for lawyers in 37 states. For further information on this topic or any other malpractice avoidance or legal ethics topic, check out MLM's web site at www.mlmins.com, or contact Todd at 800-422-1370.

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[Back to Top](#)

An Invitation to Malpractice

Ignoring conflict-of-interest rules can open Pandora's box

BY HARRY H. SCHNEIDER JR.

Not that long ago, most professional liability errors were clear-cut cases of culpability—failing to commence a lawsuit within the statute of limitations, or drafting a will in violation of the rule against perpetuities. Not any more.

Malpractice today arises out of situations where the error can be subtle, and no more apparent in retrospect than when the advice was given. Increasingly, lawyers are being sued almost as insurers of the financial success of their clients' business transactions, where the client—who has taken some business risk and lost—can demonstrate that the loss could have been avoided if the lawyer had provided different advice.

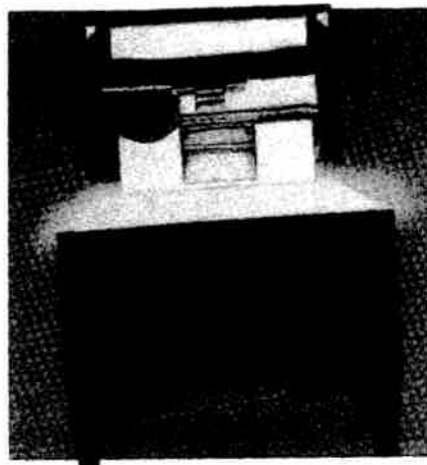
A key component of those claims is an allegation that the lawyer had a conflict of interest that impaired his or her ability to render objective advice. If proved, that allegation at once supplies the trier of fact with an explanation and motive for the lawyer's failure to give legal advice that would have avoided the client's problem. It also satisfies the breach of duty element of the malpractice claim. The client's business loss then becomes the lawyer's responsibility.

All too often, practitioners unwittingly invite these claims by failing to recognize the rules governing conflicts of interest. If not detected early and resolved properly, conflicts of interest can create liability where otherwise none would lie. A few practical tips:

Read the Rules. Most lawyers are not conversant with the conflict-of-interest rules in their jurisdictions. They assume that once they have implemented a conflicts-checking system, their problems are solved. Not true. The most elaborate conflicts check is simply a fancy name-matching device. There is no substitute for knowing the rules once a name is matched, and a conflict detected.

Spot-check Your System. Make sure your system works. Does it include all the necessary informa-

tion to allow the conflict to be analyzed? In addition to client names and related parties, does it identify all other parties as adverse? Does it distinguish between closed matters and ongoing matters? Do you have a method to prevent a new client or a new matter from being opened until the conflicts check is completed?



Does your system allow for the introduction of new names that may be discovered after the initial conflicts check has been performed?

What Constitutes a Conflict?

The rules in most jurisdictions simply codify the general principle that a lawyer owes undivided loyalty to the client: A lawyer may not represent a client, absent informed consent, in any situation where the interest of anyone else interferes with the lawyer's ability to provide objective representation.

Model Rule 1.7 establishes two general prohibitions. First, a lawyer may not simultaneously represent a client on a matter where the client's interests are "adverse" to another existing client. Second, a lawyer may not represent a client in any situation where the lawyer's abilities are "materially limited" by the lawyer's responsibilities to third parties, another client, or where the lawyer's own self-interest would conflict with the client's.

What Is an Adverse Party?

The best practical definition of adverse party is "anyone other than your client who has anything to do with the subject matter of your client's legal problem." Resist the temptation to label other parties as "similarly situated," and to interpret "adverse" to mean hostile. Anyone whose interests are other than identical

with your client's is adverse.

Isn't There a Difference Between Contested Litigation Matters and Business Advice? No. Interested parties are adverse whether they sit on the opposite side of the courtroom or around the friendly side of the bargaining table. Lawyers who represent multiple clients until they square-off against each other are fooling themselves. The simultaneous representation of clients with non-identical interests in the same subject matter is just as prohibited before relations turn sour as it is afterward.

What Is a Material Limitation on the Lawyer's Abilities? A material limitation is any circumstance external to the client's situation and peculiar to the lawyer, that would tend to influence the lawyer's advice in a manner that could affect the outcome of the client's legal problem.

Can a Lawyer Represent Adverse Clients in Unrelated Matters? No. Under the rules, if you represent a client on a single matter, you cannot represent another client adverse to the first client on *any* matter. Accordingly, a lawyer could not represent the manufacturer of an exploding bottle in a product liability suit and at the same time represent a landowner selling property to the same bottle manufacturer.

Nor can your partner, even if he or she practices in a different office or in another jurisdiction. Rule 1.10 disqualifies all affiliated lawyers from doing what any one of them would be prohibited from doing.

How About Former Clients?

While Rule 1.7 strictly forbids *contemporaneous* representation of clients with conflicting interests, Rule 1.9 specifically permits the *consecutive* representations adverse to a former client so long as the subject matter is unrelated and the lawyer has not acquired confidences material to the subsequent representation.

Thus, the lawyer who has completed defending the bottle manufacturer in the product liability case is free to represent another client in a sale of real property to the same manufacturer. But the lawyer could not represent a subsequent client in a similar product liability case involving the manufacturer.

Can the Conflict Be Waived?

Yes, but more on that next time. ■

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An Invitation to Malpractice (Part II)

Once a conflict of interest is spotted, take action promptly

BY HARRY H. SCHNEIDER JR.

Identifying a conflict of interest is only half the problem. Resolving the conflict cleanly and completely, once detected, is equally important. A conflicts check dutifully performed soon becomes worthless if the lawyer neglects to follow through in the appropriate manner. A few more practical tips:

Conflict Avoidance. The least complicated method of conflict resolution remains the most foolproof. Simply avoid the conflicting representation. Decline to take on the new client or the new matter, and refer the business to another law firm.

Unfortunately, while flawless in theory, conflict avoidance is not always that simple in practice.

Some conflicts may not develop until the representation of both clients is well under way, as when an unforeseen merger results in your client being controlled by a company you currently are opposing on behalf of another client in an unrelated matter. Or, midway through a purchase-and-sale negotiation where you represent the seller, it surfaces that a late investor in the deal will be another of your firm's clients represented by independent counsel.

Where the lawyer reasonably concludes that dual representation of clients with conflicting interests can be accomplished without adversely affecting either, and with the clients' informed consent, many conflicts of interest can be waived and the representation undertaken. This action is in full compliance with both the Rules of Professional Conduct and the lawyer's ethical obligations.

For waiver and consent to be effective, the rules set forth a two-part test. First, the lawyer must conclude that the conflicting representation will not inure to the detriment of either client, and the lawyer's decision must be "reasonable." Second, each client must consent to the representation after being made aware of the conflict.

How to "Reasonably" Assess Whether or Not a Client Will Be Harmed. Is the simultaneous repre-

sentation in each client's interest? Ask someone else. Do not make this judgment alone. Have someone else in the firm do the analysis. Better yet, pay for each client to consult with independent counsel solely on the issue of whether to consent.



Except for the most modest engagements, paying for a couple of hours of independent advice is well worth the expense. For the smallest matters, it probably makes more sense to forgo the conflict entirely and refer one or both clients to successor counsel. For the more complex matters—where independent counsel on the consent issue could prove unduly expensive—perhaps it would be a stretch to conclude that the dual representation is fair to both clients.

What Constitutes Consent Under the Rules? What is required is *informed* consent, voluntarily and knowingly granted after full disclosure of all relevant information that likely would influence the client's decision.

A common tendency here is to confuse "full disclosure" with predicting the future. Some lawyers bypass adequate disclosure and, instead, proceed to inventory every possible factual scenario that could befall the client if consent is granted. The better practice is to focus on what is known.

With the permission of each client, make sure the other is informed fully as to the nature of the legal problems presented and the

scope of the representation to follow. More conflict waivers are later invalidated by a failure to disclose facts known by the lawyer at the time of consent than by the lawyer's inability to predict accurately all future developments in the competing representations.

Document the Clients' Consent. A letter memorializing each client's consent should be prepared, signed by each client, and should contain the following elements:

- Disclosure of the conflict in enough detail to apprise the client of the implications on future representation.

- Signature by each client, evidencing consent.

- A description of the consideration for consent (future or continued representation), and the procedures to be followed to ensure that secrets and confidences are not compromised (such as a "Chinese Wall" or other screening mechanism to prevent dissemination of client confidences).

- An acknowledgement of the clients' access to, and reliance on, the advice of independent counsel in consenting to the conflict.

- The scenario to be followed if any party later withdraws consent. Set out in writing that the law firm will be permitted to withdraw from the continued representation of one client, as well as an acknowledgement that such withdrawal will be the sole remedy—no disqualification and no disgorgement of fees will follow.

- An unequivocal statement that the firm's undivided loyalty will be exercised solely on behalf of each client in each matter.

- An indication that the consent letter is being sent to both affected clients.

Timeliness. Failure to identify a conflict early in a representation potentially compromises all advice given after the conflict should have been detected. Failure to resolve a conflict promptly once detected can be even more serious.

Better yet, detect the conflict before it technically is created. Failure to do so leaves you without the option of avoidance, and leaves the firm with only the possibility of client acquiescence (which may not be obtained) or technical violation leading to problems of client dissatisfaction or professional liability. ■

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