ETHICAL ISSUES IN THE LIFE CYCLE OF THE BUSINESS ENTITY

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INTRODUCTION

1. At the beginning
2. Along the way
3. At the end
4. Consequences
PERSPECTIVE

- Managing risk in conflicts & fees
- Consequences beyond Bar discipline
At the beginning

- **RPC 1.13**
  - Entity client rule
  - New to the RPCs in 2006
  - Generally defines client as the entity

- Importance of defining client in the engagement agreement
AT THE BEGINNING

► *Eriks v. Denver*,

118 Wn.2d 451, 824 P.2d 1207 (1992)

- Conflicts
- Breach of fiduciary duty
- CPA claim
AT THE BEGINNING

► RPC 1.8(a) and investing with/in clients

► ABA Formal Ethics Op. 00-418 (2000)

► *Holmes v. Loveless*,
ALONG THE WAY

► Back to RPC 1.13: Who is your client?

► RPC 1.7: Multiple client conflicts

► Hicks v. Edwards,
75 Wn. App. 156, 876 P.2d 953 (1994)
ALONG THE WAY

► RPC 1.8(a) and modifying fee agreements

AT THE END

► Back to RPC 1.13: Who is your client?

► RPC 1.7: Multiple client conflicts

► *Bertelsen v. Harris*,
  459 F. Supp.2d 1055 (E.D. Wash. 2006)
AT THE END

- RPC 1.5 and collecting fees

CONSEQUENCES:
Back to *Eriks v. Denver*

- Civil damage claims for breach of fiduciary duty
- Fee disgorgement/denial
- CPA claims
FOR FURTHER READING

► “The ‘Who is the Client?’ Question Revisited”
  
  August 2006 WSBA Bar News

► “Taking Stock: Investing in Clients”
  
  November 2005 WSBA Bar News

► “Managing Conflicts”
  
  October 2004 WSBA Bar News
QUESTIONS?