PRESENTED AT

28th Annual LLCs, LPs and Partnerships

July 18-19, 2019 Austin, TX

ETHICS OF MULTIPLE PARTY REPRESENTATION 2019

William D. Elliott

George W. Coleman

Karen Hart

Author Contact Information:

William D. Elliott Elliott Thomason & Gibson, LLP Dallas, TX

bill@etglaw.com 214.922.9393

ETHICS OF MULTIPLE PARTY REPRESENTATION 2019

TABLE OF CONTENTS

1.		RODUCTION TO TEXAS DISCIPLINARY RULES OF PROFESSIONAL	
CC)NDU(CT	6
2.	OVE	ERVIEW OF BASIC CONFLICT OF INTEREST RULES	6
ä	a. Te	xas Conflict of Interest Rules	7
1	o. Al	BA Conflict of Interest Rules	8
3.	RUI	E 1.06 CONFLICTS OF INTEREST: GENERAL RULE	8
ä	a. At	osolute Prohibition in Litigation: Rule 1.06(a)	8
	1)	Representing Multiple Parties on Same Side in Litigation	11
	2)	Suing a Client in an Unrelated Matter	11
	3)	ABA Rule 1.7 Comparison	12
1	o. No	on-Litigation Situations: Rule 1.06(b).	13
	1)	General Rule: Multiple Representation Allowed	13
	2) Mate	Major Exception – Lawyer Reasonably Believes Representation Will Not Be erially Affected & Client Consents	21
	3)	ABA Rule 1.7 Comparison	24
	4)	Conflict with Lawyer's Interests	25
(e. Pr	ohibited Transactions: Rule 1.08 Conflict of Interest: Prohibited Transactions	25
4.	RUL	E 1.09 CONFLICT OF INTEREST: FORMER CLIENT	27
ä	a. Te	xas Rule 1.09(a) Conflict of Interest: Former Client	29
	1)	Three Circumstances in Rule 1.09 Preventing Conflict with Former Client	29
	2)	ABA Model Rule 1.9(a)	31

	3)	Adversity of Interest to Former Client	32
	4)	Appearance of Impropriety	33
	5)	The Presumptions	33
	6)	Prospective Clients & Taint Shopping	34
1	o. Ru	le 1.09(b): Extension of Rule 1.09(a) to All Firm Lawyers	34
	1)	ABA Rule 1.9(b) is similar to Texas Rule 1.09(b)	36
	2)	Removal of the Imputation	37
(c. Ru	le 1.09(c): Former Partners or Associates	37
	1)	Conflict Facing Transferring Lawyer	39
	2) Law	Conflict Facing Remaining Lawyers at Firm A, After Departure of Transferring yer	39
	3)	Substantial Relationship Test	41
(d. A \$	Seven-Step Framework for Analyzing Conflicts with Former Clients	41
5.	RUL	E 1.12 ORGANIZATION AS CLIENT	42
ä	ı. En	tity as Client	44
	1)	Lawyer's Duty Runs to Entity	44
	2)	Communications Through Constituents	44
	3)	Loose Knit Group as an Organization	45
	4)	Conflict Between Entity and Constituents	46
	5)	Problems when Control of Entity in Doubt	47
	6)	Dual Representation of Entity and Constituent	48
1	o. De	cisions by Constituent	49
(e. En	tity Formation	49
		Lawyer represents one of the constituents of the contemplated entity, and then may esent the entity later.	49

		• Lawyer represents all of the constituents during formation and may involve representation of the entity later.	49
		• Lawyer may disclaim representation of individual constituents completely, and only represent the entity both at the formation and later stages	
		1) Representing Only the Entity	49
		2) Representing the Entity and One Constituent	51
		3) Representing the Entity and All Constituents	53
	d.	. Representing an Affiliate or Another Entity	54
	e.	Governmental Agencies as Client	56
6.		INFORMED CONSENT	56
	a.	Circumstances When Client Consent is Permissible	56
	b.	. Risk to Non-Litigator of Failing to Obtain Informed Consent	57
	c.	What is Informed Consent?	57
	d.	. Advanced Waivers	60
7.		LAWYER AS "OF COUNSEL"	63
	a.	Imprecise phrase	63
	b.	. The Controlling ABA Opinion on "Of Counsel"	63
	c.	Conflict of Interest Implications of "Of Counsel"	63
8.		SUGGESTIONS ON CONSIDERING MULTIPLE PARTY REPRESENTATION	64
	a.	Documentation	64
		1) Before commencement of representation	64
		2) Commence of representation	65
		3) During Representation.	66
		4) At Conclusion of Representation	66
Bl	Bl	LIOGRAPHY	68

Restatement of Law	68
National Books	68
National Articles	68
Γexas Treatise	68
Texas Related Articles	68
Internet Based Resources	69

ETHICS OF MULTIPLE PARTY REPRESENTATION 2019

By: William D. Elliott Elliott, Thomason & Gibson, LLP Dallas, Texas

1. INTRODUCTION TO TEXAS DISCIPLINARY RULES OF PROFESSIONAL CONDUCT

Ethical rules dictate standard of conduct to which attorneys should conform. They are quasi-statutory and enforced by disciplinary proceedings and represent standards of conduct.¹

Violation of State Bar rules does not create private cause of action.²

2. OVERVIEW OF BASIC CONFLICT OF INTEREST RULES

Conflict of interest rules derive from the need to protect client confidences and assure clients of the lawyer's loyalty. Conflict of interest rules reflect competing concerns:

- Undivided loyalty of lawyer to client.³
- Zealous representation.
- Avoiding representation when attorney's judgment may be distorted by other concerns.
- Enhance effectiveness of legal representation.
- Safeguarding of client information.⁴

¹ See Tex. Disciplinary Rules Prof. Conduct preamble ¶ 10, reprinted in Tex. Gov't Code Ann., tit. 2, subtit. G, app. A (West 2013) (Tex. State Bar R., art. X § 9) ("The Texas Rules of Professional Conduct define proper conduct for purposes of professional discipline."). Sealed Party v. Sealed Party, No. CIV.A.H-04-2229, 2006 WL 1207732, at *8 (S.D. Tex. May 4, 2006) ("The [Texas Disciplinary Rules of Professional Conduct] are quasi-statutory and are enforced in disciplinary proceedings by the State Bar."). See D. Beck & A. Roberts, Legal Malpractice in Texas Third Edition, 70 Baylor L. Rev. 213, 411-412 (2018).

² Tex. Disciplinary Rules Prof. Conduct preamble ¶ 15; Dyer v. Shafer, Gilliland, Davis, McCollum & Ashley, Inc., 779 S.W.2d 474, 479 (Tex. App.--El Paso 1989, writ denied) ("[A] violation of state bar rules does not create a private cause of action."); Wright v. Sydow, 173 S.W.3d 534, 549 (Tex. App.--Houston [14th Dist.] 2004, pet. denied) ("A violation of the Disciplinary Rules does not necessarily establish a cause of action, nor does it void an otherwise valid contract executed outside of the attorney-client relationship.").

³ See Tex. Disciplinary Rules Prof. Conduct Preamble ¶¶ 2-3.

⁴ See Tex. Disciplinary Rules Prof. Conduct R. 1.05(b)(1)(i); Paxton v. City of Dallas., 509 S.W.3d 247, 253 n.33 (Tex. 2017) ("Texas Disciplinary Rule of Professional Conduct 1.05(b) imposes a duty of confidentiality and prohibits a lawyer from knowingly revealing confidential information."); P & M Elec. Co. v. Godard, 478 S.W.2d 79, 80 (Tex. 1972) ("An attorney may not represent conflicting interests; and may not divulge a client's secrets or





Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the <u>UT Law CLE eLibrary (utcle.org/elibrary)</u>

Title search: Ethics of Multi-Party Representation: 2019

Also available as part of the eCourse Ethics of Multi-Party Representation in Business Transactions

First appeared as part of the conference materials for the 28th Annual LLCs, LPs and Partnerships session "Ethics of Multi-Party Representation: 2019"