

In Calif., Questions Remain On Law Firm Conflict Waivers

September 13, 2018
Law360

In Sheppard Mullin Richter & Hampton, LLP v. J-M Manufacturing Company, Inc., No. S232946, August 30, 2018, the California Supreme Court found that Sheppard Mullin's failure to disclose a known conflict with another current client did not categorically disentitle the law firm from recovering the value of the services it rendered to J-M Manufacturing.

In 2016, the Appeals Court had found that advance conflict waivers signed by J-M Manufacturing and another current client of the firm did not effectively waive the firm's conflict of interest. In light of this ethical violation, the Court of Appeals held that Sheppard Mullin was not entitled to keep any of the fees it had collected, or recover fees owed, the total of which amounted to nearly \$4 million for 10,000 hours of work over several years.

When the California Supreme Court agreed to review Court of Appeals decision, hopes were high that the Court would take the opportunity to provide guidance regarding the specificity required in advance waivers in order to make them enforceable. The Court didn't take that opportunity. But it did delineate in careful detail why even a serious ethical violation does not mean that a firm forfeits its right to be paid for the value of its services...