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What ethical violations, if any, has Laura committed?

Duty of Loyalty

A lawyer owes an utmost duty of loyalty to its clients and to not engage in conflicts of interest that might arise.

Conflicts of Interest: Organization as a Client

In California (CA) and under the ABA (MR), when representing an organization a client owes a duty of loyalty and confidentiality to the organization and not to the organization's constituents. A lawyer may represent a constituent but must inform them that they represent an organization not the employee if an adverse interest becomes apparent.

Here, Laura is the general counsel for MoreHome Mortgage Company which is California corporation and Eric who is an entry-level mortgage advisor within the company that approached Laura to inform her that a package of documents that he obtained within the scope of his employment indicated that employees within the company were falsifying the financial history of many mortgage applicants and the documents also displayed that MoreHome's policy was to push risk mortgages onto unsuspecting customers. Eric was clearly troubled when he learned of these practices and reasonably approached Laura to seek advice on what to do. Because Laura understood that she owed the utmost duty of loyalty and confidentiality in representing MoreHome and not Eric, she took reasonable steps by retaining the documents from Eric and then informing the CEO immediately of their discussion. Furthermore, because Laura only owes a duty to MoreHome and not to MoreHome employees, Eric, she did not breach a duty of confidentiality by informing the CEO about her and Eric's discussion and the reasonable concerns that Eric raised.

Thus, under CA and the MR Laura did not breach her duty of when representing an organization as a client.

Reporting Within

Under the MR, when a lawyer becomes aware that the company or an employee within the company they represent is engaging in criminal or fraudulent behavior they have a duty to report within the organization. Under CA, a lawyer must only report when they have reasonable information that an employees actions will result in death or substantial bodily harm.

Here, immediately after Laura spoke Eric she called the CEO of MoreHome because she understood Eric's concerns about MoreHome engaging in fraudulent behavior and personally knowing that practices shown within the documents constitute crime under state law. During the discussions with the CEO of MoreHome, Laura informed Mianne about the Eric's visit and Eric's concerns but failed to inform him that State Attorney General is aggressively investigating similar practices and they could possibly be a target for investigation. However, under the MR it is enough that Laura reported within the organization and informed the CEO of fraudulent behavior, under CA Laura does not have a duty to report because

the fraudulent behavior will not result in death or substantial bodily injury, just financial harm and a crime under state law.

Thus, under MR and CA Laura did not breach her duty by reporting within.

Reporting Out

Under MR, a lawyer may report out if they have informed the highest authorities within the organization, they have failed time take timely action or refuse to take any action, and it is concerning fraudulent or criminal behavior. Under CA, a lawyer may report out if the claim is or concerning death or substantial bodily injury, but they must take reasonable steps to inform the highest authorities about their intentions to report out.

Here, after Laura informed the CEO of MoreHome, Mianne, he instructed Laura to not do anything with the documents and to simply give the documents to him. Laura waited a reasonable amount of time and even consulted with outside counsel before she reported the criminal and fraudulent behavior to the State Attorney General. However, under CA Laura owed a duty to the CEO and to MoreHome to inform them about her decision to report out but because she did not do so she breached her duty.

Thus, under MR Laura did not breach her duty by reporting out but under CA did breach her duty by reporting out.

Duty of Confidentiality

A lawyer must not reveal any confidential information made during the course of representation to others unless the client gives informed consent in writing under the MR or gives informed written consent in CA. A lawyer may reveal if they have express authority from the client or implied authority and a lawyer must take reasonable steps to prevent against inadvertent disclosures.

Here, the CEO of MoreHouse might try and argue that Laura breached her duty of confidentiality when she consulted with outside counsel regarding what to do in regards to the documents and information Laura knew from Eric. However, Laura will argue that under the MR and CA a lawyer may consult with outside counsel in regards to matters that concern the ethical rules. Furthermore, because Laura needed advice about the documents after being told by Mianne to do nothing when she understood that the documents constituted fraud and a crime under state law she had no choice but to reveal to outside counsel.

Thus, Laura did not breach her duty of confidentiality under the MR and CA when seeking advice from outside counsel.

Duty of Diligence

Under the MR, a lawyer has a duty to be diligent and represent clients with promptness. Under CA, a lawyer has a duty to not repeatedly engage in reckless or negligent behavior.

Here, Laura as general counsel for MoreHome promptly notified the CEO of fraudulent and criminal behavior that was taking place within the company and then promptly reported out after the CEO failed

to take action. Furthermore, Laura was not negligent or reckless when reporting or seeking advice from outside counsel.

Thus, Laura has not breached her duty of diligence under the MR or CA.

Duty of Competence

Under the MR, a lawyer has a duty to be represent a client with thoroughness, the adequate legal skills, and with preparedness. Under CA, a lawyer has a duty to not repeatedly engage in reckless or negligent behavior.

Here, Laura represented CEO with thoroughness and the adequate legal skills because she understood the enormity of the fraudulent and criminal behavior that was taking place. Furthermore, Laura displayed these skills by only breaching a duty of confidentiality when it was reasonably necessary under the circumstances and permitted under the MR and CA.

Thus, Laura did not breach her duty of competence under the MR or CA.

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END OF EXAM