

# PRACTICE TIPS

## SUITS FOR FEES: IS SUING YOUR CLIENT THE BEST OPTION?

by W. Brian Ahern, RPLU

**W**hen a client doesn't pay for services, your firm is faced with the difficult decision of whether to initiate a suit for collection of fees.

Defense attorneys caution restraint when considering a lawsuit. It is estimated that nearly 50 percent of all suits for fees will generate a counterclaim for malpractice claiming deficient performance by the law firm. While the countersuit may be unmeritorious, it is a tactic to neutralize the suit for fees.

Before making the decision to sue, consider the following:

- ◆ **The financial benefits versus the negative implications.** In assessing how much can be gained financially it is necessary to deduct the expense of your collection efforts.
- ◆ **Attorney fees.** A law firm should retain outside counsel instead of representing itself in the suit. Therefore, you must subtract the costs of hiring an attorney from the anticipated recovery.
- ◆ **Taxes.** Consider what the net gain will be after taxes have been paid.
- ◆ **Partner/associate time.** Even though you will hire outside counsel, a suit will require attorneys' time within your firm - time that could otherwise be billable.
- ◆ **Expert witness fees.** In order to establish what a reasonable fee might be in regards to your suit, you may need to hire an expert witness(es).
- ◆ **Possible increase in malpractice insurance premiums.** If your firm receives a counterclaim, the suit will be reported to your insurance carrier. Claims appearing in your firm's history can impact future premiums.
- ◆ **Adverse public image.** A firm's business is dependent on its attorneys' reputations. Making an enemy of a client and scaring away new clients could do far more harm than negotiating or forgiving a fee.

- ◆ **Division of net recovery.** When the amount collected is pro-rated among the partners of the firm the amount in controversy appears less significant. A \$5,000 possible gain seems much less appealing when it works out to \$1,000 for each of the five partners.
- ◆ **Be reasonable in the amount you will accept in fee dispute discussions.** Doing so does not denigrate the value of the legal services that were actually provided. Rather this is almost always the most practical and realistic way to end a matter of this type.

At or prior to the time of service of a suit for fees, an attorney must advise the client in writing of their right to voluntary arbitration pursuant to the California Business and Professions Code Section 6200. The Orange County Bar Association has a useful guide regarding the rules of procedure for mandatory fee arbitration, available at: <http://tinyurl.com/3vtzl7d>

If you do decide to pursue a client for fees, wait at least one year from the disengagement of representation (make sure this is sent certified mail) and have someone who has not worked on the file review it to ensure you don't have any issues that may be difficult to defend in the unfortunate event of a counter claim.



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