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Austin Jury Finds World's Largest Law Firm DLA Piper Committed Fraud and Malpractice

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\$1,293,606.00 in damages was recently awarded to a corporate shareholder for fraud, malpractice and breach of fiduciary duty committed by the world's largest law firm, DLA Piper, LLP.

Austin, TX (PRWEB) March 20, 2012

Cause No. D-1-GN-10-000789, Chris Linegar v. DLA Piper, LLP; In the 201st Judicial District Court of Travis County, Texas.

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Austin jury finds world's largest law firm DLA Piper committed fraud and malpractice.

In Cause No. D-1-GN-10-000789, Chris Linegar v. DLA Piper, LLP; in the 201st Judicial District Court of Travis County, Texas, a jury awarded \$1,293,606.00 in damages to a corporate shareholder for fraud, malpractice, and breach of fiduciary duty committed by the world's largest law firm, DLA Piper, LLP.

Pursuant to Plaintiff's Fourth Amended Petition, the case arose because DLA Piper allegedly provided legal services simultaneously to a now-bankrupt Austin company IdentipHI and to Mr. Chris Linegar, its largest shareholder. At the company's request, Mr. Linegar decided to loan the company \$1.75 million. The CFO and Mr. Linegar agreed to let DLA Piper draft up the loan documents. Mr. Linegar testified he believed DLA Piper and its partner Michael Hutching of the Seattle office were his attorneys for the loan documentation.

Pursuant to Plaintiff's Fourth Amended Petition, Michael Hutchings, a partner in DLA Piper's Seattle office, prepared the loan documents but DLA Piper did not file a routine one page form called a "UCC-1." As a consequence, the loan was impaired and was subject to attack in the company's subsequent bankruptcy.

Pursuant to Defendants' Second Amended Answer, although DLA Piper acknowledged representing the corporation, it vehemently denied ever representing its shareholder Mr. Linegar. According to Plaintiff's Fourth Amended Petition, in addition to the loan documents, DLA Piper had performed other legal services for Mr. Linegar individually, including preparing and submitting filings on his behalf to the SEC.

Pursuant to Michael Hutchings's deposition transcript, Mr. Hutchings repeatedly testified that there were no civil or criminal penalties associated with these SEC filings being done for a shareholder. However, according to the trial transcript, he had to recant this testimony as the penalties are noted on the front page of the SEC form and DLA Piper's own expert testified that Mr. Hutchings was wrong.

According to DLA Piper's Responses to Plaintiff Zaychan Pty Ltd's Requests for Admissions, neither Mr. Hutchings nor anyone at DLA Piper ever told Mr. Linegar that DLA was not his attorney. A DLA Piper associate testified in her deposition transcript that she "engendered a

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relationship of trust with Mr. Linegar,” and gave him legal advice on privacy matters. Still, according to DLA Piper’s Second Amended Answer, DLA denied any attorney-client relationship or duty to Mr. Linegar. According to the trial transcript, the associate recanted her testimony at trial claiming she did not understand the word “relationship.”

Pursuant to the written jury verdict, the jury found that (1) DLA Piper had an attorney-client relationship with Mr. Linegar, (2) that DLA Piper had failed meet the applicable standard of care when it prepared documents for the \$1.75 million loan, and (3) that DLA Piper had committed fraud by non-disclosure.

According to the trial testimony and Defendants’ written designation of experts, DLA Piper’s position was that it is common for corporate counsel to prepare SEC filings for shareholders and this does not create an attorney-client relationship. However, according to Rule 1.13(f) of the Washington State Rules of Professional Conduct requires that attorneys make it clear who they are representing. Rule 1.13(f) of the Washington State Rules of Professional Conduct provides: “In dealing with an organization’s directors, officers, employees, members, shareholders or other constituents, a lawyer shall explain the identity of the client when the lawyer knows or reasonably should know that the organization’s interests are adverse to those of the constituents with whom the lawyer is dealing.”

Plaintiff’s attorney Donald Taylor of Taylor Dunham, LLP, stated: “It’s kind of hard to see how they can deny that they were Mr. Linegar’s attorney since DLA Piper listed itself as his attorney on numerous federal forms filed with the SEC in Washington, D.C. and DLA Piper admitted that it never gave a written or even oral clarification to him.”

An interesting twist to the trial was the dueling experts. According to the trial transcript, Plaintiff’s ethics expert, Professor John Strait of Seattle University School of Law, taught Mr. Michael Hutchings legal ethics.

Pursuant to Mr. Hutchings’s deposition transcript, Mr. Hutchings acknowledged Professor Strait as “the esteemed professor.” DLA Piper also hired an ethics professor from the Seattle University School of Law, Professor David Boerner. As it was revealed in the trial transcript the professors disagreed about whether Mr. Hutchings violated the standard of care. According to his deposition transcript, Professor Boerner admitted that it was an ambiguous situation but said no warning was necessary. According to his deposition transcript, Professor Strait testified: “Under RPC 1.13(f) there is an affirmative duty where a principal of a corporation can misunderstand the relationship to clarify it and to do it early because this is such a common issue. It happens in corporate work all the time. This is not like this was a unique circumstance.”

Pursuant to the trial transcript, Professor Strait also testified that DLA Piper and Mr. Hutchings violated the standard of care by not clarifying their role.

Lead counsel for the Plaintiff was Donald R. Taylor of Taylor Dunham, LLP, co-counsel were Jennifer Tatum Lee, also of Taylor Dunham, LLP, Austin, Texas; and Jeffrey S. Taylor of The Akin Law Firm, LLC.

DLA Piper was represented by Beck, Redden & Secret, L.L.P. of Houston, Texas—Fields Alexander, partner and Geoff Gannaway, partner and associate attorney Robert Ford.

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