

Unwritten Vows Break Up Law Firm Partnership

On August 27, 2010, a now estranged founding member of a prominent divorce law firm filed suit in New York State Supreme Court against his ex-partners, alleging causes of action in fraud, breach of contract, promissory estoppel, unjust enrichment and breach of fiduciary duty, and seeking damages in excess of \$26 million. The dispute stems from a series of alleged oral agreements among the partners gone awry. The facts set forth below are all allegations taken from the Complaint.

The Union

According to the Complaint, the story begins over 30 years ago, when plaintiff, a highly regarded divorce lawyer, hired two young lawyers, intending to groom them to be successful matrimonial lawyers. At the time, neither had experience in matrimonial law. After several years of successful practice together, plaintiff and his colleagues transitioned to a firm that was willing to take their entire matrimonial practice and agreed to promote plaintiff's colleagues to partner, at plaintiff's urging.

The Complaint states that, after leading a "burgeoning" matrimonial practice, plaintiff decided to establish his own firm with his now-partners. Upon formation of the new firm, the partners allegedly agreed orally that significant partnership decisions would be made by unanimous vote. Plaintiff was, according to the Complaint, the "mainstay" of the firm's business, even though each partner took an equal share of firm profits.

Promises, Promises

The partners allegedly agreed to the payment of premiums on plaintiff's life insurance policy pursuant to an alleged oral agreement to provide financial security to plaintiff and to induce him to continue his allegedly "disproportionate" contribution to the firm. Payments were made for a number of years. Plaintiff also received additional sums annually which were claimed to be, pursuant to an oral understanding, for his mortgage payments and taxes.



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The Break Up

After moving to fancier office space, plaintiff claims the office environment became increasingly hostile, and the other partners announced their intention to reduce plaintiff's compensation, and subsequently did so. The other partners distributed a proposed agreement to plaintiff, purportedly designed to help him ease into retirement, which plaintiff rejected. After continuing threats to dissolve the partnership if plaintiff did not consent to the proposed agreement, the other partners withdrew from the partnership, causing its dissolution.

As of the date of this Client Alert, the defendants had not yet filed their Answer.

Practice Tip: Put It In Writing

It is hardly news to most lawyers that oral agreements, while having the advantages of informality and flexibility, are also a fertile source of dispute and even litigation. This applies to lawyers and law firms, like anyone else. Law partnerships should have written agreements and they should address, at a minimum, partner compensation, voting, admissions and departures, retirement, death and disability, dissolution and termination. Many other matters of firm management and governance may usefully be covered. The shoemaker should not go without shoes.

If you have questions regarding this Alert, please contact the co-chair of Moses & Singer's [Legal Ethics & Law Firm Practice](#), [Devika Kewalramani](#) at 212.554.7832 or dkewalramani@mosessinger.com.

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