

Partnership Review Problem

After graduation from law school, **Alef**, **Bet**, **Gimel**, and **Dalet** decided to go into law practice together in a small partnership. The four friends did not believe a written partnership agreement was necessary, and they made no specific decisions with respect to management of the partnership. The only specific decision they made was that all partnership profits would be pooled and shared equally among the four partners.

The partners enjoyed a surprising degree of success in their first year in operation, though Dalet grew increasingly uncomfortable with the direction of the firm's representation. While Alef, Bet, and Gimel were happy to represent slum landlords, payday lenders, and other civil plaintiffs that Dalet considered "abusive and disreputable," Dalet preferred to concentrate on representing civil rights plaintiffs in their struggle against "the Man." When Bet told Dalet that she had received a call from the most notorious slumlord in the city, seeking representation in a massive civil action, Dalet put her foot down. She insisted that "she was a partner, too, and no firm of mine is working for that monster!" Nonetheless, without talking to Alef or Gimel, and purporting to act on behalf of the partnership, Bet signed a retainer agreement with the slumlord.

Bet then suggested to all of the partners that they take advantage of their first-year success and move from their small office into a larger, much more expensive space in the center city. Alef and Gimel thought this was a great idea and supported the move, but Dalet viewed this as one more sell-out to rich society. Dalet made it clear that she opposed this idea and would accept no financial responsibility for a new, expensive lease, but after Alef and Gimel expressed their support for the idea, Bet signed a new one-year lease on behalf of the partnership.

A few months later, Dalet reached her breaking point when Alef proposed that Jim be admitted as a partner. Jim is a renowned criminal defense attorney, (in)famous for representing police officers recorded abusing criminal defendants and others. Bet and Gimel were in favor of expanding their practice and admitting Jim, but Dalet adamantly refused. "It's him or me," she announced. After Alef, Bet, and Gimel voted to admit Jim as a partner on Friday, Dalet announced on the following Monday that she was quitting the partnership.

Infuriated by the other partners' actions, Dalet launched a social media campaign to expose the activities of her former partners. She organized several rallies outside the firm's new office and encouraged the firm's clients to abandon the firm in light of their new alliance with Jim. Surprisingly, within a few weeks, these efforts resulted in a mass exodus of clients from the firm, and Alef, Bet, Gimel, and Jim announced that their partnership was going out of business.

Dalet was quite pleased with these developments before she received a letter from the firm's landlord. Apparently, the firm had not paid any of the rent for its new office space, and by the time the landlord initiated action to collect, the firm had no money or other property available to seize. The landlord was good friends with several of Bet's clients, so it chose to demand full payment of the rent only from Dalet. The landlord threatened legal action if Dalet refused to pay immediately. Worse yet, Bet's new slumlord client has filed a malpractice action against the partnership for negligent representation by Bet that occurred right before Dalet left the partnership. The relief requested exceeds the firm's malpractice insurance limit, and the slumlord client has named Dalet personally as a defendant in the suit, as well.

- 1. Did Bet have the authority to bind the firm on the representation agreement with the slumlord despite Dalet's express objection and without consulting Alef or Gimel?**
- 2. Did Bet have the authority to bind the firm to the new, one-year lease? Does it matter that Alef and Gimel expressly supported this idea? Does it matter that the partners did not hold a formal partnership meeting to discuss and vote on this expensive new proposition?**
- 3. Was Jim properly admitted to the partnership?**
- 4. Did Dalet have the right to withdraw from the partnership as she did (*i.e.*, orally, with no advance notice)?**
- 5. What was the effect, if any, of Dalet's withdrawal on the continued existence of the partnership? What were the other partners allowed/required to do thereafter?**
- 6. Does Dalet face any liability to her former partners for the damage caused by her social media campaign?**
- 7. Is Dalet liable to the landlord for the firm's unpaid rent? Does it matter that Dalet expressly opposed and disclaimed financial responsibility for the lease?**
- 8. Is Dalet liable to the slumlord client for the uninsured portion of the malpractice claim? Does it matter that Dalet had nothing to do with the case and expressly opposed accepting the representation of the slumlord client?**
- 9. If Dalet is liable for either the rent or the judgment, does she have any right to seek reimbursement from any source? Explain fully.**
- 10. Suppose instead that Dalet did not withdraw, but Alef, Bet, and Gimel were tired of Dalet's constant complaints about the firm's representation of their clients. Could Alef, Bet, and Gimel expel Dalet from the partnership if they voted unanimously to do so? Explain fully.**