

Law Firms as PEO Clients

Q. What are the issues of which I should be aware in forming a PEO relationship with a law firm?

A. Attorneys must be licensed to practice law in a particular state. In addition, each state has rules of professional conduct that each attorney must follow. These rules address topics such as an attorney's duty to maintain confidentiality with his/her client. An attorney has an obligation to keep confidential information learned from a client, as well as conversation with a client. The attorney cannot disclose such information to a third party, including a PEO. The attorneys must also retain the absolute right to make professional decisions on behalf of their clients. Therefore, the answer to your question depends on each state's rules. Some states, such as Florida, have issued professional opinions stating that a lawyer may enter into a PEO relationship without violating the rules of professional conduct, so long as the PEO relationship does not interfere with the attorney's professional responsibilities. Other states, like Texas, have issued opinions that suggest attorneys may not be in a PEO relationship. Practically speaking, it will be up to the attorney/law firm to make a judgment as to whether their state bar association and rules for professional conduct will accommodate the relationship. You can assist by explaining how the relationship works and provide assurances, including written ones in the form of an addendum to the Client Service Agreement. Such an addendum should provide that the PEO arrangement will not require the disclosure of confidential client information and that the attorney will maintain the right to exercise his or her judgment in rendering legal advice without interference from the PEO.

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