

INDIANA STATE BAR ASSOCIATION

Opinion of Legal Ethics Committee, 1969

Opinion No. 1 of 1969

Ethical Considerations in the Corporate Practice of Law.

The Committee has been asked to consider the question of the practice of law in corporate form, in view of the adoption by the Legislature of the State of Indiana of the "Professional Corporation Act of 1965," and other developments in the profession since the Committee rendered its Opinion No. 2 of 1962.

There are many factors to be considered, some of which are:

1. that the license to practice law is issued by and the regulation of the practice is vested in the Supreme Court of Indiana; and
2. that the professional responsibility and ethical considerations in the practice of law must not be impaired by the form of business organization used to conduct that practice.

It is now the opinion of the Committee that Opinion No. 2 of 1962 has served its useful purpose and that it should now be superseded because of developments since that time. The Committee therefore adopts as its opinion "Formal Opinion 303 (November 27, 1961) of the American Bar Association," which opinion is as follows:

"Attorneys may practice in corporate form provided that the following safeguards are followed: (1) the lawyer rendering the legal services to the client must be personally responsible to the client; (2) restrictions on liability as to other lawyers in the organization must be made apparent to the client; (3) none of the stockholders may be non-lawyers, or if stock falls into the hands of laymen, provision must be made for transfer back to lawyers; (4) there must be no profit-sharing plans including employees who are non-lawyers; and (5) no layman may be permitted to participate in the management of the firm."

It is the further opinion of this Committee that the provisions of the "Code of Professional Responsibility," adopted by the American Bar Association at its meeting in August, 1969, effective January 1, 1970, relating to the practice in corporate form, where applicable, must be complied with in full to constitute ethical practice in corporate form.