Law Firm Triumphs in Lawsuit Against Associates for Inadequate Billing, at the Cost of Their Professional Reputation

North Dakota law firm Larson Latham Huettl has won a case in the state's supreme court, which upheld its business model of suing former associates for the overpayment. The firm had designed an agreement requiring associates to pay an hourly rate for hours below a certain threshold. This meant that the longer associates failed to make the required hours, the more money the firm would recover later. This would benefit the partners regardless of whether the associates remained employed.

When the coronavirus pandemic struck, most law firms chose to keep their workforce despite the lack of billable work. However, Larson Latham Huettl went ahead with cost-cutting layoffs, which received criticism from the legal industry and recruiters. The firm's business model allowed it to keep people on the payroll, knowing that the partners would be paid regardless of whether there was work.

The firm sued two former associates for overpayment, arguing that the agreement was not unconscionable. The court agreed, dismissing arguments about the firm awarding bonuses despite prior hourly shortfalls. Larson Latham Huettl defended its business model, saying it was a sound system for people who want to work hard and put in the time. The firm claimed it only hired people when it had work to do.

While the court's decision upheld the agreement's legality, the legal industry was critical of Larson Latham Huettl's treatment of its associates when there was no work. The associates had to pay the firm when the partners didn't have any work, despite having come on board when the firm had work. The criticism that followed the layoffs and the lawsuit against the former associates will likely tarnish the firm's reputation in the legal industry.

The case highlights the disconnect between legal conscionablity and sound business decisions. While the agreement may have been legal, the firm's decision to lay off associates during the pandemic when other firms chose to retain their workforce drew criticism. The legal industry's response to the case suggests that the decision to sue former associates for overpayment has further eroded the firm's reputation.

In conclusion, Larson Latham Huettl's victory in the state supreme court affirms its business model of suing former associates for the overpayment. However, the firm's decision to lay off associates during the pandemic and its treatment of those associates when there was no work has earned criticism from the legal industry. The case highlights the tension between legal conscionablity and sound business decisions and raises questions about how law firms treat their associates during periods of low billable work.