

Space Sharing Arrangements

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Presented by:

Jocelyn A. Frazer

Law Society of Alberta

Calgary, Alberta

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INTRODUCTION

There are many pressures on lawyers to deliver legal services in new and innovative ways. In reality, law firms are very diverse in terms of the different business arrangements that lawyers make between themselves for practicing law. The current regulatory environment, however, dictates the legal entities that lawyers can choose to practice through. Firms can range from more traditional business model of a law office with partners and legal support staff to virtual law firms with lawyers working independently from home offices across the country and only interacting with clients through an online digital interface.

LEGAL ENTITIES FOR PRACTICING LAW

Notwithstanding the various modes of delivery of legal services, in Alberta, lawyers still practice law through one of essentially four different legal entities:

Sole proprietorships:

A sole proprietorship is an individual practicing law in the individual's personal capacity

- as a solo practitioner
- as a solo practitioner with one or more employee lawyers
- in space-sharing association with other sole proprietorships, professional corporations and/or partnerships

Partnerships:

A partnership consists of two or more individual lawyers and/or professional corporations jointly carrying on business as the proprietors of a single law practice; the legal relationships between the partners are found in the partnership agreement (if any) the *Partnership Act*, RSA 2000, c. P-3, and the common law.

Limited Liability Partnerships:

Limited liability partnerships are partnerships that comply with the LLP provisions of the *Partnership Act* and have registered as an LLP with the Law Society and the Alberta

government (see Rules 159.1-159.7 on the Law Society website).

Professional Corporations:

Professional corporations practice law pursuant to a permit issued by the Law Society under the *Legal Profession Act* and the Law Society Rules, and may practice alone or in partnership with individual lawyers and/or other professional corporation (see Rules 153.1-159 on the Law Society website).

For a more detailed discussion of the relative tax implications of each structure refer to “Law Firm Structures” by Sander van der Wissel prepared for the Legal Education Society of Alberta in *The Business of Law* in April, 2015.

The focus of this paper will be on space sharing arrangements and the ethical and practical implications for lawyers practicing law in those business structures.

SPACE SHARING ASSOCIATIONS

The space-sharing association - also commonly referred to as a cost-sharing association or an association of independent practitioners - is a hybrid organization consisting of a group of sole proprietors, partnerships and/or professional corporations who practice together in a common location but not in partnership. This type of arrangement can be appealing for those who want to retain some degree of independence, yet still enjoy the benefits of working with others.

Types of Space-Sharing Arrangements

The common space-sharing arrangements are:

- space-sharing with lawyers (by far the most popular)
- space-sharing with non-lawyers
- executive suites

Space-Sharing with Lawyers

One advantage of sharing space with lawyers is that you will have colleagues close by to bounce ideas off. Another is that space-sharing offices are usually already set up to run as law offices, so the staff already knows about the ethics of confidentiality, handling trust funds and how to deal with lawyers who are under pressure.