PUBLIC MATTER



APR 26 2004

STATE BAR COURT CLERK'S OFFICE

THE STATE BAR COURT

HEARING DEPARTMENT - LOS ANGELES

8 In the Matter of Case No. 04-V-10611-RAH JOSEPH WALCH, **DECISION** Member No. 56192, A Member of the State Bar.

INTRODUCTION

The issue herein is whether Petitioner JOSEPH WALCH ("Petitioner") has demonstrated, to the satisfaction of this Court, his rehabilitation, present fitness to practice law, and present learning and ability in the general law, so that he may be relieved from his actual suspension to practice law. (Rules Proc. of State Bar, tit. IV, Stds. for Atty. Sanctions for Prof. Misconduct, standard 1.4(c)(ii) ("standard 1.4(c)(ii)").)

Petitioner was represented in this matter by attorney Michael G. Gerner. The State Bar of California, Office of the Chief Trial Counsel ('State Bar"), was represented in this matter by Supervising Trial Counsel Nancy Watson.

For the reasons stated below, the Court finds that Petitioner has shown by a preponderance of the evidence that he has satisfied the requirements of standard 1.4(c)(ii) and, therefore, that his actual suspension should be terminated. The Court therefore grants Petitioner's petition to be relieved from his actual suspension from the practice of law.

JURISDICTION

Petitioner was admitted to the practice of law in California on June 29, 1973.

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PERTINENT PROCEDURAL HISTORY

On February 17, 2004, Petitioner filed a Verified Petition for Relief from Actual Suspension ("petition") seeking the termination of his actual suspension because he has satisfied the requirements of standard 1.4(c)(ii).

On March 23, 2004, the State Bar filed a response to the petition indicating that it did not oppose the petition.

On April 8, 2004, the Court held a status conference in this matter.

On April 12, 2004, the Court issued an order taking this matter under submission effective April 8, 2004.

UNDERLYING PROCEEDINGS/MISCONDUCT

Background Leading to Underlying Misconduct

On July 7, 1968, Petitioner wed Susanne Y. Walch, who remained his wife at all times up to and including the State Bar investigation of the underlying disciplinary matters.

From his admission to the State Bar in 1973, Petitioner was successfully engaged in the practice of law with an emphasis in the area of personal injury law. Petitioner enjoyed both financial and professional success.

From 1973 until 1990, Petitioner was financially responsible in the operation of his law office and was able to save money generated from his law practice and his wife's income. Petitioner and his wife owned a residential home which in 1995 had substantial equity. The also owned a condominium in Palm Springs, California, which also had substantial equity. Petitioner and his wife had savings which accumulated over the years and were substantial in 1995, reaching seven figures.

On June 6, 1989, Petitioner's wife was admitted to the State Bar. In or about 1989 or 1990, Petitioner's wife began working in Petitioner's law office as an attorney. At the time Petitioner's wife joined the office, Petitioner had one other attorney working in the office. In or about 1990, that attorney left Petitioner's employment.

In 1990, Petitioner became seriously ill, and from the outset of the illness was increasingly unable to work. As a result, from the beginning of Petitioner's illness, his wife took

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an increasingly larger role in the day-to-day operation of Petitioner's law office.

In 1991, Petitioner was diagnosed with severe Crohn's disease. From that time forward, Petitioner was not physically able to work in his law office on any consistent basis.

From 1990 to 1993, Petitioner's Crohn's disease became progressively worse, and his disability became near total. From 1993, Petitioner's wife had primary responsibility for the operation of Petitioner's law office. Petitioner, however, intended to return to his practice when his medical condition permitted.

From 1993 to 1995, Petitioner was in and out of various hospitals for treatment for his disease. During that time period, Petitioner was isolated in his house or in hospitals. Petitioner was physically unable to participate in any activities, including work, other than to consult with his wife about cases, as he was able.

During this time, from Petitioner's limited observations, it appeared that his wife was operating the law office and representing clients in a professional manner. Petitioner frequently inquired of his wife if there were any problems in the office. She always told Petitioner there were no problems. At no time did Petitioner's wife advise Petitioner there were problems in the law office or with any of the cases. In 1995, Petitioner became unable to work at all.

In 1995, Petitioner and his wife separated. Petitioner's wife continued to run Petitioner's law office. At that time, Petitioner continued to live in their residence. That year, Petitioner also had major surgery.

Shortly after their separation, Petitioner attempted to go to the law office hoping that it would help the marital situation. However, Petitioner's disease did not permit him to perform work, and shortly thereafter, he abandoned the effort.

In 1995, Petitioner stopped receiving mail delivery to his home. Although he was living at the address, he was too weak from his disease to get to the mailbox. Mail began accumulating in the mailbox, and the U.S. Postal authorities indicated that they would cease delivering the mail. At this point, due to Petitioner's health, his wife was handling all of their financial affairs.

In 1995, Petitioner became aware that both their house and condominium were in foreclosure. He also learned that his wife had taken substantially all of the money from their

savings. At that time, Petitioner was too ill to take any actions to prevent the foreclosures or to obtain any of the equity in the properties.

In 1996, Petitioner was forced to move from the family residence. Petitioner's friends moved him to a local motel, but he stayed there only a short period of time as he had to spend substantial time in the hospital for treatment of his Crohn's disease.

In or about 1996 or 1997, Petitioner learned for the first time from the State Bar that there were numerous complaints from clients and former clients regarding the handling of their cases, including misappropriation of client monies during Petitioner's absence from the office. On February 9, 1997, Petitioner's wife resigned from the State Bar with charges pending.

In 1997, Petitioner moved to a board and care home and resided there, when he was not in the hospital, until 2000, when the facility was closed. From 2000, following the closure of the board and care home, to the present, Petitioner has lived with a social worker who had worked part-time at the board and care home prior to its closure.

Underlying Proceedings¹

On April 16, 1997, pursuant to an order of the Los Angeles Superior Court, the State Bar assumed jurisdiction over Petitioner's law practice pursuant to Business and Professions Code sections 6190, et seq.

On July 7, 1997, the State Bar Court involuntarily enrolled Petitioner to inactive status pursuant to Business and Professions Code section 6007(b)(2).

On March 26, 2001, a Stipulation Re Facts, Conclusions of Law and Disposition executed by Petitioner, Petitioner's then counsel, and Deputy Trial Counsel Charles A. Murray was filed with the State Bar Court in Case No. 96-O-02896, etc. An order approving the stipulated facts, conclusions of law and disposition and recommending the discipline set forth therein to the Supreme Court was signed by his Court.

On July 26, 2001, the Supreme Court issued an order in Supreme Court matter S097699

¹Pursuant to Evidence Code section 452(d), the Court takes judicial notice of Petitioner's prior record of discipline.

(State Bar Court Case No. 96-O-02896, etc.) suspending Petitioner from the practice of law for five years and until he provides satisfactory proof to the State Bar Court of his rehabilitation, fitness to practice, and present learning and ability in the general law pursuant to standard 1.4(c)(ii) of the Standards for Attorney Sanctions for Professional Misconduct, staying execution of said suspension, and placing Petitioner on probation for five years on condition that he be actually suspended for 18 months and until he complies with standard 1.4(c)(ii). Petitioner was also ordered to comply with the other conditions of probation, including restitution, recommended by the Hearing Department of the State Bar Court and was ordered to take and pass the Multistate Professional Responsibility Examination during the period of his actual suspension. He was also ordered to comply with rule 955 of the California Rules of Court and to perform the acts specified in subdivisions (a) and (c) of that rule within certain time periods. Costs were awarded to the State Bar and were to be paid in installments.

Nature of Underlying Misconduct

As stipulated to by the parties, during all relevant times, Petitioner did not: (1) notify clients that he was away from or not participating in the representation of clients of his law office; (2) change or remove the name on the letterhead or forms of his law office; (3) supervise or oversee the representation of clients of his law office; (4) inspect, audit or verify the accounting of the business bank accounts of his law office; (5) inspect, audit or verify the accounting of the client trust account(s) for himself or his law office; (6) inspect, audit, or verify the accounting of the receipt, maintenance or distribution and payment of settlement money received on behalf of clients of his law office; and (7) inspect, audit, or verify the accounting of the receipt of fees from clients of his law office or earning and taking of client fees by his law office.

Furthermore, with regard to 12 specific client matters, Petitioner engaged in the following acts of misconduct which occurred from 1994 to 1997: (1) in 9 client matters, Petitioner was

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found to have wilfully violated Business and Professions Code section 6068(m)² by his reckless and/or grossly negligent conduct in failing to supervise the operations of his office resulting in a

failure to notify his client(s) of significant events and/or to respond to specific inquiries regarding

the status of a matter;³ (2) in seven client matters, Petitioner was found to have engaged in an act

involving moral turpitude in wilful violation of section 6106 by his reckless and/or grossly

negligent conduct in failing to supervise the operations of his office resulting in the

misappropriation of client funds; (3) in six client matters, Petitioner was found to have wilfully

violated rule 4-100(B)(4) of the Rules of Professional Conduct of the State Bar of California by

his reckless and/or grossly negligent conduct in failing to supervise the operations of his office

resulting in a failure to pay promptly, as requested by a client, funds in Petitioner's possession

which the client was entitled to receive; (4) in three client matters, Petitioner was found to have

wilfully violated rule 3-110(A) by intentionally, recklessly or repeatedly failing to perform legal

services with competence; (5) in two client matters, Petitioner was found to have wilfully

violated rule 4-100(A) by his reckless and/or grossly negligent conduct in failing to maintain the

balance of funds received for the benefit of a client and deposited in a bank account labeled

"Trust Account," "Client's Funds Account" or words of similar import; (6) in two client matters,

Petitioner was found to have wilfully violated rule 3-700(A)(2) by his reckless and/or grossly

negligent conduct in failing to supervise the operations of his office resulting in either his

effective withdrawal from employment or termination of his representation without taking

reasonable steps to avoid reasonably foreseeable prejudice to his client; (7) in one client matter,

Petitioner was found to have engaged in acts involving moral turpitude in wilful violation of

section 6106 by his reckless and/or grossly negligent conduct in failing to supervise the

²Unless otherwise indicated, all further references to section(s) refer to provisions of the California Business and Professions Code.

³In one other client matter, he was also found culpable of wilfully violating section 6068(m) by failing to respond promptly to reasonable status inquiries of a client.

⁴Unless otherwise indicated, all further references to rule(s) refer to the Rules of Professional Conduct of the State Bar of California.

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operations of his office resulting in the settling of his client's claims with two insurance companies without his client's knowledge and consent; (8) in one client matter, Petitioner was found to have engaged in acts involving moral turpitude in wilful violation of section 6106 by his reckless and/or grossly negligent conduct in failing to supervise the operations of his office resulting in the execution of his client's name on settlement checks made payable to the client and depositing same without the client's knowledge and consent; (9) in one client matter, Petitioner was found to have wilfully violated rule 4-100(B)(1) by his reckless and/or grossly negligent conduct in failing to supervise the operations of his office resulting in the failure to notify his client that settlement funds were received on his client's behalf from two insurance carriers; (10) in one client matter, Petitioner was found to have wilfully violated rule 4-100(B)(3) by his reckless and/or grossly negligent conduct in failing to supervise the operations of his office resulting in a failure to provide his client with an accounting of the settlement funds he had received on his client's behalf; and (11) in one client matter, Petitioner was found to have wilfully violated rule 3-700(D)(1) by his reckless and/or grossly negligent conduct in failing to supervise the operations of his office resulting in a failure to release his client's file after being requested to do so.

In mitigation, it was noted that Petitioner had no prior record of discipline, and that he suffered extreme physical disability due to his Crohn's disease.

In aggravation, it was noted that Petitioner's misconduct evidenced multiple acts of wrongdoing or demonstrated a pattern of misconduct; Petitioner's misconduct harmed significantly a client, the public or the administration of justice; trust funds or property were involved and Petitioner refused or was unable to account to the client or person who was the object of the misconduct for improper conduct toward said funds or property; and it was noted that since learning of the misappropriation of client funds in his office due to his total lack of supervision of his office, Petitioner had failed to investigate and/or enforce his community property interests or seek spousal support which might provide for repayment to the victims of his misconduct.

FINDINGS OF FACT

Petitioner's Present Learning and Ability in the General Law

Petitioner took and passed the Multistate Professional Responsibility Examination on March 9, 2002. In compliance with the probation terms and conditions of the underlying discipline matter, on March 21, 2002, Petitioner completed the State Bar Ethics School. In compliance with the probation terms and conditions of the underlying discipline matter, on April 19, 2002, Petitioner completed the State Bar Client Trust Accounting School.

Petitioner has worked and studied between six to eight hours every day to regain his legal skills and knowledge. Petitioner has become a subscriber to the Rutter Group MCLE seminars. Petitioner has completed 30.75 hours of courses between June 5, 2003 and January 16, 2004, which includes 5.5 hours of legal ethics and one hour of law practice management. These courses were on such topics as legal research, insurance bad faith, personal injury, arbitration, trial preparation, contractual arbitration, employment law, and insurance litigation. Petitioner has also reviewed and studied syllabus materials from major educational seminars such as the Consumer Attorneys Association of Los Angeles convention syllabus. Petitioner has also read and briefed the appellate decisions in the related fields of his areas of practice. As they are issued, he has also read, briefed and digested new appellate decisions in the field of ethics, torts, insurance litigation, civil procedure, employment law and other related practice areas.

Petitioner's Rehabilitation and Present Fitness to Practice Law

Petitioner's only income is from federal assistance. He presently receives \$1,120 per month. This is his only income and must meet all of his living and medical needs.

Petitioner is in full compliance with all of the terms and conditions of his probation in the underlying disciplinary matter.

Petitioner's Chron's disease is now under control. Petitioner's treating physician since approximately 1993, Lucien R. Jacobs, stated in a letter dated February 24, 2003, that "[Petitioner] appears to have a much brighter prognosis today than he did ten years ago "In a letter dated May 9, 2003, Dr. Jacobs stated that Petitioner had major intestinal resection in 1996. The letter also states, "[h]e has made a slow, but steady recovery since that time, and is

now doing much better than ever before. . . . [Par.] He has regained his strength. He is in much better shape nutritionally, and I see no medical reason why he should not return to full-time employment." Petitioner's doctor believes his recovery is due, in part, to the availability of new medication. Petitioner's doctor also noted that Petitioner's other medical problems, to wit gastroesophageal reflux and upper gastrointestinal bleeding, are completely controlled by medication.

In support of his petition, Petitioner also submitted the declarations of 12 character witnesses, including five attorneys, all of whom, without reservation, support Petitioner's reinstatement to the practice of law. These individuals have known Petitioner from approximately four to 50 years. Almost all declarants stated they were familiar with the circumstances which led to Petitioner's suspension and many were also familiar with his illness. Petitioner was described by these character witnesses as "honorable," "trustworthy," "honest," "a person of integrity," "intelligent," having "excellent moral character," conducting "himself with integrity and high ethical standards," "an inspiration," having "excellent moral character," and as having "a sterling character." Most of the declarants noted that they would have no reservation hiring Petitioner to represent them, and many indicated that they would have no reservation referring a loved one or close friend to Petitioner for representation. In addition, most of the character witnesses who are attorneys noted in their declarations that they do not believe that Petitioner presents a danger to the public, the administration of justice or to the integrity of the profession.

One declarant, attorney Deborah Khantamour, an associate attorney in Petitioner's office from 1982 until 1991, who observed Petitioner practicing law on a daily basis during those nine years stated, "Prior to his illness, [Petitioner] ran the law office in an efficient and professional manner. He was always on top of the work and paid all of the bills on time. It is my opinion that he completely trusted his wife based upon her competence, honesty and reliability and believed she was capable of running the law office and maintaining the standard and quality he established."

Another character reference, Sue Corado, stated, "One of the many things I admire most

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about [Petitioner] is that he has never been angry or bitter about what happened regarding his wife and/or his suspension from the practice of law."

Finally, Rosalie Mandel, the social worker with whom Petitioner has lived since 2000 stated, "Obviously, I trust [Petitioner] completely or I would not have allowed him to live in my home. He has never provided me with the slightest reason to question his honesty or integrity." She also noted, "Even in his dire circumstances, I have observed [Petitioner] helping others in significant ways. He regularly assisted his pastor at his church. Additionally, I know that he has helped members of his church who are new to this country and do not speak English well. [Petitioner] has assisted them with reading documents and understanding what is required of them. He has also brought the gospel to various hospitals and rest homes to those who otherwise had little or no access to the gospel/ [sic]."

DISCUSSION

In order to be relieved of his actual suspension, Petitioner has the burden of proving in this proceeding, by a preponderance of the evidence, that he is rehabilitated, has present fitness to practice and present learning and ability in the general law.

The Court looks to the nature of the underlying misconduct as well as the aggravating and mitigating circumstances surrounding it to determine the point from which to measure Petitioner's rehabilitation, present learning and ability in the general law, and present fitness to practice before being relieved from his actual suspension. (*In the Matter of Murphy* (Review Dept. 1997) 3 Cal. State Bar Ct. Rptr. 571, 578.)

To establish rehabilitation, the hearing department must first consider the prior misconduct from which Petitioner seeks to show rehabilitation. The amount of evidence of rehabilitation varies according to the seriousness of the misconduct at issue. Second, the Court must examine Petitioner's actions since the imposition of his discipline to determine whether his actions, in light of the prior misconduct, sufficiently demonstrate rehabilitation by a preponderance of the evidence. (*In the Matter of Murphy, supra*, 3 Cal. State Bar Ct. Rptr. at p. 581.)

Petitioner must show strict compliance with the terms of probation in the underlying

disciplinary matter; exemplary conduct from the time of the imposition of the prior discipline; and must demonstrate "that the conduct evidencing rehabilitation is such that the court may make a determination that the conduct leading to the discipline . . . is not likely to be repeated." (*In the Matter of Murphy, supra*, 3 Cal. State Bar Ct. Rptr. at p. 581.)

As the Review Department of the State Bar Court noted in *Murphy*, "In weighing such a determination, the court should look to the nature of the underlying offense, or offenses; any aggravation, other misconduct or mitigation that may have been considered; and any evidence adduced that bears on whether the cause or causes of such misconduct have been eliminated." (*In the Matter of Murphy, supra*, 3 Cal. State Bar Ct. Rptr. at p. 581.)

With regard to his present learning and ability in the general law, Petitioner has proven by a preponderance of the evidence that he possesses sufficient present learning and ability in the general law to be relieved from his actual suspension. Petitioner took and passed the Multistate Professional Responsibility Examination and completed State Bar Ethics School and the State Bar Client Trust Accounting School. He has also completed 30.75 hours of MCLE courses in a variety of subjects. He has also reviewed and studied syllabus materials from major educational seminars; read and briefed the appellate decisions in the related fields of his areas of practice; and read, briefed and digested appellate decisions in several practice areas.

Regarding the issue of whether Petitioner has sufficiently demonstrated, by a preponderance of the evidence, his rehabilitation and present fitness to practice law, the Court will first consider Petitioner's prior misconduct, the aggravating and mitigating circumstances surrounding said misconduct, and any other circumstances of misconduct.

In the underlying disciplinary matter, Petitioner was found culpable of misconduct which occurred from 1994 to 1997. The conduct was primarily the result of Petitioner's reckless and/ or grossly negligent conduct in failing to supervise the operations of his office which resulted in findings of nine violations of section 6068(m); seven acts of moral turpitude in wilful violation of section 6106 based on the misappropriation of client funds; six violations of rule 4-100(B)(4); three violations of rule 3-110(A); two violations of rule 4-100(A); two violations of rule 3-700(A)(2); two other separate acts of moral turpitude in violation of section 6106; one violation

of rule 4-100(B)(1); one violation of rule 4-100(B)(3) and one violation of rule 3-700(D)(1).

In mitigation, it was noted that Petitioner had no prior record of discipline, and that he suffered extreme physical disability due to his Crohn's disease.

In aggravation, it was noted that Petitioner's misconduct evidenced multiple acts of wrongdoing or demonstrated a pattern of misconduct; Petitioner's misconduct harmed significantly a client, the public or the administration of justice; trust funds or property were involved and Petitioner refused or was unable to account to the client or person who was the object of the misconduct for improper conduct toward said funds or property; and it was noted that since learning of the misappropriation of client funds in his office due to his total lack of supervision of his office, Petitioner has failed to investigate and/or enforce his community property interests or seek spousal support which might provide for repayment to the victims of his misconduct.

Petitioner's misconduct, however, resulted from Petitioner's failure to supervise the operations of his law office which occurred as a result of his severe and totally disabling Crohn's disease which began in 1990 and became progressively worse over many years.

However, Petitioner's Crohn's disease is now under control, and medical evidence establishes that he is now physically capable of returning to full-time employment. Petitioner had major intestinal resection in 1996, and since that time he has made a slow, but steady recovery and, according to his doctor, Petitioner "is now doing much better than ever before." Petitioner's doctor believes his recovery is due, in part, to the availability of new medication. In addition, Petitioner's other medical problems, to wit gastroesophageal reflux and upper gastrointestinal bleeding, are now completely controlled by medication.

Furthermore, there is no evidence to suggest that Petitioner's misconduct which led to his disciplinary suspension in August 2001 is likely to recur. To the contrary, as Petitioner's Crohn's disease is now under control, and he can return to full-time employment, it appears to this Court unlikely that Petitioner will ever again fail to supervise the operations of his law office which led to the misconduct resulting in his lengthy suspension from the practice of law. The Court notes that prior to the misconduct found in the underlying disciplinary matter, Petitioner

had practiced law for over 20 years without any prior record of discipline.

In addition, the Court notes that several character witnesses, including five attorneys, support, without reservation, Petitioner's reinstatement to the practice of law.

Petitioner has also helped other people. He has assisted his pastor and has helped new immigrants to this country who have limited English language skills. He has also conducted Bible classes to individuals in rest homes and hospitals who would otherwise have little or no access to these teachings.

Moreover, Petitioner has complied with all the terms and conditions of his probation imposed in Supreme Court matter S097699 (State Bar Court Case No. 96-O-02896, etc.) during his period of probation.

Therefore, based on the above, the Court finds that Petitioner has demonstrated, by a preponderance of the evidence, that he is rehabilitated and has present fitness to practice law.

CONCLUSION

Based on the foregoing, the Court finds that Petitioner has established by a preponderance of the evidence his rehabilitation, present fitness to practice, and present learning and ability in the general law.

Accordingly, Petitioner's petition to be relieved from actual suspension from the practice of law pursuant to standard 1.4(c)(ii) is **GRANTED**. Upon the finality of this decision, Petitioner shall hereafter be entitled to resume the practice of law in California upon his payment of all applicable State Bar fees and previously assessed costs.⁵

Dated: April 21, 2004

RICHARD A. HONN Judge of the State Bar Court

⁵The Court notes that on October 5, 2003, Petitioner filed a State Bar Member Request for Fee Waiver Application Form with the Board of Governors of the State Bar of California pursuant to Business and Professions Code section 6086.10(c) which was still pending as of February 16, 2004.

CERTIFICATE OF SERVICE

[Rule 62(b), Rules Proc.; Code Civ. Proc., § 1013a(4)]

I am a Case Administrator of the State Bar Court. I am over the age of eighteen and not a party to the within proceeding. Pursuant to standard court practice, in the City and County of Los Angeles, on April 26, 2004, I deposited a true copy of the following document(s):

DECISION, filed April 26, 2004

in a sealed envelope for collection and mailing on that date as follows:

[X] by overnight mail carrier UPS at Los Angeles, California, addressed as follows:

MICHAEL GALEN GERNER ATTORNEY AT LAW 10100 SANTA MONICA BL #800 LOS ANGELES, CA 90067

[X] by interoffice mail through a facility regularly maintained by the State Bar of California addressed as follows:

Nancy Jeanne Watson, Enforcement, Los Angeles

I hereby certify that the foregoing is true and correct. Executed in Los Angeles, California, on April 26, 2004.

Milagro del R. Salmeron

Case Administrator State Bar Court