

Spokane Diocese accuses law firm that handled bankruptcy of malpractice

Dennis Sadowski | Catholic News Service | Oct. 18, 2012

SPOKANE, Wash. -- The Spokane Diocese has filed a lawsuit accusing a law firm of malpractice in handling its bankruptcy to address civil lawsuits claiming clergy sex abuse and settle financial claims of victims.

Filed Oct. 8 in Spokane County Superior Court, the suit seeks more than \$12 million in repayment of legal fees.

The suit charges that attorneys Shaun Cross and Greg Arpin of the law firm of Paine Hamblen LLP did not pursue other means of resolving abuse claims.

The bankruptcy plan drafted by the attorneys, the suit says, failed to assess and adequately fund the risk of new claims, which nearly forced the foreclosure of churches and schools.

The suit accuses the attorneys of a conflict of interest because they also represented Spokane Bishop William S. Skylstad, now retired, and shielded him, it says, from having to testify at the first civil trial in 2004 alleging abuse by a Spokane priest by filing for bankruptcy as the trial was about to begin.

Bishop Blase J. Cupich said in an Oct. 13 letter distributed to Catholics in the diocese that the diocese attempted to confidentially resolve its differences with Paine Hamblen over its handling of the way the diocese was placed into bankruptcy, from which it emerged in 2007.

"Unfortunately, our overtures with the law firm representing the diocese during and after the bankruptcy were rejected," wrote Bishop Cupich, who succeeded Bishop Skylstad in 2010.

Attorney Robert Gould, who is based in the Seattle suburb of Lynnwood, filed the malpractice suit on the diocese's behalf.

Reached by Catholic News Service Oct. 16, Bishop Skylstad declined comment, saying Bishop Cupich asked him to not discuss the lawsuit.

Jane Brown, managing partner for the law firm, defended the company's work in an interview with CNS.

"We were shocked," Brown said of the lawsuit. "I know there have been claims we were reluctant to negotiate. But frankly when a demand shows up in your email demanding payment and they're saying is negotiate or else. ... We don't pay money for meritless claims.

"It's really hard for people who gave their heart and soul to try to defend the diocese on their claims. The diocese was facing hundreds of millions of dollars in claims for sexual abuse. We were fortunate to be able to help them to reduce the amount and allow the diocese to continue its religious mission," Brown told CNS. Arpin remains on an attorney with the Paine Hamblen, while Cross now works for a Chicago law firm.

After emerging from bankruptcy, the diocese and parishes still faced the prospect of raising millions of dollars

for a \$48 million fund to be used to compensate abuse victims and to pay professional fees associated with the bankruptcy proceeding and expenses incurred in determining claims. A number of diocesan properties have to be sold to help raise the money.

Bishop Cupich said no other comment would be made in regard to the lawsuit, but in his letter to parishioners, he identified three events that led to its filing.

The concerns identified in the suit came to light during a recent 18-month mediation period which ended in the successful resolution of pending future claims against the diocese and related threats of foreclosing against a "significant number" of parishes and schools, Bishop Cupich wrote.

When the concerns were brought to his attention, Bishop Cupich said, "I took my time and consulted with experts locally and nationally to determine the most prudent course of action."

The bishop also explained that he preferred to resolve such issues through mediation "so as to avoid further unnecessary publicity for the church," but that the offer to enter into mediation with the law firm was rebuffed.

After the mediation offer was rejected, he explained, "I could not ignore an important and compelling point impressed upon me by my advisers, namely that I have a fiduciary responsibility to you, the people of the diocese, for the sacrifices and support you have been called on to make over these past few years."

In conclusion, Bishop Cupich asked parishioners for patience and invited them in joining him "in the hope these concerns can be resolved through mediation and negotiation, a process that has served us so well this last year and a half."

The Spokane Diocese first filed for bankruptcy in 2004 while facing extensive sexual abuse claims.

In 2007, the diocese announced the settlement of 176 claims of childhood abuse by priests or other church personnel, paying \$48 million in compensation claims ranging from \$15,000 to \$1.5 million. In 2009, the diocese reopened the bankruptcy case after new claims of abuse surfaced dating back decades.

The diocese entered into mediation over the new claims and an agreement was reached May 26 in which the diocese agreed to pay \$1.5 million in unresolved abuse claims, legal and mediation expenses and to replenish its future claims fund.

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