



# The State Bar of California

**ATILS AGENDA ITEM C.2.  
10-07-19 MEETING**

## Task Force on Access Through Innovation of Legal Services

To: ATILS Task Force  
From: Kevin Mohr and Allen Rodriguez  
Date: October 7, 2019  
Re: C.2. Recommendation 3.1: Adoption of Proposed Rule 5.4 [Alternative 1]

Recommendation 3.1: Adoption of a proposed amended rule 5.4 [Alternative 1] "Financial and Similar Arrangements with Nonlawyers" which imposes a general prohibition against forming a partnership with, or sharing a legal fee with, a nonlawyer. The Alternative 1 amendments would: (1) expand the existing exception for fee sharing with a nonlawyer that allows a lawyer to pay a court awarded legal fee to a nonprofit organization that employed, retained, recommended, or facilitated employment of the lawyer in the matter; and (2) add a new exception that a lawyer may be a part of a firm in which a nonlawyer holds a financial interest, provided that the lawyer or law firm complies with certain requirements including among other requirements, that: the firm's sole purpose is providing legal services to clients; the nonlawyers provide services that assist the lawyer or law firm in providing legal services to clients; and the nonlawyers have no power to direct or control the professional judgment of a lawyer.

*Recommendation 3.1 has received a total of approx. 301 comments, 251 in opposition, 44 in support, and 6 with no stated position.*

### **Public Comments for discussion:**

- **Gorton, James (584D):** re need for corresponding increase in dispute resolution resources)
- **Hart, Matthew (756C):** re clarifying precisely what the proposed rule would permit)
- **Georghiou, Anton (13B):** re the ability of "capital providers" to call the shots, etc.)
- **Waud (281f):** need to address this ad hominem attack; a theme that appears to run through many of the comments received is that the Task Force proposals are there to enrich technology companies
- **Legal Value Firm (626e):** need to address passive investment issue; it is not what ALT1 would permit. The explanation can be made here or in response to Mr. Georghiou, or both. I think they touch on the same issue that capital could call the shots despite good intentions.

Recommendation 3.1 (Rule 5.4 Fee Sharing Alternative 1)[Rules/Ethics Opns.]	
Recurring Point	Possible Response
I oppose as I believe it directly incentivizes the practice of law by nonlawyers, and/or provides financial incentives for a non-lawyer to attempt to coerce a lawyer to act in a way that is not in the best interest of the client (but is in the best interest of the non-lawyer business or individual).	<p>Notwithstanding this proposed rule change, lawyers would remain bound by their related duties to competently and diligently represent their clients and to supervise nonlawyers, their duty to avoid conflicts of interest, and their duty to exercise independent professional judgment on behalf of each client.</p> <p>The illustration draft of the Alternative 1 fee sharing amendments to rule 5.4 would: (1) expand the existing exception for fee sharing with a nonlawyer that permits a lawyer to share a court awarded legal fee with a nonprofit organization that employed, retained, recommended, or facilitated employment of the lawyer in the matter; and (2) add a new exception that a lawyer may be a part of a firm in which a nonlawyer holds a financial interest, <i>provided that</i> the lawyer or law firm complies with certain important public protection requirements including, among other requirements, that: (i) the firm's sole purpose is providing legal services to clients (i.e., this change alone would not authorize multidisciplinary services (MDP), such as the provision of legal and accounting services to a client); (ii) the nonlawyers have no power to direct or control the professional judgment of a lawyer; and (iii) the nonlawyers state that they understand and will comply with the rules, the State Bar Act and other laws regulating lawyer conduct.</p>
While access to the legal market might be marginally increased, it will only do so at the expense of the quality of legal services and with an increase in the profit motive in the legal field, making the services provided worse. Maintaining professionalism is far more important than creating the ethical concerns of a more profit driven legal market that substitutes cost cutting for ethical obligations.	The Task Force's proposal to change rule 5.4 to allow lawyers to share legal fees with nonlawyers is intended to facilitate the ability of lawyers to enter into financial arrangements with nonlawyers to develop or administer cutting-edge legal technology or innovative delivery systems. The task force was informed from discussions with legal technologists on the task force and others who have closely studied the legal system and issues related to access to justice, that a key impediment to such arrangements is the inability of lawyers to share with nonlawyers any portion of the legal fees paid by clients. The Task Force contemplates that by expanding the kinds of

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	<p>situations under which nonlawyers can share in legal fees, this current deterrent to collaboration can be minimized or completely alleviated, and innovation through technology or new delivery systems will be encouraged. Notwithstanding this proposed rule change, lawyers would remain bound by their related duties to competently and diligently represent their clients and to supervise nonlawyers, their duty to avoid conflicts of interest, and their duty to exercise independent professional judgment on behalf of each client.</p> <p>The illustration draft of the Alternative 1 fee sharing amendments to rule 5.4 would: (1) expand the existing exception for fee sharing with a nonlawyer that permits a lawyer to share a court awarded legal fee with a nonprofit organization that employed, retained, recommended, or facilitated employment of the lawyer in the matter; and (2) add a new exception that a lawyer may be a part of a firm in which a nonlawyer holds a financial interest, <i>provided that</i> the lawyer or law firm complies with certain important public protection requirements including, among other requirements, that: (i) the firm's sole purpose is providing legal services to clients (i.e., this change alone would not authorize multidisciplinary services (MDP), such as the provision of legal and accounting services to a client); (ii) the nonlawyers have no power to direct or control the professional judgment of a lawyer; and (iii) the nonlawyers state that they understand and will comply with the rules, the State Bar Act and other laws regulating lawyer conduct.</p>
This will result in non-lawyers making the ultimate decisions, and this will have a negative impact on consumers and further reduce trust in the legal profession.	<p>Notwithstanding this proposed rule change, lawyers would remain bound by their related duties to competently and diligently represent their clients and to supervise nonlawyers, their duty to avoid conflicts of interest, and their duty to exercise independent professional judgment on behalf of each client.</p> <p>The illustration draft of the Alternative 1 fee sharing amendments to rule 5.4 would: (1) expand the existing exception for fee sharing with a</p>

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	<p>nonlawyer that permits a lawyer to share a court awarded legal fee with a nonprofit organization that employed, retained, recommended, or facilitated employment of the lawyer in the matter; and (2) add a new exception that a lawyer may be a part of a firm in which a nonlawyer holds a financial interest, <i>provided that</i> the lawyer or law firm complies with certain important public protection requirements including, among other requirements, that: (i) the firm's sole purpose is providing legal services to clients (i.e., this change alone would not authorize multidisciplinary services (MDP), such as the provision of legal and accounting services to a client); (ii) the nonlawyers have no power to direct or control the professional judgment of a lawyer; and (iii) the nonlawyers state that they understand and will comply with the rules, the State Bar Act and other laws regulating lawyer conduct.</p>
It is increasingly more expensive to practice law; it is important that lawyers be able to get as many clients as possible and people are more likely to refer us clients if we share fees with them [NOTE: this comment is in support.]	The Task Force agrees that with appropriate regulation, the availability of fee sharing between lawyers and nonlawyers could lead to beneficial collaboration, efficiencies and innovation, with a corresponding increased access to legal services.
The risks and negative outcomes associated with this proposal outweigh the potential benefit. These include abuse of the system, scams or misleading advice, and shady business deals. I'm not confident we could have a regulatory system to counter these issues.	<p>Notwithstanding this proposed rule change, lawyers would remain bound by their related duties to competently and diligently represent their clients and to supervise nonlawyers, their duty to avoid conflicts of interest, and their duty to exercise independent professional judgment on behalf of each client.</p> <p>The illustration draft of the Alternative 1 fee sharing amendments to rule 5.4 would: (1) expand the existing exception for fee sharing with a nonlawyer that permits a lawyer to share a court awarded legal fee with a nonprofit organization that employed, retained, recommended, or facilitated employment of the lawyer in the matter; and (2) add a new exception that a lawyer may be a part of a firm in which a nonlawyer holds a financial interest, <i>provided that</i> the lawyer or law firm complies with certain important public protection requirements including, among other</p>

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	requirements, that: (i) the firm's sole purpose is providing legal services to clients (i.e., this change alone would not authorize multidisciplinary services (MDP), such as the provision of legal and accounting services to a client); (ii) the nonlawyers have no power to direct or control the professional judgment of a lawyer; and (iii) the nonlawyers state that they understand and will comply with the rules, the State Bar Act and other laws regulating lawyer conduct.
Nonlawyers should be able to contribute to the success and development of a law firm without practicing law. The rise in technology and online presence as a necessity for lawyers requires that the law evolve as well. [NOTE: this comment is in support.]	The Task Force agrees that with appropriate regulation, the availability of fee sharing between lawyers and nonlawyers could lead to beneficial collaboration, efficiencies and innovation, with a corresponding increased access to legal services.
Allowing non-lawyers to have a financial interest in law firms seems very dangerous. They would not have the ethical training required of lawyers and would have a strong profit motive that would be antithetical to the Bar's long standing history of ethics.	Compliance enforcement for Rules of Professional Conduct is focused on a licensee through the attorney discipline system. However, the implementation of a fee sharing concept could include consideration of a requirement that nonlawyers who share in fees must become subject to State Bar jurisdiction. For example Washington has approved the sharing of fees between a lawyer and a Limited License Legal Technician ("LLLT") so long as the LLLT is a regulated person. See <a href="#">Wash. Rule 5.9</a> .
Capping is Crime which should not be legalized: This would do away with the Anti-Capping as set forth in B&P 6150-6156. Cappers were deemed as criminals in B&P 6152-6153. The State Bar should not allow a change to this rule as it protects the public from persons who will create fraudulent cases in order to obtain a referral fee.	<b>[KEM: Is running or capping an issue with Proposal 3.1? As defined in B&amp;P Code § 6151(a), a runner or capper "is any person, firm, association or corporation acting for consideration in any manner or in any capacity as an agent for an attorney at law or law firm, whether the attorney or any member of the law firm is admitted in California or any other jurisdiction, in the solicitation or procurement of business for the attorney at law or law firm as provided in this article." Section 6151(b) provides an agent "is one who represents another in dealings with one or more third persons." The rule requires that "the nonlawyers provide services that assist the lawyer or law firm in providing legal services to clients." Proposed CRPC 5.4(b)(2). Is a runner or capper a person that "assists the lawyer ... in</b>

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	<p>providing legal services to clients”?</p> <p>That is not the intent. In any event, a lawyer’s use of a capper would be a violation of CRPC 7.3’s prohibition on solicitation; 7.3(e) defines solicitation to refer “to an oral or written* targeted communication initiated <b>by or on behalf of the lawyer</b> that is directed to a specific person* and that offers to provide, or can reasonably* be understood as offering to provide, legal services.” (Emphasis added). Employing a capper would be a violation of the CRPC.</p> <p>Even assuming CRPC 5.4(b)(2) could be interpreted broadly, i.e., the runner or capper “assists” the lawyer in providing legal services by “providing a client” (because the lawyer cannot provide legal services unless there is a client to whom services can be provided), I think a simple fix would be a comment that “the term ‘assist the lawyer in providing legal services’ does not include running or capping or something to that effect.</p> <p>In sum, I’m not sure that the second sentence in the first paragraph below is an appropriate response w/ respect to ALT1. It may be w/ respect to ALT2 (the “client consent” model) but I don’t think it’s necessary here.]</p> <p>The Task Force believes that the concept of fee sharing with nonlawyers within a law firm may lead to innovation and increased access to legal services. It is not intended open the door to allow running or capping. The implementation of this fee sharing concept could include a comment to the rule that “the term ‘assist the lawyer in providing legal services’ does not include running or capping. so Such a comment should preserve the existing statutory prohibitions on running and capping.</p> <p>In addition, lawyers would remain bound by their related duties to competently and diligently represent their clients and to supervise nonlawyers, their duty to avoid conflicts of interest, and their duty to exercise independent professional judgment on behalf of each client. The illustration draft of the Alternative 1 fee sharing amendments to rule 5.4 would: (1) expand</p>

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	<p>the existing exception for fee sharing with a nonlawyer that permits a lawyer to share a court awarded legal fee with a nonprofit organization that employed, retained, recommended, or facilitated employment of the lawyer in the matter; and (2) add a new exception that a lawyer may be a part of a firm in which a nonlawyer holds a financial interest, <i>provided that</i> the lawyer or law firm complies with certain important public protection requirements including, among other requirements, that: (i) the firm's sole purpose is providing legal services to clients (i.e., this change alone would not authorize multidisciplinary services (MDP), such as the provision of legal and accounting services to a client); (ii) the nonlawyers have no power to direct or control the professional judgment of a lawyer; and (iii) the nonlawyers state that they understand and will comply with the rules, the State Bar Act and other laws regulating lawyer conduct.</p>
<p>Dentists, doctors, electricians, and realtors do not share fees with unlicensed persons. Why should lawyers?</p>	<p>The Task Force believes that UPL and attorney conduct rules, including the rule restricting fee sharing with nonlawyers, circumscribe and arguably constrain the current legal services market and the availability of affordable legal services. The goal of relaxing the fee sharing prohibition is to promote beneficial collaboration with nonlawyers that leads to efficiencies and innovation, with a corresponding increased access to legal services.</p>

Recommendation 3.1 (Rule 5.4 Fee Sharing Alternative 1)[Rules/Ethics Opns.]	
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<p>There should a way for certain non-lawyers to partner with lawyers but only non-lawyers who are also in a professional field and who understand ethics obligations. Lawyers and accountants should be able to partner up where only the lawyer can give legal advice and only the accountant can give accounting advice. I support this rule change but I think it should be expanded to allow nonlawyers (but only those non-lawyers who are also part of other professions that understand the importance of ethics, such as the accounting profession) to also offer their own non-legal services through the partnership but subject to the limitations mentioned above (only the lawyer can give legal advice and only the accountant can give accounting advice). [NOTE: this comment is in support subject to change.]</p>	<p>The Task Force believes that UPL and attorney conduct rules, including the rule restricting fee sharing with nonlawyers, circumscribe and may arguably constrain the current legal services market and the availability of affordable legal services. The goal of relaxing the fee sharing prohibition is to promote beneficial collaboration with nonlawyers that leads to efficiencies and innovation, with a corresponding increased access to legal services.</p> <p>The illustration draft of the Alternative 1 fee sharing amendments to rule 5.4 would: (1) expand the existing exception for fee sharing with a nonlawyer that permits a lawyer to share a court awarded legal fee with a nonprofit organization that employed, retained, recommended, or facilitated employment of the lawyer in the matter; and (2) add a new exception that a lawyer may be a part of a firm in which a nonlawyer holds a financial interest, <i>provided that</i> the lawyer or law firm complies with certain important public protection requirements including, among other requirements, that: (i) the firm's sole purpose is providing legal services to clients (i.e., this change alone would not authorize multidisciplinary services (MDP), such as the provision of legal and accounting services to a client); (ii) the nonlawyers have no power to direct or control the professional judgment of a lawyer; and (iii) the nonlawyers state that they understand and will comply with the rules, the State Bar Act and other laws regulating lawyer conduct.</p> <p>As drafted, the proposed rule change would only permit nonlawyer owners in the firm to assist the firm lawyers in providing legal services. It would not permit the nonlawyers to provide professional services independent of the legal services the firm would provide. The Task Force believes the proposal is an appropriate modest first step that can be studied to assess its effectiveness in meeting the legal services needs of California consumers.</p>



<b>Recommendation 3.1 (Rule 5.4 Fee Sharing Alternative 1)[Rules/Ethics Opns.]</b>	
<b>Recurring Point</b>	<b>Possible Response</b>
Non-lawyer owners are not subject to the fiduciary duties that the lawyers are. Despite the words prohibiting control of non-lawyer owners over lawyer activity, the mere fact of ownership and the financial incentives it brings is itself poisonous to the fiduciary nature of the attorney-client relationship.	<p>Compliance enforcement for Rules of Professional Conduct is focused on a licensee through the attorney discipline system and notwithstanding any relaxation of fee sharing restrictions, lawyers would remain bound by their related duties to competently and diligently represent their clients and to supervise nonlawyers, their duty to avoid conflicts of interest, and their duty to exercise independent professional judgment on behalf of each client.</p> <p>However, the implementation of a fee sharing concept could include consideration of a requirement that nonlawyers who share in fees must become subject to State Bar jurisdiction. For example Washington has approved the sharing of fees between a lawyer and a Limited License Legal Technician (“LLLT”) so long as the LLLT is a regulated person. See <a href="#">Wash. Rule 5.9</a>. Other examples of detailed regulatory standards that may be considered in any change in law firm ownership include: requirements for lawyer majority ownership of law practices (compare ABS in Italy) and fitness to own scrutiny for nonlawyers (compare ABS in the U.K.).</p>
It is generally a good thing for the practice of law to evolve. It is a changing world with increasing specialization. Allowing partnership between someone with legal knowledge and someone with technical knowledge only makes sense. [NOTE: this comment is in support.]	The Task Force agrees that with appropriate regulation, the availability of fee sharing between lawyers and nonlawyers could lead to beneficial collaboration, efficiencies and innovation, with a corresponding increased access to legal services.
I support allowing non-lawyer business persons to manage law firms on their own or in partnership with lawyers.	The Task Force agrees that with appropriate regulation, the availability of fee sharing between lawyers and nonlawyers could lead to beneficial collaboration, efficiencies and innovation, with a corresponding increased access to legal services.

## ATILS - Public Comment Form

Commenting on behalf of an organization	No
Name	James A. Gorton
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Select the reform option you would like to comment on from the list below:	3.1 - Amend the Fee Sharing Rule to Expand Fee Sharing with Nonprofits and Allow Nonlawyer Ownership
From the choices below, we ask that you indicate your position. (This is a required field.)	Oppose

**ENTER COMMENTS HERE. To upload files proceed to the ATTACHMENTS section below.**

The proposal does nothing to enlarge access to the courts, dispute resolution or competent legal services. The idea that opening the practice of law to persons or entities, which have no demonstrated competence in the practice of law, will improve access to legal services is a non sequitur. It will simply enable many of the unscrupulous persons now engaging in the unauthorized practice of law (UPL) to start working openly without any attempt to guarantee their ability to do so. The irony in this proposal is that the state does so little already to insure the basic competence of attorneys and yet this committee wants to take us further away from any enforcement of minimum competence toward people practicing without any level of knowledge or competence at all.

The proposal fails to explain why we should not be concerned that outside pressures in the form of non lawyer owners or partners, may be brought to bear on attorneys or legal practitioners to take decisions or give advice in ways which would be injurious to their clients or in ways in which the clients' interests would not be put foremost.

Access to competent legal assistance in dispute resolution, whether in court or in alternative forums is also something which the proposal fails to address. Simply expanding the number of people who may be consulted is no answer if the help is not competent and there is no access to courtrooms and judges. We don't have sufficient courtrooms and judges to hear the current volume of matters. Adding in all of the additional legal practitioners which this committee proposes will do nothing to address the access to the courts.

Rather than opening up legal practice to a host of persons with little or no competence in the law, with little or no training in ethics or interest in the zealous representation of their clients' interests, the committee ought to be thinking of

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ways which access to justice in our courts can be expanded, namely a major increase in the number of judges available to hear matters and the courtrooms available to do so.

The past 15 years have seen the budget for California courts cut back relentlessly in a series of major cuts, leaving the courts with substantially less resources to serve an ever increasing flow of cases. Little to none of the huge funding cuts to the courts have ever been restored. This has caused crowding and delay, thus delaying access to justice and making it unnecessarily protracted and expensive.

The state needs to fund the courts adequately and allow them to develop self help clinics, such as those available for guardianship and conservatorship and family law matters, so that less complex matters can be handled by ordinary people with the help of court clerks. Much more funding is needed to expand existing such programs and to develop new programs to address the needs of the public for access to justice.

In short, the problem with the proposals as they currently stand is a fundamental misunderstanding of the problem in expanding access to legal services. The need is in processing disputes, which is not addressed in the least by the proposal. Rather, the proposal is to throw more bodies at the problem in the form of untrained persons thus insuring only a decreased standard of representation.

Of course some of the committee believe that artificial intelligence will somehow supply the training and knowledge, perhaps even the ethics, for all of the untrained and untested persons who they propose to allow to provide legal services. AI, however, is just a program developed by people, who will undoubtedly use it to advance their own ends. No proposals are made as to the standards to be

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used in programming AI if it is to be used by non attorneys. No proposals are made as to oversight of AI in regard to its use by non attorneys.

Will programmers be serving the needs of the accounting and financial firms which now propose to provide legal services; will they be putting the needs of the actual client first? If a particular outcome is more profitable or desirable from the standpoint of the non attorney owner of a legal services firm, despite being less desirable or even harmful to the client, will the firm point this out to the client, or will the client simply be sold the solution which allows the firm to pocket the most money? Will the clerks on the front end of this AI even understand that the system is making inappropriate choices for the people in front of them? Will they, as so many banks and brokerages these days, be hawking inappropriate proprietary products? Consider the widespread misuse of annuities being sold to elderly people by the financial sector. In the current environment this type of inappropriate advice may be addressed through malpractice actions and the rare bar disciplinary matter. What does the committee propose to do with non attorney providers and the firms who employ them? How will AI be regulated to put the client first?

Indeed, it is of concern that the committee has not given any consideration to UPL - rather the reverse in fact. It has given no thought whatsoever to how those engaged in it now prey upon the poorest and most vulnerable members of the public, notably, for instance, in immigration law, though this is hardly the only area in which UPL is a distinct problem. The State Bar has little or no power currently to bring these people to justice. Perhaps, rather than allowing unskilled, unknowledgeable and perhaps even unethical persons to provide legal services, it is time for the Legislature to stamp out UPL, to bring the persons engaged in it under the regulatory purview of the State

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Bar and to allow the State Bar to maintain and operate courts in which those engaged in UPL can be fined and if necessary, imprisoned.

The proposals in fact have very little to do with expanding legal services to an underserved segment of the population or in protecting that segment from bad practitioners and those engaged in UPL. Expanding court funding and a new direction in cracking down on UPL will do so, not wholesale dismantling of legal licensing for the protection of the public.

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## ATILS - Public Comment Form

Name	Matthew Hart
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Select the reform option you would like to comment on from the list below:	3.1 - Amend the Fee Sharing Rule to Expand Fee Sharing with Nonprofits and Allow Nonlawyer Ownership
From the choices below, we ask that you indicate your position. (This is a required field.)	Oppose

ENTER COMMENTS HERE. To upload files proceed to the ATTACHMENTS section below.

Regarding Fee Sharing with Non-attorney ownership of firms. I believe one of the pillars of being an attorney is that I am required to have independent judgement not being influenced by any outside opinions or competing interests. To my financial peril I must put my client first. To that end the State Bar has wisely not allowed attorneys and firms to work for anyone but the client. I was personally approached by a financial advisor who offered me 1 million a year in referral fees if I was willing to ignore the split fee rule and allow half of the fees collected go to that advisor. He is a very large player in the financial space in the bay area to this day and still has an extremely large practice that could have funneled huge amounts of clients my way. He had a previous attorney who did take the deal so I know it was real. Make no mistake there is a lot of money in play and people with deep pockets would love to control me and my license to their financial advantage. As an estate planning attorney I require very sensitive information from my clients that EVERY financial advisor would love to have as it would give them a competitive advantage at selling financial products to my clients. I take pride in telling my clients I am independent and by law I am not allowed to share their information with anyone therefore they can trust the advice I am giving them because it does not financially impact me one way or another whether they follow my advice except in the case where I give them bad advice and am subject to a mal-practice suite. The whole point of "trust mills" is where seminars occur to give people cheap trusts but in return gain all their financial information which is where financial products that have huge margins are sold. By changing this law the whole trust mill situation will become legal.

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## ATILS - Public Comment Form

Commenting on behalf of an organization	No
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Select the reform option you would like to comment on from the list below:	3.1 - Amend the Fee Sharing Rule to Expand Fee Sharing with Nonprofits and Allow Nonlawyer Ownership
From the choices below, we ask that you indicate your position. (This is a required field.)	Oppose

**ENTER COMMENTS HERE. To upload files proceed to the ATTACHMENTS section below.**

As a practicing attorney of more than 10 years, I am wholeheartedly opposed to the recommendation of adopting Option 3.1.

Let me start by saying that in my 10 years in practice, I have seen plenty of attorneys share in legal fees with non attorneys. Usually, this was not a good arrangement, it was often one that negatively impacted clients in my opinion. The problem is one of power. If the non attorney is either an organization (LLC, C or S corp) or an individual, that can provide access to clients to the attorney, then there will be a significant potential for an imbalance of power. What lawyer will tell his employer non lawyer (partner) that they should or should not do something? The reality is that those who bring in the clients, control the situation. it is easy to say that a non lawyer will have no power to direct or control the professional judgment of an attorney, but the truth is that the status quo will shift to management over the professional opinion of an attorney.

My prediction is that the following will happen if this rule is implemented: Non lawyer's will form organizations that employ attorneys to offer legal services. Unencumbered by the prohibitions existing under current rules, these companies will farm out the lawyers. Individual attorneys on average do not have access to capital and there is a ready supply of new graduates so it will be fairly simple to remove lawyers that would disagree with the organizations management. The result will be that non lawyers will be making ultimate decisions of policy, and this will have a negative impact on consumers and further reduce trust in the legal profession.

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## ATILS - Public Comment Form

Reference #	16174145
Status	Complete
Commenting on behalf of an organization	No
Name	Christopher Waud
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Select the reform option you would like to comment on from the list below:	3.1 - Amend the Fee Sharing Rule to Expand Fee Sharing with Nonprofits and Allow Nonlawyer Ownership
From the choices below, we ask that you indicate your position. (This is a required field.)	Oppose
ENTER COMMENTS HERE. To upload files proceed to the ATTACHMENTS section below.	<p>I strongly oppose this idiotic measure. This is clearly an attempt by the tech industry to create new forms of rent extraction -- this time in the practice of law. The LAST thing Californians need is tech companies like an Uber, or Air BnB or Amazon whose sole business model is based upon either outright breaking the law or bending it beyond all recognition, with the assistance of supine (or more likely, paid-off) regulators who do nothing to stop it.</p> <p>I cannot believe that the State Bar is proposing a rule change that would clearly only harm consumers -- you really think it's a good idea for non-lawyers (read: high tech companies, because it's obvious that's who this measure is written for) to be allowed to practice law? What could possibly go wrong? The lack of foresight here -- or else the sheer corruption of it, I don't know which it is at this time -- is beyond depressing. Don't let the tech industry destroy yet another industry.</p>

## ATILS - Public Comment Form

Commenting on behalf of an organization	Yes
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Select the reform option you would like to comment on from the list below:	3.1 - Amend the Fee Sharing Rule to Expand Fee Sharing with Nonprofits and Allow Nonlawyer Ownership
From the choices below, we ask that you indicate your position. (This is a required field.)	Support

ENTER COMMENTS HERE. To upload files proceed to the ATTACHMENTS section below.

Allowing Non-Attorney Ownership of Law Firms is Needed.

Generally:

Many would agree that the delivery of legal services needs to evolve from the traditional model so as to increase access and affordability. Quite simply, this is what individual and business consumers of legal services want. Because select state bar rules have historically prohibited non-attorney ownership, the incentives for increasing access and affordability with technology and alternative business structures have been limited. By allowing non-attorneys to have an ownership in law firms, the task force's recommendations are timely in today's legal landscape. Approving non-attorney ownership in law firms is likely increase capital, collaboration, and business efficiencies, having a propensity to result in greater access and favorable price points for those receiving legal services. Notwithstanding this, attorneys should still be subject to the requirements of independent judgment; however, the benefits stated above far outweigh any arguably outdated reasons for keeping the rule in place.

Our Experience:

We are now launching our franchising/licensing of our shopping center based general practice law firm, Legal Value Firm. As Legal Value Firm is now in its 6th year, we have seen how our branded retail store front has given more clients the opportunity to experience legal services at affordable prices. In our experience, approximately half our clients are walk-ins. As our growth continues, we are excited that we are initially offering franchises/licenses in California and Arizona. Many attorneys, who otherwise may be very qualified to own/operate a Legal Value Firm law firm, do not have the necessary capital and/or enough of the business expertise. Through the franchise/license model, we have the possibility of opening up more opportunities for

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attorneys by having non-attorneys invest in their firm(s), thus opening up more accessible, retail neighborhood law firms for clients. This investment allows the attorney to focus on legal practice and client matters, while the “business people” can focus on the business operations of the practice beyond simply providing capital, if desired. The attorneys and non-attorneys can work together on innovative solutions, including technology, to give clients what they want/need.

Even though we are attorneys at Legal Value Firm, we welcome non-attorney ownership since it can propel growth of our franchise/license model particularly with providing capital and outside perspectives on business solutions for the legal profession. The State Bar has many non-attorneys involved in governance for just this reason-to gain outside perspectives so as to help with protecting the public. We believe that having non-attorney ownership is in line with that directive and still maintains public protection, but brings the legal profession into today and the future benefiting that public.

Thank you.

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