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Comments to the State Bar of California Closing the Justice Gap Working Group on the  
Proposed Scope of the Legal Regulatory Sandbox

I submit these comments on the proposed Scope of the legal regulatory sandbox to encourage the Working Group to frame the scope as broadly as possible in order to lay the foundation for the success of the Sandbox to make a real impact on the California justice gap through both market and non-market based innovations. This Working Group is charged with developing an implementation plan for the regulatory sandbox to promote innovative legal services for Californians across all income levels. The Scope of the sandbox should reflect this charge and embrace proposals from all sectors of the legal services market.

A broad scope, including for-profit entities that serve consumers or businesses at the higher end of the economic spectrum, will incentivize a broad range of innovation that will create solutions across that spectrum. Some of these solutions may, at first blush, appear targeted at higher income individuals or corporations because the financial opportunity is more significant and, perhaps, more accessible than the moderate or lower income consumer market. But those incentives - higher returns on investment and easier market entry - should lead to innovations that solve problems, either directly or with some adjustment, further down the spectrum. This is particularly likely because the California sandbox is meant to be focused on the development of technologically-based, consumer-focused legal service solutions. These kinds of solutions are expensive and complicated to develop, requiring significant capital and human resources to create, test, implement, and scale. Solutions are more likely to start at the higher end of the market where the necessary resources are well-incentivized but they are also likely to have larger market impacts, particularly when the needs of that market (here the latent consumer legal services market) are so far-reaching. If the sandbox does not permit solutions that are consumer-focused, but also sustainable and scalable, then it will fail and the impact on the justice gap will be zero.

This market-based approach is the approach we have taken in the Utah sandbox and is codified in both our Regulatory Objective and our Regulatory Principles.<sup>1</sup> The sandbox is open to any innovative proposal, whether that comes from nonprofits or for-profits, whether the clear target market is indigent, moderate income, higher income, or businesses. From the beginning, we have reminded ourselves repeatedly that innovation means something new, we don't know what it might be, from where it might emerge, how it might work or how it might impact the market. But the sandbox gives us the space to learn and, as we learn, develop appropriate policies to enhance the values we support and diminish those we do not. And to be clear, the values of increased competition, market diversification, and incentivizing innovation are values we support, particularly given the remarkable dysfunction of the legal services market status quo.

We are starting to see how this may play out in the Utah sandbox. We have 28 entities authorized to provide services; 12 of those are launched and currently providing services. Of those 28 entities, we have 4 straight nonprofits. The remaining entities are for profit offering services across the economic spectrum to both consumers and businesses. But almost all of these entities are focused on engaging a part of the market that is underserved in some way by the status quo, either by lack of engagement because of cost or another aspect of accessibility or by creating a more efficient and holistic service for consumers, reducing the costs of getting help (legal and otherwise) across the board.

**Estate Guru:** A technology company offering a sophisticated estate planning platform. The company initially partnered with lawyers and financial advisors to allow those providers to serve more people at less cost by using the platform for those people with simple estate planning needs. The company is scaling this service to people who would not necessarily have access to either financial adviser or lawyer through partnerships with credit unions.

**LawGeex:** An established legal tech company historically serving large corporate in house legal departments with an AI-enabled contract review and management tool. In the sandbox, the company will hire lawyers as employees, enabling them to handle the entire lifecycle of the contract process and sell their services to smaller companies and small businesses without an in-house legal department.

**Legal Claims Benefits:** A law firm launched and owned as a subsidiary of a larger benefits company focused on veterans' benefits claims.

**Hello Divorce:** A majority-lawyer owned company offering document completion platform and lawyer assistance for dissolution of marriage. Service offered both to those who would use and afford lawyers but may prefer to address their dissolution on their own and to those who may

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<sup>1</sup> Regulatory Objective: To ensure consumers have access to a well-developed, high-quality, innovative, affordable, and competitive market for legal services.

Regulatory Principle #5: Regulation should be guided by a market-based approach.

not have otherwise been able to access legal assistance by leveraging document completion services with the opportunity for lawyer access as needed at lower price points.

**Mountain West Legal Protective:** A legal insurance model focused initially on purchasing coverage for claims arising out of house purchases. The insurance model spreads out the cost of legal assistance over time and consumers. Consumers make a low up front investment (premium) that may or may not be put to use; if needed, the legal representation is free.

**Xira Connect and Off the Record:** Two intermediary platforms focused on connecting lawyers with consumers who may, or may not, have otherwise found and used a lawyer.

**Pearson Butler:** A restructured law firm, owned by a holding company owned by both lawyers and nonlawyers, as part of a group of aligned professional services firms (investment adviser company and accountant company). By offering a holistic solution to clients, the firm hopes to increase efficiencies and decrease costs across many services enabling scaling of services to more people. The firm is also developing a nonlawyer sector of practitioners offering lower cost solutions to serve more people who may otherwise not use the firm or associated professionals.

**DSD Solutions:** A nonlawyer owned company using lawyers, nonlawyer providers, and a technology platform to offer services across a range of areas with particular focus on engaging the latent consumer legal service needs through brick-and-mortar locations in consumer hubs.

Each of the above companies is for profit and most are serving multiple sectors of the market. In many cases, the higher returns from the higher economic sectors can facilitate development and establishment of the services or products that can then be pushed out more broadly. This is why imposing limits on the scope of the sandbox to wall off services for wealthy individuals or corporate entities does not make sense and ultimately will undermine the laudable goals of the Working Group. The only interests protected by imposing such a wall would be those of the providers entrenched behind it.

Thank you for your hard work and commitment to the citizens of California.