



The State Bar of California

II.G. Sandbox Application
09-17-21 CTJG Meeting
Open Session

DATE: September 7, 2021

TO: Closing the Justice Gap Working Group

FROM: Scope Subcommittee

SUBJECT: II.G. Discussion and Possible Action on a Subcommittee Recommendation for a Draft Sandbox Application

For the Closing the Justice Gap Working Group September 17, 2021 meeting agenda item II.G. – Discussion and Possible Action on a Subcommittee Recommendation for a Draft Sandbox Application, the Scope Subcommittee voted to approve the attached draft application form to be submitted to the working group for consideration (5-0-0). In taking this vote, it was recognized that the working group’s development of a comprehensive application process will be iterative and that the application form includes some tentative matters that are subject to further consideration and action. Accordingly, the Scope Subcommittee presents this application form to determine if it collects the information needed to assess entities for admission to a sandbox.

Recommendation:

Recommend that the sandbox application form be approved with the understanding that the items highlighted in the form indicate tentative matters that are open issues for the working group’s further consideration and action.

ATTACHMENT: SANDBOX APPLICATION FORM

CALIFORNIA DRAFT APPLICATION
Sandbox Legal Services Provider Application

1. Applicant information

1.1 Applicant Entity

Organization Legal Name:

List name of business to be certified with this application: List ALL assumed, DBA's, or trade names:

Business Address:

Business Telephone Number: () Business Fax Number: ()

Business E-Mail Address:

Date business formed:

Federal Tax ID Number:

State Tax ID Number:

Type of organization:

- ☐ Corporation ☐ Limited Liability Co. ☐ Partnership
☐ Sole Proprietorship ☐ 501c3
☐ Other

Applicant is applying as a:

- ☐ Traditional Law Firm ☐ Large non-law firm ☐ Small non-law firm
☐ Non-profit – California ☐ Non-profit – non-California
☐ International applicant

Applicant is registered with <<THOSE AGENCIES APPROPRIATE FOR CA>>:

☐ Yes – If registered, applicant must submit copies of Articles of Incorporation/Organization or Partnership Agreements, and a Certificate of Good Standing.

☐ No – If not registered, applicant must submit copies of draft Articles of Incorporation/Organization or Partnership Agreements and explain why entity is not registered. (See instructions for additional information)

Authorized Person's Full Name:
Authorized Person's Business address:
Authorized Person's email address
Authorized Person's Home address:
Business and Home Telephone Number:

The following definition of "Authorized Person" shall be used for completing the applicant information above.

1. The term "Authorized Person" means a person:

- a) Possessing an economic interest in the sandbox entity equal to or more than 10 percent of all economic interests in the sandbox entity;
- b) Possessing the legal right to exercise decision-making authority on behalf of the sandbox entity; or
- c) Functioning as a Compliance Lawyer for the sandbox entity.

2. The term "Compliance Lawyer" means an active member of the State Bar of California in good standing who, pursuant to the rules applicable to sandbox applicants, may be responsible for ensuring compliance with all applicable laws and rules governing sandbox entities and lawyers in California. A Compliance Lawyer may be designated by the sandbox regulator as the person responsible for promptly responding to requests from the sandbox regulator to the sandbox entity for documents and other information. A Compliance Lawyer agrees to accept service of process.

3. The term "Decision-Making Authority" means the authority, by operation of law or by agreement, to directly or indirectly:

- a) Legally bind the sandbox entity;
- b) Control or participate in the management or affairs of the sandbox entity;
- c) Direct or cause the direction of the management and policies of the sandbox entity;
- d) Make day-to-day or long-term decisions on matters of management policy, and operations of the sandbox entity; or
- e) Supervise [five or more] persons providing sandbox entity services directly to consumers.

Disclosure obligations. The SCOPE Subcommittee is considering limiting which owners, officers, and employees may most appropriately be required to make required disclosures as part of the application process.

Also, possibly: Registered Agent for Service of Process

1.2 List and provide full contact information for all persons and entities who wholly or partially direct the management or policies of your proposed entity and/or the direct provision of legal services to consumers, whether through ownership of securities, by contract, or otherwise (“Authorized Persons”).

1.3 List and provide full contact information for all persons and entities who will wholly or partially (greater than 10%) finance the business of your proposed entity (“financing persons”).

2 Description of Proposed Legal Services Offering

2.1 Describe your proposed legal services offering in detail.

- Who provides the legal services;
- How consumers will access/receive these services;
- What your service will do for your customers; and
- Which, if any, of the following will your service offer? (Check all that apply.)
 - ☐ Pro Bono Services
 - ☐ Limited Scope Services
 - ☐ Pro Per Litigant Assistance Services
 - ☐ Subscription, Membership, Group or Prepaid Services
 - ☐ Services Offered on: a Flat Fee Basis; Sliding Fee Scales; or Payment Schedules
 - ☐ Free Consultations

2.2 Describe your target consumer(s).

For example: single parents making <\$50,000 in a custody dispute, first generation college students in a landlord-tenant dispute; renters 40+ years planning for retirement; college educated entrepreneurs seeking legal advice in starting a business.

2.3 What types of legal issues do you propose to serve (e.g., end of life planning, rental housing, health care)?

<<PERMITTED CATEGORIES TO BE DECIDED. THE CATEGORIES BELOW ARE EXAMPLES TAKEN FROM THE UTAH APPLICATION.>>

Accident/Injury	Employment	Military
Adult care	End of Life Planning	Native American & Tribal
Business	Financial Issues	Issues
Criminal–Expungement ONLY	Healthcare	Public Benefits
Discrimination	Housing–rental	Real Estate
Domestic Violence	Immigration	Traffic–civil actions/citations
Education	Marriage and family	Workers’ Compensation

2.4 Describe the entity business model you want authorized in the Sandbox, including the management structure that will oversee direct service provision.

Describe how the governance structures and policies in place ensure that:

- <<Lawyers, others -- TBD>> providing legal services to consumers act with independence consistent with <<TO BE DETERMINED STANDARD>>;
- The entity provides competent legal services;
- The provider makes decisions in the best interest of clients;
- Confidentiality consistent with <<TO BE DETERMINED STANDARD>> is maintained;
- Any other business policies or procedures do not interfere with a lawyers' duties and responsibilities to clients.

2.5 Describe how the business will advance one or more of the following regulatory objectives:

<<TBD from mission statement>>

2.6. Consumer Data

2.6.1 Would the California Consumer Privacy Act apply?

☐ Yes

☐ No

If yes, describe.

2.6.2 Does your business model include the sharing or selling of consumer data in any form to third parties.

☐ Yes

☐ No

If yes, describe.

2.6.3 Describe your policies and procedures regarding the use of clients' confidential information.

2.6.4 Describe how you will

- protect consumers' privacy and confidentiality, including records and communications with clients
- protect consumer data from unauthorized disclosure.

Why is your proposal eligible to enter the Sandbox?

Identify the specific models, services, or product innovations that are not permitted under the current rules governing the practice of law. What rules that currently prohibit the kind of legal services you propose to provide to residents of California are you asking to have waived?¹

3 Risk assessment

3.1 Fully and candidly discuss the risks your customers might face if they use your proposed model, including, but not limited to risks that algorithms or other technical means are either (i) not effective for the purpose or purposes for which they are proposed to be used or (ii) contain prompts or standards that are unfair or discriminatory

3.2 Describe the specific ways you will

- **Identify risks to consumers in your proposed model**
- **Monitor risks to consumers in your proposed model**
- **Mitigate the risks to consumers in your proposed model.**

These efforts could include, for example, quality control measures, training, provider testing.

3.3 Describe your consumer complaint process, including how consumers will become aware of it.

4 Confirmation of Eligibility

4.1 Does your proposed offering comply with California sandbox rules?

4.2 For each Authorized Person or entity and financing person or entity, answer the following: Has this person or entity:

- 1) Committed material misrepresentation, omission, fraud, dishonesty, or corruption in applying for a certificate or on a certificate examination in this state or any other state?
- 2) Committed any act constituting material misrepresentation, omission, fraud, dishonesty, or corruption in business or financial matters?
- 3) Had conduct showing incompetence or a source of injury and loss to the public?
- 4) Been convicted by final judgment of a felony, regardless of whether civil rights have been restored?

¹ Examples include: nonlawyer ownership of an entity providing legal services, the sharing of legal fees among lawyers and nonlawyers, nonlawyer director or officer of entity providing legal services, lawyer assistance to a nonlawyer in providing legal services directly to a consumer, and modification to conflicts of interest rules.

- 5) Been convicted by final judgment of a misdemeanor, regardless of whether civil rights have been restored?
- 6) Had a professional or occupational license or certificate denied, revoked, suspended or any disciplinary action taken?
- 7) Been terminated, suspended, placed on probation, or other disciplinary action taken in the course of employment since the age of 21?
- 8) Been found civilly liable in an action involving misrepresentation, material omission, fraud, misappropriation theft or conversion?
- 9) Been placed on probation or parole?
- 10) Violated any decision, order or rule issued by a professional regulatory entity?
- 11) Violated any order of a court, judicial officer, administrative tribunal, or <<THIS OFFICE>>?
- 12) Made a false or misleading statement or verification in support of an application for a certificate filed by another person?
- 13) Made a false or misleading oral or written statement to division staff or <<this Office>>?
- 14) Failed to respond or furnish information to the division staff or <<this Office>> when the information was requested and was reasonably available to you and pertains to certification or investigative inquiries?
- 15) Been a party to or claimed an interest in any civil proceedings in the last ten years (including but not limited to orders of protection, dissolution of marriage/family matters, bankruptcy, law suits, debt collection, etc.)? If so, provide details, including the case name and number, a copy of the original complaint, and a copy of the final disposition with your application.
- 16) Been contacted by any court, state, or federal administrative or regulatory agency or professional association regarding allegations of adversarial actions or complaints?
- 17) Been the subject of a court sanction/order, a complaint to the State Attorney General, or been contacted by any prosecutorial, judicial, or administrative agency or association regarding business practices?
- 18) Currently on probation or parole?
- 19) Violated any decision, order, or rule issued by a professional regulatory entity?
- 20) Violated any order of a court, judicial officer, administrative tribunal, or the <<OFFICE TO WHICH YOU ARE MAKING THIS APPLICATION>>?
- 21) Made a false or misleading statement or verification in support of an application for a certificate filed by another person?
- 22) Made a false or misleading oral or written statement to <<THE OFFICE TO WHICH YOU ARE MAKING THIS APPLICATION>>?
- 23) Failed to disclose information on the license application subsequently revealed through a background check?
- 24) Failed to respond or furnish information to <<THE OFFICE TO WHICH YOU ARE MAKING THIS APPLICATION>> when the information is legally requested and is in your control or is reasonably available to you and pertains to certification or investigative inquiries?

Regarding criminal matters, the fact you entered into a plea bargain, or entered a “no contest” plea, or that a conviction has been vacated, pardoned, expunged, dismissed, or appealed does not mean that you can answer the question “No.” You must answer “Yes”.

If you answer “Yes” to any question in this section:

- You must submit a list of all incidents and complete a written explanation of the events for each. This includes incidents which may be pending and/or in litigation, and
- You must submit any, and all documentation which shows where the violation, finding, or conviction occurred, the nature and details of the case, case disposition, court, case number, and any other relevant information.

4.3 List the states or countries in which your organization offers legal services. Include the following information for each jurisdiction:

- Whether the jurisdiction requires licensing, certification or registration.
- If licensing, certification or registration is required, list the address and telephone number of the relevant regulator
- The length of time your organization has been operating in each such jurisdiction

[signature page follows]

SIGNATURE PAGE

Applicant Name: _____

The undersigned certify under penalty of perjury that the information on the application, including any attachments and exhibits submitted with it, is true and correct. (Note: Original signature page must be submitted.)

If any information provided in this application changes, the undersigned will promptly notify the [sandbox regulator] and submit revised information, including any necessary revised attachments or exhibits.

The undersigned have read and are familiar with the rules and laws governing the [CA Legal Services Sandbox] and will abide by them in the activities permitted by [CA Legal Services Sandbox].

The undersigned hereby authorize any agencies or other institutions to release to the [Sandbox Regulator] any information, files or records requested in the connection with the processing of this application.

Owner

Director/Administrator

Print Name/Title

Print Name/Title

Signature

Signature

Date

Date

Mailing Address

Mailing Address

City

State

Zip

City

State

Zip

Phone Number

Phone Number