



Sweeping Changes to Rules Regarding Law Firm Ownership and Fee Sharing

In nearly every state, professional conduct rule prohibits non-lawyers from sharing in legal fees or having an economic interest in a law firm.

On August 27, 2020, the Supreme Court of Arizona issued order No. R-20-0034, implementing extensive changes to these longstanding and widespread rules to go into effect in early 2021.

Summary of the Changes:

1. **A New Class of (Limited) Legal Practitioners.** The State Bar will begin certifying a new class of legal service providers referred to as Legal Paraprofessionals (LPs). LPs are likened to nurse practitioners and will be:
 - a. Certified in specific areas of law
 - b. Authorized to represent clients in court in certain matters
 - c. Required to have completed educational requirements and have certain experience
 - d. Required to pass a professional abilities examination and a character and fitness assessment
 - e. Subject to the same ethical rules and disciplinary procedures as lawyers
2. **A New Entity Structure to Provide Legal Services.** The State Bar will begin certifying a new class of legal entities: the Alternative Business Structure (ABS). The ABS will:
 - a. Be owned, operated and/or managed by non-attorneys
 - b. May offer non-legal services, as well. (For example, Costco kiosk for wills or divorce pleadings)
3. **Fee-Sharing Open to Non-Lawyers.** The previous ban on fee sharing between non-lawyers and lawyers is lifted. The original purpose of the ban was to encourage referrals to the most qualified attorney for the legal issue and to avoid incentives for kickbacks. The lift on this ban allows for the creation of ABS entities.

Implications

- Cost savings for certain legal issues
- Potential for business innovation
 - What legal services could the construction industry provide?
- If you receive a referral to a particular law firm or lawyer, consider asking if there is a fee-sharing arrangement.