UTAH SUPREME COURT AD HOC COMMITTEE

REGULATORY REFORM
Nick Stiles, Co-Chair
Maryt Fredrickson, Co-Chair
Workgroup Meeting: Rule 5.4
April 3, 2026
12:00 – 1:00
Virtual Meeting Only
Meeting LINK

1. Welcome

2. Approval of January 5 Minutes (Tab 2)

3. Report on Interim Summary discussion with the Utah Supreme Court (Tab 3)

4. Connor's report of his meeting with Professor Manuel A. Quilichini on his work with Rule 5.4 in Puerto Rico (Tab 4)

5. Discuss recent updates and news on Rule 5.4 reforms and ABS programs.[1]

6. Action Items

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[1] https://www.lawnext.com/2026/02/arizona-republic-investigation-finds-consumer-harm-loopholes-and-conflicts-of-interest-in-arizonas-legal-regulatory-reform.html; https://news.bloomberglaw.com/business-and-practice/arizona-abs-law-firms-face-new-limits-on-out-of-state-business; https://www.law360.com/healthcare-authority/policy-compliance/articles/2448500/ny-bill-would-expand-liability-for-chatbot-operators; https://www.reuters.com/legal/legalindustry/openai-hit-with-lawsuit-claiming-chatgpt-acted-an-unlicensed-lawyer-2026-03-05/;

Tab 1

Current 5.4 Scope

Rule 5.4 Workgroup	
• Research pros and cons of allowing lawyers to partner or share fees with nonlawyers, including any multijurisdictional implications. • Analyze lesson learned from Sandbox ABS entities as well as Arizona's ABS program. • Consider recommendations from experts on legal regulation.	• Examine rule 5.4 language from other states. • Develop a recommendation on whether rule 5.4 should be amended. • Draft proposed rule changes, if any.

Tab 2

Meeting Minutes
Utah Supreme Court's Ad Hoc Committee on Regulatory Reform
Rule 5.4 Meeting Minutes
Friday, January 5, 2026
12:00 – 1:00
Virtual

The workgroup accepted the minutes from the previous meeting with minor revisions.

The workgroup held a drafting workshop for the interim report to the Utah Supreme Court. Some of the discussions and notes for the report included:

1. Ownership and Entity Structure.
    a. The group considered different types of entities that may be affected by Rule 5.4, including mixed-ownership entities (lawyer and nonlawyer ownership) and nonprofit models focused on providing services to underserved populations.
    b. Members noted that no nonprofit entities have been authorized under Rule 5.4; ABSs have been for-profit entities.
    c. The group also discussed the possibility of distinguishing between for-profit mixed-ownership entities and nonprofit service providers in future recommendations.

2. Alternative Business Structures (ABS).
    a. The group noted that recent communications from the Court suggest a movement away from ABS models in the Sandbox.
    b. Members discussed whether the report should reflect this shift and identify potential concerns associated with ABSs, while also considering how to address entities that do not involve nonlawyer ownership.

3. Purpose of Rule 5.4.
    a. The group discussed whether Rule 5.4 should be understood primarily as a fee-sharing rule or as a rule designed to protect the independence of the legal profession.

4. Comparative Jurisdictions and Existing Systems.
    a. The group referenced other jurisdictions, including Washington, D.C., and noted the importance of gathering additional information before drawing conclusions.
    b. Members emphasized the need to avoid reinventing existing regulatory systems, particularly with respect to complaint and disciplinary processes.
    c. There was general agreement that maintaining accountability through existing structures may be preferable to creating entirely new systems.

5. Ownership Limits
    a. The workgroup discussed potential limits on nonlawyer ownership, including the commonly referenced 49% threshold.
    b. Members noted that no consensus has been reached on a specific percentage and agreed that any reference to ownership caps should reflect that the appropriate level remains an open question.
    c. It was suggested that any proposed cap could be lower than 49%, and that the report should avoid implying that a specific figure has been finalized.

The workgroup held a drafting workshop for Rule 5.4.

The group noted that Rule 5.4 had recently been released for public comment with amendments, and that the Rules Committee was scheduled to continue discussion shortly thereafter. The workgroup confirmed that it will not submit a redline draft as part of the February report, and will instead focus on high-level recommendations.

Tab 3

To: Ad Hoc Committee on Regulatory Reform
From: Connor Dela-Cruz & Breanna Hickerson, Regulatory Reform Fellows
Date: Tuesday, March 10, 2026
Subject: Summary of the Committee's Interim Report to the Utah Supreme Court

Introduction

On February 18, 2026, Nick Stiles, Maryt Fredrickson, Breanna Hickerson, and Connor Dela-Cruz presented an interim update to the Utah Supreme Court regarding the work of the Committee's four workgroups: Licensed Paralegal Practitioners (LPPs), Community Justice Advocates (CJAs), Rule 5.4, and AI/Legal Technology. The purpose of this presentation was to update the Court on the work the Committee has done thus far and receive feedback on whether the workgroups are moving in directions the Court is interested in pursuing before proposals are further refined.

This memorandum recaps the presentation of each workgroup and directional feedback from the Court.

Licensed Paralegal Practitioner Workgroup

First, no objections from the Court on rebranding the LPP program as "LPs" to be more consistent with analogous programs around the country.

Second, one member of the court expressed great support in moving LPP practice away from the forms-based practice originally contemplated, and there were no objections to this change from other justices. The Court is also open to a change in the scope of LPP practice, and we explained Colorado's success in limiting its LP practice to family law while expanding what LPs can do in those cases. It would be helpful for the committee to continue thinking through how to capture the kinds of family law cases that are normally assigned to commissioners in SLC to include the same kinds of cases in state districts without commissioners, as we look to clarify these changes in LPPs' scope. There was mention of pushback from family law attorneys against the

LPP program and the need to clearly communicate LPP's scope to help offset those concerns and show attorneys how LPPs can add value to this area.

In discussing LPPs' education requirements, the Court noted that the University of Utah is offering a Bachelor's of Law degree now, and it could be worthwhile to consider if those graduates should be able to take the LPP exam if desired, to create an additional LPP pipeline.

Finally, we informed the Court of our intent to confer with the existing LPP committee to review any proposed rule amendments and proposed changes to the program before submitting our final report to the Court, and the Court raised no objections.

The Court appreciated the distinctions being drawn between LPPs and CJAs, primarily: (1) that LPPs can act on behalf of clients, whereas CJAs cannot and instead assist self-represented litigants to represent themselves better, and (2) LPPs can charge clients to provide limited legal services, whereas CJAs cannot, though they may be paid more by an employer for the services they provide as a CJA. LPPs are viewed as alternative legal service providers, whereas CJAs are generally people already in support roles, such as social workers and victim advocates, who would primarily provide legal resources instead of advice.

Community Justice Advocate Workgroup

The Court agreed that CJAs should not be housed at legal services organizations, as we want this program to be widely accessible to anyone interested without the limitations that LSOs can present. The group shared the current regulatory burden on the CJA host organizations. The Court also agreed that either the bar or the Court is the most logical home for CJA regulation and recognized the need for resources for whichever entity ultimately manages the program.

We informed the Court that an extension may be necessary, either for the workgroup or the entities under their current authorizations/standing orders, to allow the group to finalize any recommended rule changes for the CJA program.

Rule 5.4 Workgroup

The presentation on Rule 5.4 indicated that some amendment to Rule 5.4 appears warranted, but the likely path forward is not a wholesale adoption of any of the three existing reform models in Arizona, the District of Columbia, or Puerto Rico. The workgroup's research to date suggests Utah may wish to consider a more limited amendment tailored to Utah's own regulatory experience rather than importing another jurisdiction's framework.

As part of the Rule 5.4 presentation, Connor summarized the Committee's research on those three jurisdictions. As the broadest and most sweeping example of reform, Arizona represents the resource intensive nature of Rule 5.4 reforms. D.C. is the oldest and narrowest case study, but it does not maintain a registration system for non-lawyer owned entities, which makes

data monitoring challenging. Puerto Rico is the newest and least developed case study, but it is explicitly tied to access to justice with its pro bono requirements and nonlawyer ownership capped at 49%.

In response, a member of the court pressed directly on the central question as to whether there is an actual, demonstrable consumer benefit to Rule 5.4 reform. A member of the court expressed skepticism that Utah presently has sufficient evidence linking Rule 5.4 reform to improved access to justice, lower costs, or greater availability of legal services. She also noted that one early premise of the Sandbox was that outside investment and alternative ownership might lead to innovation and lower prices, but that the Sandbox experience did not clearly bear that out. It remains unclear whether Utah currently has sufficient reason to believe Rule 5.4 would materially benefit consumers.

Although skeptical, the Court did not dismiss Rule 5.4 reform. However, the comments strongly suggest that any recommendation supporting reform might want to consider more than possibilities, theories, or analogies.

That being said, a few narrower potential justifications may warrant further development. For example, one-stop-shop firms that allow some nonlawyer ownership in narrow circumstances (i.e., long-time employees or succession planning) may allow flexibility while preserving lawyer control. We also noted that any change to Rule 5.4 may be accompanied by a separate implementing rule, potentially a new Rule 5.9, to govern the mechanics of nonlawyer ownership and fee sharing in greater detail.

Another key theme was the overlap between the Rule 5.4 and AI/Legal Tech workgroups. Future AI/Legal Tech entities may require some form of Rule 5.4 carve-out if they involve capital or ownership structures that do not fit cleanly within the current rules. Although this did not resolve the court's concern, it highlighted that Rule 5.4 may not be a stand-alone topic. Rather, its strongest justification may emerge only when considered together with legal tech models that do not fit neatly within traditional law firm structures.

AI/Legal Tech Workgroup

The AI/Legal Tech discussion is the most complex of the four workgroups. At least in the interim stage, the group is not leaning toward broad Rule 5.4 reform as the primary solution. Rather, the Committee is considering some form of carve-out or safe harbor under Utah's Unauthorized Practice of Law (UPL) rules.

The Sandbox is ahead of its time, and it has yet to produce strong examples of truly autonomous AI legal service providers. This is likely due to the fact that large-language-model technology did not reach its current capability until the later end of the Sandbox. In that respect, the Sandbox appears to have anticipated a future market that only recently began to materialize.

There has also been a sharp rise in AI-generated filings over the last few months, suggesting that the regulatory question is no longer hypothetical.

The key question here is what exactly Utah would want to regulate. At one end of the spectrum are general tools, such as ChatGPT, which can be useful for obtaining legal-sounding answers or drafting assistance. At the other end of the spectrum, narrower tools with specific purposes may be considered for safe-harbor treatment. With this comes the potential practical issue that if Utah continues to define legal-tech as UPL without clarification, it may create an inconsistency between the law on the books and the reality of widespread public use.

The Court was receptive to a potential carve-out. At the same time, the Court is interested in requiring some form of disclaimer or notice similar to those used by medical-information websites. The disclaimer would ideally clarify that AI-generated information is not a substitute for legal advice and that consumers ordinarily should consult a lawyer when appropriate. A broad prohibition model is likely unrealistic, while a disclosure-based carve-out or safe harbor may be a more workable path.

Conclusion

The Court's feedback indicated that the Committee's work is moving in a positive direction, while also underscoring the need for further refinement before final recommendations are presented. Across all four workgroups, the Court appeared interested in practical reforms grounded in Utah's own experience and needs. The Court's feedback also made clear that future recommendations should demonstrate a clear connection to closing the justice gap.

The Court's comments provided helpful direction on questions of scope, consumer benefit, and regulatory feasibility. This guidance should assist the Committee as it continues developing recommendations for the final report to the Court.

Tab 4

To:	**Rule 5.4 Workgroup, Utah Supreme Court's Ad Hoc Committee on Regulatory Reform**
From:	**Connor Dela-Cruz Regulatory Reform Fellow**
Date:	**March 16, 2026**
Subject:	**Meeting with Professor Manual A. Quilichini—Puerto Rico's Rule 5.4 Reform**

Introduction

As part of the Rule 5.4 workgroup's ongoing review of regulatory reform in other jurisdictions, I met with Professor Manuel A. Quilichini to discuss Puerto Rico's recent changes to its professional conduct rules. Professor Quilichini is a professor of legal ethics and served on the advisory committee that assisted the Puerto Rico Supreme Court in drafting revisions to the territory's rules of professional responsibility. During the revision process, he was responsible for reviewing and recommending changes related to Rules 5, 6, and 8, including Rule 5.4 governing fee sharing and non-lawyer participation in law firms. The following report summarizes our conversation and highlights observations relevant to the work of the Rule 5.4 workgroup.

Background: Ethics Reform in Puerto Rico

Until recently, Puerto Rico's code of professional ethics had remained largely unchanged since its adoption in 1970. Portions of the code were derived from the American Bar Association's 1908 Canons of Ethics. Over time, the rules became widely viewed as outdated and overly conservative relative to modern legal practice.

In 2013, the Puerto Rico Supreme Court initiated a comprehensive review of the ethics code and convened an advisory committee composed of legal professionals and academics to evaluate the existing rules and recommend updates. The committee divided its work among several subgroups tasked with reviewing specific sections of the rules. Professor Quilichini served on the subgroup responsible for Rules 5, 6, and 8.

Following several years of review, the Puerto Rico Supreme Court adopted a revised Rules of Professional Conduct of Puerto Rico in December 2025. Notably, the advisory committee itself did not recommend changes to Rule 5.4 allowing non-lawyer ownership—the provision was added by the Court's majority without a formal committee recommendation and without a published rationale. The revised rules include provisions allowing certain forms of fee sharing and non-lawyer participation in law firm ownership under Rule 5.4.

Structure of Puerto Rico's Rule 5.4 Reform

Puerto Rico's revised Rule 5.4 permits non-lawyer ownership or participation in law firms under specific conditions. The full text of Rule 5.4(b), the operative provision permitting non-lawyer ownership is reproduced below (translated from Spanish):

> Rule 5.4(b) — A person authorized to practice law may share legal fees or maintain an ownership or managerial interest in a legal services entity with a person not authorized to practice law only if the entity meets all the following requirements:

1. The law office provides for the collective fulfillment of the responsibility to provide free legal services to indigent persons;
2. Persons who are not authorized to practice law do not interfere, directly or indirectly, in the lawyer's professional judgment or the attorney-client relationship;
3. The entity does not represent or imply that persons who are not authorized to practice law are permitted to provide or supervise legal services;
4. The persons authorized to practice law in the entity are not required to share legal fees with persons not authorized to practice law, except as provided in this Rule;
5. All persons who provide legal services through the entity must be authorized to practice law in Puerto Rico or in another jurisdiction;
6. The persons authorized to practice law are subject to the same responsibilities and ethical standards, including supervision, applicable under these Rules;
7. The entity discloses in writing to its clients, before or at the time of engagement, the name and status of any person with an ownership interest or who exercises managerial authority in the entity and who is not authorized to practice law;
8. Non-lawyer ownership may not exceed 49% of the firm's ownership interests.

Rule 5.4(b) also requires that any non-lawyer owner ensure the firm is operated solely by an attorney licensed in Puerto Rico, who must represent the non-lawyer owner in exercising all voting rights and other firm matters, ensure compliance with the Rules of Professional Conduct, notify the Supreme Court upon entering any such agreement, and file an annual sworn statement by January 15 of each year detailing the number of attorneys in the firm, the dates and amounts of all investments made by the non-lawyer owner, and the earnings received by that person during the previous calendar year.

Despite these structural requirements, the regulatory framework surrounding this reform is relatively limited compared to systems adopted in other jurisdictions. Puerto Rico does not currently employ a comprehensive compliance structure comparable to Arizona's ABS model or Utah's Sandbox. There is no formal system designed to track consumer outcomes or monitor potential harm associated with non-lawyer ownership. As a result, much of the rule's practical effect may not become clear until the profession begins submitting mandatory disclosures and additional information becomes available through the regulatory process.

It is also worth noting that Rule 5.4(d) of Puerto Rico's revised rules includes language directing the Supreme Court to evaluate the effectiveness of Rule 5.4(b) within three years of its taking effect.

Observations from Professor Quilichini

Political Context of the Reform

Professor Quilichini noted that the adoption of Rule 5.4 was influenced in part by political and external pressures. According to him, two former governors advocated for the adoption of the rule, reportedly on behalf of clients interested in expanding the structure of legal service business in Puerto Rico. This suggests that the reform was driven not only by access-to-justice considerations but also by market interests seeking greater flexibility in law firm ownership structures. As noted above, the rule was ultimately adopted by the Court's majority over the objection of its own advisory committee.

Market Structure of the Puerto Rican Legal Profession

Professor Quilichini emphasized that Puerto Rico's legal market is dominated by small practices. He estimated that approximately seventy-five percent of attorneys in Puerto Rico operate as solo practitioners or in very small firms of four attorneys or fewer. Because of this structure, he expressed skepticism that non-lawyer ownership would meaningfully benefit the majority of practicing attorneys in the jurisdiction.

Instead, he suggested that the rule may primarily benefit mid-sized firms—those consisting of five to twenty attorneys—that could become attractive partners for larger mainland firms seeking to expand services into Puerto Rico. Larger firms within Puerto Rico, those with forty to eighty attorneys, are less likely to seek non-lawyer ownership because they already possess sufficient resources to operate without outside investment.

Oversight and Monitoring Limitations

Professor Quilichini expressed concern about the limited oversight mechanisms accompanying the reform. Unlike Arizona's ABS framework, which requires compliance reporting, Puerto Rico does not currently require any registration or immediate reporting from firms utilizing non-lawyer ownership structures. The only reporting obligation under the revised rule is an annual sworn statement, due each January, detailing the number of attorneys in the firm, investment amounts, and earnings paid to non-lawyer owners. Because no registration or real-time reporting requirement exists, Puerto Rico will not know which firms have non-lawyer owners, whether consumer harm has occurred, or how the rule is being followed until that first annual disclosure is submitted—meaning regulators may have no meaningful data on the rule's implementation for a full year following its adoption.

Similarly, there is no dedicated regulatory program designed to track consumer harm or measure whether the rule improves access to legal services. As a result, regulators may lack reliable data to evaluate the rule's effectiveness in the near term. In reality, we will not know the full impact—for the benefit or harm of Puerto Rican consumers—at least five to ten years from now.

Consumer Protection Concerns

Professor Quilichini raised concerns about potential consumer protection issues associated with non-lawyer ownership. Although firms must disclose the presence of non-lawyer owners to clients, he questioned whether most members of the public will fully understand the significance of such disclosures. Disclosure alone, he suggested, may not adequately ensure that clients appreciate the potential implications of non-lawyer involvement in the governance or financial interests of a law firm.

Additionally, non-lawyer owners cannot be directly disciplined by the Puerto Rico Supreme Court's attorney disciplinary system. This limitation could create accountability challenges if non-lawyer participants influence firm conduct in ways that raise ethical concerns.

Access to Justice Outcomes

Professor Quilichini stated plainly that he does not believe Rule 5.4 reform leads to improved access to justice. After his review of the reform process, he concluded that while non-lawyer

ownership may produce certain benefits, such as facilitating multidisciplinary practices or attracting outside investment, improved access to justice is not among them. This assessment is particularly notable given that access-to-justice considerations have been a primary stated rationale for Rule 5.4 reform in Utah, Arizona, and Puerto Rico.

Ownership Thresholds and Control

Professor Quilichini expressed skepticism regarding ownership percentage limits as an effective regulatory tool. He specifically questioned the 49% ownership threshold, which is adopted under Rule 5.4(b)(8) under Puerto Rico's current framework, noting that numerical ownership limits do not necessarily correspond to actual control over a firm's operations. In some governance structures, relatively small ownership stakes can still confer significant influence. Professor Quilichini suggested that regulatory frameworks should consider issues of control and governance rather than relying solely on fixed ownership percentages.

Potential for Multidisciplinary Practice

One benefit of Rule 5.4 reform that Professor Quilichini identified was the potential for non-lawyer ownership to facilitate multidisciplinary practices. For example, a law firm could partner with an accountant, consultant, or other professional service provider, allowing integrated service offerings within a single firm structure. Professor Quilichini suggested that this development could significantly reshape the structure of legal practice but noted that it may warrant additional regulatory consideration.

Evaluation of Utah's Regulatory Approach

Professor Quilichini expressed generally favorable views regarding Utah's regulatory approach, specifically highlighting the advantages of the Sandbox. He noted that Utah's ability to monitor participating entities, require reporting, and revoke authorizations when firms fail to comply with program requirements provides regulators with significantly more oversight than Puerto Rico's current system. In his view, this experimental model allows jurisdictions to evaluate the impact of regulatory changes based on real-world evidence rather than theoretical predictions.

Conclusion

Puerto Rico's experience with Rule 5.4 reform offers the workgroup a timely and instructive case study, though perhaps not in the way its proponents intended. The reform was adopted over the objection of the Court's own advisory committee, was shaped in part by political and market pressures rather than access-to-justice goals, and will not meaningfully improve access to legal services regardless of how it is implemented. Compounding these concerns, Puerto Rico launched the rule without the oversight infrastructure needed to evaluate its effects, and regulators will have

no meaningful data on who is using the rule, whether consumers are being harmed, or whether the rule is being followed at all until the first annual disclosures are submitted in January 2027.

That said, Professor Quilichini did identify one genuine potential benefit: the possibility that non-lawyer ownership could facilitate multidisciplinary practices, allowing law firms to integrate services with accountants, consultants, and other professionals in ways that could meaningfully reshape legal practice. Whether that benefit materializes, and whether it justifies the regulatory risks, remains to be seen.