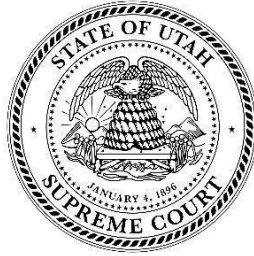


UTAH SUPREME COURT AD HOC COMMITTEE



REGULATORY REFORM

Nick Stiles, Co-Chair
Maryt Fredrickson, Co-Chair

Joint Workgroup Meeting:
Rule 5.4 and AI/Legal Technology
July 18, 2025
12:00 – 1:00
Education Room - Matheson Courthouse
[Public Meeting Link](#)

1. Welcome: building a framework after last month's broad discussion
2. Approval of minutes (Tab 3)
3. Gathering viewpoints from stakeholders
 - Preferences on who to hear from and who should be heard first? (past discussion identified: legal aid providers, self-help center, clients, entities (including current Sandbox entities), academics, agencies. Anything else?)
 - What would we like to hear?
4. Scope of recommendations and/or priorities:
 - UPL or ABS or both?
 - Entities, individuals, or both?
 - References for future discussions:
 - Tab 1 – other states/territories/districts that changed rule 5.4
 - Tab 1-A: GPT-assisted translation of Puerto Rico's new rule
 - Tab 1-B: some ancillary 5.4 activity (New York, Florida, California)
 - Tab 2 - current scope of workgroups
5. Continue joint meetings or separate
6. Action Items & Conclusion

TAB 1

Utah

Rule 5.4. Professional Independence of a Lawyer

https://legacy.utcourts.gov/utc/rules-approved/wp-content/uploads/sites/4/2020/08/Rule-5.4.-Combined.Clean_.pdf

District of Columbia

Rule 5.4. Professional Independence of a Lawyer

<https://www.dcbart.org/for-lawyers/legal-ethics/rules-of-professional-conduct/law-firms-and-associations/professional-independence-of-a-lawyer>

Puerto Rico

See Tab 1-B

Also see new rule 1.19, *Technological Competence & Diligence*,

<https://www.lawnext.com/2025/06/puerto-rico-adopts-duty-of-technology-competence-with-rule-that-goes-farther-than-aba-model.html>

Arizona

Eliminated rule, effective January 2021

See also: Ariz. Supreme Court Rule 33.1 (applications for licensure)

Ariz. Code of Judicial Administration 7-209 (licensure recommendations)

ABS FAQs: <https://www.azcourts.gov/accesstolegalservices/Questions-and-Answers/abs>

TAB 1-A

Puerto Rico

Articles about the new rule:

- <https://www.legal.io/articles/5692310/Puerto-Rico-Allows-Non-Lawyer-Ownership-of-Law-Firms>
 - <https://www.lawnext.com/2025/06/puerto-rico-allows-non-lawyer-ownership-of-law-firms.html>
-

ChatGPT Translation of new rule & dissenting opinion from Justice Martinez

Rule 5.4 – Professional Independence of the Lawyer

(a) A person authorized to practice law or a law office shall not share legal fees with a person not authorized to practice law, except that:

1. An agreement may be entered into with the lawyer's law office, partners, or associates to provide for the payment of money to their estate or to specific individuals for a reasonable period following the lawyer's death;
2. A lawyer may purchase the legal practice of a deceased lawyer, or a lawyer who has been judicially declared incapacitated or absent, pursuant to the provisions of Rule 1.17, through payment of the agreed purchase price to the estate or to another representative of that lawyer;
3. A lawyer may include nonlawyer employees in a compensation or retirement plan, even if the plan is based in whole or in part on a profit-sharing arrangement;
4. A lawyer may share court-awarded legal fees with a nonprofit organization that hires, employs, or recommends the lawyer to handle a matter; and
5. A lawyer may share profits with an owner or former owner who is not authorized to practice law, or with their estate or representatives, of a law office that meets the requirements set forth in subsection (b).

(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 legal services 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. The entity complies with the organizational, registration, and operational rules established by the Supreme Court of Puerto Rico.

(c) A lawyer shall not allow a person or entity who employs or pays them to provide services to another to direct or regulate their professional judgment in rendering such services.

(d) A lawyer shall not practice with or in the form of a professional corporation or other entity authorized to practice law for profit if:

1. A person who is not authorized to practice law owns any interest in it, except as permitted by subsection (b);
2. A person who is not authorized to practice law is a corporate director or officer, or holds a similar position;
3. A person who is not authorized to practice law has the right to direct or control the professional judgment of a lawyer.

Commentary on Rule 5.4

1. The professional independence of lawyers is essential to the legal system. The principle underlying the Rule is that lawyers must use their best judgment for the benefit of their clients, free from external pressures or conflicts of interest.
2. Subsection (a) permits sharing of legal fees under specific conditions that do not compromise the lawyer's independence or the integrity of the profession.
3. Subsection (b) recognizes the possibility of new organizational models for the delivery of legal services, including entities with nonlawyer participation. However, such models must incorporate protections that ensure that the core values of the legal profession— independence, confidentiality, and loyalty to the client— are preserved.
4. These safeguards are also intended to prevent the unauthorized practice of law by persons who are not lawyers and to protect clients from confusion about who is providing legal services.

5. Subsection (c) reiterates the lawyer's obligation to preserve their independent judgment, even when employed by or receiving payment from a third party.
 6. Subsection (d) prohibits organizational structures that place persons who are not lawyers in positions of authority over the professional judgment of lawyers, except under the limited and regulated circumstances of subsection (b).
-

Dissenting Opinion from Justice Estrella Martinez

ChatGPT Translation

The Rule approved by this Court sets forth the following:

(a) A person who practices law or a law firm shall not share legal fees with a person not authorized to practice law, except that:

1. They may enter into an agreement with their law firm, partners, or associates to provide for the payment of money to their estate or to specific individuals for a reasonable period of time after their death;
2. They may purchase the law practice of a deceased, incapacitated, or judicially declared absent lawyer pursuant to Rule 1.17, through payment of the agreed purchase price to the estate or legal representative of that lawyer;
3. They may include non-lawyer employees in a compensation or retirement plan, even if the plan is partially or entirely based on a profit-sharing arrangement;
4. They may share court-awarded fees with a nonprofit organization that hires, employs, or recommends them to handle a matter; and
5. They may share profits with a non-lawyer owner of a law firm, provided they comply with subsection (b) of this rule.

(b) A person who practices law may do so in a law firm in which an ownership interest is held by a person who is not a lawyer only if:

1. The law firm provides for the collective responsibility of offering free legal services to indigent persons;
2. Any non-lawyer who holds an ownership interest in the law firm must ensure that the firm is operated solely by an attorney admitted to practice law in Puerto Rico. The lawyer must represent the non-lawyer owner in exercising any voting rights and in all matters related to the firm. The lawyer must ensure compliance with professional responsibility rules and notify the Supreme Court once the agreement begins. By January 15 of each year, they must file a sworn statement with the Clerk of the Supreme Court of Puerto Rico detailing the number of lawyers in the firm, the dates and amounts of all investments made by the non-lawyer owner, and the earnings received by that person in the previous calendar year;
3. The non-lawyer owner or their agent shall not engage in the unauthorized

practice of law. Moreover, the only contribution from the non-lawyer owner to the firm must be monetary; they or their agents may not provide any services to the firm, including but not limited to marketing services;

4. There shall be no interference by the non-lawyer owner with the professional judgment of the lawyer or with the attorney-client relationship;
5. Client-related information shall be protected as required by Rule 1.6;
6. The agreement in subsection (2) does not violate Rule 1.5;
7. The lawyer must inform the client that a share of the law firm is owned by a non-lawyer;
8. Non-lawyer owners may not hold more than 49% of the firm's equity.

(c) A lawyer shall not allow a person who recommends, employs, or pays them to provide legal services for another to direct or control their professional judgment in rendering such services.

(d) The Supreme Court shall evaluate the effectiveness of subsection (b) of this rule no later than three years after it goes into effect.

As can be seen, this provision allows attorneys to share equity in a law firm with individuals who are not authorized to practice law in Puerto Rico. In other words, this rule allows non-lawyers to financially invest in law firms in the country. Given the above, I am not in agreement with the implementation of this rule due to the potentially harmful consequences it may bring.

First, allowing this source of funding in Puerto Rico law firms could represent a significant risk to the autonomy and independence of the professional judgment of the attorneys within them. In fact, this was one of the main concerns of both the Special Committee and the Secretariat, which did not recommend the approval of this regulatory provision after its draft departed from the ABA Model Rule 5.4.

In the past, we have rejected third-party interference in the decisions, strategies, or advice provided by the attorney responsible for representing someone who comes to a law office. For example, investors not subject to professional ethical standards might be inclined to pressure for a settlement that favors their interest in fee-sharing, rather than continuing litigation to achieve the best outcome for the client. Therefore, this could be interpreted as interference in the legal decisions, strategies, or advice related to a particular case or client.

Additionally, according to findings from the Secretariat, in practice, investors are typically driven by purely economic interests, which does not guarantee an improvement in the availability or quality of legal services for the people of Puerto Rico. In fact, arguments favoring a more flexible Model Rule 5.4 may distract from more effective strategies to improve access to justice. In our jurisdiction, the Regulation for

the Assignment of Court-Appointed Attorneys in Puerto Rico, as well as organizations that provide free legal services and the Access to Justice Fund (created by law), promote and ensure access to justice without economic motivations. These mechanisms do indeed facilitate and guarantee access to justice free from financial interests.

Another concern reinforcing my position is the even more troubling fact that we lack disciplinary authority over investors who are not attorneys in Puerto Rico. In my view, this situation creates a gap in oversight and accountability because, although Rule 5.4 establishes criteria for allowing third-party investment in law firms, there is no built-in mechanism to regulate their disciplinary conduct or ethical boundaries. As a result, such investors could influence legal decisions without being subject to the same ethical and professional responsibilities as attorneys. This could create conflicts of interest and put the quality of legal services provided to the public at risk.

Moreover, adopting this rule distances us from the model established by the ABA, and therefore from the Special Committee's mandate to harmonize our ethical rules with the ABA Model Rules. See *In re Proy. Conducta Prof. y Regl. Disc.*, 189 DPR 1032 (2013). The ABA currently maintains its stance that lawyers and law firms should neither share fees with non-lawyers nor allow non-lawyers to invest in law firms. In fact, the vast majority of U.S. jurisdictions continue to apply ethical provisions similar to ABA Model Rule 5.4, which addresses the same subject as our Rule 5.4.

That said, I acknowledge that the jurisdictions of Arizona and the District of Columbia modified their Rule 5.4 to lift the absolute ban on lawyers sharing equity in a law firm with non-lawyers. North Carolina presents a particular situation by allowing a non-lawyer to hold a leadership or officer position in a legal services corporation, as long as they do not have the authority to direct or control the conduct of the attorneys in the firm. Meanwhile, Utah implemented a pilot program in August 2020, valid through 2027, to assess the feasibility of easing the restriction imposed by Rule 5.4. However, the preliminary results of this experience in Arizona, D.C., and Utah's pilot program have not shown evidence of improved access to justice; instead, they confirm that investors are in fact driven by purely economic interests, as previously indicated.

For these reasons, I agreed with the initial draft proposed by the Special Committee and the Secretariat, which was not approved by a majority of this Court. Specifically, the rule read as follows:

(a) A person practicing law or a law firm shall not share legal fees with a non-lawyer, except that:

1. They may enter into an agreement with their law firm, partners, or associates to provide for the payment of money to their estate or to specified individuals over a reasonable period of time after their death;
2. They may purchase the law practice of a deceased, incapacitated, or judicially

declared absent lawyer in accordance with Rule 1.17, by paying the agreed purchase price to the estate or another representative of the lawyer;

3. They may include non-lawyer employees in a compensation or retirement plan, even if the plan is based in whole or in part on a profit-sharing agreement;
4. They may share court-awarded fees with a nonprofit organization that retained, employed, or recommended them to handle the matter.

(b) A lawyer shall not form a partnership with a non-lawyer if any of the activities of the partnership consist of the practice of law.

(c) A lawyer shall not allow a person who recommends, employs, or pays them to provide legal services for another to direct or control their professional judgment in rendering such services.

(d) A lawyer shall not provide legal services through a professional corporation or association authorized to practice law for profit if:

1. A non-lawyer owns any interest in the organization, except that a representative of the estate of a lawyer may hold the shares or assets of the law firm for a reasonable time during estate administration;
2. A non-lawyer is a director, officer, or holds a similar position of responsibility in the organization;
3. A non-lawyer has the right to direct or control the professional judgment of the lawyer.

In summary, the prior version, which was not approved by a majority of this Court but closely mirrored the ABA Model Rule 5.4, reaffirmed the known limitations on fee-sharing and the prohibition against third-party investment in law firms. These restrictions are primarily intended to preserve the independence and professional judgment of lawyers, preventing any external influence that could compromise their ethical duties and client representation. They also ensure that the provision of legal services is governed solely by professional standards, not by economic interests foreign to legal practice.

For that reason, ABA Model Rule 5.4 has long served as an effective safeguard against ethical concerns regarding the professional independence of lawyers, and its validity was recently reaffirmed by the ABA House of Delegates. In my opinion, relaxing or eliminating Rule 5.4 will not solve the problems its advocates claim to address; instead, it may create significant risks for the legal profession.

Consistent with the above, judges must adopt a critical and pragmatic view toward the true motivations of certain economic sectors interested in co-owning law firms. Nonetheless, starting from a place of good faith, there are alternative solutions that

better respect the ethical principles governing our profession, which must be preserved in our jurisdiction.

The jurisdictions of Arizona, D.C., and Utah have chosen to explore this model; let us observe their experiences and cautiously analyze the effects of possible over-commercialization of the law, the influence of powerful economic sectors, and the challenges this could pose to access to justice. So far, we have not seen these sectors partner with law firms to litigate on behalf of the environment or vulnerable populations.

We must not allow the principle of access to justice to be used as a pretext to perpetuate inequality or to excessively commercialize the practice of law. For these reasons, I respectfully dissent from this rule.

TAB 1-B

New York

Formal Ethics Opinion 2024-4 – reciprocity in states/ ABSs without 5.4 reform

<https://www.nycbar.org/reports/formal-opinion-2024-4-lawyers-associating-with-alternative-legal-business-entities/#:~:text=DIGEST:%20A%20New%20York%20lawyer,operating%20as%20legal%20separate%20entities.>

California

2025 bill to block Arizona-licensed ABS firms:

<https://www.legal.io/articles/5680522/California-Bill-Threatens-KPMG-s-Expansion-via-Arizona-ABS-Law-Firm>

2022 bill blocked 2-year sandbox to explore rule 5.4 reforms & paraprofessional program: <https://www.reuters.com/legal/legalindustry/california-bar-presses-lawmakers-save-legal-innovation-push-2022-07-14/>

Florida

Florida declines proposal to revise Rule 5.4: <https://www.floridabar.org/the-florida-bar-news/supreme-court-declines-to-adopt-recommendations-on-nonlawyer-ownership-fee-splitting-and-expanded-paralegal-work/#:~:text=The%20Board%20of%20Governors%20began,they%20are%20published%20or%20broadcast.>

<https://www.floridabar.org/the-florida-bar-news/supreme-court-declines-to-adopt-recommendations-on-nonlawyer-ownership-fee-splitting-and-expanded-paralegal-work/#:~:text=The%20Board%20of%20Governors%20began,they%20are%20published%20or%20broadcast.>

ABA

2022 Resolution 402 – reaffirming model rule 5.4

https://www.americanbar.org/news/reporter_resources/annual-meeting-2022/house-of-delegates-resolutions/402/

Other

“The Playbook” on expanding Arizona ABSs:

<https://www.adamsandrese.com/newsroom/expanding-the-geographic-reach-of-an-arizona-abs>

TAB 2

Current AI & Legal Technology Scope

Suggestion: Should the charge for the AI/Legal Technology Workgroup be expanded to include explicit direction to analyze the impact that the regulatory framework governing AI and legal technology will have on the broader access-to-justice mission of the Utah Supreme Court.

Artificial Intelligence and Legal Technology	
<ul style="list-style-type: none">• Identify current and emerging trends in legal technology.• Research recommendations from legal regulatory reform experts on how to adapt to advancing technology.• Examine other states' approaches to regulating or carving out legal technology, including how they define the practice of law and deal with multijurisdictional issues.• Draft proposed rule changes, if any.	<ul style="list-style-type: none">• Develop a recommendation:<ol style="list-style-type: none">1. delineating between legal technology that should and should not be regulated as the practice of law,2. identifying any additional rules or enforcement mechanisms needed to properly regulate technology-aided legal practice.• Identify whether collaboration with other branches of government or other stakeholders will be needed to implement recommendations.

Current 5.4 Scope

Rule 5.4 Workgroup	
<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• 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 3

Meeting Minutes

Utah Supreme Court's Ad Hoc Committee on Regulatory Reform

AI/Legal Technology & Rule 5.4 Workgroup

June 20, 2025

12:00 – 1:00

Hybrid and In-person

Attended Online: Beth Kennedy, David Wingate, Brett Chambers, Andrew Perlman, Cory Talbot

Attended In-Person: Adrienne Parrish, Ada Miller, Maryt Fredrickson, Nick Stiles, Andrea Donahue, Nick Hafen, Marybeth LeHoux, Wesley Harward, Alex Chang, Ty Brown, Kent Davis, Alison McCallister

Excused: Jurhee Rice

1. Welcome and Introductions
 - a. The two workgroups are meeting together for the first two meetings due to scheduling conflicts. We can revisit if they should stay together or separate at the July meeting.
2. Ty introduced Andrew M. Perlman, Dean Suffolk Law School, Suffolk University
 - a. Legal tech: (1) enables lawyers to scale services and make it more affordable, (2) empowers self-help services, and (3) empowers and authorizes other types of legal services providers. The second two are only enabled when regulatory reform allows.
 - b. UPL rules can deter innovation. Unnecessary restrictions on ABS via rule 5.4 can deter investment and the creation of multidisciplinary teams.
 - c. Discussed options about UPL. Focusing on UPL—via refinements to rule 5.4—can have a greater impact on access to justice than focusing on ABS.
 - Option 1: UK's "Reserved Activities" Approach: flips traditional regulatory model on its head. Instead of defining UPL, reserves specific activities for fully licensed lawyers.
 - Option 2: Creating risk-tiered UPL safe harbors, like licensed paraprofessionals, tech platforms, and other programs.
 - Justice workers are a new category of legal service providers.

- d. Puerto Rico recently added its name to the states allowing ABS. England, Wales, and the District of Columbia had already made such a change. There are proponents and critics. For critics, available information reflects that the anticipated risks did not materialize. For proponents, beware of overstating the role of ABSs. Overall, there are pros and cons. Authorizing with protections shows that there is not much of a downside, but there is a significant upside. Loosening constraints on ABS could allow legal providers to partner with tech in ways that are currently prohibited or restricted.
- e. Legal aid offices are using public-facing chat bots and other AI to perform triage work, save time, draft basic documents, etc. That may not require regulatory reform and instead requires experimentation and cultural changes. That use of AI could be the focus of its own presentation.
- f. Using AI to help with access to justice is not just a regulatory reform issue. It also involves cultural shifts, e.g., bar associations and courts showing good use cases.
- g. Discussions of:
 - the definition of UPL (statutory or other) and definition of “practice of law”;
 - reciprocity challenges and benefits;
 - role of leadership discussions that can lead to unified systems, like the unified bar exam;
 - some AI tools currently giving wrong advice, leading to harm, and defining “harm” as relative to what;
 - some AI provides tools to humans doing the legal work, and some are AI tools doing the work, and there are case studies in each category to look at;
 - role of privilege/confidentiality in AI tools;
 - priority areas that could be initial, target areas of focus;
 - accountability for mistakes – is that accountability by individuals or by entities?
 - For-profit entities and Access to Justice are not incompatible, e.g., reduced, scalable costs for services
- h. Role of regulations to create atmosphere and environment for others to innovate and implement, and mindful of rapidly changing landscape
- i. Role of multidisciplinary voices in committee work (clients, nonlawyers, and companies developing justice tech tools)