

UTAH SUPREME COURT AD HOC COMMITTEE



REGULATORY REFORM

Nick Stiles, Co-Chair

Maryt Fredrickson, Co-Chair

Workgroup Meeting: Rule 5.4

November 7, 2025

12:00 – 1:00

Virtual & In-person Meeting

In person: Education Room, Matheson

[Meeting LINK](#)

1. Opening and Rule 5.4 Group Overview
 - a. Review the scope/duties of the workgroup (Tab 1)
 - b. Recap overlapping topics from prior joint meetings (Tab 2)
 - c. Identify what pertains specifically to the 5.4 group.
2. Discussion on comparative jurisdiction
 - a. Review Arizona, New York, Washington D.C., & Puerto Rico. (Tabs 3 - 7)
3. Core policy questions for Utah
 - a. Discuss topics such as scope of permissible fee-sharing, guardrails, ownership/control, fee-sharing eligibility, UPL, consumer protection/harm, standards of professional conduct, impact on access to justice, innovativeness of fee-sharing, etc.
4. Deliverables and timeline
 - a. Set actionable goals for the workgroup for the next 2-3 months to prepare a preliminary report.

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
Legal Tech/AI and Rule 5.4 Meeting Minutes
Friday, October 17, 2025
12:00 – 1:00
Hybrid and In-person

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

The workgroups will begin meeting separately. They discussed logistics and exchanged policy considerations to keep in mind moving forward.

- Market Response vs. Regulation
 - Should the Utah Supreme Court relax Rule 5.4 and let the market sort out good entities from harmful ones?
 - The general consensus is that the market is insufficient to prevent consumer harm. Some regulation is necessary.
 - Additional guardrails should be tailored to address potential concerns with nonlawyer entities (e.g., same standards of professional conduct as lawyers).
 - There is a growing market for technology-based legal services.
 - One of the concerns with Rule 5.4 is that it may limit lawyer participation in this market where lawyer involvement is crucial for this enterprise.
 - One of the reasons for Rule 5.4 is to protect the independence of lawyers from profit-motivated nonlawyers. However, lawyers are just as motivated by profit as nonlawyers.
- Rule 5.4 in other jurisdictions
 - Utah compared to other jurisdictions like Puerto Rico, D.C., and Arizona.
 - Puerto Rico – the only example we have to go off of where they have relaxed 5.4 only for *free legal services*
 - D.C. – relaxed 5.4 restrictions as long as purpose of the entity is primarily to provide is legal services

- Arizona
 - Arizona has a carveout for Alternative Business Structures (ABS). Arizona has a licensure requirement similar to what lawyers already have. There must also be a compliance lawyer.
 - Arizona's removal of 5.4 is permanent.
- Broader implications of the Utah Sandbox
 - The focus of the sandbox should be to make legal services more available to Utah consumers.
 - There are many implications of the sandbox – one of the biggest being that it may influence how other states approach Rule 5.4.
 - While this isn't the primary focus of the sandbox, this is a relevant issue that we need to keep in mind.
 - One thing to consider is developing a regulatory scheme that can be emulated by other jurisdictions – this opens up opportunities for reciprocity similar to attorney licensure among jurisdictions.
 - There is some skepticism about whether other states will follow. Following a speaking tour on the Utah Sandbox, no other Sandboxes caught on in the same way.

The workgroups agreed that the Rule 5.4 workgroup will meet on the first Friday of each month and the Legal Tech/ AI workgroup will meet on the third Friday of each month.

Tab 3

Utah

Rule 5.4 (Current Framework)

Utah Rule 5.4(a)–(d) mirrors the ABA Model Rule, prohibiting:

1. Sharing legal fees with nonlawyers.
2. Partnerships with nonlawyers if any activities constitute law practice.
3. Nonlawyer interference with a lawyer’s independent judgment.
4. A lawyer practicing in a for-profit entity owned or controlled by nonlawyers.

Key Points for 5.4 in Utah

- Standing Order No. 15 permits entities to seek authorization from the Office of Legal Services Innovation to test alternative structure, including nonlawyer ownership or fee-sharing, under data-driven oversight.
- Sandbox authorizations are time-limited and conditional, subject to renewal and data reporting.
- Utah maintains the traditional rule on its face but functions as a controlled-innovation jurisdiction, using the sandbox as a temporary suspension mechanism to collect empirical evidence before deciding whether to permanently amend 5.4.

UPL in Utah

- Defined in Utah Code § 78A-9-103(1) and Rule 14-802, Utah Rules of Judicial Administration.
- “Practice of law” includes representing another before a tribunal, preparing legal documents, or giving legal advice.
- UPL enforcement traditionally falls under the Utah State Bar, but sandbox participants operate under the Office of Legal Services Innovation, which monitors both compliance and consumer harm.
- Utah’s sandbox effectively creates narrowly authorized exceptions to UPL through judicial supervision, allowing data-driven experimentation in how nonlawyers deliver legal help.

Tab 4

Arizona

Rule 5.4 (Current Framework)

Arizona completely eliminated Rule 5.4 in 2020. The Arizona Supreme Court now permits Alternative Business Structures (ABSs), which “includes nonlawyers who have an economic interest or decision-making authority in a firm and provides legal services in accord with Supreme Court Rules 31 and 31.1(c).” Alternative Business Structure, Ariz. Sup. Ct., <https://www.azcourts.gov/cld/Alternative-Business-Structure> (last visited Nov. 5, 2025).

Oversight is handled by the Arizona Supreme Court’s Committee on Alternative Business Structures under Arizona Code of Judicial Administration § 7-209.

Key Changes

- Full repeal of the lawyer–nonlawyer ownership and fee-sharing prohibition.
- Licensing regime established for ABSs, requiring application, compliance, and ongoing oversight.
- Compliance lawyer required within each ABS to ensure adherence to ethical obligations.
- Focus on consumer protection through regulation rather than prohibition through rule.

Why This Jurisdiction Matters

Arizona represents the most radical reform model in the United States, replacing the traditional 5.4 framework with a permanent licensing system. Arizona offers insights into:

- Regulatory design for nonlawyer ownership,
- Administrative challenges of a separate licensing regime,
- Data on innovation, access, and consumer impact post-reform.

UPL in Arizona

- Defined under Arizona Supreme Court Rule 31 as “[engaging] in the practice of law or [providing] legal services in Arizona.
- Practicing law without authorization remains prohibited, but licensed ABSs under ACJA § 209 and Legal Paraprofessionals (LPs) under ACJA § 7-210 can deliver specified legal services.
- UPL enforcement is overseen by the Presiding Disciplinary Judge and the State Bar of Arizona’s UPL Division.
- Arizona essentially follows a binary licensed/unlicensed model to a tiered licensing structure (lawyers, LPs, ABSs).

Tab 5

New York

Rule 5.4 (Current Framework)

New York retains the traditional prohibition on nonlawyer ownership and fee-sharing. Its Rule 5.4 closely tracks the ABA Model Rule, forbidding sharing legal fees or forming partnerships with nonlawyers if any activities involve law practice. Rather than a sandbox, New York has run task forces and working groups.

Key Developments

- Most recently, the NY workgroups have proposed to “allow a lawyer or law firm to pay, assign, pledge or give a security interest in earned or unearned legal fees to a nonlawyer for representing one or more specific clients provided that the lawyer provides the client(s) with (1) written notification and (2) an opportunity to inquire.” This and similar proposals touch adjacent issues like outside financing but stop short of ownership reform.
- Task forces have studied access to justice, but reform momentum remains limited.

Why This Jurisdiction Matters

Unlike jurisdictions that have fully permitted nonlawyer ownership (Arizona) or implemented a sandbox (Utah), New York has so far retained the strict prohibition on nonlawyer ownership and fee-sharing. However, its active consideration of rule amendments focused on litigation funding and its nuanced ethics opinions create a middle path: still traditional in ownership, but more flexible regarding financing. New York may represent a phased approach towards Rule 5.4 reform rather than outright abolishment.

UPL in New York

- Defined by Judiciary Law § 478–§ 484 and § 485 (criminal penalties).
- Covers holding oneself out as entitled to practice, appearing in court, or preparing legal documents for another.

Tab 6

Washington D.C.

Rule 5.4 (D.C. Version)

D.C. Rule 5.4(b) allows nonlawyer partners in law firms, provided:

1. The partnership or organization has as its sole purpose providing legal services to clients;
2. All persons having such managerial authority or holding a financial interest undertake to abide by these Rules of Professional Conduct;
3. The lawyers who have a financial interest or managerial authority in the partnership or organization undertake to be responsible for the nonlawyer participants to the same extent as if nonlawyer participants were lawyers under Rule 5.1;
4. The foregoing conditions are set forth in writing.

Key Changes

- Long-standing exception (since 1991) allowing limited nonlawyer ownership.
- Nonlawyers must be *active contributors* (e.g., policy advisors, technologists, or investigators).
- Does not allow passive investment or external capital funding. See D.C. Bar Legal Ethics Comm., Ethics Op. 362 (2021), <https://dcbar.org/for-lawyers/legal-ethics/ethics-opinions-210-present/ethics-opinion-362>.

Why This Jurisdiction Matters

D.C. is the only U.S. jurisdiction that has long permitted limited nonlawyer ownership in law firms under Rule 5.4, allowing nonlawyer partners who directly assist in providing legal services. This narrow exception has operated without evidence of consumer harm or loss of professional independence, offering a stable middle path between strict prohibition and full deregulation.

Oversight remains within the traditional bar system, emphasizing compliance and accountability rather than structural overhaul. For Utah, D.C. makes for a valuable case

study showing how lawyer/nonlawyer partnerships can function ethically and sustainably within a regulatory framework.

UPL in D.C.

- Governed by D.C. Court of Appeals Rule 49.
- “Practice of law” includes providing legal advice, preparing legal instruments, or appearing before tribunals.
- Under D.C. App. R. 49, UPL exceptions include federal-agency lawyers, in-house counsel, and certain pro bono work that may operate without full bar admission.
- UPL enforcement rests with the D.C. Committee on Unauthorized Practice of Law.

Tab 7

Puerto Rico

Rule 5.4 (Current Framework)

In June 2025, Puerto Rico's Supreme Court adopted a modified version of Rule 5.4, allowing limited fee-sharing and nonlawyer equity participation under strict regulatory conditions (e.g., nonlawyer ownership is capped at 49%). See Bob Ambrogi, Puerto Rico Allows Nonlawyer Ownership of Law Firms, LawNext (June 12, 2025), <https://www.lawnext.com/2025/06/puerto-rico-allows-non-lawyer-ownership-of-law-firms.html>. The framework encourages multidisciplinary partnerships and technology-enabled legal services.

Associate Justice Luis F. Estrella Martinez dissented to the Puerto Rico Supreme Courts adoption of the new rule over concerns of potential harm that may come from the new regime. In three years, the court will review the impact of the rule change.

Key Changes

- Authorized nonlawyer owners must also comply with the Rules of Professional Conduct.
- The creation of an oversight mechanism within the Puerto Rico Supreme Court's Office of Court Administration.
- Law firms that allow non-lawyer ownership must commit to providing free legal services.
- UPL is still enforced in Puerto Rico and non-lawyers are prohibited from the unauthorized practice of law.

Why This Jurisdiction Matters

Puerto Rico is the most recent U.S. jurisdiction to revise 5.4, and its reform was explicitly modeled on the Arizona and Utah experiences. Observing how Puerto Rico blends those approaches may inform Utah's pathway toward a post-sandbox permanent model.

UPL in Puerto Rico

- Under 4 L.P.R.A. § 740, “No person not a lawyer authorized by the Supreme Court of Puerto Rico may engage in the practice of law, or advertise as such... in any judicial or quasi-judicial matter before any court of law.”
- Enforcement remains under the Supreme Court’s disciplinary authority.