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COMMENTARY

Arizona becomes the first State to approve nonlawyer participant in and ownership of law firms

LINGYUN YE*

On August 27, 2020, the Arizona Supreme Court voted to make two changes in the Court’s rules regulating the practice of law. The Court approved a licensure process that will allow nonlawyers, called “Legal Paraprofessionals (LPs)” to provide limited legal services to the public.¹ The Court also voted to eliminate ER 5.4 in the Rules of Professional Conduct which barred nonlawyers from sharing fees and having an economic interest in a law firm.² Both changes will take effect on January 1, 2021.³

In adopting these changes, Arizona became the first state to authorize nonlawyers to co-own law firms. Similarly, the Utah Supreme Court voted earlier in August to establish a “sandbox” for improving and experimenting with the new way for nonlawyer ownership or investment in law firms and allowing nonlawyers to provide legal services to clients during a two-year pilot period.⁴ However, the Arizona Supreme Court took the reformation a step further. Currently, the Arizona Administrative Office of the Courts is in the process of adopting a code to implement the new regulatory framework addressing the licensing of the new structure, called “Alternative Business Structures” and licensing of the LPs.⁵ LPs will be able to practice in administrative law,

*J.D. Candidate, Class of 2021, Arizona State University Sandra Day O’Connor College of Law.

¹ Press Release, Ariz. Admin. Off. Of The Ct., Arizona Supreme Court Makes Generational Advance in Access to Justice, (Aug. 27, 2020), <http://www.azcourts.gov/Portals/201/Press%20Releases/2020Releases/082720RulesAgenda.pdf>.

² *Id.*

³ *Id.*

⁴ Lyle Moran, *Arizona approves nonlawyer ownership, nonlawyer licensees in access-to-justice reforms*, ABAJOURNAL (Aug. 28, 2020, 2:20 PM CDT), <https://www.abajournal.com/web/article/arizona-approves-alternative-business-structures-as-part-of-access-to-justice-reforms>.

⁵ Ariz. Admin. Off. of the Ct., *supra* note 1.

family law, debt collection, and landlord-tenant disputes, with limited jurisdiction in civil and criminal matters.⁶ LPs will have to meet education and experience requirements, pass a professional abilities examination, and pass a character and fitness process to get licensed to practice.⁷

In reaching the decision, the Court asked “are these rules necessary to protect the public? Or are they restraints on the practice of law?”⁸ The Court believes that the changes will boost business innovations in legal services to make them more accessible for more families and individuals at an affordable price.⁹ At the same time, the Court stressed that the changes adopted must maintain the professional independence of lawyers and protect the public against unprofessional conduct.¹⁰ As law firms are being creative to expand to related business services, like consultation, , the rule change of nonlawyer ownership and participation in law firms envisions even greater changes in the future of the legal market.¹¹

⁶ Moran, *supra* note 4.

⁷ *Id.*

⁸ Sam Skolink, *Arizona First State to OK Nonlawyer Ownership of Law Firms*, BLOOMBERG LAW (Aug. 28, 2020, 1:39 PM), https://www.bloomberglaw.com/document/X819TQ1K000000?bna_news_filter=business-and-practice&jcsearch=BNA%252000000174353bd7d2a5ffbdbb42cb0001#jcite.

⁹ Bob Ambrogi, *Arizona Is First State To Eliminate Ban On Nonlawyer Ownership Of Law Firms*, LAWSITES, (Aug. 31, 2020), <https://jcorsmeier.wordpress.com/2020/09/02/arizona-becomes-first-u-s-state-to-authorize-non-lawyer-ownership-of-law-firms-and-fee-sharing/>.

¹⁰ Ariz. Admin. Off. Of The Ct., *supra* note 1.

¹¹ Skolnik, *supra* note 7.