

1 AN ACT concerning civil law.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Attorney Act is amended by adding Section
5 13 as follows:

6 (705 ILCS 205/13 new)

7 Sec. 13. Protection of clients.

8 (a) As used in this Section:

9 "Allied legal staff" means persons who are not licensed as
10 attorneys and may have access to attorney-client and
11 work-product privileged information in their work, including,
12 but not limited to, paralegals and legal assistants.

13 "Alternative business structure" means any entity that
14 provides legal services and allows persons who are not
15 licensed as attorneys to have ownership or decision-making
16 authority. "Alternative business structure" does not include
17 nonprofit organizations.

18 "Management services organization" means an entity that
19 provides management and administrative support services in
20 exchange for ownership of a law firm's assets or payments.

21 (b) The provisions of this Section apply only to:

22 (1) a licensed attorney or law firm operating in
23 Illinois with annual global revenue from that licensed

1 attorney's or law firm's provision of legal services that
2 is less than \$300,000,000; in determining a licensed
3 attorney's or law firm's revenue for purposes of this
4 paragraph (1), the determination shall be:

5 (A) made by taking into account the global revenue
6 of any partnership or law firm affiliated with the
7 licensed attorney or law firm, whether or not the
8 affiliated partnership or other law firm is domiciled
9 in Illinois; and

10 (B) based on publicly-available information; and

11 (2) a licensed attorney or law firm that regularly
12 represents clients on a contingent fee basis, where the
13 fee is based on the resolution or outcome of actual or
14 threatened private litigation, and that has derived more
15 than 50% of the attorney's or law firm's revenues from the
16 contingent fee arrangements in each of the preceding 3
17 calendar years; in determining a licensed attorney's or
18 law firm's revenue for purposes of this paragraph (2), the
19 determination shall be made by taking into account the
20 gross global revenue of the attorney or law firm, together
21 with any partnership or law firm affiliated with such
22 attorney or law firm, whether or not such affiliated
23 partnership or other law firm is domiciled in Illinois.

24 Upon request of the Attorney Registration and Disciplinary
25 Commission or another governmental authority or agency charged
26 with administering or enforcing the provisions of this

1 Section, or upon order of a court of competent jurisdiction, a
2 licensed attorney or law firm shall be permitted to provide a
3 self-certification attesting, under oath, to the fact that (i)
4 the licensed attorney's or law firm's annual global revenue is
5 more or less than \$300,000,000, (ii) the licensed attorney or
6 law firm regularly represents clients on a contingent fee
7 basis, as that term is used in this subsection, and derived
8 more or less than 50% of the licensed attorney's or law firm's
9 revenues from contingent fee arrangements in each of the
10 previous 3 calendar years, as determined in accordance with
11 this subsection, or (iii) both (i) and (ii).

12 (c) Any attorney or law firm subject to this Section that
13 is party to an agreement with a management services
14 organization must disclose in all attorney-client contracts
15 that the attorney or law firm is party to such an agreement and
16 the material terms of the agreement. Failure to comply with
17 this duty will subject the lawyer or law firm to the provisions
18 of subsection (g).

19 (d) An entity owned, operated, or controlled in whole or
20 in part by persons not licensed as attorneys, including
21 management services organizations, that is involved with a law
22 firm's or attorney's practice may not do any of the following:

23 (1) interfere with the professional judgment of
24 attorneys in representing clients;

25 (2) exercise control over or be delegated the power to
26 do any of the following:

1 (A) to reveal, own, or determine the content of
2 client records or to reveal any attorney-client
3 communications;

4 (B) to select, hire, or terminate attorneys or
5 allied legal staff; or

6 (C) to set competency, productivity, or
7 proficiency parameters for attorneys or allied legal
8 staff;

9 (3) charge any fee to the attorney or law firm that is
10 directly or indirectly based on the attorney's fees,
11 revenues, or profits of the attorney or law firm.

12 The prohibition in paragraph (3) of this subsection does
13 not apply to the repayment of a loan or extension of credit the
14 attorney or law firm is obligated to repay if that the amount
15 of the borrower's obligation is not contingent upon or
16 calculated on the basis of the borrower's attorney's fees,
17 revenues, profits, or other financial performance.

18 (e) Any contract involving management of a law firm or an
19 attorney's practice with any entity owned, operated, or
20 controlled by persons not licensed as attorneys, including
21 management services organizations, may not limit an attorney
22 or allied legal staff member from:

23 (1) competing with that law firm or its practice in
24 the event of termination or resignation; or

25 (2) disparaging or commenting on that law firm or
26 practice as to any issues involving quality of services,

1 ethical or professional challenges in the practice of law,
2 or revenue-increasing strategies employed by an entity
3 owned, operated, or controlled in whole or in part by
4 persons not licensed as attorneys.

5 (f) An attorney licensed or otherwise authorized to
6 practice in this State may not share legal fees directly or
7 indirectly with an out-of-state alternative business structure
8 unless all the following apply:

9 (1) The attorney is also licensed in the state in
10 which the alternative business structure is approved.

11 (2) The fees are compensation for providing legal
12 services in that state.

13 (3) The law of that state is controlling under Rule
14 8.5 of the Illinois Rules of Professional Conduct or any
15 successor rule.

16 (g) A violation of this Section may constitute cause for
17 the imposition of discipline by the Attorney Registration and
18 Disciplinary Commission and subject the attorney, the
19 management services organization, and the alternative business
20 structure to the following penalties:

21 (1) statutory damages of \$10,000 per violation or 3
22 times the actual damages incurred by the client, whichever
23 is greater;

24 (2) attorney's fees and costs; and

25 (3) injunctive or declaratory relief.

26 (h) This Section does not apply to any arrangement for the

1 sharing of legal fees if both of the following conditions are
2 satisfied:

3 (1) The arrangement for the sharing of legal fees was
4 ordered or approved by a court or tribunal of competent
5 jurisdiction, including, but not limited to, the
6 establishment or distribution of a common benefit fund in
7 coordinated, consolidated, or multidistrict litigation.

8 (2) The manner by which legal fees are to be allocated
9 is subject to judicial or tribunal oversight and
10 determined by the court to be fair, reasonable, and
11 necessary for the administration of justice.

12 (i) This Section applies only to contracts entered into on
13 or after the effective date of this amendatory Act of the 104th
14 General Assembly.

15 Section 99. Effective date. This Act takes effect upon
16 becoming law.