

**Los Angeles County Bar Association
Professional Responsibility and Ethics Committee**

Opinion No. 518, June 2006: Ethical Considerations in Outsourcing of Legal Services

Opinion No. 518 presents a hypothetical scenario through which it poses and responds to a number of questions regarding the ethics of outsourcing legal services.

Is it ethically permissible to hire out-of-state lawyers and non-lawyers to complete work for an attorney that will represent a client? If permissible, what must attorneys do to comply with the resulting ethical issues surrounding this type of engagement?

Hiring an out-of-state lawyer or non-lawyer to complete work for an attorney may be considered ethical under California ethics rules. From a financial perspective, the attorney is simply buying the services of an intermediary company. As long as the attorney does not raise his fee or divide his fee with the contractor, the attorney is complying with California Rule Of Professional Conduct 2-200. Under the Rules, an attorney hiring an intermediary firm to hire an out-of-state attorney is treated the same as the attorney directly hiring a paralegal. The attorney is considered to be simply purchasing contracted services and is therefore not committing an ethical violation.

To maintain compliance with his ethical obligations, an attorney is fully responsible for all completed, signed and submitted work performed by an out-of-state contractor. By accepting responsibility for this work, the attorney is considered to be competently representing his client; however, the attorney must review all work, make any necessary changes and verify that the work is complete before submission. The attorney is also responsible for exercising independent judgment. It is unethical for the attorney to delegate to the contractor any decision-making authority or any authority that restricts the attorney from having final sign-off on all work.

Regarding the issue of confidentiality, as long as the contractor understands and abides by the rules of client confidentiality, appropriate information may be shared, but it is the responsibility of the attorney who owns the client relationship to ensure that the information is protected. The attorney must also make sure there are no conflicts as he could be held responsible for any conflicts between the contractors and the client.

Is there a duty to disclose an out-of-state contractor arrangement to the client?

Ultimately, clients have the right to know who is representing them; therefore, the use of an intermediary firm may have to be disclosed. If a large amount of work is being done outside of the primary law firm, if the strategy of a case is being changed, or if any other significant development occurs, the client should be informed.

What are an attorney's obligations for billing a client for services rendered by a third party?

California has varying billing options for outsourced legal work. An attorney may simply pay for the contractors (and therefore retain any refund given by the company that oversees them). Alternatively, they may directly pass on the costs of outsourcing. They also may charge the client a marked-up rate or a flat fee. If an attorney chooses to have the client pay for the services, the use of the services and any associated fees and mark-ups must be disclosed.