



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3812

Introduced 2/6/2026, by Sen. Michael E. Hastings

SYNOPSIS AS INTRODUCED:

705 ILCS 205/13 new

Amends the Attorney Act. Prohibits a private equity group, hedge fund, or any entity owned, operated, or controlled by a private equity group or hedge fund, including management services organizations, that is involved with a law firm or an attorney's practice from: (1) interfering with the professional judgment of attorneys in representing clients; (2) exercising control over or being delegated the power to own or determine the content of client records, select, hire, or terminate the employment of attorneys or allied legal staff in whole or in part based on competency or proficiency; or set competency or proficiency parameters for attorneys or allied legal staff; or (3) charging any fee to the attorney or law firm that is directly or indirectly based on the fees, revenues, or profits of the attorney or law firm. Prohibits an attorney from sharing legal fees directly or indirectly with an out-of-state alternative business structure unless: (1) the attorney is also licensed in the state in which the alternative business structure is approved; (2) the fees are compensation for providing legal services in that state; and (3) the law of that state is controlling under the Illinois Rules of Professional Conduct or a successor rule. Provides for the recovery of statutory damages, attorney's fees and costs, and injunctive or declaratory relief as a remedy for violation. Defines terms. Contains applicability provisions. Effective immediately.

LRB104 16659 JRC 30063 b

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 "Alternative business structure" means any entity that
10 provides legal services while allowing non-attorney ownership
11 or decision-making authority of the entity. "Alternative
12 business structure" does not include nonprofit organizations.

13 "Hedge fund" means a pool of funds managed by investors
14 for the purpose of earning a return on those funds, regardless
15 of the strategies used to manage the funds. A hedge fund
16 includes, but is not limited to, a pool of funds managed or
17 controlled by a private limited partnership.

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

21 "Private equity group" means an investor or group of
22 investors who primarily engage in the raising of capital and
23 who invests, develops or disposes of assets.

1 (b) A private equity group, hedge fund, or any entity
2 owned, operated, or controlled by a private equity group or
3 hedge fund, including management services organizations, that
4 is involved with a law firm or lawyer's practice may not do any
5 of the following:

6 (1) Interfere with the professional judgment of
7 attorneys in representing clients.

8 (2) Exercise control over or be delegated the power to
9 do any of the following:

10 (A) owning or determining content of client
11 records;

12 (B) selecting, hiring, or terminating attorneys or
13 allied legal staff in whole or in part based on
14 competency or proficiency; or

15 (C) setting competency or proficiency parameters
16 for attorneys or allied legal staff.

17 (3) Charge any fee to the attorney or law firm that is
18 directly or indirectly based on the fees, revenues, or
19 profits of the attorney or law firm.

20 (c) Any contract involving management of a law firm or
21 attorney's practice with a private equity group, hedge fund,
22 or any entity owned, operated, or controlled by a private
23 equity group or hedge fund, including management service
24 organizations, may not include any provision limiting a
25 attorney or allied legal staff member in that practice from:

26 (1) competing with that law firm or practice in the

1 event of termination or resignation; or

2 (2) disparaging or commenting on that law firm or
3 practice as to any issues involving quality of services,
4 ethical or professional challenges in the practice of law,
5 or revenue-increasing strategies employed by the private
6 equity group, hedge fund, or any entity owned, operated,
7 or controlled by a private equity group or hedge fund,
8 including management services organizations.

9 (d) An attorney licensed or otherwise authorized to
10 practice in this State may not share legal fees directly or
11 indirectly with an out-of-state alternative business structure
12 unless all the following apply:

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

15 (2) The fees are compensation for providing legal
16 services in that state.

17 (3) The law of that state is controlling under Rule
18 8.5 of the Illinois Rules of Professional Conduct or any
19 successor rule.

20 (e) A violation of this Section may constitute cause for
21 the imposition of discipline by the Attorney Registration and
22 Disciplinary Commission and subject the attorney to the
23 following penalties:

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

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

2 (3) injunctive or declaratory relief.

3 (f) This Section does not apply to any arrangement for the
4 sharing of legal fees if both of the following conditions are
5 satisfied:

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

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

15 (g) This Section applies only to contracts entered into on
16 or after the effective date of this amendatory Act of the 104th
17 General Assembly.

18 Section 99. Effective date. This Act takes effect upon
19 becoming law.