

L.A. COUNTY BAR ASSOCIATION  
PROFESSIONAL RESPONSIBILITY AND ETHICS COMMITTEE

**FORMAL ETHICS OPINION NO. 500**

**May 10, 1999**

**FINANCING LEGAL EXPENSES OF ANOTHER'S LAWSUIT**

**SUMMARY**

A member of the State Bar of California may establish a business to finance the legal expenses of another person's lawsuit in exchange for an assignment of an interest in the proceeds of the claim and a recovery of the expenses although the member had no interest in the claim prior to the assignment where (1) the assignor is represented in the lawsuit by an independent attorney of the assignor's choice, (2) the assignor brings the lawsuit in his or her own name, (3) the member does not control or interfere with the assignor's attorney, and (4) if the suit is successful, the member recovers the legal expenses she paid and a percentage of the total recovery. The attorney representing the assignor in the lawsuit may not accept compensation from a non-client unless he or she complies with Rule of Professional Conduct 3-310(F) and Business and Professions Code § 6068(e), which require members of the bar to exercise independent professional judgment free of interference and to preserve their clients' confidential information. If the person financing the lawsuit compromises the attorney's independence and duty of confidentiality, the proposed relationship would not comply with the Rules.

**AUTHORITIES CITED**

**Cases:**

De Los Santos v. Superior Court (1980) 27 Cal.3d 677, 166 Cal. Rptr. 172, 613 P.2d 633  
Estate of Cohen (1944) 66 Cal.App.2d 450, 152 P.2d 485  
Fireman's Fund Ins. Co. v. McDonald, Hecht & Solberg (1994) 30 Cal.App.4th 1373  
Hoiles v. Superior Court (1984) 157 Cal.App.3d 1192, 204 Cal.Rptr. 111  
Howard v. Superior Court (1975) 52 Cal.App.3d 722, 125 Cal.Rptr. 255  
In re Cummins Estate (1904) 143 Cal. 525, 77 P. 479  
Intex Plastics Sales Co. v. Hall, C-85-2987 JPV (N.D. Cal.)  
Killian v. Millard (1991) 228 Cal.App.3d 1601, 279 Cal.Rptr. 877  
Martin v. Freeman (1963) 216 Cal.App.2d 639, 31 Cal.Rptr. 217  
Mathewson v. Fitch (1863) 22 Cal. 86  
Saladini v. Righellis, 426 Mass. 231, 687 N.E.2d 1224, 1997 WL 751609 (Mass. 1997)  
Sheldon Appel Co. v. Albert & Oliker (1989) 47 Cal.3d 863, 254 Cal.Rptr. 336

**Statutes:**

Business and Professions Code § 6068(e)  
Business and Professions Code § 6129  
Business and Professions Code § 6146  
Business and Professions Code §§ 6147, 6147.5  
Civil Code §§ 953, 954  
Code Civ. Proc. § 128.5  
Code Civ. Proc. § 128.7  
Code Civ. Proc. § 2018  
Evid. C. §§ 952, 953

Penal C. §§ 158 & 159

**Other:**

L.A. Bar Assn. Form. Op. 435 (1985)

Martin, "Syndicated Lawsuits: Illegal Champerty or New Business Opportunity?" Am. Bus. L. J., Vol. 30, No. 3 (November 1992)

Radin, "Maintenance by Champerty," 24 Cal. L. Rev. 48 (1935)

Rule of Professional Conduct 1-100(B)(2)

Rule of Professional Conduct 1-600(A)

Rule of Professional Conduct 3-310(F)

Rule of Professional Conduct 3-700(C)(1)(e) & (f)

Rule of Professional Conduct 4-200

Rule of Professional Conduct 4-210

1 Witkin, Summary of Calif. Law, Contracts § 921

The link to the full published opinion is located at:

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