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*Bates* in Retrospect and Prospect

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ADVERTISING AND INTERMEDIARIES IN PROVISION OF LEGAL SERVICES: Bates in Retrospect and Prospect

Geoffrey C. Hazard, Jr.†

It is entirely fitting that serious efforts be made to assess the significance of the revolution in lawyer advertising that resulted with the Supreme Court’s decision in Bates v. State Bar of Arizona. That decision provided the shield of the First Amendment free speech protection for lawyers’ efforts to make known the availability of their services to members of the general public. The First Amendment shield still is held in place, although with some qualifications and misgivings. Lawyer advertising evidently has come to stay, not only in this country but also, to an increasing degree, in other legal systems as well. That being so, it is appropriate to review how lawyer advertising has worked out and also to consider possible developments in the future.

I. THE BATES DECISION IN CONTEXT

The issue immediately involved in Bates was whether the general prohibition against lawyer advertising established in the Arizona Code of Professional Responsibility was constitutionally invalid as applied to newspapers’ advertisements that announced, in truthful terms, the availability of basic legal services at specified modest rates. There were similar prohibitions in every state at the time. The decision came after other decisions by the Supreme Court that had invalidated other traditional regulations of the legal profession. Some of these other decisions responded to cases flowing out of the desegregation after Brown v. Board of Education. Thus, NAACP v. Button sharply constrained the authority of a

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state to restrict provision of legal assistance in disputes over desegregation.\(^6\) In a parallel development, \textit{Goldfarb v. Virginia State Bar}\(^7\) had invalidated schedules of recommended fees for routine legal services, on the ground that they amounted to price-fixing in violation of the federal antitrust laws.\(^8\) In the same period, the Court had invalidated the traditional informal disciplinary procedure employed by many bar associations, subjecting the procedure to due process fairness standards.\(^9\) Broadly speaking, these developments had the cumulative effect of disestablishing the bar as a semi-public vocational fraternity and reconstituting it as a service industry recognized as being "affected with a public interest."\(^{10}\)

\textit{Bates} was a landmark decision in this transformation. The rule against lawyer advertising was an article of faith within most of the bar. It had at least two policy foundations. One was sustaining professional solidarity within the bar, conceiving the profession as a band of brother practitioners not in overt competition with each other. Another policy objective was restraint against "stirring up litigation," a policy also expressed in the rules against champerty and maintenance (prohibiting assistance to another to sustain litigation), against solicitation (prohibiting lawyers from seeking out clients), and against "ambulance chasing" (a particularly crude form of solicitation). The American Bar Association Canons of Professional Ethics of 1908 prohibited advertising and "all other like self-laudation"\(^{11}\) and condemned stirring up litigation in most emphatic terms, reciting that: "It is disreputable [among other things] to hunt up defects in titles . . . or to breed litigation . . . for personal injuries . . . or to employ agents or runners for such purposes . . . ."\(^{12}\) I can say from personal experience that this tradition was still substantially in place, if imperfectly observed, in 1954, when \textit{Brown v. Board of Education} was decided and, as it happens, when I was first admitted to the bar.

Like other landmark decisions, \textit{Bates} had to be explicated and massaged in subsequent decisions. These decisions included \textit{Ohralik v. Ohio State Bar Ass'n},\(^{13}\) upholding the rule against personal solicitation of a personal injury

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\(^6\) \textit{Id.} at 429.

\(^7\) 421 U.S. 773 (1975).

\(^8\) \textit{Id.} at 792–93.


\(^10\) The phrase was employed notably in \textit{Munn v. Illinois}, 94 U.S. 113, 126 (1876), one of many cases in the evolution of the relationship between government regulatory authority and the principle of due process.

\(^11\) \textit{ABA Canons of Prof'l Ethics} 672 (1908) [hereinafter 1908 ABA Canons].

\(^12\) \textit{Id.}

prospective client while in the hospital,\textsuperscript{14} \textit{In re Primus},\textsuperscript{15} protecting personal solicitation in civic-minded solicitation in civil rights cases,\textsuperscript{16} and \textit{Zauderer v. Office of Disciplinary Counsel},\textsuperscript{17} holding that First Amendment protection extended to targeted advertisements—addressing specific types of legal matters—in print media.\textsuperscript{18} More recently, in \textit{Florida Bar v. Went For It, Inc.}\textsuperscript{19} the Court has sustained a prohibition on communication with prospective personal injury clients within thirty days of the accident.\textsuperscript{20}

The pulling and hauling and zigging and zagging involved in this evolution seem to me not atypical of constitutional doctrine. The rules governing lawyer advertising apparently now boil down to this: lawyers can advertise and solicit by mail (and presumably e-mail), but not in-person contact, as long as they do so truthfully and do not rush prospective clients in personal injury and wrongful death cases.\textsuperscript{21} Within those limits lawyers can rely on affiliations, such as those with labor unions, to encourage referrals.

However, along the way Justice O'Connor gave voice for herself and others to a concern widely shared in the bench and bar about the effects of advertising on the profession. In a dissent in \textit{Shapero v. Kentucky Bar Ass'n},\textsuperscript{22} on behalf of herself, Chief Justice Rehnquist, and Justice Scalia, she lamented:

\begin{quote}

The best arguments in favor of rules permitting attorneys to advertise are founded in elementary economic principles.

\ldots \ The economic argument against these restrictions ignores the delicate role they may play in preserving the norms of the legal profession.

\ldots \ One distinguishing feature of any profession \ldots \ is that membership entails an ethical obligation to temper one’s selfish pursuit of economic success by adhering to standards of conduct that could not be enforced either by legal fiat or through the discipline of the market. \ldots \ [S]pecial ethical standards for lawyers are properly understood as an appropriate means of restraining
\end{quote}

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\footnotesize

\textsuperscript{14} \textit{Id.} at 468.

\textsuperscript{15} \textit{436 U.S. 412 (1978).}

\textsuperscript{16} \textit{Id.} at 432.

\textsuperscript{17} \textit{471 U.S. 626 (1985).}


\textsuperscript{19} \textit{515 U.S. 618 (1995).}

\textsuperscript{20} \textit{Id.} at 635.

\textsuperscript{21} \textit{The summary in Charles Wolfram, Modern Legal Ethics \S 14.2 (1986) remains essentially accurate.}

\textsuperscript{22} \textit{486 U.S. 466 (1988).}
\end{flushleft}
lawyers in the exercise of the unique power that they inevitably wield in a political system like ours.\textsuperscript{23}

I will come back to this thoughtful statement presently.

II. LAWYER ADVERTISING HERE AND NOW

The aim of the Bates and O’Steen law firm was laudable. Indeed, it was in furtherance of a purpose long-pronounced by the legal profession that legal services be available to everyone. It was thus consistent with the principle of legal aid and the rule that lawyers should accept appointments to represent indigent defendants in criminal cases. Advertising would augment the information available through the traditional medium of local reputation. In an increasingly urbanized and impersonal world, there was an increasingly felt need for some such mechanisms. It was recognized, though somewhat dimly within the profession, that ordinary citizens typically had only occasional need of a lawyer. Hence, the ordinary individual would not have personal experience or acquaintance with lawyers to bring to bear when need arose, and hence could be helped by access to additional information.\textsuperscript{24}

Under the shelter of constitutional protection, lawyer advertising has evolved along two general lines. The first consists of forms of advertising directed at what can be called the mass market. The second consists of forms of advertising in the market for business legal services. It is useful to consider the difference between the techniques involved.

A. Mass Market Advertising

The most common form of mass market advertisements are those now familiar in the yellow pages in virtually every American community. In some states, including Arizona, billboard advertising is also prominent, responding to the importance of life on the freeway in newer metropolitan areas. In some states, television is used by some law firms, but, because dramatization has been prohibited, television advertisements are essentially similar to the placards in the yellow pages.

There appears to be a strong similarity in the content of yellow page advertising across the country. The basic elements are: (1) addressing legal

\textsuperscript{23} Id. at 488–89 (O’Connor, J., dissenting).

needs of individuals as distinct from businesses; (2) itemizing legal needs commonly encountered by ordinary individuals; and (3) offering free first consultation and, in personal injury cases, no fee unless there is a recovery by settlement or judgment. The "menu" of commonly encountered legal needs generally includes: personal injury, including workers' compensation; traffic offenses, including license revocation; criminal defense; divorce and child custody; bankruptcy; and social security.

All these categories have substantial prospect of being paying cases for private practitioners. The types most frequently and loudly advertised are personal injury, where the contingent fee is the standard basis of engagement, with bankruptcy perhaps second, where a lawyer's fee has priority among the creditors. In both of these types, therefore, the prospect of return for the lawyer is especially strong.

There is nothing wrong in this, because, of course, advertising is conducted by members of the private bar. Members of the private bar handle some matters "pro bono," typically in situations where they had hoped to get paid but did not. However, lawyers in private practice have to get fees. Since the private bar depends on paying cases to continue in practice, private practitioners must aim at attracting fee-paying business.

However, the conjunction of First Amendment free speech for lawyer advertising and the use of advertising to get legal cases with payoff prospect is unattractive. It is inconsistent with the vision of the lawyers involved in Bates, who aspired to bring equal justice at low cost to people not served through the conventional bar. It is dissonant with the Supreme Court's vision in In re Primus, where the Court addressed "outreach" by lawyers in civil rights cases. And the aggressive solicitation of personal injury cases is a rejection of what Justice O'Connor referred to as the traditional "ethical obligation to temper one's selfish pursuit of economic success." Moreover, the approach to personal injury claims in lawyer advertising invites prospective clients to consider a personal injury claim as an economic opportunity rather than a personal misfortune. That approach is certainly inconsistent with the "traditional view of professional life" that Justice O'Connor had in mind.

Yet in a less genteel view of our economic and political system, yellow page advertising reflects realities of life for most ordinary citizens who encounter legal problems. The content of contemporary yellow pages is the product of trial and error by lawyers in finding what works in the way of attracting clientele. The result is that legal advertising in the mass market

27. Id. at 489 (O'Connor, J., dissenting).
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does not consist of lofty appeals to justice or legal principles. Instead, it is messages that are, in the words Thomas Hobbes employed in another connection, “nasty, brutish, and short.” These messages in lawyer advertising evidently respond to the experience with legal problems as they are encountered by most ordinary individuals. In contrast, the understanding of legal problems by most members of the legal profession is captured in inscription such as that on the mantle of the Supreme Court: “Equal Justice for All.”

Although advertising “brutish and short” is apparently here to stay, a lot of lawyer “outreach” to ordinary individual clients continues to be carried out in the old-fashioned way: word-of-mouth through family, friends, and acquaintances at the workplace; labor union connections in unionized employments; churches; and social groups, etc. These networks between lawyers and prospective clients are extended through networks among general practice lawyers, who are approached by the clients, and specialist lawyers, in such fields as personal injury and divorce, to whom substantial cases are often referred. In the transfer of law business through these networks, a referral payoff is usually involved from the receiving lawyer to the sender. That, too, is unattractive and sometimes abusive, but it does result in the cases being put in experienced professional hands. Given the wide range of competence within the practicing bar, on balance that is probably a social good.

B. Business-Directed Lawyer “Outreach”

There is another side of law practice, of course, commonly called corporate law. Something like half of the revenue received by lawyers in modern American law practice is in return for assistance to business and nonprofit enterprises, both large and small. The organization of corporate law practice runs from very large continental and international law firms with hundreds or even thousands of lawyers to small firms and even solo practitioners. The large firms do almost all kinds of business and commercial work, while the smaller ones either serve small businesses or specialize in narrow specialties in practice fed largely by referrals. At the same time, there has been a steady expansion of corporate law departments in businesses and nonprofits of all sizes and in all fields of endeavor. Today, most corporate law practice engagements are accomplished between more or less sophisticated agents on behalf of clients dealing with lawyers who are engaged in relatively specialized subject matter.

In relationships of this kind, mass market advertising is not to be found. Indeed, that approach to prospective clientele would be unproductive or
even counterproductive. Sophisticated clients know what they want, or at least believe they know. What they want is competent technical legal assistance, at the ready, unconflicted by other engagements, and available at a negotiated price that they consider reasonable. Yellow pages, billboards, and the like cannot convey that information. What does convey that information is past performance, reputation, and specifications of professional competence.

Accordingly, lawyer “outreach” aimed at corporate and nonprofit clientele is tailored to meet these requirements. In contemporary corporate law practice, past performance and reputation function substantially as they have in smaller communities in the past. The foundational requirement is doing a good job in matters that have come to the office. A secondary requirement, sometimes a primary one, is that the client understand and believe that a good job has been done. On that basis, it is projected that the client will remember the experience positively and will tell others. The mechanism is unsystematic but generally effective. That is what professional reputation is “about,” in the contemporary phrase.

The modern methods of client outreach in corporate practice build on this traditional mechanism. These methods seek to convey specifications of professional competence, thus reinforcing the presumed effect of positive reputation and perhaps moderating the effects of negative reputation. Thus, professional outreach toward business clients involves brochures, newsletters, and recounting types of matters and clients or types of clients that the firm considers it has successfully handled. It includes direct solicitation, such as “beauty contests” in which a firm makes an organized presentation to a client of its special fitness to handle a legal situation. It involves participation by firm lawyers at trade association meetings and other open forums where attention of representatives of prospective clients can be attracted. It involves participation in civic activities, such as charitable boards and task forces, with the same effect. It can still include golf outings.

These means of outreach are not much different in style from the decorous forms of outreach in the earlier and gentler era to which Justice O’Connor referred. In substance, they have much more content than the “old boy” techniques. The “old boy” techniques have not disappeared, and women and minority members of our profession are rightly worried that they are at disadvantage in their use. But verifiable technical competence is now a necessary concomitant of “old boy” connections in the successful marketing of professional services, not only in law practice but also financial advice, accounting, and other specialized vocations. All such
relationships now are "rational" rather than merely "traditional," to use the terminology of the famous sociologist Max Weber.28

The differences in marketing practice for legal services, between mass marketing and corporate practice outreach, substantially correspond to the differences in the "hemispheres" within the legal profession itself between lawyers who service individuals and lawyers engaged in corporate practice. These hemispheres, or levels of stratification, were clearly and systematically identified over two decades ago by John Heinz and Edward Laumann.29 If anything, they appear to have become more distinct since then.

Thus, the difference in the media by which lawyers typically seek to attract clientele corresponds to differences in the clientele being served and the kind of law being practiced.

There is little concern today about the capacity of business and other organizations to obtain competent legal services appropriate to their needs, at prices in line with those expected in an open market. In fact, the market for corporate law services is open, broadly diverse, and highly competitive. On the other hand, all observers seriously concerned with the ideal of "equal justice for all" remain concerned about the adequacy of legal services for ordinary citizens. That was the concern animating the Bates and O'Steen law firm thirty years ago. That concern was legitimate then and remains so.

III. INFORMATION, INTERMEDIARIES, AND THE DEMAND FOR LEGAL SERVICES

The theory underlying protection of lawyer advertising is that freer provision of information about legal services would yield better information to consumers, that better information would yield better decisionmaking in selection of lawyers, and that better decisionmaking would have the result that "legal needs" would be better met. However, there is reason to doubt that the market for legal services is adequate for this purpose. Indeed, there is every reason to think that the market is inadequate for this purpose. That conclusion should not be a stepping stone to reimposing restrictions on legal advertising, at least not for me. Rather, it is a stepping stone in considering whether other changes might be made.

Two other changes come to mind. The first change would be on the “supply” side of the market and would be a repeal or reform of restrictions on “intermediaries.” By “intermediaries” I mean institutions or networks of information channels between prospective clients, on one hand, and lawyers positioned to provide legal services for ordinary citizens, on the other hand. The second change would be on the focused and sustained efforts to reduce the complexity of the legal system as it interfaces with ordinary citizens.

A. Intermediaries

Along with the rules against advertising and solicitation has been a long-established prohibition on “intermediaries” between prospective clients and legal services. That prohibition was stated and argued in Canon 35 of the ABA Canons of Professional Ethics, as follows:

The professional services of a lawyer should not be controlled or exploited by any lay agency, personal or corporate, which intervenes between client and lawyer . . . A lawyer’s relation to his client should be personal, and the responsibility should be direct to the client . . . .

A lawyer may accept employment from any organization . . . to render legal services in any matter in which the organization, as an entity, is interested, but the employment should not include . . . legal services . . . to the members . . . in respect to their individual affairs. 30

There was an interjection in Canon 35 that “[c]haritable services rendering aid to the indigents are not deemed such intermediaries.” 31

In the 1970 ABA Model Code of Professional Responsibility, this prohibition was divided into two concepts. One was the independence of professional judgment, the other the prohibition on unauthorized practice of law. Concerning independence of professional judgment, DR 5-107(B) provided: “A lawyer shall not permit a person who recommends, employs, or pays him to render legal services for another to direct or regulate his professional judgment in rendering such legal services.” 32

Explicitly, this provision of the Code was affirming a long-standing and accepted principle of law practice, elaborated in the rules against conflict of interest. Implicitly, DR 5-107(B) recognized that many inroads had been made on the prohibition against lay intermediaries. The most conspicuous

30. 1908 ABA CANONS, supra note 11, at 679–80.
31. Id. at 680.
32. ABA MODEL CODE OF PROF’L RESPONSIBILITY DR 5-107(B) (1983).
inroad was the firmly established practice whereby liability insurers engaged, paid, and, to some extent, controlled lawyers to represent insureds in defense of automobile accident claims, products liability claims, and other tort claims. Another less conspicuous inroad was the advice and assistance service provided by trade associations, professional organizations, and labor unions to their individual members, for instance in tax and regulatory matters. Another was the provision of personal legal assistance to corporate management personnel by law firms engaged by corporations and, especially in smaller companies, by corporate law departments.

Concerning unauthorized practice of law, the Code of Professional Responsibility, being a regulation of lawyers, could only address lawyers’ conduct concerning that activity. DR 3-101(A) accordingly provided: “A lawyer shall not aid a non-lawyer in the unauthorized practice of law.” However, the bar had long been supportive of statutory prohibitions against unauthorized practice of law in the various states. State bars had also maintained standing committees on unauthorized practice to monitor compliance with these statutes. These statutes prohibited corporations and other associations from engaging in the “practice of law,” and interpreted the “practice of law” to include various law-related services that lawyers sought to provide. The “heavy lifting” against lay intermediaries thus was done under the rubric and institutional mechanism of unauthorized practice of law.

The effectiveness of these prohibitions was and is often debatable, given the very indeterminacy of the concept of “practice of law” as applied to legally significant activities of people who are not lawyers. It is not an exaggeration to say that, in today’s world, any white collar work above the level of clerk or secretary requires awareness of legal rules and to that extent their interpretation and administration. However, the prohibition has scared off banks, insurance companies and agencies, financial managers, and unions, from openly becoming “lay intermediaries” that provide advice and assistance tailored to the needs of ordinary citizens. Other organizations in similar strategic positions include corporations concerning their employees; schools and universities concerning the faculty, staff, and students; interest groups such as AARP (American Association of Retired

33. Id. DR 3-101(A).
Persons); and professional associations, indeed such as the American Bar Association and the Arizona State Bar.

It should be a premise that every kind of legal assistance provided by any such organization should meet general standards of competence, loyalty, and confidentiality that lawyers in independent practice are required to observe. Most obviously, a corporate law department providing service to corporate employees, for example, could not provide advice or assistance in claims against the company. But there is no reason why such a department could not refer such cases to outside lawyers specializing in the employment law field, just as lawyers in independent practice refer matters out when confronted by conflicts of interest.

The justification for legitimating “lay intermediaries” is essentially the same as that involved in Bates, namely free communication of information. From the viewpoint of a prospective client, a lay intermediary is a source of information as much as the yellow pages or a television advertisement: indeed a much better source. The lay intermediary might well be a lawyer in the employ of the intermediary organization. The lawyer could be supported by paralegals and connected to specialists in other fields, such as pension plans and health care resources. A person affiliated with the organization would thus have someone to turn to when confronted with one of the many kinds of legal problems addressed in yellow page advertising, or other more exotic legal fields—immigration, environmental law (an oil tank in my front yard!), etc. The resource person would be a first-line diagnostician, emergency law-care provider, and referral director.

Essentially this kind of assistance is now provided in connection with liability insurance, where the insurance company functions as a lay intermediary. It is provided to top management in many companies for their pension and employment matters, and the corporation acting as the intermediary. It is provided by trade associations and unions, which no longer avoid assistance to members “in respect to their individual affairs.”

What is wrong with similar assistance for Joe and Ms. Sixpack? And for many of the rest of us?

In a functional perspective, the traditional prohibitions on lawyer advertising were complementary with the prohibitions on lay intermediaries. Both presupposed that a proper client-lawyer relationship had to be one-to-one between client and lawyer. They both presupposed that the relationship was established on the basis of information encapsulated in the lawyer’s reputation. They assumed that clients could adequately identify

35. See Perkins, 969 P.2d at 100 (holding that “lenders must comply with the standards of care of a practicing attorney when preparing [legal] documents”).
36. This is the formulation in old Canon 35. See supra note 30 and accompanying text.
when they should seek out a lawyer, as distinct from seeking some other kinds of assistance or intelligently deciding to do nothing. They assumed that clients were aware of reputations and could, on that basis, distinguish among potential sources of legal assistance. They assumed that the general impression of competence conveyed in a professional reputation sufficiently identified a lawyer who could properly undertake their matter.

These assumptions may have made sense in Abe Lincoln’s time, although there is reason to be skeptical on that score. However, virtually all these assumptions are untenable in a world of freeways and cell phones and populations that relocate about every five years. In any event, intermediaries surely could help most ordinary individuals in seeking legal assistance, with risks no more obvious than in those that we have learned to live with in the insurer-insured-lawyer “triangle.”

Of course, many lawyers fear that their practice would be infringed through competition from lawyers employed by intermediaries. That fear certainly is rational. It is another matter whether it is a proper basis for public policy concerning the legal needs of ordinary individuals.

B. Legal Simplification

There is still another kind of change that could be made: namely, changing the law to make it simpler for ordinary individuals. The concept of “access to justice” implicitly assumes that what the law has to offer for the ordinary citizen is static, or at least that the content of the law is a variable that need not be taken into account. But the law could be reshaped with an eye to making it less complex, if less “flexible” and less finely calibrated to distinctions. A prime example is the tax law. One can imagine a tax system in which, for most people, federal taxes on income, including Social Security, are completely integrated with state taxes and covered by a single return. One can imagine rights to unemployment compensation and pensions being integrated. Such a scheme for health care was largely worked out during the Clinton administration.

A law reform program along these lines would be a major undertaking, in both technical and political terms. The basic idea is contrary to two premises that dominate law making in the American system. One is reliance on individual citizen choice, understood as free choice in a market system, to select the array of goods and services purveyed to each household. The second is to facilitate wide differentiation in the goods and services that are purveyed, in principle a market with only minimal regulation.

In general, I share those premises. However, some markets do not work as well as others.
IV. Conclusion

The supply of legal problems presented to ordinary individuals in our society can be said to be vastly greater than it need be. The procedures by which ordinary individuals try to deal with these problems are expensive and complex and often frustrating. The pathway to change in the methods of providing legal assistance has been pretty well stagnated since the liberation of lawyer advertising. That mechanism seems somewhat helpful but nevertheless inadequate to the purpose.