



The North Carolina State Bar
Authorized Practice Committee

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May 5, 2008

Mr. Charles E. Rampenthal
LegalZoom.com, Inc.
7083 Hollywood Blvd., Suite. 180
Los Angeles, California 90028

LETTER OF CAUTION
Cease and Desist

Re: Allegation of Unauthorized Practice of Law
File number: 07AP0011

Dear Mr. Rampenthal:

On April 23, 2008, the Authorized Practice Committee met and considered the results of its investigation into LegalZoom's activities in the above referenced matter. As you will recall, LegalZoom was informed of the allegations before the Committee and given an opportunity to respond. You responded on behalf of LegalZoom and appeared before the Committee at its meeting. The Committee carefully considered both your response and the other information received by it.

Based upon all of the information available to it, the Committee believes these are the pertinent facts in this matter: LegalZoom is a California company that offers to prepare legal documents to the public through a web-based system. Among the documents LegalZoom prepares or offers to prepare are articles of incorporation, wills, trusts, divorce pleadings, and deeds. LegalZoom represents that it prepares the articles of incorporation and "customized bylaws and resolutions" for its business formation customers. The legal documents are prepared through LegalZoom's website where, once the customer purchases the service, the customer is presented a questionnaire that the customer completes online. LegalZoom transcribes the responses onto a form template that LegalZoom has determined is appropriate for the customer's legal document and in a form or manner determined by LegalZoom or through software developed by or on behalf of LegalZoom. The customer is presented with a finished document that is represented to be legally sufficient for the customer's needs without review or edit and has been approved by an attorney. In the case of the articles of incorporation, LegalZoom files the document with the North Carolina Secretary of State without any prior delivery of the document to the customer. The template used for North Carolina corporations is the template offered by the Secretary of State. LegalZoom has selected or prepared the template for each type of document selected by its customers. LegalZoom holds itself out as providing legal document preparation services and that its documents are prepared by attorneys and experts and that its documents are "dependable." LegalZoom is providing its services to North Carolina customers, is identified as the incorporator on North Carolina articles of incorporation, and has filed the articles of incorporation on behalf of at least four customers in North Carolina.

Anthony S. di Santi, Chair
Joshua W. Willey, Jr., Vice-Chair

The North Carolina General Statutes prohibit individuals or entities other than North Carolina licensed attorneys at law from providing or offering to provide legal services in North Carolina to other persons, firms, or corporations. Legal services specifically include organizing corporations and the preparation or aiding in the preparation of legal documents, including wills, deeds, and court pleadings. Business corporations may not provide or offer to provide legal services or the services of attorneys, even if the services are performed by attorneys. N.C. Gen. Stat. §§ 84-2.1, 4, and 5. The Committee concluded that there is probable cause to believe that LegalZoom's conduct constituted the unauthorized practice of law in violation of these statutes. Accordingly, it voted to issue this Letter of Caution to notify you of its decision and to demand that you stop engaging in your activities now.

The Committee considered your argument that LegalZoom was acting merely as the "incorporator" and that an "incorporator" could prepare and file these articles of incorporation for others. The Committee believes that the term "organize" corporations in N.C. Gen. Stat. § 84-4 includes performing the legal acts necessary for the establishing the corporation. The fundamental legal act required under Chapter 55 of the General Statutes is the preparation, execution, and filing of the articles of incorporation. Not only does LegalZoom not have any interest in the corporation for which it is acting as "incorporator," such an interpretation of the statutes would render the prohibitions in Chapter 84 meaningless as it would allow anyone to prepare, execute, and file the articles of incorporation for another. The Committee does not believe that is the correct interpretation of the statutes.

The Committee also considered your argument that LegalZoom wasn't giving any legal advice in connection with the preparation of these documents. The Committee disagrees. Legal advice includes the selection of terms and clauses within a legal document as well as the selection of which template to use. Accordingly, legal advice is inherently given by one who prepares a legal document for another. Once the customer has selected the type of document available through Legalzoom, the content is determined by LegalZoom. Regardless, the North Carolina statutes do not permit legal document preparation services even if they are not accompanied by "legal" advice. This argument does not resolve the primary problem with Legalzoom's service – its offer to prepare legal documents and its representation that its services will satisfy the customer's legal needs.

The Committee also considered your argument that LegalZoom is similar to a scrivener. The Committee disagrees. Scrivener services are normally defined as merely typing or writing the words dictated by another. LegalZoom is not simply transcribing information as dictated by the customer or providing the customer with a legal form. By gathering information from the customer in an abstract form using responses to a questionnaire and using that information to generate the completed legal document based on the content and nature of those responses, Legalzoom has exercised legal judgment concerning the preparation of that document, even if that judgment is part of an automated software design system. Further, the software has been designed in accordance with the judgment of Legalzoom. There is no doubt that this constitutes the practice of law. *See In re Reynoso*, 477 F.3d 1117 (9th Cir. 2007).

Legalzoom's conduct as described above is illegal in North Carolina and must end immediately. Specifically, Legalzoom may not prepare or offer to prepare legal documents to North Carolina residents or for use in North Carolina, including but not limited to articles of incorporation or organization, deeds, wills, trusts, or court pleadings, including divorce complaints. Legalzoom may not offer to provide any legal services in North Carolina or represent that its services have been reviewed by an attorney or are legally sufficient for the customer's legal needs. If you continue your activities, the State Bar may seek a court order to perpetually enjoin your unlawful conduct, as the Bar is authorized to do pursuant to North Carolina General Statute Section 84-37 and Chapter 1, Subchapter D, Section .0200 through .0207 of the Rules and Regulations of the North Carolina State Bar. Please also be aware that the unauthorized practice of law can be prosecuted as a criminal misdemeanor offense pursuant to North Carolina General Statute Sections 84-7 and 84-8 (copies enclosed).

Please provide a response with evidence that you have complied with the Committee's decision within 15 days of your receipt of this letter.

Thank you for your cooperation in this matter. Please contact the Committee's counsel, David R. Johnson, if you have any questions.

Sincerely,

Anthony S. di Santi, Chair
Authorized Practice Committee

ASD/lr