Introduced by Assembly Member Zbur
(Coauthors: Assembly Members Dixon and Kalra)

February 17, 2026

LEGISLATIVE COUNSEL'S DIGEST

AB 2039, Zbur. Attorneys.

The State Bar Act provides for the licensure and regulation of attorneys by the State Bar of California (State Bar), a public corporation governed by a board of trustees. Existing law authorizes the board of trustees, with the approval of the Supreme Court, to formulate and enforce rules of professional conduct for all licensees of the State Bar.

Existing provisions of the Labor Code prohibit an employer from making, adopting, or enforcing any rule, regulation or policy preventing an employee from disclosing information to a government or law enforcement agency, to a person with authority over the employee, or to another employee who has authority to investigate, discover, or correct the violation or noncompliance, if the employee has reasonable cause to believe that the information discloses a violation of state or federal statute, or a violation of or noncompliance with a local, state, or federal rule or regulation.

This bill would add provisions to the State Bar Act that would prohibit an employer, law firm, attorney, or any person acting on their behalf from retaliating against an individual for disclosing information in good faith, or because the employer, law firm, or attorney believes the individual disclosed or may disclose information in good faith, where the individual has reasonable cause to believe that the information reveals a violation of the State Bar Act, the California Rules of Professional Conduct, or any other state or federal statute, rule, or regulation governing the conduct of attorneys.

Existing law requires certain contracts between an attorney and client to comply with specified requirements, including requiring contracts to represent a client on a contingency fee basis to be in writing and include the contingency fee rate and specified other information.

This bill would require an attorney entering into a loan or financial assistance arrangement with a client to have a separate written contract that contains the total amount financed, repayment terms and contingencies, and all fees, costs, and charges. The bill would prohibit an attorney from charging the client interest on any loan or funds. The bill would make a violation of those requirements subject to a civil penalty of $15,000 per offense or injunctive relief, and subject to discipline by the State Bar.

Existing law makes it unlawful for any person to act as a runner or capper for any attorneys or to solicit any business for attorneys, as specified. Existing law makes a violation of those provisions a misdemeanor or a felony, as specified, and also authorizes a person to bring a civil action for specified remedies for a violation of those provisions. Existing law authorizes the Supreme Court to disbar, including to summarily disbar, or suspend an

attorney for specified acts, including conviction of a felony or misdemeanor involving moral turpitude.

This bill would also make a violation of the provisions prohibiting capping or running subject to a civil penalty of $25,000 for each violation. The bill would require the State Bar to enact summarily disbarment procedures for any licensee for a felony conviction of the provisions prohibiting capping or running or a misdemeanor conviction under those provisions where the court finds, or the record establishes, that the licensee acted knowingly and for financial gain.

Digest Key

Vote: MAJORITY Appropriation: NO Fiscal Committee: YES Local Program: NO

Bill Text

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1.

The Legislature finds and declares:

(a) "Capping" undermines the integrity of the legal profession and harms consumers by incentivizing unlawful solicitation practices.

(b) Existing law grants disciplinary discretion that may result in inconsistent outcomes following criminal prosecution for illegal capping.

(c) It is the intent of the Legislature to strengthen existing summarily disbarment procedures upon specified convictions to promote uniform enforcement and public protection.

SEC. 2.

Section 6090.9 is added to the Business and Professions Code, to read:

6090.9.

(a) The Legislature intends that this section be interpreted consistently with, and provide protections at least as strong as, those provided under Section 1102.5 of the Labor Code, while addressing misconduct within the legal profession. The Legislature further intends that this section operate in harmony with Rule 1.6 of the California Rules of Professional Conduct and shall not be construed to expand or limit an attorney's duties of confidentiality except as expressly provided.

(b) Consistent with Section 1102.5 of the Labor Code, an employer, law firm, attorney, or any person acting on their behalf shall not retaliate against an individual for disclosing information in good faith, or because the employer, law firm, or attorney believes the individual disclosed or may disclose information in good faith, where the individual has reasonable cause to believe that the information reveals a violation of this chapter, the California Rules of Professional Conduct, or any state or federal statute, rule, or regulation governing the conduct of attorneys.

(c) Protected disclosures include reports made to the State Bar of California, a court, a public prosecutor, or a person with authority to investigate or correct the violation. Nothing in this section shall modify Rule 1.6 of the California Rules of Professional Conduct or relieve any attorney of their duty to maintain client confidentiality under the laws of the state.

(d) When the reporting individual is an attorney, a disclosure constitutes protected activity under this section only to the extent the disclosure is permitted by Rule 1.6 of the California Rules of Professional Conduct or other applicable law. A disclosure made in violation of Rule 1.6 of the California Rules of Professional Conduct shall not constitute protected activity under this section.

(e) Nothing in this section authorizes an attorney to disclose information the disclosure of which is otherwise prohibited by Rule 1.6 of the California Rules of Professional Conduct.

(f) The limitations set forth in subdivisions (d) and (e) apply only to attorneys. Nothing in this section limits or alters the ability of clients to report attorney misconduct through existing mechanisms provided by law.

(g) The protections provided in this section are in addition to, and shall not diminish, any rights or remedies available under Section 1102.5 of the Labor Code. Courts shall construe this section consistently with judicial interpretations of Section 1102.5 of the Labor Code to promote uniform application of the California Whistleblower Protection Act. Nothing in this section limits broader protections otherwise provided by law.

(h) The protection provided in this section extends to employees, former employees, applicants, independent contractors, vendors, clients, and any person with a professional relationship to an attorney or law firm provided that the information is disclosed in good faith.

(i) Retaliation includes termination, demotion, discipline, threats, harassment, blacklisting, adverse contract actions, or any conduct that would deter a reasonable person from reporting misconduct. Retaliation in violation of this section by an attorney or any person acting on their behalf shall constitute grounds for discipline by the State Bar of California, in addition to any civil liability provided herein.

(j) Reporting mechanisms administered by the State Bar of California or authorized agencies shall, where feasible, permit confidential or anonymous submissions consistent with existing whistleblower statutes.

(k) A prevailing plaintiff may recover restatement or restoration of contractual status, backpay and benefits, compensatory damages, reasonable attorney’s fees and costs, and injunctive or other equitable relief. Remedies shall be interpreted in harmony with remedies available under Section 1102.5 of the Labor Code and related provisions.

(l) Any agreement that waives the protections of this section is unenforceable. The remedies provided are cumulative of those available under other statutes, including Section 1102.5 of the Labor Code.

SEC. 3.

Section 6149.6 is added to the Business and Professions Code, to read:

6149. 6.

(a) For purposes of this section, the following definitions apply:

(1) "Attorney-client loan or advance" means any extension of credit, loan, or financial assistance provided by an attorney or law firm to a client, other than payment of ordinary litigation costs expressly permitted by law.

(2) "Client" includes a prospective client where legal representation is reasonably anticipated.

(b) An attorney shall not enter into a loan or financial assistance arrangement with a client unless all of the agreement is in a separate written contract distinct from the retainer agreement and it contains all of the following:

(1) The total amount financed.

(2) Repayment terms and contingencies.

(3) All fees, costs, and charges.

(4) Potential conflicts of interest arising from the arrangement.

(c) An attorney shall not charge the client interest on any loan or any funds that are advanced for any purpose, whether for case expenses or any other purpose. An attorney shall not charge hidden fees or compounding structures designed to evade disclosure. Terms that materially impair a client's autonomy or litigation decisions are prohibited.

(d) Before execution of any agreement, an attorney shall advise the client in writing that the client may seek independent legal or financial advice. The client shall be provided a cooling-off period of not less than five business days unless waived in writing after disclosure. The client must provide informed written consent acknowledging understanding of risks and alternatives.

(e) An attorney shall not do any of the following:

(1) Condition legal strategy, settlement decisions, or continued representation on acceptance or repayment of a loan.

(2) Use a loan to acquire ownership, control, or leverage over the client's cause of action beyond lawful attorney liens.

(3) Structure financial assistance in a manner that interferes with independent professional judgment.

(f) A violation of this section constitutes unlawful conduct. Remedies may include restitution, rescission or reformation of the agreement, civil penalties in the amount of fifteen thousand dollars ($15,000) per offense, or injunctive relief. This section does not limit disciplinary authority of the State Bar of California or any other remedies provided by law.

(g) Any contractual provision that waives the protections of this section is void as contrary to public policy.

(h) This section supplements, and does not replace, existing ethical obligations governing business transactions with clients and shall be interpreted consistently with guidance from the American Bar Association and the California Rules of Professional Conduct.

(i) The duties and obligations imposed by this section are cumulative with any other duties or obligations imposed under other law and shall not be construed to relieve any party from any duties or obligations imposed under other law, and do not limit any rights or remedies under existing law.

(j) An attorney's failure to comply with any requirement of this section shall constitute grounds for discipline by the State Bar of California.

(k) Discipline under this section is in addition to any other civil, equitable, or statutory remedies.

SEC. 4.

Section 6152.5 is added to the Business and Professions Code, to read:

6152.5.

(a) Notwithstanding any other law, the State Bar of California shall enact summarily disbarment procedures under subdivision (c) of Section 6102 of any licensee upon either of the following:

(1) A felony conviction under Section 6152 or any successor provision prohibiting capping or running.

(2) A misdemeanor conviction under Section 6152 where the court finds, or the record establishes, that the licensee acted knowingly and for financial gain.

(b) Upon receipt of a certified record of conviction described in subdivision (a), the Supreme Court of California shall order disbarment. The State Bar of California shall not negotiate, recommend, or impose an alternative form of discipline, including, but not limited to, reproval, suspension, diversion, or probation, in lieu of revocation.

(c) The pendency of an appeal shall not prevent interim suspension pursuant to existing Rules of Procedure of the State Bar of California.

(d) Nothing in this section shall be construed to limit criminal penalties otherwise provided by law.

(e) For purposes of this section, "capping" has the same meaning as set forth in Section 6152.

SEC. 5.

Section 6153 of the Business and Professions Code is amended to read:

6153.

(a) A person, firm, partnership, association, or corporation violating subdivision (a) of Section 6152 is punishable, upon a first conviction, by imprisonment in a county jail for not more than one year or by a fine not

exceeding fifteen thousand dollars ($15,000), or by both that imprisonment and fine. Upon a second or subsequent conviction, a person, firm, partnership, association, or corporation is punishable by imprisonment in a county jail for not more than one year, or by imprisonment pursuant to subdivision (h) of Section 1170 of the Penal Code for two, three, or four years, or by a fine not exceeding fifteen thousand dollars ($15,000), or by both that imprisonment and fine.

(b) A person employed either as an officer, director, trustee, clerk, servant or agent of this state or of any county or other municipal corporation or subdivision thereof, who is found guilty of violating any of the provisions of this article, shall forfeit the right to their office and employment in addition to any other penalty provided in this article.

(c) Any person may bring a civil action for a violation of subdivision (a) of Section 6152 for the following remedies:

(1) Statutory damages of a minimum of five thousand dollars ($5,000) up to a maximum of one hundred thousand dollars ($100,000) per violation, or three times the amount of actual damages, whichever is larger. The amount of statutory damages in this subdivision shall be determined pursuant to subdivision (d).

(2) Attorney's fees.

(3) Injunctive or declaratory relief.

(4) Any other relief the court deems proper.

(d) In assessing the amount of statutory damages, the court shall consider any one or more of the relevant circumstances presented by the case, including, but not limited to, the nature and seriousness of the misconduct, the number of violations, the persistence of the misconduct, the length of time over which the misconduct occurred, the willfulness of the defendant's misconduct, and the defendant's assets, liabilities, and net worth.

(e) (1) In addition to subdivisions (a) and (c), a person, firm, partnership, association, or corporation violating subdivision (a) of Section 6152 is liable for a civil penalty of twenty-five thousand dollars ($25,000) per violation.

(2) Every client retained and claim filed engaging in the conduct prohibited by subdivision (a) of Section 6152 shall constitute an individual violation for the purpose of this subdivision.

(3) An action to enforce paragraph (1) may be brought by the Attorney General, a city attorney or county counsel.

(4) A prevailing plaintiff in an action brought pursuant to paragraph (1) shall be entitled to an award of reasonable attorney's fees and costs.

(f) The right of action under this section exists independently of any enforcement action or inaction by any governmental agency or official.