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PE Firms Leap Into MSO 'Frontier' For Slice Of Legal Industry

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Law360 (September 9, 2025, 4:48 PM EDT) -- Managed services organizations are quietly gaining ground in the U.S. legal industry as private equity companies eye the use of MSOs to overcome rules against fee sharing and nonlawyer ownership of firms, but critics warn that such a shift could open up an ethical Pandora's Box.

Lawyers, consultants and law professors who spoke with Law360 Pulse said the past year has seen a surge of interest in the MSO model, which entails splitting off a firm's back-office operations from the actual practice of law, allowing outside investors to purchase a stake in the resulting "service organization."

That could give firms more capital to modernize their back-office operations and invest in cutting-edge legal tech, potentially revolutionizing the business of law, according to proponents.

Critics, however, are less convinced such arrangements are ethically aboveboard, or even useful for the majority of firms.

"The concern is that this is just a disguised equity relationship that could be used to flush all the value out of a firm" and intrude on the attorney-client decision-making process, said Paul Haskel, a partner at Crowell & Moring LLP who co-chairs the firm's financial services group and often advises on structuring litigation finance deals.

"This is a new frontier for private equity," he added.

MSO Interest "Exploded" in 2025

With the exception of specialized pilot programs in Arizona, Puerto Rico and a few other jurisdictions, professional ethics rules strictly prohibit nonlawyer ownership of law firms in the United States. That's where MSOs come in.

To create an MSO, a law firm splits into two entities: one that employs lawyers and practices law, and a service organization that handles all the back-office, nonlegal work like billing, marketing, information technology and human resources. The service organization does not practice law and thus can sell equity to investors.

The specifics of that arrangement can run the gamut — law firms can pay the service organization a

recurring flat fee for services rendered, or the parties can try to draft more creative terms that allow the service organization to share in the success of the firm while still staying on the right side of fee-sharing rules.

MSO transactions have deep roots in the U.S. healthcare industry and have recently taken the U.S. accounting industry by storm, but are only now receiving a serious look in the U.S. legal sector.

"The space was quiet [after a deal we did a few years ago], until this calendar year when everything exploded," said Trisha Rich of Holland & Knight LLP, who along with her colleague Josh Porte is one of only a few attorneys with experience putting together law firm MSO deals in the U.S.

Lucian Pera, a legal ethics practitioner at Adams & Reese LLP who's also worked on MSO deals, expressed a similar sentiment.

"The interest is really growing, both on the part of law firms of various sizes ... and even greater interest on the part of the money — private equity, investor groups and so on, that interest is really hot," Pera said.

Crispin Passmore, a U.K.-based consultant who has worked on projects to loosen rules on nonlawyer ownership in the U.K. and Arizona, said he has likewise seen increasing interest across the U.S.

"I think there's lots of reasons to do this now," he said, because "investors have seen what's possible in other professional services."

Though most declined to discuss specific deals or parties, attorneys and consultants who spoke with Law360 Pulse said a dozen or so MSO deals have closed in the U.S. thus far, most of them on the smaller side.

One firm that has taken on outside capital in an MSO transaction is Rimon PC, an international law firm with roughly 200 attorneys and offices in 11 countries.

CEO Michael Moradzadeh said that now, three years out, the firm considers its deal with private equity fund Alpine Investors to have been a success. Alpine declined to comment.

Moradzadeh declined to provide specifics about the deal's terms or dollar amounts, but said that in general, it's important for a firm to find an investor partner who is "in it for the long term" and understands the importance of attorneys being able to practice independently.

"Big picture, I think the MSO model is a really good thing," he said. "There are issues that can be figured out, but I think it's better for attorneys and clients. ... I'm a big believer in upgrading law firm structure to align with the modern world."

"Drag Law Firms Out of the Stone Age"

Proponents of MSOs say the transactions can allow firms to make big investments in costly legal tech software, expand their office space, attract and retain key talent or otherwise modernize the business operations of the firm.

The MSO structure can also be a powerful push to run a law firm more like a business, incentivizing the

firm to regularly invest in its back-office operations rather than paying out all of its excess profits to the partners at the end of the year. That shift could prove all the more important as law firms race to harness the possibilities of artificial intelligence, experts said.

"The old joke is that lawyers are terrible businesspeople," said Chris Batz, a consultant with Columbus Street. "[With an MSO], you have people making decisions like a real business."

Rich of Holland & Knight said MSOs could be a way to "drag law firms out of the Stone Age."

"It's an opportunity to change the way law is practiced," she said.

Several experts said MSOs can also be an attractive option for older partners who've poured their lives into their firms but now want to retire.

"Maybe an attorney sells some percentage [of the MSO] in the first round, and then when they retire, they design mechanisms that let them get a capital payout in a way partnerships cannot," consultant Passmore explained.

Burford Capital, the largest litigation funder in the world, has been publicly leading the charge on raising awareness about the potential of MSO transactions in the U.S., although it declined to say whether it's actually closed on any deals yet.

Burford has invested directly in several law firms in the U.K., most recently legal growth advisory company Kindeworth LLP, which is similar to an MSO that aims to partner with multiple law firms.

The litigation funder also recently made waves when it announced it is actively looking to invest in MSO deals with BigLaw firms.

"We see interest from across the market, from some of the largest firms in the world and the U.S.," Travis Lenkner, Burford's chief development officer, said in an interview last month.

Others, however, are skeptical the MSO model will ever catch on in BigLaw.

Many of those firms, especially the ones at the top of the food chain like Kirkland & Ellis LLP and Latham & Watkins LLP, are already profitable and flush with cash, so additional investment in back-office operations or legal tech is not a major problem that needs solving, experts said.

"The idea of giving up equity to get money from a third party is not appealing to [the BigLaw firms] we work with," said Kent Zimmermann, a strategic adviser to law firms with legal industry consultancy Zeughauser Group.

John Morley, a professor at Yale Law School and an expert in law firm finances, echoed that point.

"I don't think we'll see this at the top end of the legal profession anytime soon, because those businesses are incredibly successful, and there's no reason for them to change how they operate," he said, "let alone when doing so involves navigating so many regulatory and internal political issues."

Several experts said the MSO model could work well in the context of more consumer-facing, high-volume, low-margin practice areas like personal injury law or generalized patent and contract work,

among other things.

Morley said that in the U.K. and Australia, where nonlawyer ownership of law firms is allowed, it's those sorts of midmarket, generalist firms that have made the best use of outside capital to grow their business and upgrade operations.

"The model is something like an H&R Block for affordable legal services," Morley said. "I suspect that's where this [MSO model] is the most useful, and we've seen many investor-owned firms in those countries do very well with it."

"The Devil Is in the Details"

But legal ethics experts are divided on whether MSOs can function on a wider scale without running afoul of the bans on fee sharing and nonlawyer ownership of firms.

Pera of Adams & Reese said a law firm contracting with a service organization is no different than working with an electronic discovery service — something that's completely fine as long as key considerations like maintaining client confidentiality are taken into account.

"I don't know how they could [restrict MSOs]," he said. "It's just another flavor of vendor."

Others take a dimmer view.

UCLA School of Law professor Scott Cummings said that while in theory an MSO deal could simply resemble a vendor providing services to a firm, he's skeptical it will work that way in practice.

Investors will have every incentive to turn an MSO deal into something as close as possible to an outright equity stake that comes with decision-making powers, he said, meaning "the devil is in the details."

"The question is, What's in it for private equity if they're not able to tap into revenues?" he continued. "That leads me to be suspicious at the outset."

Those hypothetical ethical issues could also be compounded by it being difficult for a state bar association to monitor the actual workings of any given MSO deal.

Hilary Gerzhoy, an ethics attorney and chair of the D.C. Bar's rules committee, said she's not aware of any mechanism for a bar association to do a proactive audit of a law firm.

"It's a new avenue, and when you have a new avenue, there's more opportunity for people to potentially not be adhering to the Rules for Professional Conduct," Gerzhoy said. "With how it's structured now, though, you could have nonlawyers who are equity partners in the firm, and absent a whistleblower situation, the bar might have no idea."

--Editing by Alanna Weissman and Lakshna Mehta.