BASIS SET VENTURES

Legal Services.

Exploring opportunities to improve legal services with machine intelligence

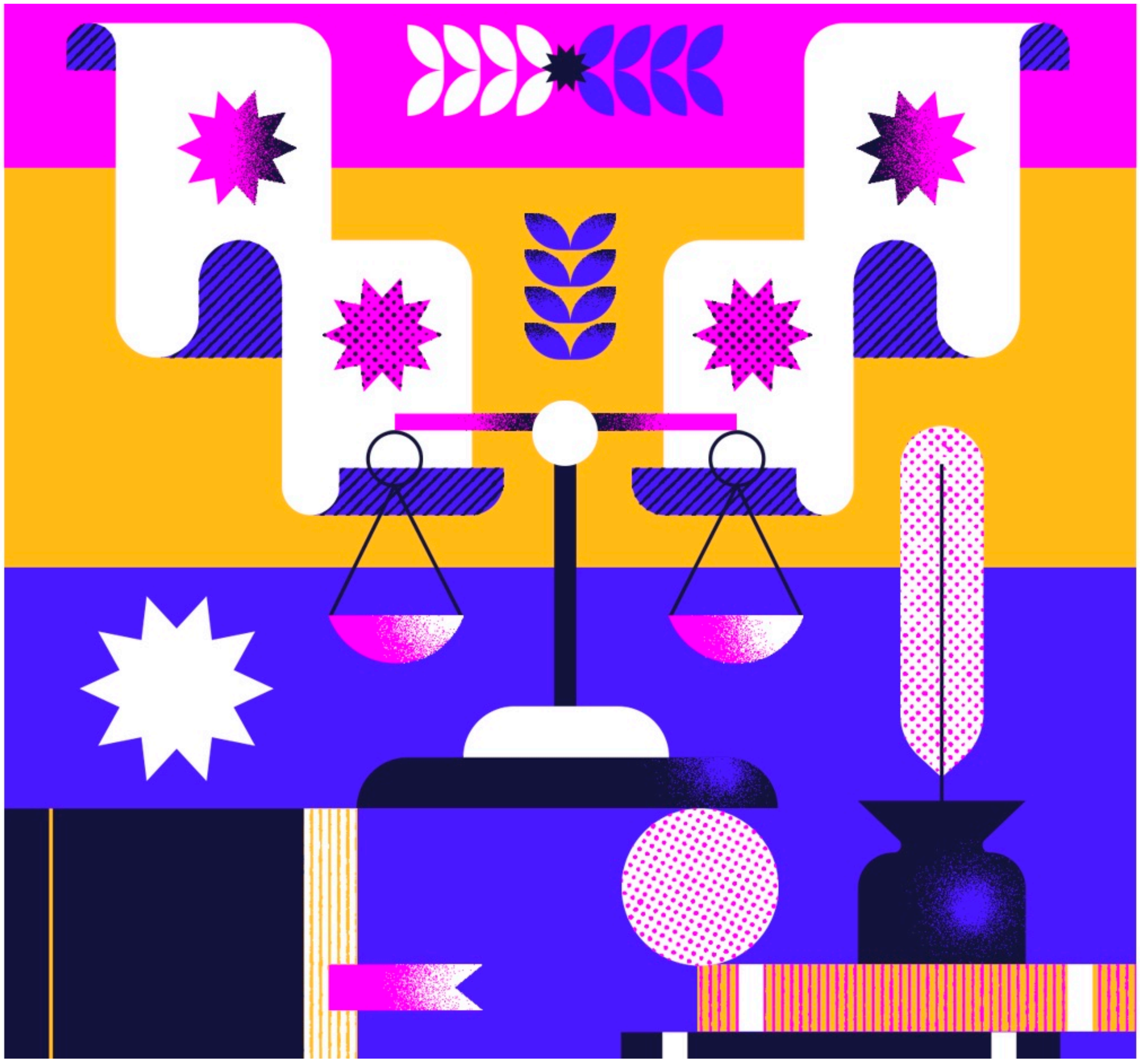

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Table of contents.

Entities, incentives, and terminology

Big law firms:
The combined revenue of the world's top 200 law firms exceeded $100bn in 2018. These firms usually have hundreds of lawyers across global offices, with diverse practice areas ranging from M&A to employment litigation. Top partners at these firms can bill upwards of $1000 an hour, midlevels bill between $400-500 an hour, and junior associates bill between $200-400 an hour.

Big law firms are typically governed by partner committee, and the power dynamics between different partners jockeying for influence make large scale innovation and change very difficult. Technology purchasing decisions must usually be made through partner committee consensus.

In-house departments:
In-house departments at major corporations usually focus on commercial contract review, amongst other practice areas like IP and employment law. In-house departments hire outside counsel (usually big law firms) to conduct the most sensitive matters, such as bet the company litigation or large transactions like acquisitions.

In-house departments are cost centers for corporations, and the General Counsel or Chief Legal Officer (head of the department) is usually pressured to cut costs while maintaining quality. Typically, GC's will favor established law firms for major transactions and litigations, given their risk sensitivity ("no one's been fired for hiring Sullivan & Cromwell").

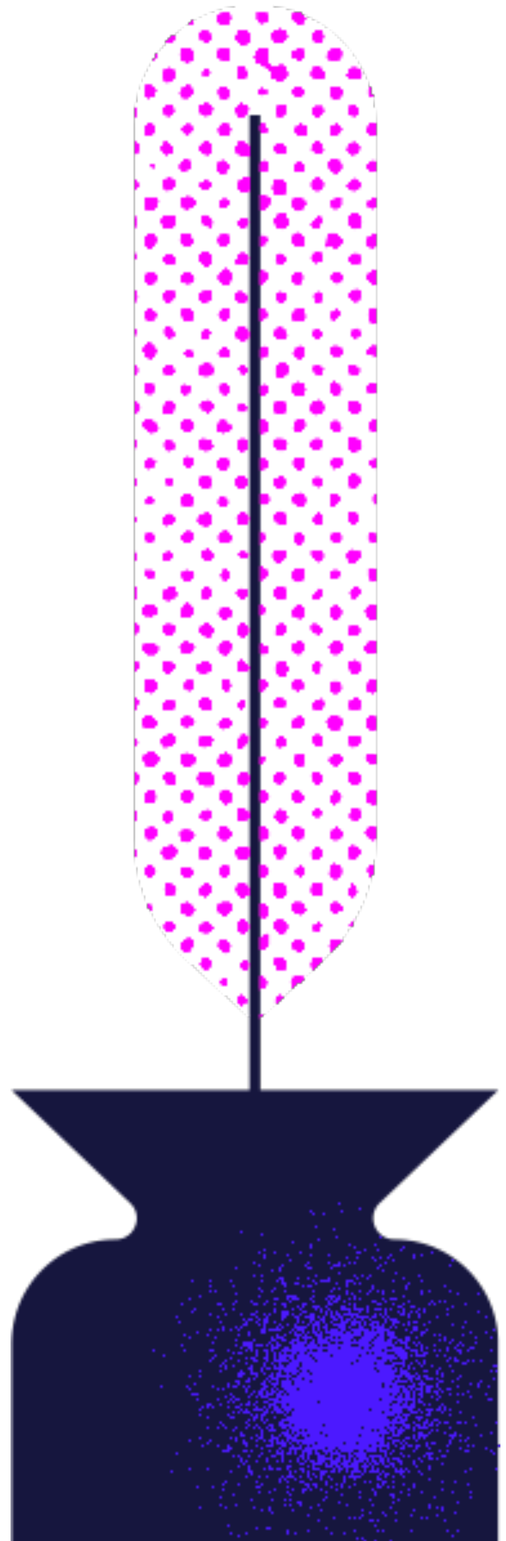
Medium-sized law firms, small law firms, and boutiques:
Medium sized law firms service smaller, regional markets, but often with the same breadth of services as their larger counterparts. Small law firms are often one or two lawyers working on niche areas like personal injury litigation or trusts and estates. Small law firms often lack the budget to afford sophisticated research tools that their larger counterparts utilize regularly.
Boutique firms usually focus on small but lucrative practice areas like appellate litigation.

Non-traditional law firms:
Law firms with no physical offices and that claim to use project management software, like Axiom. Justin Kan's venture (Atrium) uses project management techniques and software to address the needs of the start-up legal community, but has a conventional physical office model.

Corporate versus litigation:
The two major practice areas for high revenue generation in legal services are corporate and litigation. Corporate lawyers typically prepare documents, advise on transactions, and project manage large corporate transactions. Junior corporate associate workflow is 75% filling in template documents and sending them to clients for review.

Partner workflow involves supervising associate work and maintaining the client relationships. Partners focus more on business development and providing high-level legal advice.

Litigators prepare research for the client, take cases to settlement or trial, and advise on legal research questions. Their workflow is a mix of using online legal research, writing briefs, and oral advocacy.



Legal services value chain

Client origination: Servicing (litigation/corporate/advisory) → billing → retention

Client origination:
Lawyers at firms originate clients via personal relationships, legacy relationships with historic large clients (like financial institutions or government agencies), and firm marketing (internet and brick and mortar).

Servicing:
Lawyers' workflows depend on their practice area.
Corporate lawyers typically prepare documents, advise on transactions, and project manage large corporate transactions. Junior associate workflow is 90% filling in template documents, while partners focus on providing high-level strategic advice on transactions.

In-house lawyers typically spend most of their time reviewing, marking up, and filling in commercial contracts. When their cases proceed to litigation, discovery is a time-intensive and laborious process that has its own workflows.

Litigators prepare research for the client, take cases to settlement or trial, and advise on legal research questions. Their workflow is a mix of using online legal research, writing briefs, and oral advocacy. Junior litigators spend most of their team researching and preparing briefs, while partners advise clients and manage the process.

Billing
Lawyers at firms typically bill by the hour, though a trend towards flat fee services is growing for junior associate work in highly controlled practice areas like venture financings and for areas where client pressure is growing to cut down costs.

In a piece published in the Washington Post, it was reported that 37 percent of chief legal officers anticipate the change to alternative legal fees to increase over time. In 2009, only 28 percent of law firm leaders expected this change to be permanent, but that number had jumped to 80 percent by 2013.

As more pieces of the legal services puzzle get automated, client pressure will likely fall onto partners to charge flat fees for most transactions.

Lawyers at this point bill in six minute increments and must keep track of time with manually intensive billable hour input software. Most lawyers write down on pen and paper what they're working on throughout the day and then input this information into the billable hour software at the end of their workday.

Retention
Major law firms constantly compete to poach each other's clients, either by offering more specialized, targeted services (such as preeminent regulatory attorneys for clients that need more regulatory advice) or competitive pricing.

Emerging areas

Corporate Junior Associate Augmentation with ML powered contract review

Junior associates typically review hundreds of contracts as part of each transaction (during the due diligence phase of the transaction).

There are myriad solutions available now for junior associates to speed up their process of contract review with ML powered software (Kira, eBrevia, many others).

The software first extracts major legal contract terms (IP, assignment, etc.) (using OCR for scanned contracts) and then populates spreadsheets with these terms and any major red flags, such as major missing terms - just like a junior associate would do on any transaction.
While these solutions make corporate junior associate work much more efficient, there are a few fundamental issues preventing mass adoption across law firms:

- Law firms are still incentivized by the billable hour, and efficient workflows enabled by tech are often looked down upon by senior partners.
- The risk/benefit ratio of missing edge cases is high for the associate using the software. If the software misses one critical term, the associate will still be blamed for the mistake.
- While the software is good at spotting clearly defined terms, it isn't good yet at finding terms that are described non explicitly in confusing ways. For example, it isn't good at finding assignment clauses that may be constructed with non-standard language, which occurs from time to time.

Instead of selling to law firms, many of these companies are now seeking to sell to in-house departments, but the use case is not as clear cut.

In-house departments review large volumes of contracts, but still retain outside law firms for the most routine large transactions (such as M&A). Furthermore, in-house departments usually focus on drafting commercial contracts, which aren't well-suited to contract review software at this point.

These companies are also selling to auditing firms (Deloitte, PwC, etc), which have a clearer use case: using the software to look out for certain clauses in the contracts that they must keep track of to comply with federal law. However, the ARR generated from this channel likely isn't sufficient to make up for the lack of demand from law firms.

A few companies focusing on AI for contract review, will in my opinion, be profitable businesses, but I don't think any of them will be billion dollar companies. I'd stay away from investing in this area at this point.

Litigation Associate Augmentation with ML + NLP powered legal research

Litigation associates currently use one of two major legal research tools to search for precedent (previous cases decided by relevant judges): WestLaw or LexisNexis. However, neither of these tools uses any meaningful machine learning on top of its vast case law data to speed up the process of research or to uncover interesting patterns human attorneys haven't found yet.

Furthermore, they are extremely clunky to use and lawyers end up poring through hundreds of case law precedents to find the information they are looking for.

This may be slowly changing, though, as LexisNexis has acquired the legal research startup Ravel Law and the analytics platform Lex Machina. Ravel uses machine learning to speed up the case law review process and to identify new patterns, such as what types of judges are receptive to certain legal arguments.

While machine learning can help find new patterns in case law that human attorney's can't find, I'm not very optimistic about law firm adoption of these next generation ML powered research tools, for many of the similar reasons explored in the corporate associate discussion

At this point, law firms are still incentivized by the billable hour, and the perceived risk/benefit ratio of efficient research versus the risk of missing an edge case outweighs many litigation partners' willingness to purchase the tools from my conversations with them to date. Instead, I see gradual adoption through the tools WestLaw or LexisNexis deploys through their acquisitions.

While case research companies are likely not great targets for investments, startups that are providing AI powered insights about local judges are much more interesting as "painkillers instead of vitamins" . Litigators don't just litigate cases in front of well-known judges; the bread and butter of their work is often performed in front of local justices about whom much data is usually shared anecdotally, since local court records are often stored in the basements of courthouses.

Companies that can mine local court records for information about local judges and their rulings by first assembling a large data set of these records can provide extremely valuable data to litigators that would give them a competitive edge over their competition.

The first serious market mover would have a chance to be an industry standard player, and almost every litigator would be forced to adopt some type of this judge prognosticating technology in order to compete. With an estimate of over 250,000 litigators in the US that would benefit from such services, and a conservative estimate of willingness to pay of $1000/year, such a company could scale to $250M ARR.

Prior Art Search and Patent Filing Augmentation with ML and NLP

The US has shifted to awarding patent rights through a first to file system. In order to qualify as patentable, among other things, an invention must be novel and non-obvious.

As such, the R&D process at many large companies involves searching through prior art to see whether inventions may be patentable and whether or not inventions infringe on currently existing prior art. The invention to patent filing cycle can often be months long, as patent lawyers sift through prior art and a heavy load of inventions in a large corporation to validate.

There is an opportunity to build an early version of a next-gen prior art search tool with robust NLP and ML, so that prospective inventors may quickly validate whether or not their inventions are patentable. Startups like Legit.AI and TurboPatent are working on this problem, but it is a very difficult NLP problem, given the complexity of search terms involved. I think this area is worth keeping tabs on, but I'd move cautiously given the technological hurdles at hand.

Automated Compliance

Compliance is an extensive separate topic unto itself, but I'll summarize the most interesting development in the field currently. The most interesting area in my opinion is privacy compliance, which has been spurred by passage of GDPR and California's own stringent privacy requirements (modeled after GDPR).

There is an opportunity to provide a platform that automates privacy compliance, by utilizing ML to keep track of different types of personal data in real time. Such a platform might create a map of personal information across all networks and associate identities with appropriate privacy requirements.

There is likely a large demand for such a platform. PwC research has recently shown that "Among all [surveyed] companies, 60% said they plan to spend at least $1 million on GDPR preparation projects and 12% plan to spend more than $10 million."

In addition to privacy compliance, using ML to augment AML (anti money laundering) compliance is another active space, with numerous startups like Merlon Intelligence and Quantiply attacking this problem. However, with the brutal sales cycle involved with bank customers, these startups seem to be facing significant headwinds in the market. As such, I would avoid this sector for now.

Law Firms 2.0
There are enormous opportunities for startups to rethink how law firms work from first principles with end-to-end deployment of software and AI. Startups that are successfully able to resegment an existing legal services market with a technology enhanced delivery model have the potential to become billion dollar companies.

Atrium is a well-known example of such a startup, but they're barely scratching the surface of the deeper opportunities available. Atrium is focused on providing legal services to startups at this point, and I'm not bullish on their particular team's ability to scale to the higher-ticket work like large transactions and litigations, which are the more economically interesting opportunities involving multi-million dollar fees per project. They're also wasting a lot of time building solutions in-house that are already available more cheaply with outside vendors, like ML powered contract review.

Using project management software (which is bizarrely not used in most firms yet), ML solutions for contract review, ML solutions for legal research, automated billing software, an in-house R&D department, a roving technical troubleshooting team, and flat fees, I'm convinced that an effectively managed startup firm can compete effectively on large transactions and lawsuits and scale to billion dollar revenues (just like the top NYC firms) without a large headcount of junior attorneys and paralegals.

The team would need a sizeable number of partner level attorneys with pre existing books of business, along with strong technical talent. It may be difficult to lure away these partners who already have established business for a risky venture, but not impossible. One of the major problems preventing innovation in law firms are rules prohibiting non-lawyer investments in law firms.

However, this problem can be surmounted in two ways : (1) separating out the tech IP into a different entity from the law firm (which can receive external investment), like Atrium has done, or (2) incubating a tech enhanced law firm in a different jurisdiction where non-lawyers can invest in law firms. The latter is possible in the UK and Australia, where some large law firms have even IPO'd, representing an exit opportunity for such a venture beyond acquisitions (which occur between large law firms and small law firms with some regularity in the US).

I can also envision the (somewhat) distant future of the law firm would focus on utilizing advanced NLP to streamline the intake process, and then produce tailored legal advice based on ML powered legal research or ML powered legal transaction docs appropriate to the situation at hand.

Of course, such a firm would be many years away, but if you agree with the adage that you should envision the future and build what's missing, it's important to consider the potential consolidation that would eventually result with such an AI powered "Amazon of Law." Client relationships and lack of transparency around billing would fall away in favor of instant, targeted, and transparent legal services.

In-House Workflow Automation Tools
Inhouse lawyers are more incentivized to seek efficient workflows than big law firm attorneys,
since they are not paid by the billable hour and are often urged to cut costs.

As such, companies in this space have a greater chance of market adoption, but the barrier to adoption is still high given lawyers' skeptical nature about technology. As in any enterprise software, but especially within legal tech, new software must be a painkiller, and not just a vitamin.

There are two particular types of workflow automation tools I'd keep a watch on: (1) software with an especially compelling UI that provides a clear and demonstrable savings of time on common workflows, and require minimal training and deployment costs (as such, AI is less important than UI for these startups) and (2) software that automates low level legal tasks that still consume much of entry-level in-house attorney time, like drafting and reviewing NDA's.

As an example of (1), I'd keep a close watch on startups like Ironclad, (recent Series B of $23M led by Sequoia), which provides contract management software solutions to in-house departments, and is experiencing rapid customer growth. I've spoken with lawyers who rave about the ease of use of software, and how using it saves them hours of time each week. Their UI and clear time savings value prop is a key driver of their success.

While companies in (2) are still interesting from the standpoint of speeding up in-house workflows through low-level task automation, I'd consider them somewhat less interesting for investment. While review of NDA's and similar junior tasks does take up hundreds of hours across a large legal organization, I don't think the willingness to pay will be very high for solutions here, given other, more pressing priorities like litigations and transactions.

Going forward, as the "Amazon of Law" discussed above may become a reality in the distant future, I suspect that the vast majority of in-house departments will be essentially outsourced beyond the function of the core legal team (GC and key deputies).

Much of the internal advising around employment agreements, NDA review, IP review, etc can be outsourced more cheaply with flat fees to such an Amazon like service than the cost of retaining big law firms or full time employees.

AI Augmented e-Discovery (In-House)
Discovery is the stage when both sides of a lawsuit must start producing all relevant information - emails, documents, audio files, etc.

In-house departments are now engaging with vendors providing "e-Discovery" services, which is the electronic aspect of identifying, collecting and producing electronically stored information (ESI) in response to a request for production in a lawsuit or investigation.

Previously, in-house departments would hire large law firms to manually hand discovery, and junior litigators would comb through hundreds (if not thousands!) of boxes of documents to select "relevant' material to the litigation. As you might guess, this is an extremely costly affair, which can run up to 70% of the cost of a usual litigation.

The first AI enhancement to discovery is through predictive coding - the ML process that reduces the time human reviewers must spend reading non-relevant information – by teaching the software to analyse periodic human feedback, learn for itself what information reviewers are actually interested in, and then locate that information.

Industry studies have shown that with the right training, predictive coding achieves better and more cost-effective results than traditional, Boolean logic-based eDiscovery, which requires humans to give detailed, specifically structured instruction sets for searches.

Predictive coding has proven so effective that some courts now prefer algorithm-reviewed productions over human-reviewed productions, while others have refused to accept documents produced by manual review.

Furthermore, now, with AI-enhanced e-Discovery services, litigators can use AI to streamline collection and processing, winnowing down vast quantities of data into organized, manageable chunks through email threading, batching, and near-deduplication.

Concept clustering takes advantage of developments in NLP to help the software recognize concepts regardless of how they’re phrased, grouping data for later review and analysis.

The eDiscovery market is set to hit $18.49 billion , and in-house departments are embracing the cost savings brought by the sector. Microsoft has saved at least $4.5 million annually bringing its eDiscovery in-house and has brought its knowledge to its own Office 365 eDiscovery system. The 500-person legal team at Novartis centralized eDiscovery in house with software vendors, leading to savings of $30 million.

While the market opportunity is large, the field is currently crowded with numerous public incumbents and startups. (See Onna, Relativity, OpenText, Zapproved, Exterro, and even Microsoft Office 365’s eDiscovery solution). I would make an investment in this area only if the startup is able to show technology that is highly defensible and proprietary, and is a few orders of magnitude more efficient than existing solutions.

Further novel applications in routine workflows

This section answers two major questions:

1. Where can legaltech be leveraged to streamline the parts of business workflows where recurring legal advice/process is needed?

2. Where can legaltech be leveraged to streamline the delivery of legal services in specialized practice areas with large markets and the potential for packaged, recurring services?

In order to answer both questions, we must first segment out and analyze the detailed lifecycle of legal services provided to general enterprise (across industries) and consumer customers.

Enterprise Legal Lifecycle - Across Industries

Service Need (In rough order of time)	Atributes	Fee ticket size (from $ to $$$$)	Recurring?
Incorporation	Filing of charter docs, stock agreements, etc.	$	Non-recurring
Initial Financing	Preparing and negotiating investment agreements	$$	Non-recurring
IP Strategy	Preparing copyright/ trademark /trade secrets/ patent strategy (strategic disclosure, filing, prior art search, etc)	$$	Recurring
Employment	Preparing and negotiating employment agreements, stock agreements.	$$	Recurring
Vendor/Supplier Agreements	Preparing and negotiating commercial agreements with vendors and suppliers. Procurement agreements (legal invoice reviews). Includes trade documents like bills of lading.	$$	Recurring
Further/Ongoing Financings	Preparing and negotiating investment agreements.	$$	Recurring
Commercial Agreements / IP Agreements	Preparing and negotiating commercial contracts, licensing, IP, tech transactions.	$$-$$$	Recurring
Ongoing Compliance	HR, Tax, Cybersecurity, Privacy, Investigations	$$$	Recurring
Litigations	Retaining outside counsel to handle litigations (legal research, briefing, trial).	$$$$	Usually non-recurring But recurring in litigious industries like tech
Exits/Restructuring	Preparing all documents, diligence, and negotiation for exits, including, M&A, IPO, and restructuring.	$$$$	Non-recurring

The two segments of the enterprise legal life cycle that are most ripe for streamlined services in my opinion (i.e. high legal fee ticket size, recurring, and addressable by technology) are:

1. Commercial Agreements/IP Agreements
2. Ongoing Compliance

Commercial Agreements/IP Agreements
Large companies spend millions of dollars each year (both on in-house and outside law firm counsel expenses) on drafting complex commercial agreements with their customers and partners.

Especially in the tech industry, outside lawyers are often called in to assist with complicated IP provisions (such as who is licensing what technology and in what fashion). Mistakes here can be enormously costly, especially during M&A diligence.

The department of most law firms that handle these types of contracts is called “Technology Transactions,” but can also include garden variety corporate departments in firms as well.
These types of contracts suffer from two major problems:

1. *Lack of legal language standardization*
   Endless “redlining” (back and forth of edited provisions) results when there is a lack of accepted standard language for various clauses. Every lawyer adding their own spin on simple concepts generates fees for their firm, but slows down transactions and increases costs for their clients. As such, most clients utilize in-house services when possible, but even in-house attorneys end up slowing down the process when they are just emailing redlines back and forth with other attorneys based on their own individual preferred idiosyncrasies. Companies like IronClad help with this document management, but haven’t yet provided any robust legal language standardization. Instead, every lawyer/law firm has their own “precedent”.

1. *Inefficient negotiation*
   Lawyers negotiate sensitive provisions by phone call. These quickly get inefficient and expensive for clients, as lawyers will rack up fees calling their clients and informing them about the current negotiations, and spend long calls negotiating with opposing counsel about provisions.

Opportunity:
There is a very interesting opportunity for a company to develop an algorithmic negotiation tool to speed up transactions for general corporate clients across all industries. In theory, such a tool would allow companies to quickly close transactions and only need attorneys for high-level review.

Such a tool would incorporate each party’s (private) preferences and risk sensitivities in a quantitative manner. In addition, the preferences and risk sensitivities would have to be incorporated in a ranked or “sliding scale” fashion, to give users the opportunity of describing how their preference shift according to different parameter values.

For example, such a tool would allow the user to describe the ranges of economic value offered by the type of IP license they want to grant, how much risk exposure they can grant on Indemnifications, their preferences on Assignment, any special risk sensitivities/areas on privacy and security, and the various permutations and combinations of these factors depending on the values of other variables in the negotiation as stated by the other side.

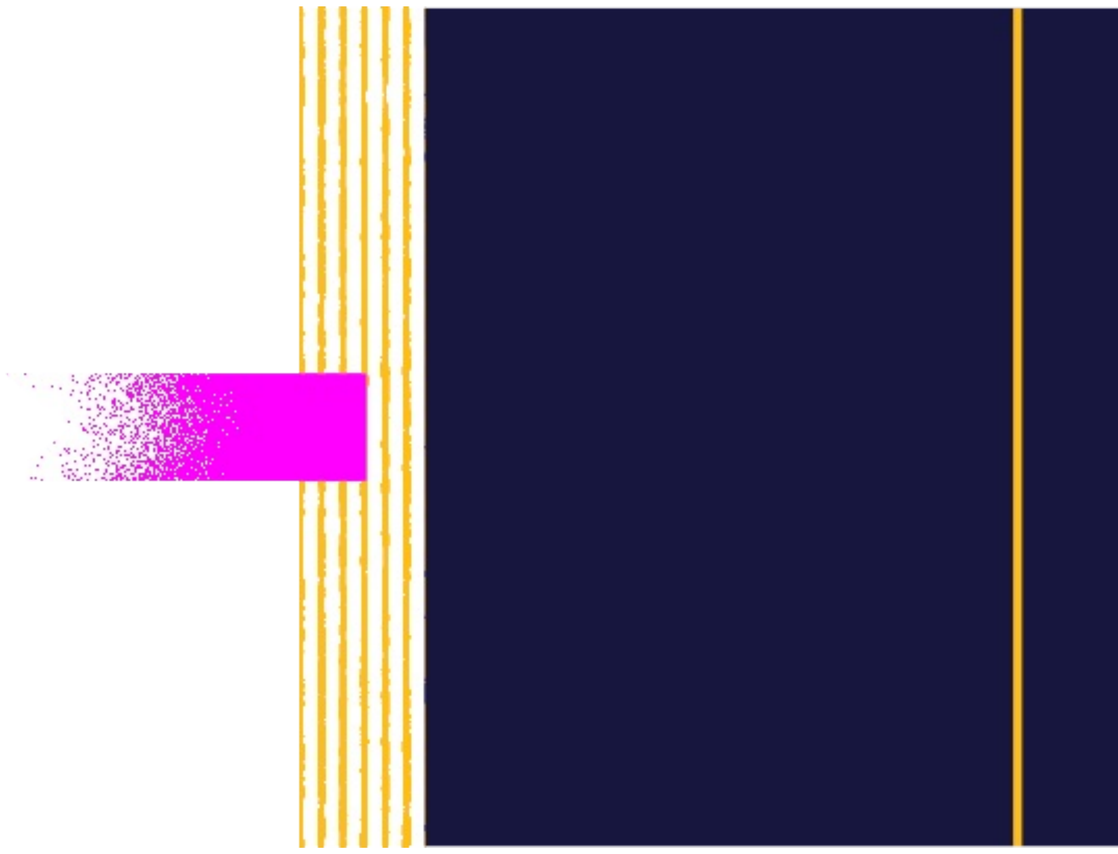
Then, the tool would dynamically match the preferences of both sides to provide the “zone of possible agreement.” After outputting a few choices within the zone of possible agreement and giving the opportunity for both sides to select/rank their ultimate choice of combinations, the tool would output the corresponding standardized legal language.

There are companies like LegalSifter, LegalRobot, and Lawyaw offering basic tools for contracts (like filling in common form provisions and using AI to check for common mistakes), but none have gone after this more ambitious (and of course more difficult) problem.

Eventually, such a tool might scale to become the centralized platform for all commercial negotiation, and this might be a beachhead for the eventual “Amazon of Law” concept discussed at length above.

The tool would have to leverage industry specific practices, documents, and data for each vertical of negotiation/commercial agreement addressed. It’s also worth noting that vendor and supplier agreements can benefit from a similar tool, since every company deals with vendors and suppliers on a regular basis.

I won’t get into “smart contracts” powered by blockchain here, as it is an extensive topic unto itself given the particularities of blockchain, but it’s important to note that quasi-commercial agreements like bills of lading (which are not technically contracts unless specifically negotiated as such) can potentially be streamlined with blockchain solutions (see numerous startups like Wave working on this problem). See also Clause , which is a team of law professors and engineers working on bringing blockchain solutions along with IoT devices to update certain legal and quasi-legal documents (like invoices) in real time.



Ongoing Compliance

Compliance as a service is a nascent market but one worth paying attention to. The market is initially starting out on a vertical by vertical basis (privacy, tax, etc), and will likely remain so.

As the “Automated Compliance” section above notes, companies selling compliance solutions to customers with faster sales cycles, (like privacy compliance solutions to tech firms and not AML solutions to banks) have a better chance of succeeding.

Even more interestingly, vertical-based compliance solutions can be compelling beachheads for even larger businesses built on top.

For example, Carta, which recently raised a $300M Series E led by Andreesen, started out as essentially a software based cap table management/stock certificate compliance solution.

However, Carta then added a more profitable 409A valuation service, which is now one of the leading solutions in the space, and is now shifting to a marketplace for private share liquidity. Although Carta still has to prove a lot of assumptions in its new market entry points, and may lose traction if it gets too unfocused, it demonstrates that there are large opportunities in building initially niche compliance solutions.

I can see similar companies being built in other seemingly niche compliance verticals with potentially large markets. Perhaps beachheads like corporate tax compliance, privacy, and HR can grow into large platform opportunities for startups to capitalize upon.

I wonder if eventually some ambitious team will attempt to provide the one-stop solution for all of business’ regulatory compliance needs across common regulatory areas, while also providing real-time risk assessment of common business activities (employee interactions, customer litigiousness, etc). This would be a horizontal compliance platform play.

Such a solution would need to intake massive amounts of data about the business, including emails, calendars, and customer info, not to mention monitor in real-time the evolving regulatory landscape, and would present numerous privacy headaches, so it may not be feasible (or desirable).

Service Needed	Attributes	Fee ticket size (from $ to $$$$)	Recurring?
Immigration	Preparing and filing immigration documents, representation before judges (Boundless)	$$	Somewhat recurring, but ceases At the point desired immigration Status achieved
Employment	Reviewing/negoti ating employment agreements	$-$$	Non-recurring
Real Estate	Reviewing documents/ advising on transactions	$$	Usually non-recurring
Estate planning	Drafting wills/trusts	$-$$	Non-recurring
Tax	Providing advice on tax minimization, entity formation (Visor)	$-$$	Somewhat recurring
Special situations	divorce, litigation, crim. defense, bankruptcy.	$$$	Usually non-recurring
Opportunistic legal market	Unclaimed property, class action settlements, litigation financing	$-$$	Non-recurring

Most consumer facing legal tech startups operate on a verticalized basis. However, since most of the verticals usually involve the provision of one-off legal services, startups generally struggle to generate the kind of recurring revenue needed for a true venture scale outcome, even when incorporating upsells and packaged services. As such, I'd advise some skepticism towards verticalized consumer facing legal tech startups.

The next natural topic to consider would be consumer-facing legal marketplaces. In the short-term, it's interesting to note that the low-hanging fruit of legal services marketplaces (consumer focused) have been struggling. Most of the big names like UpCounsel and Hire an Esquire ended up pivoting to enterprise legal services. While there are companies like Avvo and LegalZoom that have cornered the existing market so far, no one seems to have successfully created an "Uber" for legal type experience yet, and consumers still seem to prefer cultivating relationships with individual attorneys in their local areas.

In general, then, I would stay away from investing in consumer facing legal tech startups, unless you meet a founder with a uniquely large vision to re-invent the whole provision of legal services to this sector.

Such ideas, though they may not be feasible in the short-term, may look something like the following:

1. ***Whole life-legal advisor*** ; "Jarvis" for consumer legal. Providing subscription based advice on common legal issues throughout a whole person's life, and would also involve proactive legal advice on aspects of life that have massive financial consequences, like unforeseen gaps in homeowner's insurance policies. Perhaps this would be packaged in with a similar type of product for dynamic insurance across a person's whole life (w/ wearables) and set of risks (health, income, transportation, etc.). The major challenge to this, though, is that people tend to only consult lawyers reactively, and not proactively. Changing this type of consumer behavior would be difficult.
2. **Access to justice marketplace** ; although most legal marketplaces seem to struggle when focused on consumer facing services, there may be an opportunity for clever entrepreneurs to fix the access to justice problem where millions of people don't have the resources to afford lawyers for common problems (landlord/tenant, bankruptcy, etc.). Given that there are tens of thousands of underemployed lawyers seeking more work, there may be an opportunity to create a legal marketplace focused on these areas of the law. (See Upsolve).

The other area worth keeping tabs on, to a lesser extent, is what I have titled "Opportunistic legal markets". These are novel markets created by taking advantage of scaled profit opportunities present in legal/regulatory frameworks. For example, before being acquired by CreditKarma, the startup ClaimDog created a system for tracking down unclaimed property from state governments due to change of address and other problems preventing companies from returning property to consumers. The startup Mighty worked on novel forms of crowdsourcing plaintiff litigation finance before pivoting to lienholder tools software.

Finally, one interesting trend to keep track of is the potential for lateral entrants to enter in the consumer facing legal business. The major space to watch are the possible regulatory changes in California and other states (mainly Utah and Arizona at this point) with regards to the current rules prohibiting non-lawyer investment and ownership of firms.

California has recently put together a state bar task force to examine the potential to "loosen regulations to more closely collaborate with professionals in tech, data analytics, and accounting, in order to cut legal costs for the "90 percent who lack the ability to pay."

Many legal experts are predicting that California will allow the Big Four accounting firms for finally gain a foothold in the legal market, which may be catastrophic for big law firms and also open up the potential for many more M&A's in the legal tech space, as well as the gradual appearance of other entities that can provide legal services besides law firms. However, it remains to be seen to what extent the regulatory authorities will allow non-lawyer ownership and investment; perhaps it will only be limited to consumer facing legal services.

Perhaps evolving regulatory changes will also allow lateral entrants like non-legal startups to offer more legal services. Already, companies like Rex, which is a startup providing a digital real estate brokerage services, is now offering quasi-legal escrow, title, mortgage, and insurance services to users. With further deregulation, perhaps startups can go truly full-stack, even including the preparation and negotiation of legal documentation in their industries.

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