

May, 2021 Newsletter

Our last newsletter covered the topic of Project Finance. This newsletter addresses the total market size of the legal industry in the U.S., its benefits, and in-depth resources.



How much money is really involved in the legal industry?

In 2017, the average large lawsuit award in the U.S. was 1.8 million dollars. In 2018, the average large lawsuit award was 1.67 million dollars. That same year, the Department of Justice reported total award amounts of 2.8 billion dollars. To give you a sense of perspective, historically, the largest settlement ever awarded to

a single entity was \$20 billion, awarded in 2016 for the BP Gulf of Mexico oil spill in 2010.

Other notable awards include the Fen-Phen diet drug settlement, with the Courts awarding \$3.8 billion in damages, eclipsing even the Cendant accounting fraud settlement of \$3.2 billion... but not the Worldcom scandal of \$7.2 billion.

CEO's, General Counsel, and trusted advisers all have constantly shifting management issues. As their companies grow and change, they must continually prioritize. Perhaps there are new contracts with suppliers to review. Shareholder meetings to plan. A new website section to design. Purchase orders to review. With all this in mind, what are general counsel's top priorities in 2021?

Number one on the list is managing technology, and its many shapes, forms and sizes. Its no wonder that magazines like Wired! & CIO are finally coming into their own. Gone are the days when if your computer broke at work, you submitted a help ticket to some unknown person, in an indeterminate location, who was barely part of your company's culture, much less a known internet address. Today the Chief Information Office and Chief Technology Officer hold as important a seat at the staff meetings as the CFO and General Counsel.

Number two on the list is controlling costs. The recent Covid plague got the attention not only of the medical community and center for disease control, it also got the attention of our largest and most prestigious insurance companies. Underwriters will most likely be reviewing legal documents submitted in medical case settlements for clues on how to present fair and marketable insurance documents regarding covid.

In both categories, for executives there is internal technology (i.e., all my lawyers and paralegals are trained in Drive and Dropbox, plus standard encryption tools for email, and Winzip files), and then there is external technology (i.e., Help! ...those 16 months of financial documents are only available in pdf, and I am using Access for my modeling...) Most companies have a fixed, annualized budget, but - they can also have external costs that they can't always control, such as extended litigation claims, or higher payroll requisites.

In looking ahead to new developments in the legal industry, which is large and stable in the U.S., what are the obvious benefits, as compared to other developed countries who spend considerably less on litigation?

A] . The U.S. legal system keeps companies sharp. Human resource managers know this better than anyone, as ethics and standards policies are reviewed, re-visited, and re-issued at the corporate and consumer level.

B]. The U.S. legal system places quality and legality ahead of competition. You might not be able to manufacture the smallest computer chip at the best price, but if you have a well run, ethical, and higher quality organization, then higher corporate profits will most likely follow.

C.] Law firms representing active and emerging companies today play a major role in building longer, stronger brands. Anyone working in the sports industry, be it NBA, NFL or NHL, knows that a logo, slogan or motto can have as much intrinsic marketing value as player performance or team location.

The American Bar Association's 2020 survey reports that large law firms' revenue is expected to grow by more than \$55 million over the next several years. The 100 biggest law firms in the U.S. are now reporting close to \$110B in combined income, each year. It is also predicted that the U.S. accounts for about 1/2 of the entire global legal market.

Accordingly, areas of specialization are increasing, most notably in cyber security law, information processes and international business law. Some Judges might be ready to tear their hair out when faced with their first real crypto currency case! It would make the Amazon sales tax litigation case seem like a walk in the park, as new, complex and unprecedented legislative issues are presented.

Here are more financial quota predictions:

- * Both the Business Law and the Mergers and Acquisitions sectors are expected to increase to \$5 Billion in U.S. market value.

- * Contract lawyers' salaries are expected to increase to \$11 Billion in U.S. market value.

- * These numbers make sense as the U.S. Torts Law Journal reported total legal expense of roughly \$375 Billion - \$510 Billion in 2019. That's about \$164 Million per large case presented. Law firms handling those types of cases tend to have anywhere from 2,500 – 4,500 attorneys on staff, and they do rely on outside expertise as well. Europe and Asia markets don't spend anywhere close to those numbers, nor do the Americas.

- * The American Law Journal also noted the difference between *static* and *dynamic* law firms. Dynamic firms tend to spend more on business development, whereas static firms do not. Static firms tend to focus more on internal functions

such as A/R and budgeting, whereas both static and dynamic firms provide continued reliance and stability for companies operating in the U.S. - as well as cross-border.

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Contact us confidentially at any time

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