

5 Issues That Shaped Legal Tech In 2022

By Sarah Martinson

Law360 (December 13, 2022, 11:44 AM EST) -- The legal tech industry faced many challenges in 2022, including consolidation of the market and a looming global recession. Here, Law360 Pulse looks at five top issues that shaped the industry this year.

Uptick in Consolidations

In 2022, the legal tech market hit a point in maturity where fewer new products were introduced and more companies consolidated their businesses, Anne Stemlar, Goodwin Procter LLP managing director of research and knowledge management, told Law360 Pulse.

According to data from Law360 Pulse, the legal tech market saw an increase in mergers and acquisitions from 138 deals between January and November of 2021 to 160 deals during the same period in 2022.

Nicole Black, a lawyer and senior director at case management software company MyCase, said that some notable deals in 2022 include legal billing software provider LawPay's **acquisition** of MyCase, Litera's **purchase of four companies** — Micron Systems Inc., Prosperoware LLC, Lynch Marks LLC and BigSquare — and legal content management and productivity giant NetDocuments Software Inc.'s **acquisition of document management** system provider Worldox.

Reed Smith LLP chief innovation officer Dave Cunningham added that some acquisitions in 2022, including legal software provider Aderant's **acquisition of people management** company viGlobal and Litera's purchase of Micron, were the result of legal tech companies finally seeing the light on the need to provide talent management solutions.

"This past year has been the year they realized that talent management is fundamental to everything," Cunningham said.

Global Economic Downturn

After a record year in 2021, legal tech companies saw a **significant drop** in funding in 2022 as a global recession looms.

In the second of half of 2022, some legal tech companies, including Relativity, Reynen Court LLC, Lawgeex, DocuSign and Notarize, **announced staff layoffs**, while California-based judicial analytics platform Gavelytics **shut down in June**.

International law firm Cooley LLP **laid off 150 attorneys** and paralegals in the U.S. as a result of overcapacity following intense hiring in 2021. Many of Cooley's clients are big tech companies that have also **cut thousands of jobs** in recent months.

MyCase's Black said that she "wouldn't be surprised" if more law firms and legal tech companies lay off employees in the upcoming months.

"There's rumblings and signs of further layoffs," she said.

Even though a global recession is looming, the majority of law firms **expect to increase** their legal tech spending in the next three years, according to survey results released Dec. 6 by legal network Meritas.

Law Firms Rethink Offices

Another key issue for legal tech providers in 2022 was law firms rethinking their office spaces, according to Goodwin chief innovation officer Rachel Dooley.

As pandemic restrictions lifted in 2022, law firms had to consider the value of office spaces and when attorneys needed to be present in them as they **rolled out** return-to-office plans with remote work options.

The continuation of remote work led to **increased adoption** of cloud-based legal tools and played into technology giant HP Inc.'s **\$3.3 billion acquisition** of videoconferencing technology provider Poly.

According to an American Bar Association survey released in September, most attorneys **want remote work** options, including the opportunity to attend many court hearings, meetings, conferences and legal training sessions remotely.

Despite the rise of remote work, several law firms, including Polsinelli PC, Snell & Wilmer LLP and Mintz Levin Cohn Ferris Glovsky and Popeo PC, **opened physical offices** in 2022, while a few firms, including ArentFox Schiff LLP and Benesch Friedlander Coplan & Aronoff, **launched digital offices** in virtual reality worlds collectively known as the metaverse.

"For us as an industry to start to unpack what our folks find valuable and what they find is core to being in an office environment ... [is a] forcing mechanism for us to continue to rethink [office spaces]," Dooley said.

Increased Concern Over Data Security

Goodwin's Stemplar said with the rise of remote work, the firm has spent a lot of time ensuring documents are stored securely.

"We've really spent a lot of time this year thinking about security — where people save the documents [and] making sure they bring them back into the organization or put them where they should be," she said.

While many law firms have increased their security measures for remote work, experts told Law360 Pulse in September that attorneys **must remain vigilant** to thwart bad actors looking to exploit the increase in remote and hybrid work.

Law firms were not the only legal institutions worried about security in 2022. Courts were also concerned about security, especially in light of the **leak of a draft** U.S. Supreme Court opinion this year that overturned the landmark 1973 Roe v. Wade ruling that made abortion legal in all 50 states.

In September, federal lawmakers passed legislation that **allocated \$112.5 million** in new funding for "security improvements" at courthouses and federal court facilities.

Clio lawyer in residence Joshua Lenon said that some of the new funding allocated to court security improvements could make its way to legal tech companies.

The funding comes at a time when a **growing number** of Americans have come to accept remote court appearances, according to a report released Dec. 7 by the National Center for State Courts.

"Those improvements in technology security can only be done if we're moving courts into a 21st-century technology model," Lenon said.

Attys Demanding Better Tech From Law Firms

Kathryn DeBord, vice president at e-discovery software provider CS Disco and former chief innovation officer at Bryan Cave Leighton Paisner LLP, said that the **talent war** at law firms has accelerated the need for good legal tech.

The talent war is "over people who are tech-savvy [and] understand that if they go to one firm that doesn't have the right technology stack in place for them to do their work, they won't be able to do the best work possible, and frankly, won't deliver the highest satisfaction," DeBord said.

According to a survey released by information services company Wolters Kluwer NV in September, the majority of attorneys **want to work** at tech-savvy law firms and legal departments.

A handful of law firm leaders told Law360 Pulse in September that **implementing legal tech**, such as document and workflow automation, artificial intelligence-assisted searches and process improvement tools, helped them with attorney retention.

--Additional reporting by Steven Lerner, Anna Sanders and Tracey Read. Editing by Orlando Lorenzo.