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5 Bold Legal Technology Predictions For 2023

By **Steven Lerner**

Law360 (January 3, 2023, 12:02 PM EST) -- If 2022 was the year of increased adoption and innovation of technology in the legal field, 2023 could shape up to be a year filled with more changes in the profession.

Higher interest rates, increased inflation and a potential recession could test the limits of legal tools and the technology providers behind them.

Here are five bold predictions about legal tech this year from experts in the industry.

Web3 Mentions on BigLaw Firm Websites Will Drop By Half

Law firms have taken great strides in the past year to embrace Web3, which refers to a new iteration of the internet with decentralized data. Some are setting up offices in the metaverse — an immersive virtual reality space — a few have created blockchain tools, and several are now supporting clients that need legal help with Web3.

But following the collapse of the cryptocurrency exchange FTX, some law firms may not want to be associated with this nascent technology.

Charles Brown, one of the founding attorneys for the Web3 Law Center, predicts that mentions of Web3 on BigLaw websites will drop by 50% in 2023.

"As the scrutiny and disclosures continue related to the FTX implosion, large law firms will reduce the prevalence of Web3 on their websites and the allocation of internal resources to Web3 implementation and marketing," Brown said. "Much of the push in that direction was largely driven by FOMO [or fear or missing out] rather than expertise, and the doubters will have an upper hand throughout 2023."

More Legal Tech Consolidation

Faced with declining support from venture capital amid a looming recession, struggling legal technology companies may be forced to raise funds at a lower valuation, conduct layoffs, shut down or consolidate. It seems that many are opting for the latter.

The number of mergers and acquisitions for legal technology companies ticked up from 154 in 2021 to 166 in 2022, as of mid-December, according to an analysis from Law360 Pulse.

That trend is likely to continue in 2023, says Troy Pospisil, CEO of the contract automation and intelligence provider Ontra.

"We're probably going to see a lot of consolidation [in] 2023 as smaller players that can't raise rounds of financing, or may not be good standalone businesses, are folded into larger more stable businesses with access to capital," Pospisil said. "I also think you'll see some companies shut down — whether its people who had good ideas that never became businesses, or businesses that don't create enough value for customers such that their scale, combined with their unit economics, have earned them the right to exist in an environment without incredibly cheap and abundant capital."

Single Point Solutions Become Standard

The days of legal professionals accessing separate solutions for matter management, e-billing, legal hold, contract management and legal service requests may be coming to an end.

William Bremner, the vice president of advisory for the e-discovery and document review company Consilio, says that standardization of these solutions on a single technology platform will become a viable alternative to disparate and disconnected platforms in 2023.

He said, "2022 has clearly demonstrated that legal is under pressure to provide high-value services while reducing costs in a world of complexities, and a tipping point is approaching where these drivers will force legal to make fundamental decisions about technology as a process enabler.

"Certain technology vendors are embracing this strategy, and we think 2023 will see a key maturation of these platforms and vendors and an increased adoption by legal," Bremner added.

He noted that this change may not be across the board, citing some legal functions that remain inclined to buy "best in breed" single point tools or may not have the budget for a strategic platform.

"Conversely, non-platform vendors may be tempted to acquire other point solutions, integrate them together, and package them as a platform, which could serve to dilute the perceived value proposition of the platform vendors," Bremner said. "Regardless, point solutions, or single-use platforms, will not die overnight, but will soon become the exception rather than the norm."

Legal Departments Will Push Back Against Rate Hikes

Hourly rates have risen slowly over the past two years, creating a perception that law firms can keep rates in line with inflation while managing heightened talent costs.

But if those rates go up in 2023 as projected, legal departments could push back and choose to handle some of those legal tasks in-house.

Two recent surveys, one from the Association of Corporate Counsel in October and another from HBR Consulting in December, see legal departments moving more work in-house to cut costs.

Chris Nelson, a former practicing attorney and the senior manager of legal marketing for the call-tracking and marketing analytics software provider CallRail, said that legal departments are becoming increasingly capable of handling legal work on their own.

This capability is especially true for corporate and transactional needs that do not involve large-scale mergers and acquisitions, capital markets or securities work, according to Nelson.

"Given their limited resources in comparison to outside firms as well as being seen as cost centers rather than revenue producers, such departments are at the vanguard of technology adoption in the legal field," Nelson said. "This technology adoption, including document automation and standardization, contract management, data analysis tools, and compliance software, both allows for much more efficient operation and causes skepticism about billed hours."

Nelsons added that these increased internal capabilities coupled with technology adoption and available legal talent will help legal departments keep a cap on rate increases.

Law Firms Will Be Expected To Unlock New Insights For Clients

In addition to the pressure that law firms will face from legal departments, there will also be an enlarged focus in 2023 on offering more to clients.

This might include tapping into technology in the way of business intelligence, according to Scott A. Milner, a partner with Morgan Lewis & Bockius LLP.

"While performing traditional discovery-related tasks, be able to provide clients insights into the profile of the data analyzed to support information governance initiatives," Milner said. "When analyzing contracts for specific purposes, providing insights into the business terms that may help capture revenue leakage or maverick spend."

Milner said that this prediction comes from his personal experience at Morgan Lewis.

"When we have provided this additional value add to our clients, the response has been positive and clients have shared that they are not often receiving these additional insights," Milner said.

--Additional reporting by Sue Reisinger. Editing by Nicole Bleier and Alyssa Miller.