

# **The Face of Legal Technology in 2018 (and What it Means for the Future of Access to Justice)**

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## **Introduction**

In recent years, a curious paradox has emerged: There is far more legal technology being built than ever before, yet somehow, the access to justice (ATJ) gap in America keeps widening.

In an age of natural disasters, politically charged immigration measures, an opioid epidemic (for which the Legal Services Corporation recently created a task force) and a housing emergency, the United States is facing a bona fide ATJ crisis. Right now, a whopping 86% of low-income Americans who need legal assistance never receive it — a shocking statistic that disproportionately affects women, immigrants, and minorities<sup>1</sup>.

## **Why Isn't Legaltech Closing the ATJ Gap: Two Root Causes Emerge**

Given that we're in an era where our homes are smart, we can order anything on demand, and our cars are beginning to drive themselves, why hasn't legal technology made a dent in the ATJ gap? Even with the advent of law school innovation programs, hackathons, fellowships, and legaltech incubators to help nourish tech-savvy legal thinkers, we're still struggling to see companies emerge that are both solving ATJ issues and surviving as self-sustaining, long-term solutions.

Employing the first ever data-driven analysis of legaltech companies and their founders, I present two crucial (and until now, anecdotal) root causes:

1. Lack of representation from diverse communities within legaltech; and
2. Lack of focus by legaltech on problems that affect access to justice.

## **Who Is Building Legaltech Companies?**

First, a note on methodology: Drawing on past reports like CB Insights' groundbreaking 2010 study on diversity in technology startup founders, I compiled a comprehensive list of 269 operational legaltech companies and analyzed 478 legaltech founders' backgrounds (preferably

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<sup>1</sup> NPR: <https://www.npr.org/sections/thetwo-way/2014/03/10/288225649/rights-advocates-see-access-to-justice-gap-in-u-s>

self-identified) across their company websites, press articles, LinkedIn profiles, Crunchbase listings, and AngelList profiles (more details on methodology below).

The results of the survey are startling. Women and diverse founders are significantly underrepresented among legaltech founders, accounting for just 13.8% and 26.5%, respectively, even though women and minorities represent the demographics most affected by the ATJ gap. Of that, Black and Latinx founders account for a staggeringly low proportion of legaltech entrepreneurs, at just 2.3% and 3.1%, respectively. And while 44% of ATJ-related tech companies are led by women and diverse founders, they account for a slim 9% of legaltech companies overall.

## **Lack of Representation from Communities Most Affected**

2017 was celebrated by many as the “Year of Women in Legal Tech,”<sup>2</sup> with an unprecedented number of women featured in legaltech acquisitions, promotions, collaborations, and awards. While those anecdotes are powerful and important, unfortunately, the data doesn’t support significant progress.

Women account for over 50% of the U.S. population, yet only 17% of startups across industries had a female founder in 2017,<sup>3</sup> a number that has remained static since 2010. In legal, it’s even worse. Women comprise only 13.8% of legaltech founders, even though they now outnumber men in law school.<sup>4</sup> While much has been written about law firms’ struggles to reach gender parity and equity among their ranks, there has been scant recognition of the gender disparity in legaltech, with male founders outnumbering female founders 6:1.

In technology, women receive about 2% of VC funding, and minority founded companies receive less than 1%<sup>5</sup>. Given those statistics, it is no surprise that Black and Latinx individuals are even less likely than women to be building legaltech businesses. In fact, across 478 legaltech founders, only 26 people total, or 5.4%, are Black (2.3%) and Latinx (3.1%). This is in contrast to the last U.S. census, where 13.6%<sup>6</sup> of the U.S. population self-identified as Black and 16.3%<sup>7</sup> as Latinos— nearly 30% overall. When you include Asian, Indian, and Middle Eastern entrepreneurs, minorities still make up only a little over one-quarter (26.5%) of legaltech founders.

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<sup>2</sup> LawSites Blog: <https://www.lawsitesblog.com/2017/12/2017-year-women-legal-tech.html>

<sup>3</sup> Techcrunch: <https://techcrunch.com/2017/04/19/in-2017-only-17-of-startups-have-a-female-founder/>

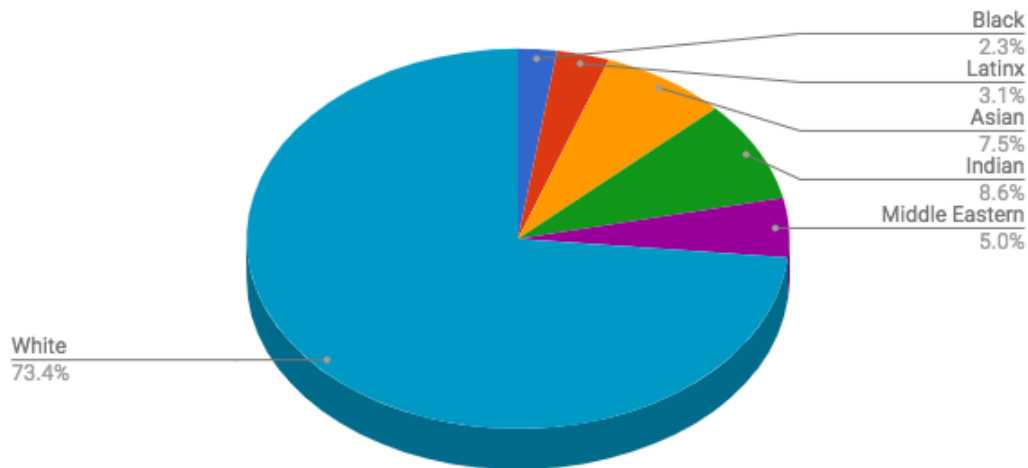
<sup>4</sup> Above the Law: <https://abovethelaw.com/2018/03/there-are-now-more-women-in-law-school-than-ever-before/>

<sup>5</sup> Kellogg School of Management: <https://medium.com/thrive-global/why-we-need-more-minority-and-women-entrepreneurs-1c228bcb5b4e>

<sup>6</sup> U.S. Census Bureau: <https://www.census.gov/prod/cen2010/briefs/c2010br-06.pdf>

<sup>7</sup> U.S. Census Bureau: <https://www.census.gov/prod/cen2010/briefs/c2010br-04.pdf>

## LegalTech Founders of Color



### Lack of Access to Justice Focus Among Legaltech Startups

Entrepreneurs are more likely (and often best-suited) to solve problems they've personally experienced. Being immersed in the industry, lawyers' first-hand experiences might explain why there are so many practice management (23.2%), lawyer-client marketplaces (8.2%), litigation support services (7.9%), and eDiscovery (7.1%) products represented among the legaltech companies we studied.

Successful access to justice focused initiatives, on the other hand, often require an extra level of user research, cultural awareness, and interdisciplinary skill-building (think psychology marketing, logistics). In light of this, we were delighted to find that the majority of legaltech founders overall did not have JDs (57.2%), compared with 42.8% lawyers. The role of legal professionals has sometimes been minimized in tackling legal problems, but in reality, they are essential to applying best practices from their fields to legal solutions.

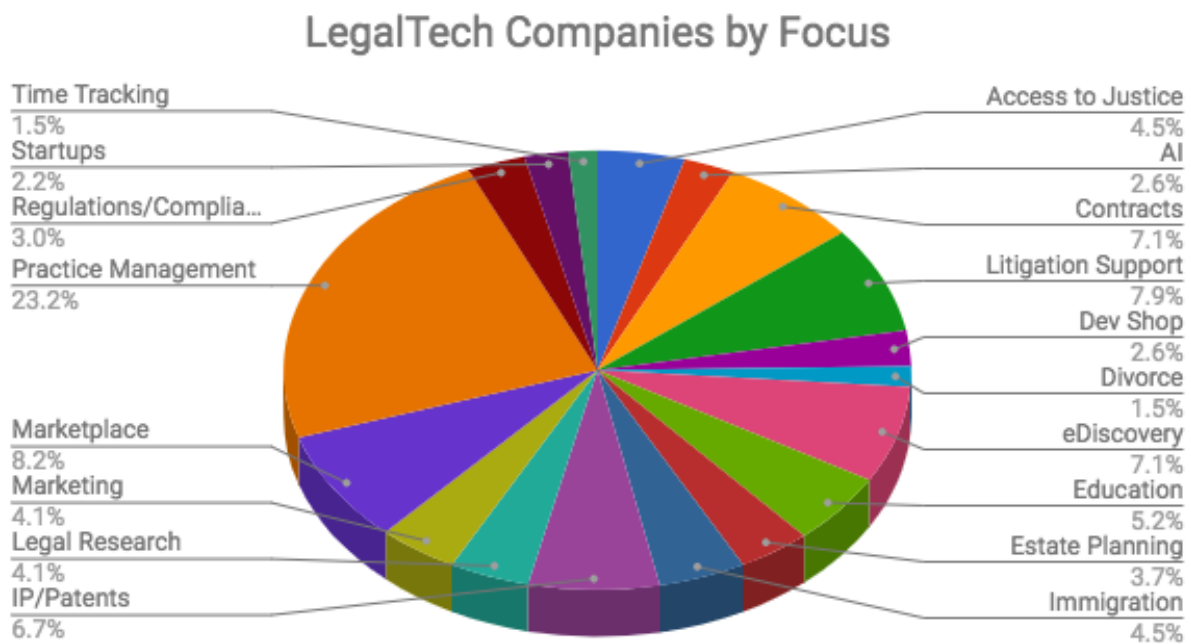
While many legaltech companies promote a mission to increase access to justice in their brand or cost structure, the widening justice gap does not support claims of significant progress. Perhaps this is not surprising. As Miguel Willis, Program Director for the Access to Justice Technology Fellows Program points out: "There is little secret that legal tech companies serve a paying customer base. The collateral effects of some legaltech solutions will undoubtedly make 'justice' more accessible for those who can afford to pay something. However, these solutions will do little to expand legal access to those most marginalized ..."<sup>8</sup>

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<sup>8</sup> Innovative Law Student: <https://www.innovativelawstudent.com/>

For those who do want to tackle ATJ issues, there are myriad obstacles faced by emerging ATJ companies and their founders: lack of available initial funding, even less available ongoing funding, challenges to creating sustainable business models, lack of education in the legal industry around social enterprises, a shortage of early adopters and clients, and a “charity” mentality that makes these ventures viewed as unsustainable or not worth paying for.

Unfortunately, our data shows that companies with a strong ATJ focus make up a mere 4.5% of legal technology companies, and barely 10% total when combined with those focused on immigration.



As for diversity among ATJ legaltech founders specifically, 44% are women and/or minorities, which is optimistic, yet could be stronger. In looking at the overall pool of legaltech founders, 24% of black and Latinx founders are working on ATJ issues, 14% of diverse founders total have chosen that work, and about 12% of overall women.

This gap is notable because as Willis explains, “Non-diverse teams designing ATJ tech solutions for communities comprised overwhelmingly of poor people of color will inevitably be highly susceptible to a myriad of design bias<sup>9</sup> throughout the development and launch phase. The ancillary effect has the potential to do more harm than good to the communities these solutions intend to serve.”<sup>10</sup>

<sup>9</sup> Techcrunch: <https://techcrunch.com/2016/11/16/when-bias-in-product-design-means-life-or-death/>

<sup>10</sup> Innovative Law Student: <https://www.innovativelawstudent.com/>

Furthermore, if founders don't consider how their intended users engage with, absorb, and access new technology they won't be able to get new solutions to the right communities.

## **Conclusion**

While there is more technology being built than ever before, the lack of focus on ATJ solutions within legaltech, coupled with the lack of representation of the groups most affected by the justice gap at the top, severely hampers the ability to build scalable solutions to most help those in need. Subsequent papers will examine the reasons for lack of diversity within legaltech and the challenges of building an impact-specific company, as well as provide recommendations for how we can improve. However, creating a baseline understanding of who is building the tools for the future of the industry is the first step in thinking about how to be most well-rounded moving forward.

## **Methodology**

With the help of Stanford's CodeX team, I aggregated lists of legaltech companies through their database, AngelList, Evolve the Law, and an industry list maintained by Bob Ambrogi to identify over 1,000 companies. A legaltech company is defined as a for-profit company that's specifically building hardware or software for the legal industry. After removing companies that were a) no longer operational; b) not legal-specific; c) actually law firms; d) not based in the U.S.; e) side projects or fellowship projects unless the founders demonstrated a full-time commitment to them, and f) companies that were folded into an acquirer, the list was whittled to approximately 269 companies. Founders, including co-founders, were identified through their company websites, press articles, personal websites, LinkedIn profiles, Crunchbase listings, and AngelList profiles. I coded each founder for gender and self-identified racial or ethnic background, broken down into black, Latinx, Asian, Indian, and Middle Eastern. The lawyer or non-lawyer designation was derived from whether a law school was identified in their profiles. I also cross-referenced founder profiles, company profiles, Crunchbase, and the companies' websites to determine the state headquarters. Additional support was provided by Miguel Willis and Felicity Conrad.

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*Kristen Sunday is COO and Co-Founder of Paladin ([www.joinpaladin.com](http://www.joinpaladin.com)) streamlines the way lawyers and law students do pro bono and takes the busy work out of pro bono so your team can focus on making an impact in your community. After graduating from Princeton, Kristen joined the U.S. Department of Justice, where she worked on international criminal affairs in Mexico and Central America. After the DOJ, she joined the founding team of Grouper (Y Combinator W'12), learning how to build startups and use technology to scale networks. Kristen is a Fellow for Stanford's Latino Entrepreneur Leaders Program, and a Google for Entrepreneurs Code2040 Entrepreneur-in-Residence. Kristen is also a 2017 ABA Woman in Tech to Watch as a result of her access to justice work through Paladin.*