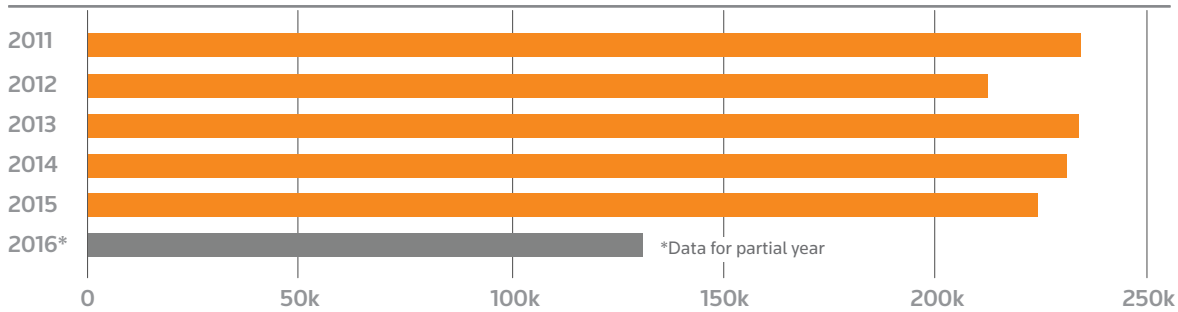


LEGAL EXECUTIVE INSTITUTE
LITIGATION IN 2016
 An Examination of the Trends

Despite a seeming downturn in litigation for many firms, the numbers show that litigation is still happening, with no real signs of slowing down. United States District Court filings for civil matters have remained at or near the 200,000 matter mark since 2011, with 2016 shaping up to stay right on par.

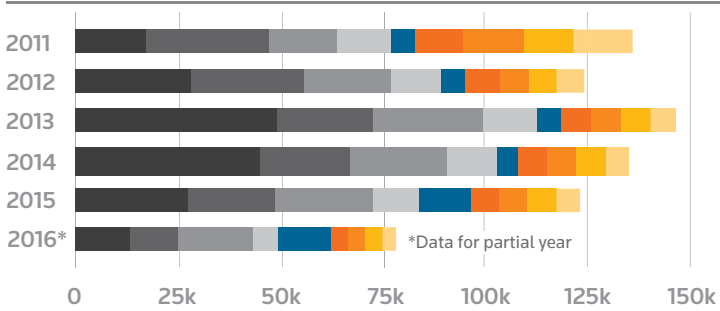
TOTAL DOCKET FILINGS IN UNITED STATES DISTRICT COURTS

SOURCE Monitor Suite



CASE TYPES BY INDUSTRY

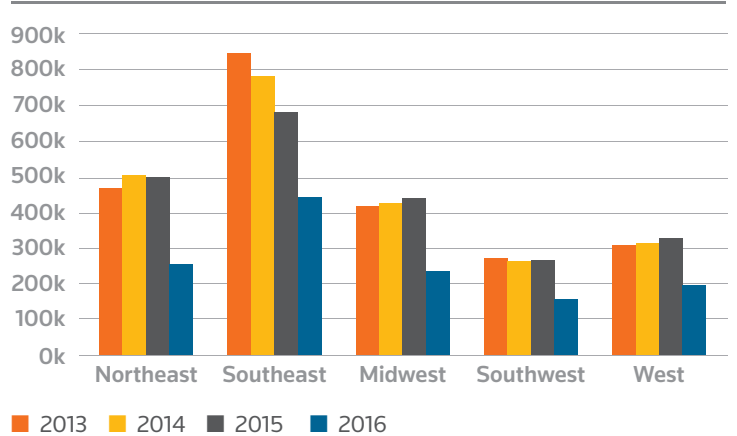
SOURCE Monitor Suite



INDUSTRY ■ Healthcare ■ Financial Services ■ Pharmaceuticals
 ■ Insurance ■ Business Services ■ Services ■ Industrial Manufacturing
 ■ Retail ■ Construction

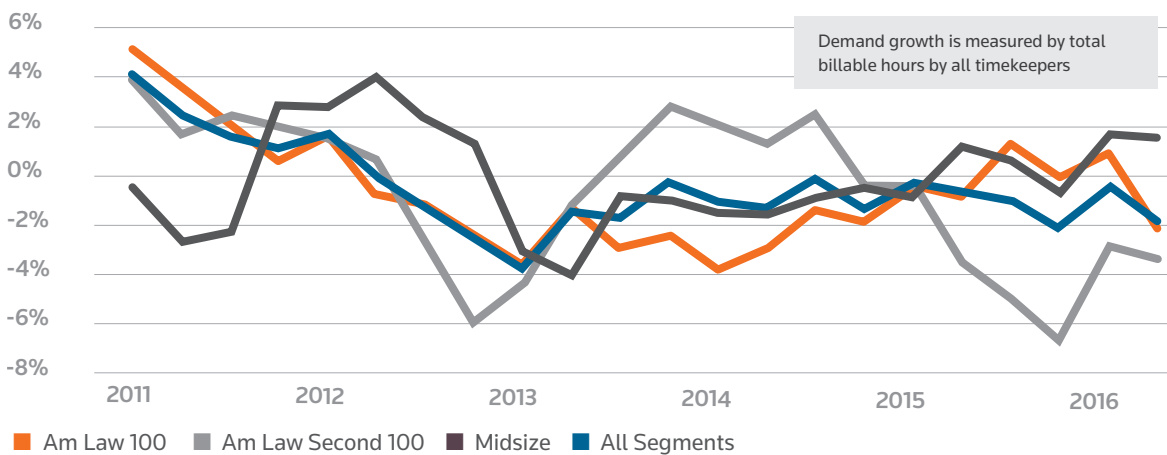
FILINGS BY REGION

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LITIGATION DEMAND GROWTH BY SEGMENT - Y/Y CHANGE

SOURCE Peer Monitor



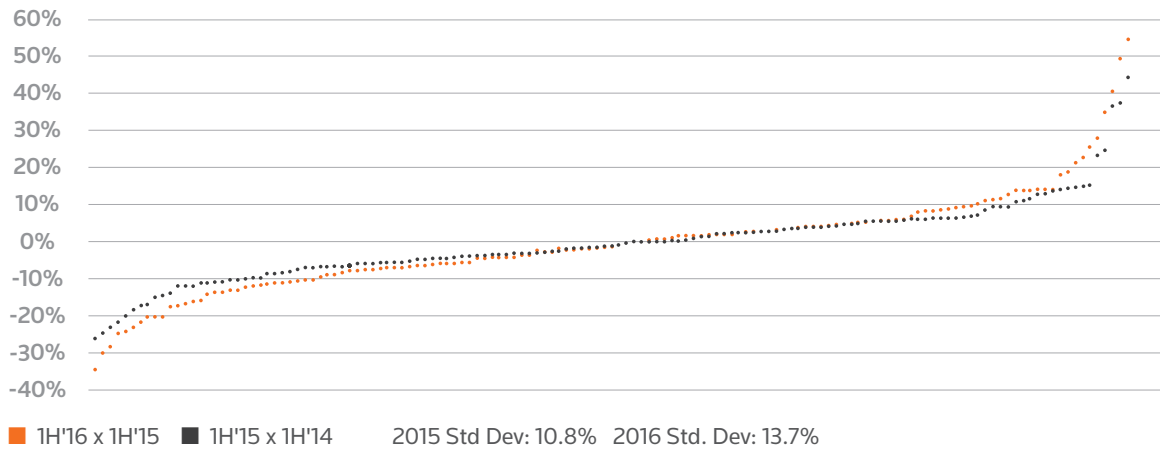
While litigation is still happening, only midsize firms are seeing positive demand so far in 2016.

For yet another year, most large law firms are seeing a decline in litigation demand compared to previous years, despite a stable number of matters being filed in the courts. This highlights the fact that, even though clients are engaging in litigation, it is still difficult to bill large numbers of hours for litigation matters.

Some firms are faring far better than others when it comes to the performance of their litigation practices.

LITIGATION DEMAND GROWTH BY FIRM – Y/Y CHANGE

SOURCE Peer Monitor



Firms with positive growth are experiencing average growth of 9.7% in contrast to those in negative territory that are experiencing -10.0%.

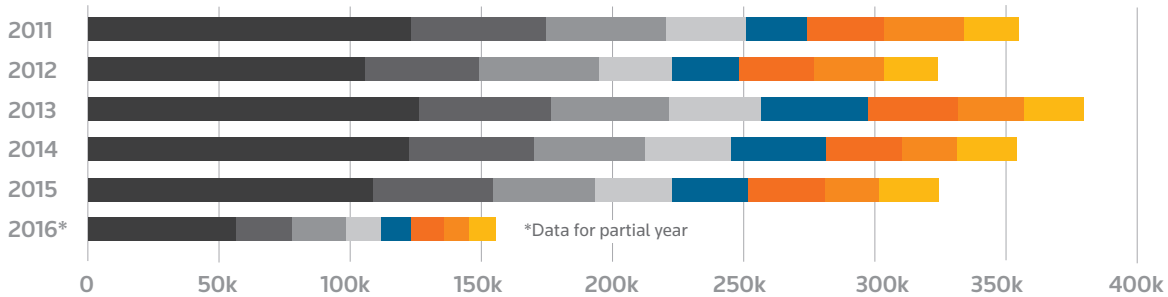
Those that are seeing increases in litigation demand are averaging growth of 9.7%, driven by a few firms that are expanding their litigation rapidly. But the gap with the have-nots is growing, as those firms experiencing negative growth saw an average of 10% demand contraction.

The contraction in demand doesn't necessarily mean fewer matters being filed, though. For firms with between 501 and 750 attorneys, the total number of dockets filed held relatively steady between 2013 and 2015, while firms with more than 750 attorneys saw only a slight decline.

And it remains true that the lion's share of litigation is handled by firms with fewer than 40 attorneys.

LAW FIRM SIZE

SOURCE Monitor Suite

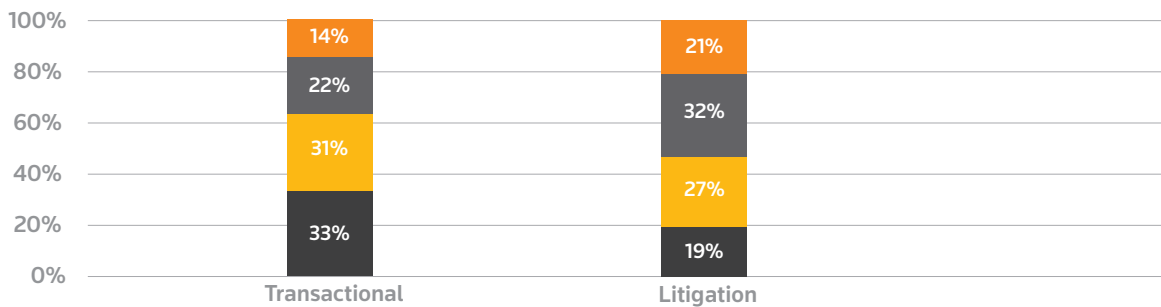


LAW FIRM SIZE ■ 2-15 ■ 16-40 ■ Solo ■ 41-100 ■ 101-250 ■ 251-500 ■ 501-750 ■ 751+

But in a reversal of a trend seen for several years, litigation is closing the gap with transactional work. In fact, 48% of firms in the Peer Monitor sample saw positive litigation growth in 2016, with 21% of those firms seeing growth rebound into positive territory after shrinking through 2015. Compare that to 33% of firms that saw positive transactional growth in 2015 that are now experiencing contraction of transactional practices this year.

FIRM DEMAND TRENDS – MIDYEAR 2015 V 2016

SOURCE Peer Monitor



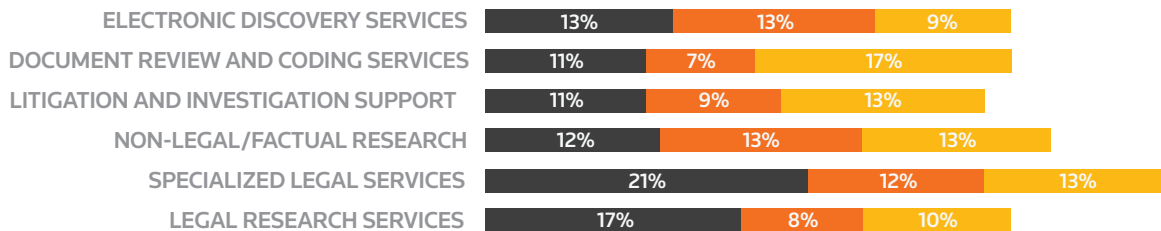
Far more firms saw their transactional practices flip from growth to contraction than saw their litigation practices slip to negative growth.

2015-2016 ■ Pos-Neg ■ Pos-Pos ■ Neg-Neg ■ Neg-Pos

Alternative Legal Service Providers (ALSPs) continue to nibble away at the edges of the market, but their use remains relatively uncommon among corporate clients. Nevertheless, clients are increasingly using ALSPs for litigation-related work that may have once gone to law firms.

USE OF ALTERNATIVE LEGAL SERVICE PROVIDERS BY CORPORATE CLIENTS

SOURCE Thomson Reuters 2016 Alternative Legal Service Providers Survey



■ Currently use ALSP ■ Plan to use ALSP in the next year ■ Likely to use ALSP in the next 5 years

CONCLUSION

So with a consistent number of dockets being filed, and a relatively stable number of matters being handled by large law firms, why the decline in demand?

Demand represents the number of hours worked, and clients have been pushing back hard on hours. The decline in demand likely represents the results of clients pushing back on traditional law firm billing models. Additionally, nearly all law firms are using some form of alternative fee arrangement that may not rely on billing hours. Matters handled on a non-hourly basis would not be included in demand figures. Lawyers may also be doing more work "off book" than in years past, in an attempt to satisfy client desires for lower bills, while not jeopardizing their own performance metrics. According to the 2016 Thomson Reuters Law Firm Billing Efficiency Survey, the average partner spends over 36 hours per year on litigation-related activities that could be billed to a client, but are never reported to the firm's billing system, a so-called "silent write-off."

These factors, coupled with constant pressure from smaller firms competing on price, as well as the corporate clients' desire to bring more work in-house, will continue to create a highly competitive litigation market. Firms that are in the best position to find and capitalize on opportunity will be the ones who find themselves at the higher end of the demand growth curve.

