



Validity Uses Legal Analytics to Assess Litigation Risk and Case Value



Founded by legal finance pioneer Ralph Sutton, Validity Finance provides clients with the financial and strategic resources to ensure complex legal disputes are resolved on their merits. Validity is backed with up to \$250 million of capital commitments from a global investment management firm, giving clients prompt and reliable access to litigation funding.

As Chief Engagement Officer at leading litigation funder Validity Finance, Kate Boyd's mission is to leverage technology and data to both manage risk and benefit clients. With twenty years of experience in big law and legal tech, Kate understands the difference Legal Analytics can make. In describing her current focus, she says: "Many companies in our space rely on their gut and whether they believe in the case and the people involved. At Validity, we work to augment the strong experience of our lawyers with data and cutting-edge analytics. This information enables us to rapidly and accurately evaluate the potential outcomes and risks of any case we encounter." According to Kate, this information helps Validity manage the funding process internally, but it also allows them to communicate with clients realistically and in a way that adds value. "Lex Machina is an indispensable tool," Kate says.

Value for Clients

Validity funds about a dozen cases per year, with an average investment of \$4-6 million. "Our goal is to ensure the client recovers at least 50% of any damages award or settlement, which is higher than the typical funder offers. To provide this level of client return, we focus on cases of a certain profile. We use Lex Machina to quickly eliminate those that aren't a good fit."

Once a case is under serious consideration for funding, the evaluation process is rigorous. "We ask very detailed questions," Kate explains. "We want to know how many similar cases have been brought in a particular jurisdiction, how those cases turned out, and how long they took to be resolved. We ask how a particular judge has previously ruled on issues that are likely to come up in a particular case. We want to know how the opposing party has behaved in the past, and the track records of the lawyers involved on both sides of the dispute." Fortunately, Lex Machina's Legal Analytics platform was specifically designed to provide answers to these types of questions.

“Lex Machina gives us a competitive edge by enabling us to fund cases that have a higher value and a better chance of winning. That’s good for us and good for our clients.”

Kate Boyd, Validity

Kate explains: “Since we can only fund a small number of cases, we turn away some cases on their merits, others for not being a good fit with our business model. Even when we can’t fund a case, we often share all or part of our analysis that is based on information derived from the Lex Machina platform.” Stress-testing the cases and sharing our conclusions helps even those we turn away. Now they can communicate about their case more persuasively with other potential funders, and they may even refine their litigation strategy based on the new information. It’s a positive for us and for them.”

Minimizing Risk

For Validity, managing risk means avoiding over-investment in any particular jurisdiction or type of case. Kate and her team use Lex Machina’s detailed case outcome information, particularly the unique damages awards data, to monitor relevant developments and ensure that Validity’s exposure remains balanced. In Kate’s experience, “Lex Machina quickly answers targeted questions, from how many cases a particular party has settled in the past 5 years to the total amount of product liability damages awarded in the Southern District of Florida last year. It’s rapid, granular analysis by venue and judge, of a caliber I’ve never seen with any other technology product in legal analytics.”

Managing Time

When it comes to crafting a litigation investment strategy, it’s not all about the probability of victory—timing matters too. Kate’s team needs to understand the likelihood that their capital will be returned *and* how long it will be tied up. “We use Lex Machina to help us estimate litigation timelines, including how long it will take to reach critical milestones in the cases we’re evaluating,” says Kate.

For a patent case, for example, it is vital to understand how long it will take to get to the claim construction stage. This can vary from months to years, depending on the venue, the judge, and the parties involved. For other cases it may be important to have an expectation on the time to a contested dismissal, or simply on the average time to case termination. Lex Machina provides practice-specific times to milestones like these and many others, helping Validity to accurately anticipate the duration of their cases.

Competitive Advantage

“When we agree to consider a case for funding, one of our commitments to the client is fast turn-around. We often respond with a go or no-go decision in as little as 1 to 2 days. Incorporating advanced analytics into the evaluation process enables us to make good on that commitment, and our efficiency gives us a tremendous advantage over competitors,” explains Kate.

Lex Machina has helped Validity make highly accurate assessments of cases based on their value, risk level and potential duration, which has contributed to Validity Finance’s reputation as one of the leaders in the litigation funding industry.