

LEGAL EXCELLENCE, INTERNATIONALLY RENOWNED

UK LEGAL SERVICES 2018



About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. In the UK, across Europe and globally, we promote policies that drive competitiveness, support job creation and ensure long-term economic growth. The industry contributes nearly 10% of the UK's total economic output and employs over 2.3 million people, with two thirds of these jobs outside London. It is the largest tax payer, the biggest exporting industry and generates a trade surplus greater than all other net exporting industries combined.

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LEGAL SERVICES
EMPLOY
342,000
PEOPLE, 2/3
OUTSIDE LONDON



32,878
DISPUTES WERE RESOLVED
BY ALTERNATIVE
DISPUTE RESOLUTION
IN THE UK

LEGAL SERVICES
CONTRIBUTED



£26BN
TO UK ECONOMY IN 2016



THERE ARE OVER
200
FOREIGN LAW FIRMS
WITH OFFICES IN THE UK

THE REVENUE OF THE UK'S
LARGEST 100 LAW FIRMS
GREW BY A STRONG 10% TO
£24.2BN

ENGLISH LAW IS USED IN
40%
OF ALL GLOBAL
CORPORATE ARBITRATIONS



78%
OF CASES IN THE
COMMERCIAL COURT
WERE INTERNATIONAL
IN NATURE

THE UK IS SECOND



GLOBALLY
FOR LEGAL SERVICES
FEE REVENUE

LEGAL SERVICES'
TRADE SURPLUS NEARLY
DOUBLED OVER THE
PAST 10 YEARS TO



FOREWORD

The UK's legal services sector is one of the country's great success stories, contributing 1.4% of UK gross value added (GVA) and employing 342,000 people, two thirds of whom are based outside London. It is an enabling sector that provides a framework of law and certainty that supports all industries throughout the country and the financial services industry in particular. Crucially, it is recognised throughout the world for its quality and excellence. The sector posted a trade surplus of £4.4bn in 2017 and the UK is the premier destination for businesses to resolve international commercial disputes. English common law is by far the most popular choice of governing law for cross-border contracts, and the sector provides a crucial foundation to support the UK's status as one of the world's leading international financial centres.

As the UK prepares to leave the European Union its future relationship agreement should ensure continued cross-border recognition and enforcement of judgments from UK jurisdictions in the EU. This should sit alongside enabling continued market access for legal services - important for the sector's continued international competitiveness.

The uncertainty surrounding the UK's future relationship with Europe means the sector needs to pay particular attention to developing further ties with non-EU markets where 90% of future global growth will take place. UK-based international law firms are already enabling investment and development in rapidly growing regions such as Asia-Pacific, the Middle East and Africa. The UK's legal services sector will be able to help the UK government formulate an independent trade policy that can help further integrate these developing markets into the global economy and realise benefits for them and for the UK. Services industries, including legal services, have a crucial contribution to make to the next generation of trade and investment agreements that the UK can conclude with partners from around the world.

A recent example of UK legal services firms continuing to build upon the global prestige of English common law while developing new export markets has been by helping emerging financial centres create their own English language courts governed by English law. This year, TheCityUK partnered with the Government of Kazakhstan to develop the Astana International Financial Centre, which chose to be governed by English common law. TheCityUK is in discussions with other financial centres about collaborating on other similar projects. In addition to expanding its global footprint, the sector should continue to invest in LawTech solutions to make the practice of law more efficient. LawTech has the potential to lower the cost of litigation, improve the efficiency of the court system, improve access to justice, and deliver value to law firms and clients alike.

TheCityUK's output on behalf of the legal sector is driven by its Legal Services Group, chaired by James Palmer of Herbert Smith Freehills. The Group provides a senior strategic reference point for TheCityUK-wide legal related activities and is at the forefront of considering how the provision of legal services can best respond to global economic drivers. The Group's work will be critical in helping to shape the future of the wider UK economy as Britain leaves the EU and charts a new economic course.

Miles Celic

Chief Executive Officer, TheCityUK



KEY FINDINGS

Legal services in the UK

- The UK is the world's leading centre for international legal services and dispute resolution. London is the capital of international law. Cities such as Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester and Newcastle are renowned for their legal services expertise, supported by the country's legal training and education sector.
- The UK's legal services sector employs 342,000 people, two thirds of whom are outside London. The sector contributed £26bn to the UK economy in 2016, equivalent to 1.4% of GVA, and posted a trade surplus of £4.4bn in 2017.
- Total revenue from legal activities in the UK in 2017 was £33.4bn. Much of this was generated by the top 100 UK law firms, who earned over £24bn in 2017/18. The majority of large firms saw an increase in revenue; growth varied among mid-tier firms.
- The UK's legal services sector is leading the way in changing the practice of law. Non-lawyers have been able to own and manage legal services businesses in the UK since the Legal Services Act 2007. Liberalisation has brought increased investment in the sector as alternative legal services providers (ALSPs) grow and partner with law firms, boosting technology adoption and strengthening client offerings.
- The sector has recognised the potential value of LawTech. Law firms are reviewing core practice areas and finding ways to reduce administration costs, improve economies of scale, and allocate labour more efficiently within firms. Meanwhile, clients can achieve greater value and benefit from the fact that legal advisors can devote even more time to providing them with quality advice. The judiciary in the UK continues to find ways to use technology to help reduce the cost and time of litigation and improve access to justice.

The UK's position internationally

- The UK is the largest legal services market in Europe and second only to the US globally. It accounts for a third of Western European legal services fee revenue and around 6.5% of global legal services fee revenue (which totalled between \$600bn and \$849bn in 2017). The UK has been especially welcoming to international law firms: more than 200 foreign law firms from around 40 jurisdictions – employing over 10,000 people – now operate in the country.
- The UK's position in legal services is helped by the international prestige of English common law, which forms the basis of the legal systems for 27% of the world's 320 jurisdictions. Meanwhile, the UK's reputation as the leading global centre for international dispute resolution helps explain why commercial parties so frequently opt for their contracts to be governed by English law.
- The UK's international standing is reflected by the following indicators:
 - five of the largest 15 Global 100 law firms, based on number of lawyers in 2017/18, have their main base of operations in the UK
 - four of the top 15 revenue generating law firms are based in the UK
 - the largest international law firms in London have between 45% and 65% of their lawyers overseas, and many other London-based firms have between 10% and 20% of lawyers overseas
 - nearly 6,500 practising solicitors from England and Wales were located abroad in 2017, according to the Law Society of England and Wales.

- The Bar is renowned for the quality of its advocacy. Over 1,600 members of the Bar of England and Wales receive instructions from abroad. Bar Council figures show that the number of barristers who act for clients located abroad has increased by 64% from 2006 to 2016. Many barristers specialise in international commercial law, and the UK's judiciary has facilitated the growth of this sector by establishing Business and Property Courts (BPCs), which includes the civil courts and lists of the High Court including the Commercial Court, the Technology and Construction Court and the Chancery Division.
- London's reputation as a leading global centre for international dispute resolution through the courts is underlined by the fact that in 2017, almost 1,200 claims were issued in the Admiralty and Commercial Court, of which 78% involved at least one party whose address is outside England and Wales and 51% were cases where all parties involved were international. In the year end to July 2018, there were over 500 claims, with 76% being international in nature and 42% of those being cases where all parties were international.
- UK-based law firms continue to develop their presence in both developed and emerging markets. This international growth is driven by corporate clients, who increasingly expect law firms to serve as their trusted advisor whenever necessary, regardless of location and time zone.
- Legal services are an integral part of the financial and related professional services ecosystem that makes the UK the world's leading international financial centre. Between 2013 and the first half of 2017, the financial services sector accounted for 40.9% of the deal value on which the top 50 UK City law firms advised. Major firms are drawn to London to access this breadth of services, seek advice from world-class legal and advisory firms, raise finance, and insure their businesses. The health of UK legal services is thus closely linked to the health of the broader ecosystem in which it is situated.

ENGLISH LAW AND UK LEGAL SERVICES POST-BREXIT

As the UK prepares to leave the EU, it is vital that international parties continue understand the benefits of using English law and call upon the expertise of the UK's legal services sector. The UK should remain the jurisdiction of choice for international legal services and dispute resolution.

In 2017, the former Lord Chief Justice, Lord Thomas, and the Chancellor of the High Court, Sir Geoffrey Vos, developed the points detailed below to underscore the unique strengths of English law and the high quality of dispute resolution services in the UK.¹ The CityUK has emphasised these key messages throughout its legal services activity:

- The UK has a totally independent judiciary and compliance with the rule of law. These factors inspire business confidence and underpin international trade and investment.
- The substantive English common law is clear, fair and predictable, and based on precedent.
- The English common law, together with the UK legal system, is, and has always been, flexible. It adapts to meet the challenges of an ever-changing commercial world.
- UK court and arbitral procedures are practical and innovative, delivering speedy and efficient resolution of business and financial disputes.
- Litigation and arbitration in the UK is cost effective.
- The UK will remain a global arbitration and alternative dispute resolution (ADR) centre post-Brexit. Brexit will have no impact on the New York Convention on Arbitral Awards.
- The mutual recognition and enforcement of UK judgments abroad will largely continue as before, whether under long-standing bilateral treaties or under common law principles of comity.
- A UK exclusive jurisdiction clause will continue to be given effect after Brexit.
- London and the UK will continue to provide unrivalled access to high quality legal services.
- London will remain one of the leading financial, insurance and commercial centres in the world.

¹ Legal UK, 'The strength of English law and the UK jurisdiction', (2017), available at: <https://www.judiciary.gov.uk/wp-content/uploads/2017/08/legaluk-strength-of-english-law-draft-4-FINAL.pdf>

THECITYUK AND LEGAL SERVICES

TheCityUK is focused on delivering work that will ensure the continued international competitiveness of the UK's legal services sector. It makes clear that a top priority for the sector is a bespoke future relationship agreement with the EU that delivers the best possible mutual market access after Brexit. The UK should seek to ensure continued cross-border recognition and enforcement of judgments from UK jurisdictions in the EU after Brexit.

TheCityUK has supported the work of the Brexit Law Committee, established by the former Lord Chancellor and Lord Chief Justice, to report to government and other interested parties on how Brexit might affect UK legal systems. The Committee is working with government to develop strategies for maintaining and strengthening the adoption of UK legal services after Brexit and provides a forum for considering legal and commercial issues relating to Brexit.

It is essential to ensure that UK legal services is competitive in markets outside of the EU, where the European Commission estimates that 90% of future global growth will take place. TheCityUK and its members have promoted UK legal services in a range of non-European jurisdictions, creating potential new export markets. Recently, TheCityUK partnered with the government of Kazakhstan to develop the Astana International Financial Centre, launched in July 2018 and governed by English common law. UK lawyers and judges play an important role in ensuring the centre is governed by the highest international standards. Dubai has launched a similar system, again with support from the UK legal services sector, and other emerging centres, such as Casablanca are interested in following suit.

TheCityUK is committed to working with government, regulators and industry to ensure that the UK's legal services sector remains at the heart of the LawTech revolution that is transforming the practice of law. Lord Keen of Elie QC, Advocate General for Scotland and Ministry of Justice spokesperson for the House of Lords, invited TheCityUK to sit on an industry-led and government-supported UK LawTech delivery panel, chaired by Christina Blacklaws, President of the Law Society. The panel is focused on finding policies that will create an environment which supports innovation in legal services. Other representatives on the panel include the Chancellor of the High Court, senior legal academics and prominent General Counsel. TheCityUK has considerable experience in advising on the optimal conditions for FinTech innovation, and believes that many of the lessons about how best to regulate FinTech can be helpfully applied to LawTech.

LEGAL SERVICES IN THE UK

The UK is the leading global centre for international legal services and dispute resolution. Its legal education and training facilities draw global talent and the country is renowned for the accessibility of its justice system. Many global law firms are based in London while cities such as Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester and Newcastle all play a substantial role in the UK's legal sector output.

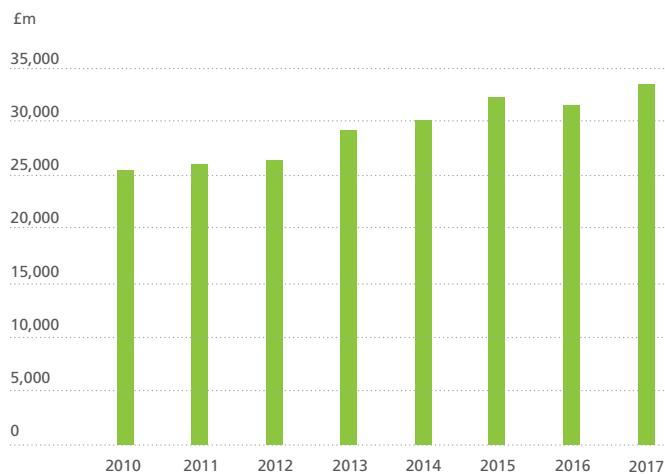
Although much data demonstrates the strength of UK's legal services, it is important to remember that the economic contribution of the sector goes beyond revenue. Legal services facilitate a range of business activities and provide an essential framework of law and justice that underpins all commercial transactions. It has both a multiplying and an enabling effect for business growth and stability, and offers expertise to support other parts of the economy.

UK legal activities revenue

Revenue generated by legal activities in the UK has generally trended upwards in recent years, and increased by a substantial 6% year-on-year in 2017 to £33.4bn.²

Figure 1: Revenue generated by legal activity in the UK

Source: Office for National Statistics



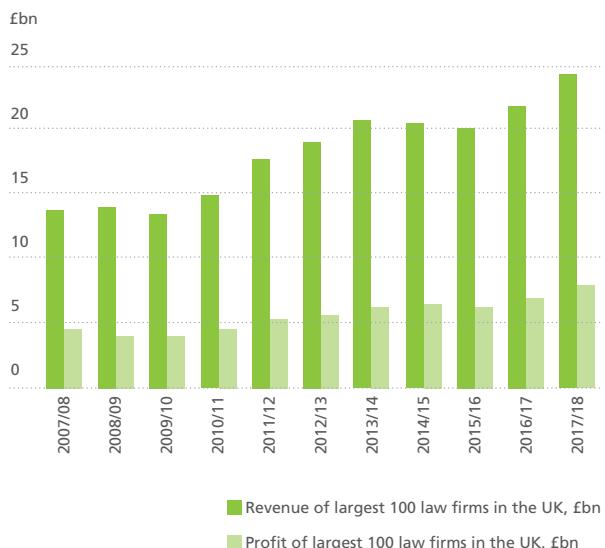
² Office for National Statistics, 'TOPSI: Turnover of legal activities', (10 August 2018), available at: <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/adhocs/008860topsiturnoveroflegalactivities>

UK law firm fee revenue and key market trends

Revenue for the UK's top 100 firms (ranked by revenue) rose by 10% to £24.2bn this year, up from £14bn a decade ago. Growth was mostly driven by the top 25 firms, whose revenue grew by 11% and who now make up almost 80% of the revenue of the top 100 firms. The largest firms have benefited from consolidation and foreign expansion. Mid-tier firms, by contrast, are losing market share: the combined revenue of £2.04bn for firms ranked 51-100 accounts for 8% of the entire 100, compared to 13% ten years ago.

Figure 2: Revenue and profit of the largest 100 law firms in the UK

Source: Legal Business

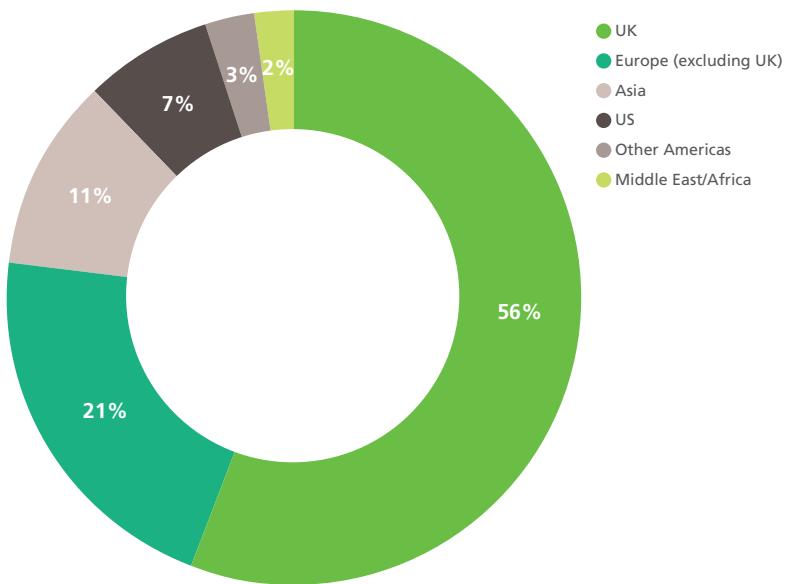


While some of the increase in revenue is attributable to mergers and acquisitions (M&A), firms have seen organic growth too: average revenue per lawyer grew by 4% this year.

The growth of in-house legal teams – particularly across highly-regulated sectors such as financial services, pharmaceuticals and telecoms – continues to affect how often external firms are used as well as how they are procured and paid. Many corporate clients have sought to reduce the number of firms on their legal panels, typically resulting in fewer, but larger and more complex opportunities for law firms. These opportunities are increasingly the preserve of larger firms who focus on winning work from global clients and building their international presence.

Figure 3: Geographical distribution of lawyers in largest 100 UK law firms (% share), 2016/17

Source: Legal Business

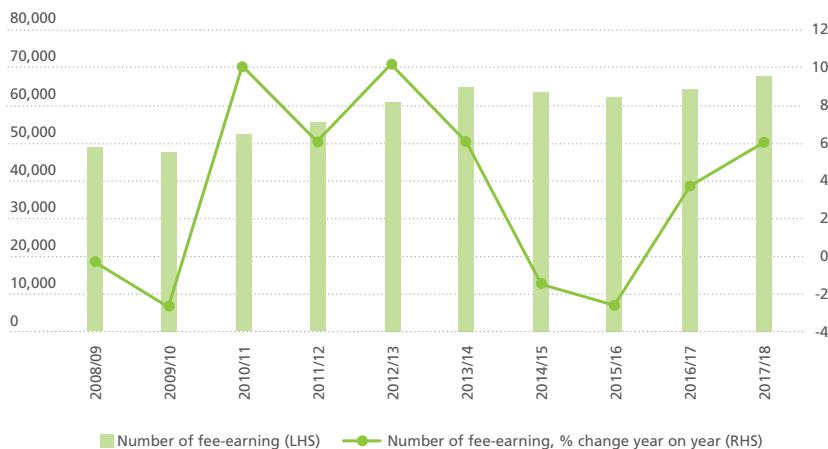


In contrast, mid-tier firms rely on a combination of factors, including agility, flexibility, and differentiating their offering from peers and larger firms. The UK legal services sector has benefited from the existence of a range of specialist firms who offer expertise in a particular sector. Nonetheless, the market is becoming more challenging for specialist firms, which can be subject to potentially greater economic shocks if their key client sector suffers a slowdown.

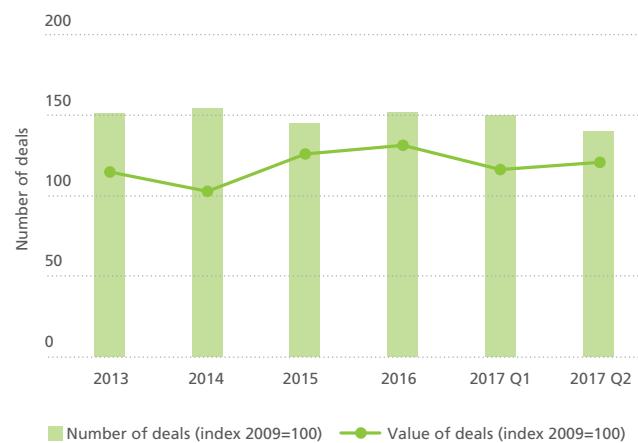
While traditional legal panels may be shrinking, corporate clients often break up aspects of their legal needs and split responsibilities for different aspects of a single matter between service providers. In some such cases, leading law firms have taken on a broader project management function. Mid-tier firms, ALSPs and technology providers are developing alliances with law firms to position themselves in this complex supply chain.

Figure 4: Total fee-earning headcount of the largest 100 UK-based law firms

Source: Legal Business

**Figure 5:** Top 50 UK 'City' law firms deals

Source: The Law Society of England and Wales, City Legal Index



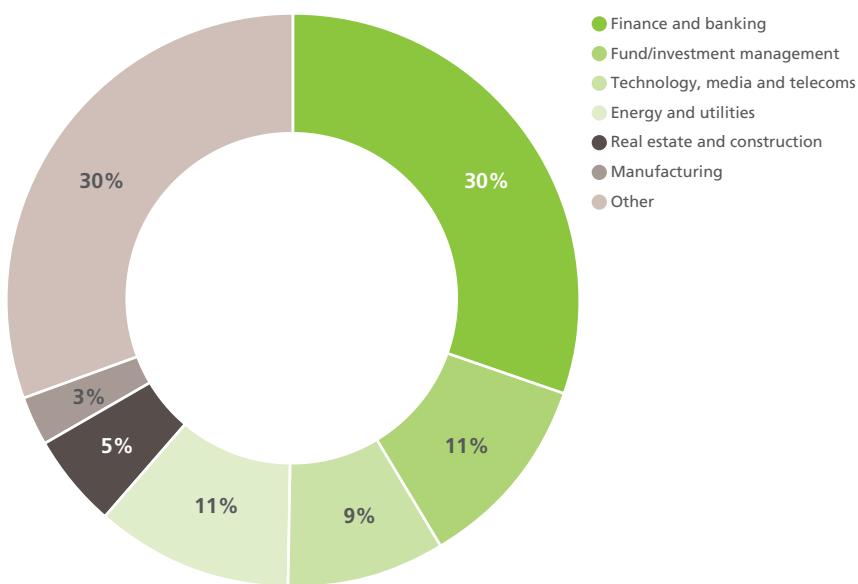
The total number of deals involving the largest UK law firms increased by 5.5% in 2016 (Figure 5). The average value of deals has, however, declined slightly during this period, resulting in modest growth of 4% in the total value of deals.

A key purchaser of legal services is the financial services sector, and the attractiveness of the UK as a place to set up and grow a financial services business has contributed to the strength of the UK's legal services sector. Data from the Law Society of England and Wales shows that between 2013 and the first half of 2017, the financial services sector accounted for 40.9% of the total value of deals on which the top 50 'UK City' law firms advised. Energy and utilities accounted for 11.5%, technology, media and telecommunications 9%, real estate and construction 5.1% and manufacturing 3.3% (Figure 6).³

³ The Law Society of England and Wales, 'City Legal Index', Data up to end Jun 2017, (2017), available at: <http://www.lawsociety.org.uk/support-services/research-trends/city-legal-index/>

Figure 6: Number of deals made by the top 50 UK City law firms by industry

Source: The Law Society of England and Wales, City Legal Index



Structure and regulation of UK legal services

The Legal Services Act 2007 created the Legal Services Board to ensure that legal services regulation is carried out in the public interest and puts consumer interests first. The Board oversees 11 legal regulators in England and Wales, and the Office for Legal Complaints which handles consumer complaints about lawyers. Different regulatory arrangements apply in Scotland and Northern Ireland.

The UK legal profession is divided into two branches: solicitors and barristers (advocates in Scotland). The judiciary is drawn from both branches. Solicitors provide ‘first line’ legal advice. While solicitors serving their local communities are often in a general practice, solicitors serving businesses tend to specialise in a particular area of law, for example, finance or real estate.

Barristers (advocates in Scotland) provide specialist legal advice, with particular expertise in drafting and advocacy work. Many are qualified in other jurisdictions, have knowledge of other systems of law and can advise on complex international matters.

The regulatory differences between solicitors and barristers/advocates are diminishing, but solicitors typically provide a continuous service to clients, while barristers/advocates provide specialist legal advice on points of law or strategy, and present cases before courts, arbitrations or other tribunals.

In England and Wales, barristers, who are independent practitioners, typically share premises with other barristers in chambers, which specialise in one or more legal fields. There are approximately 1,700 senior barristers known as Queen’s Counsel (QCs), a globally recognised badge for excellence in advocacy. Lawyers and clients from other jurisdictions can instruct barristers directly, without using a UK law firm, in a range of transactions and disputes.

Many barristers are members of specialist bar associations, which provide further education for their members and represent their interests. The Bar Council is the representative

body for all barristers in England and Wales. In Scotland, an advocate performs the same function as a barrister. Advocates are members of the Faculty of Advocates based in Parliament House in Edinburgh by the Supreme Courts. The Faculty admits advocates and regulates their professional conduct. It also provides library facilities, including the Advocates' Library.

In Northern Ireland, over 750 barristers and a further 110 QCs operate as an independent referral bar from the Bar Library in central Belfast, home to the Inn of Court of Northern Ireland. The governing body of the profession is the General Council of the Bar of Northern Ireland. Barristers in this jurisdiction provide a range of advanced legal services in advocacy and dispute resolution. The proximity of the Bar Library in Belfast to other European jurisdictions such as Ireland, and close ties with the US, makes legal representation from the Bar Library an attractive option for the many foreign entities and corporations.

Solicitors in England and Wales are regulated by the Solicitors Regulation Authority and the Law Society of England and Wales represents, promotes and supports the profession. The Law Society of Scotland regulates Scottish solicitors while the Law Society of Northern Ireland is the regulatory and representative body for solicitors in Northern Ireland.

ALSPs, LawTechs and the future of Law

In the past, legal services have been described as a relatively conservative market: law firms adopted new technologies, but a tried and trusted firm operating model endured. However, new technologies (often described as LawTech) are disrupting the market. While LawTech currently tends to focus on tackling routine and administrative work, many entrepreneurs are looking to achieve more fundamental transformations using machine learning and artificial intelligence (AI).

Some of the areas LawTech tools encompass include:

- **Contract review:** LawTech tools can read and analyse legal agreements, extracting useful data, and checking them against current law.
- **Legal data research:** Research and litigation prediction systems can analyse data held by a law firm or in-house team, and can examine large numbers of relevant cases and statutes, to produce actionable insights for users.
- **Intelligent interfaces:** Interactive web-based Q&A systems can teach clients how to complete basic legal documents.

LawTech is recognised as fundamental to the future growth of the UK's £24bn legal services sector. It has the potential to lower the cost of litigation, improve the efficiency of the court system, and drive innovation. The sector is growing fast, with the global market already valued at \$15.9 bn.⁴ LawTech firms have mostly marketed their services to law firms: a recent Thomson Reuters survey found that 46% of start-ups were targeting law firms, 24% legal departments at corporations, and only 13% were targeting consumers directly. In terms of commercial law, the main applications of LawTech have related to practice management (28%), contracts (22%) and risk and compliance (12%).⁵ Adoption is being driven by clients, who increasingly ask law firms to show how they use LawTech in requests for proposals (RFPs), and require in-house legal teams to prove they are seeking efficiencies wherever possible.

⁴ Legal Innovation and Tech Festival, 'The Rise of the LegalTech Market', (July 2018), available at: <https://www.techfestconf.com/legal/aus/blog/blog/legal-technology/the-rise-of-the-legaltech-market>

⁵ Thomson Reuters, '2017 ALSP Study: Understanding the growth and benefits of these new legal providers', (February 2017), available at: <https://blogs.thomsonreuters.com/legal-uk/2017/02/06/2017-alsp-study-new-legal-providers/>

The UK has become a global hub for LawTech. It benefits from a highly developed legal market, a technology talent pipeline, a competitive tax system, and a liberal regulatory regime. Whereas most jurisdictions continue to bar non-lawyers from involvement in legal services firms, the UK's Legal Services Act 2007 permitted Alternative Business Structures (ABS), business models that allow investment, ownership and management by non-lawyers. A 2017 study by Thomson Reuters found that around 50% of law firms and 60% of corporate legal departments are using an ALSP for at least one type of service, typically low-risk or standardised high-volume tasks such as document review and electronic discovery services. However, looking to the future, 46% of corporations plan to use an ALSP for specialised legal services in next five years and 56% of corporations will be looking to an ALSP for help with regulatory risk and compliance.⁶

Opening up the sector to non-lawyers has helped law firms secure external funding: an analysis published in 2016 identified £510m of external investment in the legal sector.⁷ This additional funding helps explain why ABS firms have been able to contribute to LawTech growth, research shows they are 13-15% more likely to introduce new legal services than other regulated solicitors firms.⁸

The UK government and legal services sector are committed to creating a policy environment that supports LawTech. In 2018, Lord Keen of Elie QC, Advocate General for Scotland and Ministry of Justice spokesperson for the House of Lords, convened an industry-led and government-supported UK LawTech delivery panel, chaired by Christina Blacklaws, President of the Law Society, to identify policies that will support innovation in legal services. The panel, which includes the Chancellor of the High Court, senior legal academics, TheCityUK and prominent General Counsel, has established Taskforces to provide detailed recommendations on how government and industry can support LawTech. The taskforces cover UK jurisdiction, Regulation, Education, Commercial dispute resolution, Ethics and Investment.

English law and the UK jurisdiction are ideally placed to provide the legal foundation for LawTech and for the development of smart contracts, digital ledger technology, artificial intelligence and associated technologies. While these new technologies are generally borderless, they nonetheless require some legal framework and dispute resolution capability. The LawTech delivery panel will continue to promote English common law as providing the certainty and predictability that the commercial community demands, in a context where law has to deal with a fast-changing technological environment.

Many law firms are investing in LawTech by setting up their own legal services centres to ensure more efficient management of routine work and deliver value to clients. These centres are providing employment across the UK; many are based in the Midlands and the north of England, Scotland and Northern Ireland. For example, Hogan Lovells has a centre in Birmingham; Ashurst has one in Glasgow; and Berwin Leighton Paisner, Freshfields Bruckhaus Deringer and Latham & Watkins have centres in Manchester.

The entry of the Big Four accounting firms (Deloitte, EY, PwC and KPMG) into legal services could disrupt the sector. In 2018, Deloitte became the last of the Big Four to receive its ABS license. At the same time, EY increased its footprint by purchasing Riverview Law, a successful ALSPs that is widely known for its LawTech capabilities. Globally, the Big Four's legal divisions are already considerable. Deloitte has about 2,000 lawyers, while PwC has 3,500. In the UK alone, PwC's legal practice has a headcount of

BELFAST AS LAWTECH HUB

Belfast has emerged as a leading centre for legal innovation. It hosts LawTechs such as Axiom, iManage and BRIEFED as well as legal services centres for Allen & Overy, Baker McKenzie and Herbert Smith Freehills. Belfast benefits from a strong talent pipeline with almost 3,000 STEM graduates and 700 law graduates from its universities each year. The Northern Ireland Executive, industry and academia have worked together to ensure the region's skills base meets the needs of employers and government-backed initiatives under the region's Assured Skills guarantee have provided further incentives for employers to move to Belfast.

⁶ Ibid.

⁷ Arden Partners, Strategic research on investment in the UK legal sector, (January 2016), available at: <http://www.arden-partners.com/media/1352/strategic-research-on-external-and-corporate-investment-in-the-uk-legal-sector.pdf>

⁸ Innovation in Legal Services, Legal Services Board, (July 2015), available at: <https://research.legalservicesboard.org.uk/wp-content/media/Innovation-Report.pdf>

320 and revenues of £60m (putting it just outside the UK's top 50 law firms by revenue). EY has around 85 UK lawyers, while KPMG has approximately 100, with UK revenues of roughly £15m and £20m respectively.

Crucially, Big Four legal services teams have emphasised their intention to invest significantly in LawTech. Deloitte announced this year that it would introduce new technologies to improve and speed up routine legal work, such as handling vast numbers of contracts. The Big Four have significant financial firepower to invest in technology; this intervention has potential to contribute greatly to the development of LawTech.

At the same time as established firms from other sectors enter the legal services market, there has been a notable increase in the number of legal start-ups. There were 15 legal start-ups recorded on AngelList's investment platform in 2009 and almost 2,000 in 2018. As these market entrants evolve, law firms will need to consider whether to change their operating models. Law firms are currently resorting to M&A to build scale, deepen specific practice experience and enter new geographical markets. There have been 146 publicly-reported mergers involving UK-based law firms in the Lawyer 100 rankings since 2011 and 58 involved a UK firm merging with a firm in another jurisdiction.⁹

Diversity in legal services

Across the sector, law firms, chambers, in-house teams and the judiciary are eager to draw upon the diversity of talent available in the UK. By some measures, diversity in the legal profession is well established. Law Society data shows that for the first time in 2017, the number of female solicitor's practising certificate holders in England and Wales exceeded their male colleagues;¹⁰ while Solicitors Regulation Authority data shows Black, Asian, and minority ethnic (BAME) lawyers represented 21% of the workforce in law firms in 2017, up 7% from 2014 (and compared to 11% of overall UK workforce). Meanwhile, 3% of solicitors identified as lesbian, gay or bi-sexual (LGB), and 2% of solicitors confirmed that their gender identity was different to that assigned to them at birth.¹¹ Law Society of Scotland figures show that 52% of the more than 11,000 practising solicitors in Scotland are women, who now make up two thirds of the country's practising lawyers under the age of 40.¹² Bar Council figures show that in 2017, women made up 37% of practising barristers and 51.7% of pupils, while BAME individuals make up 12.7% of practising barristers.¹³ Judiciary figures show that in 2017, 28% of court judges and 45% of tribunal judges were female, and 7% of court judges and 10% of tribunal judges were BAME.¹⁴

Many believe, however, that more needs to be done to promote diversity in the profession. One challenge is that the senior levels of law firms and chambers tend to be less diverse than the industry average. Only 33% of partners, and 14.8% of QCs, are women. Furthermore, this trend is more marked in larger firms: in law firms which have over 50 partners, only 29% of partners are women and only 8% are BAME.

The Law Society of England and Wales is running a project on 'Women in Leadership in Law', to promote gender equality at all levels of the profession. It is collating qualitative and quantitative data on women in the legal profession and will publish a report in 2019 outlining

⁹ Jomati, UK Law Firm Mergers, (September 2018), available at: www.jomati.com/uk-mergers

¹⁰ The Law Society, 'Annual Statistics Report 2017', the executive summary can be accessed here: <https://www.lawsociety.org.uk/support-services/research-trends/annual-statistics-report-2017>

¹¹ Solicitors Regulation Authority, How Diverse Are Law Firms, (September 2018) available at: <http://www.sra.org.uk/solicitors/diversity-toolkit/diverse-law-firms.page>

¹² Law Society of Scotland, 'Annual report 2017', available at: <https://www.lawscot.org.uk/about-us/strategy-reports-plans/annual-reports/annual-report-2017/>

¹³ Bar Council of England and Wales, Report on Diversity at the Bar 2017 (January 2018), available at: https://www.barstandardsboard.org.uk/media/1916579/diversity_report_2017.pdf

¹⁴ Courts and Tribunals Judiciary, Judicial Diversity Statistics, (April 2017), available at: <https://www.judiciary.uk/about-the-judiciary/who-are-the-judiciary/diversity/judicial-diversity-statistics-2017/>

findings and recommendations. In its recent report – Women in the Law 2018 – the Law Society surveyed respondents who work in the legal profession on what they felt the main barriers were to career progression for women in law. A majority felt that unconscious bias was critical, followed by the unacceptable work/life balance required to reach senior levels of the profession and the fact that traditional networks and routes to promotion are male oriented. The Law Society is working with law firms to find ways of tackling unconscious bias and the gender pay gap whilst supporting flexible working and mentoring.

Another challenge the profession faces is ensuring that talented people from all backgrounds can enter the sector. At the moment, lawyers are disproportionately likely to come from relatively privileged backgrounds. SRA figures show that 22% of solicitors attended fee paying schools, compared with just 7% of the general population. Partners are more likely to have attended fee paying schools (24%), and privately educated lawyers are more frequent still at law firms that mostly do corporate work (44%).

The sector is working hard to address this imbalance. In 2018, 14 legal services organisations appeared in the Top 50 Social Mobility Employer Index, a list of the top 50 employers that took the most action to progress talent from all backgrounds. The list, compiled by the Social Mobility Foundation, recognised firms for initiatives such as outreach programmes and objective recruitment systems and career progression policies. Legal services organisations that ranked highly include the Ministry of Justice, Bryan Cave Leighton Paisner, Baker McKenzie, Linklaters, Herbert Smith Freehills, Freeths, Clifford Chance, Eversheds Sutherland, Hogan Lovells, DLA Piper, Pinsent Masons, HFW, Slaughter and May, Mayer Brown International, Dentons, and The Honourable Society of the Inner Temple.

The law firm ranked most highly on this list, Bryan Cave Leighton Paisner, conducted research with the Bridge Group and Sutton Trust to learn how the legal profession can support young people from disadvantaged backgrounds. The firm has a social inclusion and ethnicity group that runs outreach programmes to schools and provides work experience and mentoring for school leavers. Many other firms are carrying out similar initiatives.

International practice of barristers and advocates

UK courts host a range of international cases; many BPCs hear more international cases than domestic ones. The Bar Council of England and Wales and its International Committee undertakes many initiatives to help barristers develop an international practice. The Bar Council plays an active part in the work of the most important multinational lawyers' organisations and has built strong relationships with foreign lawyers' associations and Bars, both in legal business development and rule of law advancement.

The Commercial Bar Association (COMBAR) was formed in 1989 to bring together barristers who focus on international and commercial law. COMBAR now has approximately 1,500 members, who specialise in fields such as international trade, shipping and aviation, banking and financial services, insurance, commodity transactions, international arbitration, insolvency, oil and gas/energy law, private international law and EU law. COMBAR members have been advocates or experts in 40 international arbitration centres and courts in 25 jurisdictions.

Barristers have created further specialist associations, such as the:

- Chancery Bar Association (for practitioners with specialised knowledge of trusts, taxation, pensions, financial services, insolvency, patents and corporate law)
- Technology and Construction Bar Association (for barristers specialising in disputes arising from the technology and construction sectors)

- Criminal Bar Association (for those concerned with commercial and business fraud)
- Intellectual Property Bar Association (for specialists in intellectual property)
- Property Bar Association (for specialists in property law).

Barristers develop expertise in their areas of practice. They are often instructed as arbitration advocates or arbitrators.

The main services offered by barristers include:

- **Advocacy:** barristers can appear in a range of UK and foreign courts, including the International Court of Justice, the International Criminal Court and the European Court of Justice.
- **Legal advice:** barristers may be instructed to give advice on any matter of UK, European or international law. They can also appear as expert witnesses on such laws for overseas courts and arbitration proceedings.
- **Arbitration:** London is a major centre for international arbitration and many barristers and UK-based law firms have developed considerable expertise in the area. The International Chamber of Commerce and the London Court of International Arbitration are two of the most frequently used arbitration bodies.
- **Advocates in Scotland:** advocates can be instructed in courts and tribunals in Scotland, the UK Supreme Court, the European Court of Justice and the European Court of Human Rights. They may also be instructed in arbitrations and other forms of alternative dispute resolution. Advocates can give advice, orally or in writing, on any matter of Scots or European law.

International legal services firms in London

London is a leading global centre for international financial services. The co-location and clustering effect of banking, insurance, fund management and other financial services help to underpin its position as a major centre for international legal services and consolidate its status as the leading preferred centre for arbitration (Figure 14).

The UK has long welcomed international law firms and there are over 200 foreign law firms in the UK from over 40 jurisdictions. US firms have a long-standing presence in the UK: more than 100 are based in the country, with London the main European hub for most. Data from Altman Weil Inc. shows that between 2007 and 2016, 21% of all US cross-border combinations involved UK-based firms. That trend continues as five US-UK deals were concluded in 2017/2018.¹⁵ Although at first US firms in London often focused on helping European clients gain access to the US market, and US clients gain access to the European market, now some 40–50% of foreign firms in the UK offer a full service English law capability. Many derive much of their revenue in London. The largest firms ranked by London fee-earners on this list include White & Case, Dentons, Baker McKenzie, and Latham & Watkins (Figure 7).¹⁶

¹⁵ Altman Weil Inc., 'US Law Firm Merger Market Continues to Accelerate', (2017), available at: http://www.altmanweil.com/index.cfm/fa/resource_detail/oid/A73F1BDD-46DE-42B9-983C-BA1BD93145DB/resource/US_Law_Firm_Merger_Market_Continues_to_Accelerate.cfm

¹⁶ Legal Business, 'Global London 2018 – Main table', (28 March 2018), available at: <https://www.legalbusiness.co.uk/analysis/global-london-2018-main-table/>

Figure 7: The largest offices of non-UK law firms in London, 2017/18

Source: Legal Business

	London fee-earners	Of which	
	English qualified	Other qualified	
White & Case	446	348	104
Dentons	416	356	48
Baker McKenzie	401	356	10
Latham & Watkins	378	283	114
Reed Smith	366	349	17
Kirkland & Ellis	237	186	51
Mayer Brown	230	174	56
Jones Day	193	183	10
Shearman & Sterling	178	112	66
Squire Patton Boggs	176	123	53
Weil, Gotshal & Manges	170	156	14
Dechert	160	134	26
Skadden, Arps, Slate, Meagher & Flom	146	116	30
Sidley Austin	141	119	22
Cleary Gottlieb Steen & Hamilton	140	113	27

The headcount of the largest 50 foreign law firms in London reached a record 6,212 fee earners in 2017, up from 6,033 in 2016. The total number of partners grew to a new high of 1,721 (from 1,680 in 2016). Despite the recent trend for foreign qualified lawyers to increase, this year foreign-qualified lawyers are down to 1,199 (from 1,286 in 2016).¹⁷ This is partly because foreign law firms are developing their in-market capacity as clients ask them to conduct contentious work requiring English qualified lawyers. In 2017/18 alone, Latham & Watkins added 40 English-qualified fee-earners to its ranks.

Figure 8: Total headcount of fee-earners (50 largest overseas law firms in London).

Source: Legal Business



The presence of large international law firms, those which have more than a third of their lawyers working outside of their home jurisdiction, is a symbol of London's prominence as a legal hub. At the same time, however, many UK-based firms are global in their work and outlook despite not having many staff working in foreign jurisdictions, often making use of affiliates to gain access to foreign markets. Slaughter and May is perhaps the most prominent example of a leading law firm that has followed this approach: although it now has offices in Beijing, Brussels and Hong Kong as well as London, it works with affiliate partners in most foreign jurisdictions.

International law firms in London feature prominently in rankings of the largest global firms (Figure 26). The largest UK law firms typically have 45-65% of their lawyers based outside the UK. US firms have traditionally been more focussed on their domestic market given the

¹⁷ TheCityUK calculations based on Legal Business, 'Global London 2018 – Main table', (28 March 2018), available at: <https://www.legalbusiness.co.uk/analysis/global-london-2018-main-table/>

greater scale of the US economy. However, as firms consolidate and the pressure to expand internationally proceeds unabated, it is becoming more common for leading US firms to have some 25-40% of their lawyers based outside the US.

International law firms in London offer a range of services, including advising on M&A, securities, project finance, tax and intellectual property. Other smaller firms are world leaders in their own niche practices, providing deep sector-specific experience. One area where the UK has long stood out is maritime law, where a combination of professional expertise and a high-quality Admiralty Court has ensured that the UK is the world's leading centre for the international maritime community.

RANGE OF INTERNATIONAL LEGAL SERVICES

The biggest areas of practice of law firms in the UK include corporate work, banking and capital markets. Property and dispute resolution have gained in importance in recent years, although the extent of each law firm's involvement in the various areas of practice will vary. The main areas of international work undertaken by law firms in the UK include:

- **Corporate finance:** joint ventures, M&A, equity issues, corporate re-organisations, management buyouts, company law.
- **Other corporate and commercial law:** aviation, shipping, commodities, competition, IT and digital media, telecoms, media and entertainment.
- **Banking/project finance:** bank lending, debt rescheduling, project finance, public private partnerships, securitisation, aircraft and ship finance, World Bank and EBRD projects work.
- **International capital markets:** equity issues, asset securitisation, privatisation, derivative products, eurobonds.
- **Tax:** corporate tax (and personal tax planning where there is no private client department), stamp duty, VAT.
- **Trade law:** The World Trade Organization, international commercial law on trade in goods and services, trade and intellectual property, cross-border transactions, and trade disputes.
- **Dispute resolution:** arbitration, mediation and litigation.
- **Insurance and reinsurance:** advising on claims and related litigation and arbitration.
- **Property:** sales and leasing of commercial property, property finance, property development, construction, environmental law, town and country planning.
- **Intellectual property:** patents, trademarks, copyrights, confidentiality.
- **Product liability:** liability along the chain of manufacture of any product for damage caused by that product.
- **Employment/pensions:** implications of M&A, establishment and maintenance of pension schemes, contracts of employment, immigration advice.
- **Public international law:** relates to the handling of legal issues affected by international jurisdictions such as the International Court of Justice.
- **Private clients:** family law, probate, tax planning, trusts.
- **Competition:** anti-trust law, monopolies, mergers, cartels and abuse of a dominant position.
- **EU Law.**

Legal services across the UK

The UK is the major global hub for international legal, financial and other related professional services. Within the UK, London is the largest legal and financial centre, but other cities such as Edinburgh and Glasgow in Scotland; Birmingham, Bristol, Leeds, Manchester and Newcastle in England; Cardiff in Wales; and Belfast in Northern Ireland are also important centres in their own right.

The UK legal services sector directly employs 342,000 people, two thirds of whom are located outside London (Figure 11). It provides continuous education, training and apprenticeships to develop the skills of its employees. Legal services jobs are highly skilled and distributed across the whole country, with clusters of expertise which attract investment and drive growth. This sector is highly flexible and regularly adapts to client needs. Lawyers in Scotland, for example, have developed expertise in energy law to service the 2,000 companies operating in the sector. The North West of England is the largest legal hub outside of London and firms there are benefiting from growing practice areas in maritime and environmental law.

Figure 9: Largest UK law firms in the UK, by revenue, 2017/18

Source: Legal Business

Firm name	Headquarters location	Revenue, £m
1 DLA Piper	International	1,800
2 Clifford Chance	International	1,623
3 Hogan Lovells	International	1,581
4 Allen & Overy	International	1,573
5 Linklaters	London	1,524
6 Norton Rose Fulbright	International	1,514
7 Freshfields Bruckhaus Deringer	London	1,403
8 CMS	International	1,143
9 Herbert Smith Freehills	International	927
10 Eversheds Sutherland	National	782
11 Slaughter and May	London	576
12 Ashurst	International	564
13 Clyde & Co	London	551
14 Gowling WLG	International	456
15 Pinsent Masons	National	450
16 Simmons & Simmons	London	354
17 Bird & Bird	London	337
18 Taylor Wessing	London	302
19 Bryan Cave Leighton Paisner	London	268
20 Addleshaw Goddard	National	242
21 Irwin Mitchell	National	242
22 Osborne Clarke	National	240
23 DWF	National	236
24 DAC Beachcroft	National	230
25 Fieldfisher	London	207
26 Macfarlanes	London	202
27 Kennedys	London	196
28 Stephenson Harwood	London	189
29 Holman Fenwick Willan	London	179
30 Withers	International	177
31 Watson Farley & Williams	London	163
32 Mishcon de Reya	London	161

33	Charles Russell Speechlys	London	151
34	Travers Smith	London	147
35	Shoosmiths	National	128
36	RPC	London	113
37	Mills & Reeve	National	106
38	Womble Bond Dickinson	National	105
39	BLM	National	105
40	Trowers & Hamlins	London	103
41	Weightmans	National	97
42	Hill Dickinson	Liverpool	97
43	Burges Salmon	Bristol	90
44	Gateley	Birmingham	86
45	Ince & Co	London	83
46	TLT	Bristol	82
47	Freeths	Midlands	79
48	Keoghs	Bolton	78
49	Penningtons Manches	London	76
50	Shakespeare Martineau	Birmingham	74

Figure 10: Largest UK law firms outside London, by revenue, 2017/18

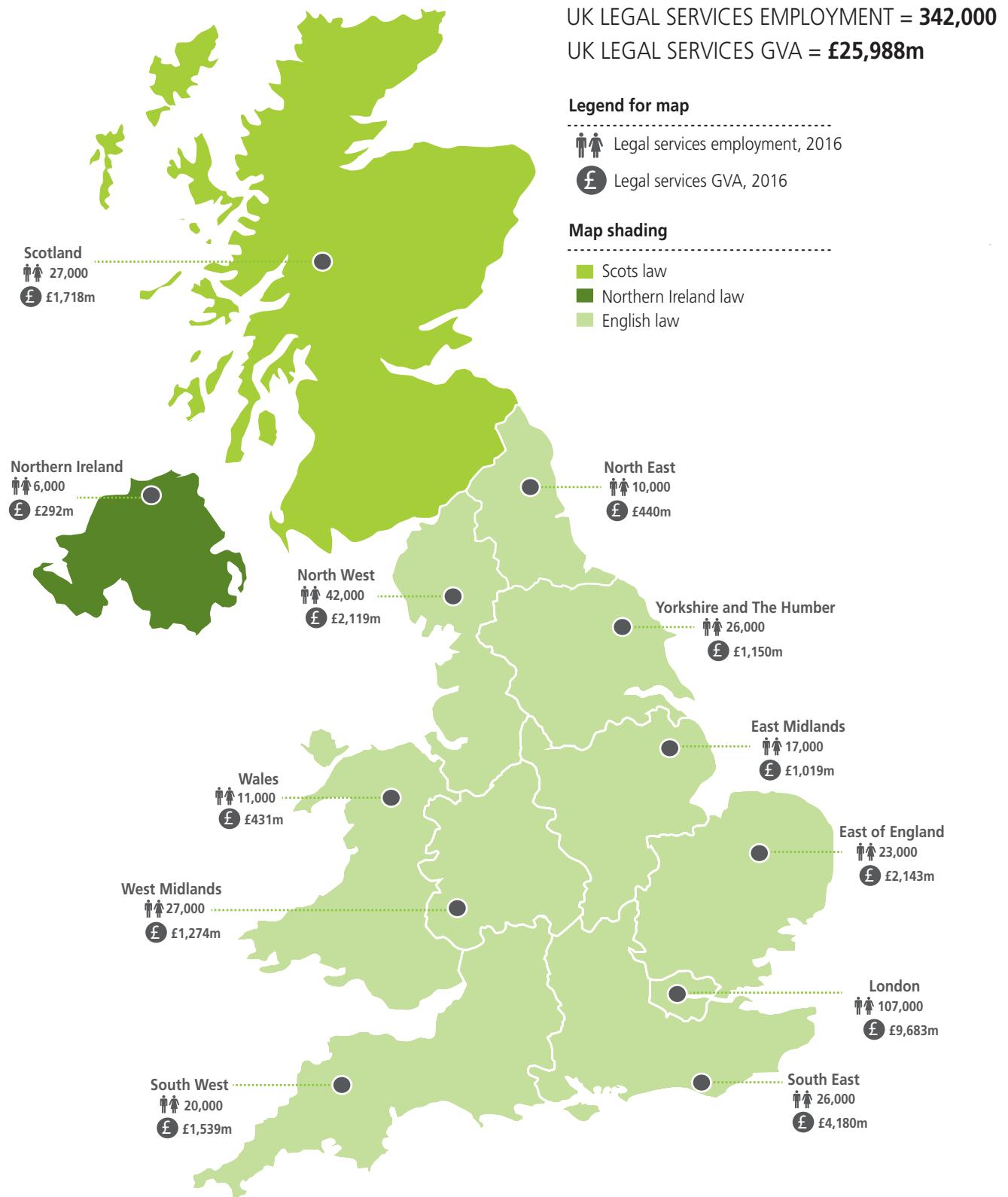
Source: Legal Business

Note: The table excludes firms identified by Legal Business as 'national'

	Firm name	Headquarters location	Revenue, £m
1	Hill Dickinson	Liverpool	97
2	Burges Salmon	Bristol	90
3	Gateley	Birmingham	86
4	TLT	Bristol	82
5	Freeths	Midlands	79
6	Keoghs	Bolton	78.1
7	Shakespeare Martineau	Birmingham	73.8
8	Browne Jacobson	Nottingham	73
9	Brodies	Scotland	68.6
10	Burness Paull	Scotland	57.6
11	Shepherd and Wedderburn	Scotland	53.5
12	Birketts	Ipswich	47.9
13	Clarke Willmott	Bristol	46.7
14	Dickson Minto	Scotland	46
15	Bevan Brittan	Bristol	44
16	Walker Morris	Leeds	43.7
17	Foot Anstey	Exeter	43.3
18	Ashfords	Exeter	42.2
19	Michelmores	Exeter	37.5
20	Veale Wasbrough Vizards	Bristol	36.7

Figure 11: Legal services across the UK

Source: ONS, Nomis, TheCityUK calculations



The scale of the contribution that legal services makes across the nations, regions and cities of the UK is further illustrated by the table below (Figure 12).

Figure 12: The employment and GVA contribution of legal services across the UK

Source: ONS, Nomis, TheCityUK calculations

	Legal services employment in selected nations/regions/cities, 2016	Legal services GVA in selected nations/regions/cities 2016, (£m)
East Midlands	17,000	1,019
Nottingham	3,500	141
Leicester	2,000	74
Northampton	1,250	85
East of England	23,000	2,143
Cambridge	2,000	161
Norwich	1,500	78
Chelmsford	1,500	48
Ipswich	1,250	102
Peterborough	1,000	89
St Albans	700	82
Luton	500	85
Southend-on-Sea	800	36
Watford	500	123
London	107,000	9,683
North East	10,000	440
Newcastle	4,000	109
Sunderland	450	33
North West	42,000	2,119
Manchester	12,000	350
Liverpool	6,000	132
Bolton	1,500	69
Chester	800	40
Stockport	500	89
Warrington	500	141
Salford	350	88
Northern Ireland	6,000	292
Belfast	2,950	125
Scotland	27,000	1,718
Edinburgh, City of	7,000	318
Glasgow, City of	7,000	274
Aberdeen, City of	2,250	314
Fife	1,000	67

South East	26,000	4,180
Southampton	1,500	88
Reading	1,250	188
Guildford	1,250	129
Brighton and Hove	1,000	112
Milton Keynes	900	179
Oxford	900	81
Crawley	600	80
South West	20,000	1,539
Bristol	7,000	232
Exeter	1,750	92
Bournemouth	900	54
Swindon	400	74
Poole	350	32
Gloucester	400	54
Wales	11,000	431
Cardiff	4,500	135
Swansea	600	30
West Midlands	27,000	1,274
Birmingham	10,000	329
Coventry	1,250	72
Yorkshire and the Humber	26,000	1,150
Leeds	9,000	357
Sheffield	4,500	112
York	1,250	56
Bradford	1,250	83
Halifax	400	54

DISPUTE RESOLUTION IN LONDON AND THE UK

The swift, predictable and fair resolution of commercial disputes is critical to business. English law, arbitration and the jurisdiction of the UK courts focus on these factors. It is this focus that puts the UK's legal systems amongst the most attractive and the most successful for international dispute resolution.

There are other reasons for the pre-eminence of English law and the UK's jurisdictions, including London's position as the leading international financial centre and the abundance of UK legal talent. The impartiality, integrity and depth of experience of the UK's judiciary and UK arbitrators should not be forgotten. London provides state-of-the-art courtrooms and a network of support services, including LawTech solutions, interpreters, transcribers, and IT providers. Initiatives in the BPCs, such as the Financial List, Shorter and More Flexible Trials Schemes, and the Intellectual Property Enterprise Court (IPEC) are all aimed at improving the culture of litigation for the benefit of national and international court users.

Courts-based dispute resolution

London's Rolls Building houses the BPCs. It is the world's biggest business, property and commercial court centre, housing all the specialist jurisdictions of the High Court dealing with commercial disputes.

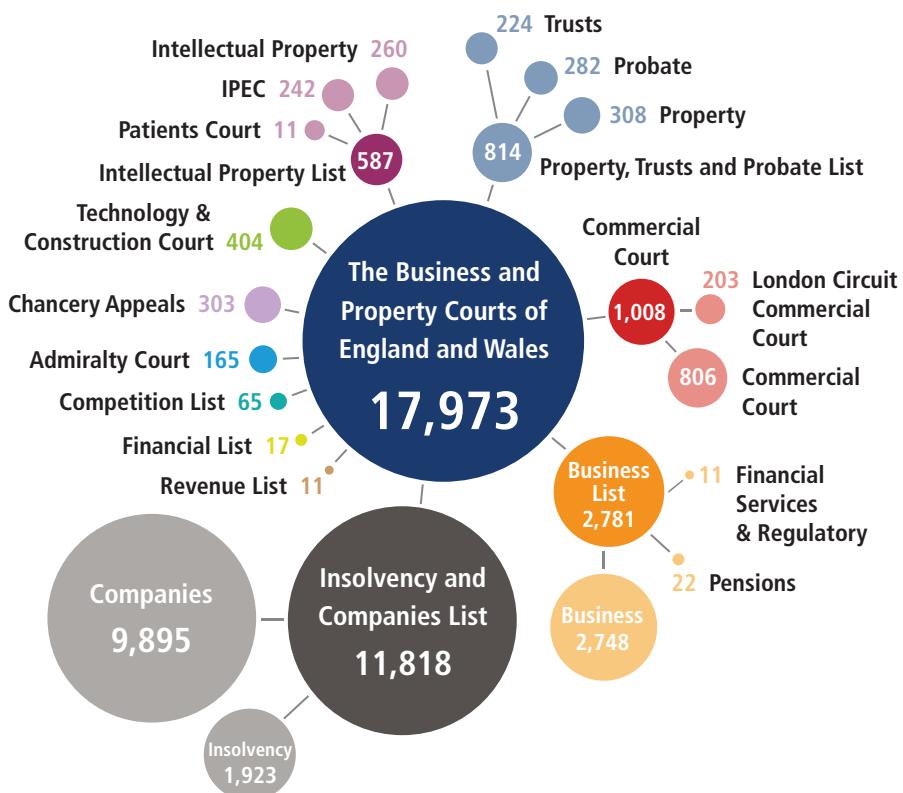
One of the founding principles of the BPCs is that no case should be too large to be heard in centres across England and Wales. As well as in London, cases can be heard in courts in Birmingham, Bristol, Cardiff, Leeds, Liverpool, Manchester and Newcastle. The process of issuing a case in London is digital and entirely online. During 2019, that electronic system of case filing will be extended across the rest of the country, adding further to the convenience, speed and efficiency with which parties outside London can have their case listed and heard.

The BPCs give UK courts the visibility that they deserve as a global centre of dispute resolution. These courts make it easier for international users to identify the services they need, through simpler terminology and a more logical and business-friendly court structure, making the UK's court system even more internationally competitive.

Figure 13: Cases issued by list, January – December 2017.

Note: includes only cases issued in the Rolls Building, London.

Source: Civil Justice statistics quarterly: March to September 2018 © Crown copyright



International work in the Business and Property Courts

In 2017, 17,973 cases were issued in the BPCs in England and Wales, an almost 9% increase on the previous year. This includes 11,818 cases in the Insolvency and Companies Court, 4,258 cases in the rest of the Chancery Division, 1,173 cases in the Admiralty and Commercial Court, 404 cases in the Technology and Construction Court, 303 Chancery appeals and 17 cases on the Financial List.

In 2018, the number of cases issued to the end of July has been 9,715, with 6,449 cases in the Insolvency and Companies Court, 2,247 in the remainder of the Chancery Division, 648 in the Admiralty and Commercial Court, 191 in the Technology and Construction Court, 170 Chancery appeals and 10 cases on the Financial List.

The BPCs continue to attract high numbers of international users, most notably through the Admiralty and Commercial Court, and through the Patents Court. In 2017, three quarters of cases in the Commercial Court were international in nature. In the year to the end of July 2018. In the year to end of July 2018, 76% of cases in the Commercial Court have been international in nature, of which 42% have been cases where all the parties involved were international.

The Patents Court continues its ground-breaking work in the area of patents and other science-oriented intellectual property work. Judgments handed down in the Patents Court are often of international significance, not only because they concern international users but also because they set industry standards that are followed or replicated elsewhere. For example, 79% of cases heard in the Patents Court in 2017 involved at least one international party, with 13% of those international cases involving exclusively international parties.¹⁸

The Commercial Court

The Commercial Court of England & Wales sits within the umbrella that is the BPCs. It enjoys the highest international reputation, serving the national and international business community and building further on 120 years of history and development. Its caseload in the past year has ranged from banking and finance to trade and commerce to acquisitions and markets to insurance and natural resources, and more.

Through this workload the Court is asked to reach decisions that ensure that English common law continues to develop, always ready to provide a framework in law in a fast-changing business world. The Court is frequently asked to interpret commercial documents in wide international usage, or to show how the law works in the context of new forms of trade or transaction. The Court further takes responsibility for expert judicial oversight and support of arbitration, including international arbitration seated in London. In combination these roles contribute to confidence, stability and certainty through the rule of law.

A 10th edition of the Commercial Court Guide, published earlier in the year, reinforces the strong emphasis placed on case management by trial judges. The Court is proud to be involved in many initiatives to share expertise and good practice internationally. The Court concentrates on the heaviest cases, with a national network of Circuit Commercial Courts taking other commercial cases that still require commercial expertise. Its sister court is the Admiralty Court, which has been even longer established.

Intellectual Property Enterprise Court

The Intellectual Property Enterprise Court (IPEC) was created in 2013 as part of a series of initiatives to increase the speed and reduce the costs of dispute resolution for business. It allows intellectual property disputes to be resolved with expedition and without the financial risks inherent in standard High Court litigation. The IPEC provides a streamlined procedure and limits the exposure of an unsuccessful party to paying the winning side's costs up to £50,000. Large disputes are kept out of the IPEC list by limiting the damages to £500,000 and the trial to two or, exceptionally, three days.

IPEC's popularity has meant that it attracts more high-profile cases as well. It deals with many disputes that concern non-pecuniary remedies such as injunctions or declaration of non-infringement. This means that, while the IPEC was designed mainly for use by SMEs, it is now frequently used by larger corporations, even multi-nationals, who can take advantage of its streamlined procedure.

The capped recoverable costs regime for each stage of the litigation is central to the success of IPEC. The advantage is that parties have the certainty of knowing their exposure from the start.

CASE STUDY

In 77M Ltd v Ordnance Survey Ltd [2017] EWHC 1501 (IPEC) the claimant, an SME, argued that the case should remain in the IPEC, because the claimant could not afford to proceed if it was exposed to any greater adverse costs risk. The judge accepted that submission and observed: "An SME with limited financial resources is precisely the kind of litigant that is entitled to the benefit of the costs cap in the IPEC..."

¹⁸ Further details on the different types of case issued in the BPCs, including those with an international nature can be found at www.gov.uk/government/statistics.

In 2017, 242 claims were issued in the multi-track IPEC, a 19% increase from the previous year. It also has a small claims track administered by separate judges, which accepts cases where less than £10,000 is claimed. The hearings are shorter and less formal, and the parties are frequently unrepresented. The loser will seldom have to pay the winner's costs.

Witness evidence and the scope of documents which have to be disclosed to the opposing party are kept to a minimum and are allowed only as specifically ordered by the judge, by reference to a list of issues settled during the preparatory stages of a claim.

The IPEC's rules and procedures have provided SMEs with effective access to litigation, giving them the confidence to bring a claim to protect their intellectual property (IP) rights and also to defend a claim brought against them by a financially stronger party.

As a specialist list in the Chancery Division of the High Court, IPEC handles intellectual property cases of all kinds including patents, designs (registered and unregistered, EU and UK national), trade marks (UK and EU), passing off, copyright, database right, other rights conferred by the Copyright Designs and Patents Act 1988 and actions for breach of confidence. It can also hear proceedings primarily concerned with intellectual property but covering other subject matter, such as breach of fiduciary duty, defamation or malicious falsehood.

Shorter and More Flexible Trials Schemes

Similar advantages are available for other types of litigation in the BPCs through the Shorter and More Flexible Trials Schemes. These procedures have now been made a permanent part of the civil litigation firmament and offer alternative ways of enabling cases to be resolved to a commercially realistic timetable. Both are built on the need to reduce the speed with which such cases are resolved, with a consequential reduction in cost for the parties.

The Shorter Trials Scheme works to a timetable of six months between the preparatory hearing and the trial. The trials themselves are listed for no more than four days. The more than 50 cases that have already been heard under the pilot scheme have met this timetable, with almost half settling before the hearing. Docketing is used for the cases, with the same judge who conducts the case management conference (CMC) also hearing the eventual trial.

Many of the ways in which the trial itself is kept to its shorter timetable are familiar. There is limited disclosure and limited oral and written evidence, with cross examination focused on the essentials of the case. Unlike other initiatives to increase the efficiency of lower value or simpler claims, such as the IPEC, there is no limit on the value of the case being heard under the scheme.

The Flexible Trials Scheme emphasises the procedural flexibility available to judges hearing cases in the B&PCs, a flexibility largely akin to that offered by arbitration.

CASE STUDY

In *Burgerista v Burgista* [2018] EWHC 35 (IPEC)

(www.bailii.org/ew/cases/EWHC/IPEC/2018/35.html) the claimant was a burger restaurant with 18 outlets in Germany and Austria pursuing an action for **infringement of trademark** against a group of four similarly-named franchised restaurants in London in an effort to restrain further use of their 'Burgista' signs.

In the course of the hearing, the court first considered the validity of the trade mark and whether the word 'burgerista' was in fact descriptive, and therefore not capable of being registered as a trade mark. The test for a descriptive term was by reference to the understanding of an average consumer – in this case 'an English speaking person who may be interested in eating at a burger restaurant'.

The court heard evidence on the use of the suffix '-ista' and whether, as with the terms 'barista' or 'fashionista', it might simply be taken as a description of someone who made or was enthusiastic about burgers. The conclusion it reached was that at the time in question there was no evidence of commonplace use of the term, and that while the trade mark had some descriptive quality, it was not descriptive enough to be invalid.

In considering infringement of the trademark, the court had to consider the criteria for infringement under article 9(2)(c) of the relevant 2009 EU Regulation, including the geographical and economic criteria necessary for a trade mark to have a reputation in 'a substantial part of the EU'. Here, the judge concluded that while the mark had 'a reputation of some sort', it did not have a reputation within the meaning of that article.

However, the defendants' signs had given rise to a likelihood of confusion under article 9(2)(b), so that there was a threat of infringement of the mark and the claimant was awarded an injunction against the defendants, and to related relief.

Further case studies

In *Martin v Kogan* [2017] EWHC 2927 (IPEC), a case involving the film Florence Foster Jenkins, the judge considered what contribution made a screenplay a work of joint authorship. His judgment involved a detailed consideration of the law relating to joint authorship and the types of contribution that might be made to a **copyright work**.

In this case, he also made interesting observations on the best approach for a judge to adopt in a commercial case to the unreliability of witnesses' recollections on factual findings, and the pre-eminence of documentary evidence and known or probable facts.

In *Dichand v Hydraredox Technologies* [2018] EWHC 1142 (IPEC), the claimant failed to demonstrate that he had been the victim of a fraudulent misrepresentation in the **assignment of patents** relating to the development of a form of renewable battery.

In *Military Mutual v Police Mutual and others* [2018] EWHC 1575 (IPEC), the judge considered a **passing off action** and whether the claimant shared in the goodwill in the public's understanding of the term 'mutual' in the context of financial mutual, so that the use by the term in the defendant's trading name meant that they had gained business at the claimant's expense.

Judicial-led innovation - disclosure pilot

A Disclosure Pilot for the BPCs will be launched in January 2019. By reducing the burden of disclosure, its aim is to increase the speed and reduce the cost of commercial litigation. It will do this by offering a menu of options for disclosure to

litigants, and encouraging disclosure to be targeted appropriately to the kind of case that is being litigated.

The pilot is the result of concerns expressed by the GC100 (which represents general counsel working in FTSE 100 companies) and other court users about the burgeoning cost of disclosure. Following a consultation and the approval of the Civil Procedure Rule Committee, the pilot and updated procedural rules modernise the current process by removing ‘standard disclosure’ in its current form as the default form of disclosure. Instead, it requires parties to focus together on the key issues for disclosure and choose one of a menu of five disclosure models:

- **Model A:** Disclosure confined to known adverse documents.
- **Model B:** Limited Disclosure, which includes those documents on which the party is relying.
- **Model C:** Request-led, search-based disclosure specific documents relating to a particular issue.
- **Model D:** Search-based disclosure, similar to the previous ‘standard’ disclosure.
- **Model E:** Wider search-based disclosure.

The updated Civil Procedure Rules also encourage greater oversight and case management by the judiciary, by ensuring the court has the information it needs at preparatory hearings and can therefore make informed orders on disclosure.

By offering different levels of disclosure and encouraging a greater use of technology, the two-year pilot aims to clarify and change the approach taken to disclosure by parties and by the courts.

International insolvency work

Insolvency cases form a significant part of the work of the BPCs and the greatest in terms of number. Specialist Insolvency and Company Court Judges carry out much of the case management work for smaller cases and hear trials of up to three weeks.

Larger insolvency proceedings are heard by High Court judges. These often involve English companies that form part of a more extensive insolvency of a global group. Lehmann Brothers and MF Global are two high-profile examples. In these multi-party, cross-border insolvencies, the interests of creditors from around the world are at play. Meticulous case management is required, because the cases involve concurrent litigation, each with its own particular issues, and group applications at different stages to determine the rights of creditors. A single High Court Judge is typically assigned actively to manage all aspects of the insolvency.

These cases require carefully integrated cooperation with parallel proceedings in overseas courts. The English Court may be asked to approve a protocol for cooperation between office-holders of the insolvent estate in England and abroad. In some cases, direct court-to-court communication has to be arranged, following international guidelines. The ability of the BPCs to act quickly, with specialist judges assigned to the case, assists in the smooth running of these major insolvency cases.

The BPCs are also regularly involved in making orders to assist foreign proceedings. This work is carried out under the Cross-border Insolvency Regulations, which are themselves based on the international Model Law on Insolvency. Cases are time-sensitive for many different reasons, such as preserving assets or to fit in with the deadlines for foreign proceedings.

The UK is also a major centre and world leader in restructuring international companies. This is due to the flexibility of the statutory provisions relating to schemes of arrangement, and of the BPC judges in their interpretation and application of these provisions. The applications are often time-critical. The BPCs offer specialist judges, often at short notice, to hear applications to convene meetings of creditors and to sanction schemes of arrangement and make sure that a timetable driven by a heavily negotiated, multi-party deal is complied with.

Standing International Forum of Commercial Courts

The Standing International Forum of Commercial Courts (SIFoCC) was established in 2017 and exists to share best practice, further the rule of law and assist developing countries. Its Secretariat is based at the Rolls Building in London. The second meeting of SIFoCC took place in New York in September 2018 and brought together senior judges - including Chief Justices - from 36 jurisdictions worldwide, including Australia, China, France, Germany, Hong Kong, Japan, Malaysia, Netherlands, Nigeria, Saudi Arabia, Singapore, Uganda, the United Arab Emirates, the UK and the US. The programme included roundtable discussions on commercial dispute resolution including case management and technology. The meeting was attended at different points by General Counsel from major users, and by leaders from The Hague Conference, the New York Federal Reserve, the SEC, UNCITRAL and the World Bank.¹⁹

Alternative dispute resolution

ADR provides ways of resolving disputes between parties without going to court. Arbitration is a form of ADR that allows contracting parties to choose a neutral venue where their disputes are settled. The UK is a global leader in international arbitrations, more of these take place in London than any other city in the world.

In a survey carried out by White & Case and Queen Mary University, London emerged as respondents' preferred seat of arbitration. Respondents were asked to indicate their favourite arbitration seat (and allowed to indicate five preferences), London emerged as the clear favourite with 64% naming it (compared to 53% for Paris, the next most-popular seat). The primary factor driving the selection of a seat is its reputation and recognition. Ninety-seven per cent of respondents indicate that international arbitration is their preferred method of dispute resolution, either on a stand-alone basis (48%) or in conjunction with ADR (49%).²⁰ Most respondents believed that London's pre-eminence in international arbitration would continue irrespective of the result of Brexit negotiations. Respondents were asked whether Brexit would have any impact on the use of London as a seat of arbitration, with 55% believing that Brexit will have no impact at all.

London International Disputes Week, an industry-led, government-supported event to be held in May 2019, will celebrate the heritage of English law and provide a forum for practitioners and clients to explore the future of dispute resolution. The event will explore how and where future disputes are likely to arise and identify ways in which London can adapt to these developments so it can remain the world's leading centre for dispute resolution.

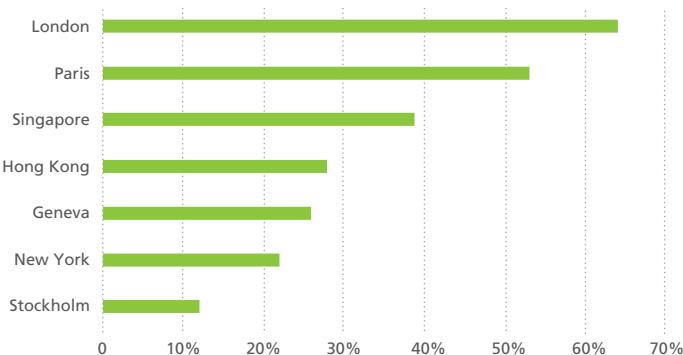
¹⁹ A full report of the progress and next actions from the event, including the agreed finalisation and publication of a multilateral memorandum on efficient enforcement of commercial judgments for money, will be available at www.sifocc.org. The third meeting will take place in Singapore in early 2020.

²⁰ Queen Mary University of London and White & Case, '2018 International Arbitration Survey: The Evolution of International Arbitration', (2018), p.9, available at: <https://www.whitecase.com/sites/whitecase/files/files/download/publications/qmul-international-arbitration-survey-2018-18.pdf>

Figure 14: Preferred seat of arbitration, 2018

Source: Queen Mary University of London/White & Case International Arbitration Survey

Note: The question posted to survey respondents was: "What are your or your organisation's most preferred seats [of arbitration]?"



When choosing whether to resolve a dispute with ADR in the UK, claimants may consider:

- Arbitration and ADR framework provided by the Arbitration Act 1996 and the Arbitration (Scotland) Act 2010 which governs how awards are enforced and provides limited grounds for challenging the award.
- Flexibility in procedures developed by dispute resolution organisations.
- Neutral forum for resolving disputes between international parties.
- Confidentiality of proceedings.
- Party autonomy in language and law.
- Depth of expertise in larger complex cases as practitioners understand the commercial issues involved. Expertise in the UK may be derived from specialist dispute resolution organisations, individual arbitrators and mediators, expert witnesses as well as international law firms and barristers that provide specialist advice and advocacy.
- A well-respected judiciary and appropriately resourced courts system which provides vital support for a well-functioning arbitration and ADR sector.
- Availability of suitable venues and supporting services, such as interpreters, translators, stenographers and IT services. ADR services in the UK continue to be provided across a range of activities and sectors at a domestic and international level. The total number of commercial and civil disputes resolved through arbitration, mediation and adjudication totalled around 33,000 in 2017. Over 27,000 of these were domestic and around 6,000 mostly international (Figure 15). According to data from the Law Society of England and Wales, over 765 solicitors firms in the UK specialise in ADR or other litigation.

Figure 15: Arbitrations, mediations and adjudications in the UK (number of referrals, appointments or cases submitted)

	2009	2011	2013	2015	2016	2017
Mostly international						
London Maritime Arbitrators' Association	4,445	3,555	2,966	3,160	2,994	2,533
London Court of International Arbitration	285	237	301	332	303	298
Lloyd's Open Form	122	106	61	50	48	54
ICC Int. Court of Arbitration (UK seated)	73	62	70	70	65	73
Centre for Effective Dispute Resolution	400	600	691	838	1,042	1,072
Ad hoc arbitrations*	300	300	300	300	300	300
Total international	5,625	4,860	4,389	4,765	4,752	4,330
Mostly UK domestic						
Royal Institute of Chartered Surveyors	8,917	5,004	4,462	4,512	5,100	4,635
Centre for Effective Dispute Resolution	3,500	4,000	4,500	4,792	7,401	13,869
Adjudication Society	1,730	1,064	1,282	1,500	1,511	1,533
Other mediations*	4,668	6,440	6,653	6,574	6,608	6,515
Trade associations*	500	500	500	500	500	500
Total domestic	19,315	17,008	17,397	17,878	21,120	27,052
Total	24,940	21,868	21,786	22,643	25,872	31,382

*TheCityUK estimates

Main ADR organisations and services in London and the rest of the UK include:

London Court of International Arbitration (LCIA): the LCIA received 285 requests for arbitration in 2017 and 13 requests for mediation or another form of alternative dispute resolution.

International Chamber of Commerce (ICC) International Court of Arbitration:

73 arbitration tribunals were seated in London in 2017 by the ICC, second only to Paris, where the ICC is headquartered.

London Maritime Arbitrators Association (LMAA): set up in 1960 to serve the local London maritime broking community, the LMAA has grown organically from a small association of members to the leading arbitration body used by maritime communities worldwide, notably in China, Korea, Greece and the UK, among many others. It is estimated that around 30% of the LMAA's caseload now involves at least one Chinese party. The LMAA has over 750 members in 40 countries and serves users of LMAA arbitration around the world. Over the 20 years since the association has collected statistics, its arbitrating members have consistently received on average 2,500 - 3,000 new appointments per year. LMAA arbitration remains the forum of choice for dispute resolution across the maritime

spectrum and usage is expanding, increasingly being seen, for example, in related industry areas such as trade, commodities and off shore. Together with the other providers of international arbitration in London, the LMAA assists London in maintaining its position as the leading centre worldwide for international arbitration, offering its services to the myriad of parties who choose to have their disputes resolved in London.

Lloyd's Open Form (LOF) Salvage Agreement: the LOF has been in use for over a hundred years, providing a framework for determining the amount of remuneration to be awarded to salvors for their services in saving property at sea and minimising or preventing damage to the environment. Originating in the late 1800s, it is today the most widely used international salvage agreement of its kind. In shipping there were nearly 50 maritime arbitrations made under LOF in 2016. In about a half of those cases arbitration is invoked and an arbitrator appointed; the rest are settled without recourse to arbitration.

The Centre for Effective Dispute Resolution (CEDR): in 2017 a total of 14,941 cases were handled by CEDR, which included 1,781 commercial mediations, 791 arbitrations and 12,369 adjudications (the vast majority of the latter two were conducted as paper-based processes rather than through hearings). The trend for organisations to refer disputes directly to ADR has continued in the last year, with Airlines, Telecommunications and the National Health Service (NHS) being particular examples. CEDR's 2018 Mediation Audit of the UK found a similar pattern with 12,000 commercial mediations (excluding small claims mediations) performed in the last 12 months, an increase of 20% on 2016. The survey revealed remarkable growth in scheme-related activity, meaning organised mediation systems such as those supported by NHS Resolution, by leading employers and by the County Court Mediation Pilots and the Court of Appeal. This area of activity has grown by 45% in just the past two years, and now accounts for some 4,500 cases, or 37.5% of all mediation activity.

The Royal Institute of Chartered Surveyors: in 2017 resolvers were appointed to 4,635 disputes.

The Adjudication Society: 1,533 disputes were reported in 2016/17 to the Adjudication Society, which promotes the use of adjudication in the resolution of construction disputes. Other bodies, including CEDR, CIArb, Royal Institute of Chartered Surveyors and the Royal Institute of British Architects, nominate adjudicators to resolve disputes in construction and engineering.

The Scottish Arbitration Centre: the Centre promotes domestic and international arbitration under the Arbitration (Scotland) Act 2010 and Scotland as a place to resolve disputes. The centre has an independent arbitral appointments committee, which can make appointments in ad hoc cases and its arbitration suites provide an attractive forum for dispute resolution. It is also home to the International Centre for Energy Arbitration (ICEA), an energy arbitration project between the centre and the Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) at the University of Dundee, which is focused on research and the development of dispute systems for the energy sector.

CONTRIBUTION TO THE UK ECONOMY

Legal services enables economic growth and prosperity throughout the UK by providing an infrastructure of law and justice that facilitates commerce. A strong legal framework also contributes to stronger financial institutions across the whole country which further propel growth in the wider economy. The UK's legal services sector also brings direct benefits that can be measured in terms of gross value added (GVA), employment and net exports.

GVA: the output of UK legal services was £26bn, or 1.4%, of total GVA in 2016. This includes legal representation of parties in civil and criminal cases, whether or not in courts. It covers advice in a range of areas, from corporate transactions to labour law, patents, trademarks and copyright as well as the activities of arbitrators, notaries and bailiffs. This covers retail work (including conveyancing and wills), and social welfare work (including immigration, discrimination and human rights). The main exclusions on the ONS definition are the activities of the law courts, and lawyers employed by non-legal firms whose activity would be credited to the sector of their employer.²¹

Employment: the number of people employed and self-employed in legal services in the UK is around 342,000 according to ONS data. Around two thirds of these jobs are outside London.

Solicitors in private practice include those employed by law firms and independent practitioners: recently, there has been a growth of in-house practitioners employed in the private sector. Some in-house legal teams have taken on more routine legal work as they can perform this more cost-effectively than external legal advisors.

Data from the Law Society of England and Wales shows that the in-house sector is home to 22.2% of working solicitors (those attached to organisations) in 2017, up from 18% from a decade earlier.²² The majority of in-house solicitors (67.6%) work in the private sector, with many concentrated in the financial services sector.

The number of solicitors employed in private practice in law firms in England and Wales in 2017 was 93,155 in 2017, up 2.2% from 2016 (Figure 17). This figure does not include lawyers employed in the UK who are qualified in another jurisdiction.

²¹ TheCityUK calculations based on Office for National StatisticsOffice for National Statistics, 'UK non-financial business economy', (31 July 2018), available at: <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/datasets/uknonfinancialbusinesseconomyannualbusinesssurveyssectionsas>

²² The Law Society Annual Statistics Report 2017 - the executive summary can be accessed here: <https://www.lawsociety.org.uk/support-services/research-trends/annual-statistics-report-2017>

Figure 16: Practising certificate holders in England and Wales

Source: Law Society of England & Wales, Annual Statistics Report

	Number of solicitors in England and Wales		
	Private practice (E&W firms)	Total non-private practice	Total
2013	86,840	40,836	127,676
2014	90,306	40,076	130,382
2015	91,062	42,305	133,367
2016	91,166	45,010	136,176
2017	93,155	46,469	139,624

Law firms in Scotland and Northern Ireland employ around 11,000 and 2,600 solicitors respectively.

Figure 17: Number of training contracts offered by legal firms in the UK, 2018/19

Source: Legal Cheek

Company	Number of contracts
Linklaters	100
Clifford Chance	95
Allen & Overy	90
Slaughter and May	85
Freshfields Bruckhaus Deringer	80
Pinsent Masons	71
DLA Piper	70
CMS	65
Herbert Smith Freehills	60
Clyde & Co	50
Eversheds Sutherland	50
Hogan Lovells	50
White & Case	50
Ashurst	45
Irwin Mitchell	45
Norton Rose Fulbright	45
Bryan Cave Leighton Paisner	40
Dentons	40
DWF	40
Addleshaw Goddard	37

Traineeships and graduate intake: according to the Law Society of England and Wales intake totalled 5,719 in the 12 months to 31 July 2017, down marginally (0.2%) on the previous year.

Barristers and advocates: there are approximately 16,000 practicing barristers in independent practice in England and Wales. In Scotland there are around 450 advocates, and in Northern Ireland around 750 barristers.

Number of firms: ONS figures show that the legal services market in the UK comprised around 33,000 firms in 2016, with 30,175 in England and Wales, 1,795 in Scotland and 1,015 in Northern Ireland. In England and Wales, solicitors form the largest single group of providers (around 36.4% of all entities). These firms compete with a range of other legal professionals to differing extents. Within reserved work, these include barristers, notaries, legal executives, law costs draftsmen, trade mark attorneys, licensed conveyancers and patent attorneys; within unreserved work, these include the wider legal services market delivered by unregulated providers such as will writers.

Exports of legal services: legal services consistently generate a trade surplus, helping to offset the UK's trade in goods deficit. The sector provides vital support to UK and multinational firms and is especially helpful when organisations seek to develop a presence in new international markets and structure multijurisdictional projects.

Legal services exports are generated from many sources: law firms, including those originating in the UK and international firms with an office in the UK; barristers and advocates providing services to foreign clients; and legal services provided by lawyers employed by other organisations, which are not themselves legal entities:

- Exports from solicitors firms were estimated at £4.98bn in 2017.²³
- Exports generated by barristers totalled £152m in 2017.²⁴
- Exports generated from lawyers in other organisations totalled around £62m in 2017, of which a large proportion was due to activities of patent agents. The remainder is largely attributable to internal billings related to legal services provided by companies to their overseas subsidiaries.²⁵

Taking account of imports (mainly related to billings of UK businesses from law firms based overseas) of £795m, net exports of UK legal services stood at £4.4bn in 2017 (Figure 19), a decrease of 6% on last year.²⁶ The decline is partly due to the fact that exports were unusually high in 2016 following the fall in sterling and an associated rise in M&A activity.²⁷

²³ Office for National Statistics, 'UK Balance of Payments - The Pink Book', (31 July 2018), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/pinkbook>

²⁴ Ibid. There is an alternative estimate from Bar Mutual Indemnity Fund, which provides professional indemnity insurance to barristers, that puts foreign earnings from barristers at £322m in 2017.

²⁵ Ibid.

²⁶ Ibid.

Figure 18: Net exports of UK legal services (£m)

Source: Office for National Statistics

	Exports	Imports	Net exports
2007	3,119	539	2,580
2008	3,418	673	2,745
2009	3,416	848	2,568
2010	3,501	817	2,684
2011	3,844	721	3,123
2012	3,974	790	3,184
2013	4,207	836	3,371
2014	4,665	896	3,769
2015	5,118	763	4,355
2016	5,536	830	4,706
2017	5,198	795	4,403

THE UK'S POSITION INTERNATIONALLY

Research on the global legal services market indicates that overall revenue ranged from \$600bn to \$849bn in 2017.²⁷ The UK is the largest market in Europe and accounts for 6.5% of the global market for legal services in terms of fee revenue.²⁸

The revenue of the world's largest 100 law firms (ranked by revenue) grew by 6% in 2017/18 to \$104.42bn, breaking through the \$100bn revenue marker for the first time.²⁹ Revenue growth was attributable to both organic growth and consolidation; the merger of UK-based Eversheds with US-based Sutherland Asbill & Brennan has created one of the world's leading law firms, Eversheds Sutherland. Kirkland & Ellis and Latham & Watkins were the first law firms to make more than \$3bn annual revenues in 2017.

Figure 19: Revenue and gross profit of the world's largest 100 law firms (ranked by revenue)

Source: Legal Business



When considering the composition of the top 100 firms, it is important to remember that European law firms that account in sterling and euros have suffered from the strong US dollar as revenues are reported in dollars; many of these firms recorded growth in their own currency. As in 2017, when similar factors prevailed, there are no non-UK European firms in the top 100.

The distribution of lawyers in the top 100 firms shows that 58% are located in the US, followed by the UK with 14%, Europe (excluding UK) with 13%, Asia (excluding Middle East) with 11%, Latin America and Canada 3% and the Middle East 1%. Cities where international law firms are most likely to establish an office include London, New York, Brussels, Tokyo, Hong Kong, Singapore and Paris.

Data from the Law Society of England and Wales underscores the significant value of financial services practice areas to UK-based law firms. Between 2013 and the first half of 2017, the financial services sector accounted for 40.9% of the total value of deals on which the top 50 'UK City' law firms advised.³⁰

²⁷ See, for example, ALM Intelligence, Elephants in the Room, (26 March 2018), available at: <https://www.lawgazette.co.uk/law/uk-legal-services-market-to-get-brexit-boost-/5065407.article> and Cision PR Newswire, 'Legal Services Global Market Report 2018', (23 July 2018), available at: <https://www.prnewswire.com/news-releases/legal-service-global-market-report-2018-300685002.html>

²⁸ TheCityUK calculations based on Cision PR Newswire, 'Legal Services Global Market Report 2018', (23 July 2018), available at: <https://www.prnewswire.com/news-releases/legal-service-global-market-report-2018-300685002.html>

²⁹ Legal Business, 'The Global 100 2018', (27 July 2018), available at: <https://www.legalbusiness.co.uk/analysis/global-100-2018/global-100-main-table/>

³⁰ The Law Society of England and Wales, 'City Legal Index', Data up to end Jun 2017, (2017), available at: <http://www.lawsociety.org.uk/support-services/research-trends/city-legal-index/>

Figure 20: Distribution of England and Wales solicitors working in foreign jurisdictions, 2017

Source: The Law Society of England and Wales

Company	Number of solicitors	% share
United Arab Emirates	1006	16%
Hong Kong	1000	16%
Singapore	700	11%
US	430	7%
Channel Islands	408	6%
Germany	274	4%
Australia	261	4%
Switzerland	256	4%
France	254	4%
Japan	161	3%
Other	1680	26%
Total	6430	100%

In recent years, global law firms have achieved considerable growth in Asia Pacific. In 2017, there was some slowdown in this market as deal flow in China and Japan was relatively subdued. Nonetheless, large law firms remain committed to Asia Pacific, and there are indications that the market is becoming more bullish again as the Chinese government implemented new rules to encourage international investment in late 2017. The top 10 global law firms in Asia Pacific now employ 13,289 lawyers. Although some countries in the region have more protectionist rules in place to cover their legal services sector, foreign law firms have formed partnerships or strategic alliances with local firms to gain market access. As the UK government prepares for an ambitious series of trade talks following Brexit, law firms stand to benefit from potential gains that could be realised by liberalising trade deals negotiated between the UK and partners in the Asia-Pacific region.

Globally, the number of legal professionals increased to approximately 6.9m in 2017.³¹ The number of lawyers employed by the largest 100 law firms increased by 5.3% to a record 131,624 (from 125,000) (Figure 21). The largest 15 global firms accounted for more than half of fee earners from the largest 50 firms (50,893 out of 97,478 lawyers), slightly up on the previous year (Figure 23).

International growth has not been restricted to law firms. Many barristers' chambers, especially those specialising in various forms of commercial law, are establishing permanent presences in locations such as Singapore, Hong Kong, Abu Dhabi, New York, Doha and Geneva to focus on dispute resolution and arbitration.

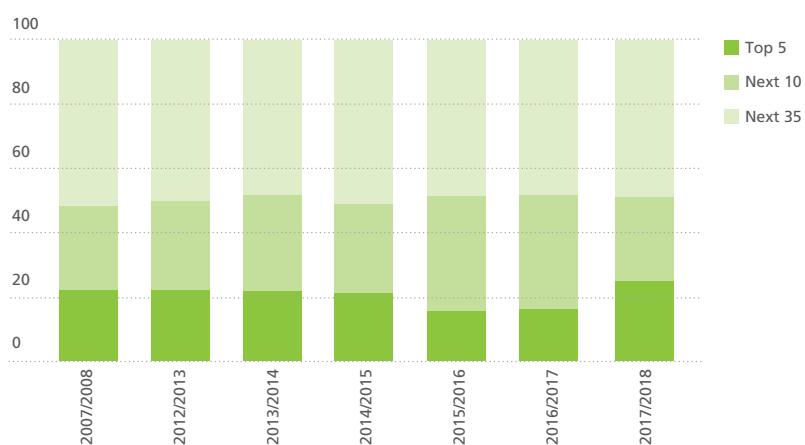
³¹ Industry Today, Global Legal Services Market total revenues of \$633.7bn in 2017 and is expected to grow at a CAGR of 2.8% (15th May 2018), available at: <https://industrytoday.co.uk/security/global-legal-services-market-total-revenues-of-633-7bn-in-2017-and-is-expected-to-grow-at-a-cagr-of-2-8---orbisresearch->

Figure 21: Headcount of the world's largest 100 law firms

Source: Legal Business

**Figure 22:** Concentration of legal services by number of fee earners, and percentage share of Top 50 global law firms

Source: TheCityUK calculations based on Legal Business data



Dentons had the most lawyers worldwide (8,658), followed by Baker McKenzie (4,720) and DLA Piper (4,102) (Figure 23). Kirkland & Ellis held the top spot in terms of gross revenue (with \$3,165), ahead of Latham & Watkins (\$3,064) and Baker McKenzie (\$2,670).³²

³² <https://www.legalbusiness.co.uk/analysis/global-100-2018/global-100-main-table/>

Figure 23: Largest law firms by number of lawyers, 2017/18

Source: Legal Business

Company	Location	Number of lawyers
Dentons	International	8,658
Baker McKenzie	International	4,720
DLA Piper	International	4,102
CMS	International	3,876
Norton Rose Fulbright	International	3,550
Hogan Lovells	International	2,915
Clifford Chance	London	2,905
Allen & Overy	London	2,756
Linklaters	London	2,720
King & Wood Mallesons	Hong Kong	2,640
Herbert Smith Freehills	London	2,532
Jones Day	National (US)	2,513
Latham & Watkins	National (US)	2,510
Eversheds Sutherland	International	2,323
Freshfields Bruckhaus Deringer	London	2,173

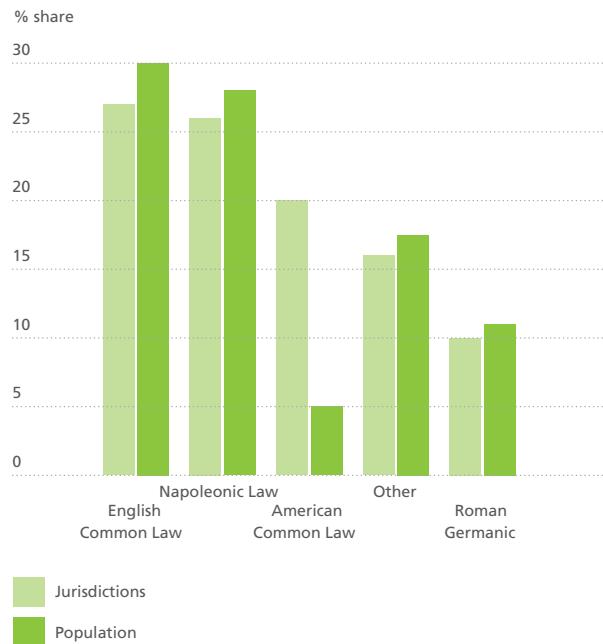
Most Global 100 firms are American: in 2017/18, US firms made up 67% of the Global 100 fee revenue, a slight increase on last year. The dominance of US firms reflects the size of the US economy, the fact that it is the most litigious country in the world, and the strength of the dollar. UK-based firms continue to feature prominently in the rankings:

- Five of the largest 15 law firms in terms of the number of lawyers were headquartered in the UK in 2017/18. Clifford Chance was the largest UK-based law firm on this measure, followed by Allen & Overy, Linklaters, Herbert Smith Freehills and Freshfields Bruckhaus Deringer.
- UK-based firms held four of the top 15 places based on revenue. Clifford Chance was the largest UK-based law firm on this measure, followed by Allen & Overy, Linklaters and Freshfields.

The popularity of English law strengthens the position of UK-based law firms. Contracting parties are free to enter a jurisdiction clause to decide where disputes over contractual obligations will be determined. Many parties opt for their agreements to be governed by English law. It is the most widely-used legal system, covering 27% of the world's 320 legal jurisdictions. American common law is by contrast used by around 20% of the world's population. English law is by some distance the most widely-used foreign law in fast growing Asian markets.

Figure 24: Comparison of global legal systems, 2008

Source: Wood



For example, a 2016 survey of 500 commercial law practitioners and in-house counsel conducted by the Singapore Academy of Law found that 48% identified English law as their preferred choice of governing law in contracts, often in transactions with little or no other link to the UK.

Figure 25: Largest law firms by gross revenue, 2017/18

Source: Legal Business

	Headquarters	Gross revenue, \$m
Kirkland & Ellis	Chicago	3,165
Latham & Watkins	National (US)	3,064
Baker McKenzie	International	2,670
DLA Piper	International	2,634.1
Skadden, Arps, Slate, Meagher & Flom	New York	2,582.3
Dentons	International	2,360
Clifford Chance	London	2,092
Hogan Lovells	International	2,036.7
Sidley Austin	Chicago	2,036
Allen & Overy	London	2,023.7
Morgan, Lewis & Bockius	National (US)	2,001
Linklaters	London	1,963.8
Jones Day	National (US)	1,959.4
Norton Rose Fulbright	International	1,958

Freshfields Bruckhaus Deringer	London	1,808.5
White & Case	International	1,804.2
Gibson, Dunn & Crutcher	Los Angeles	1,642.6
Ropes & Gray	Boston	1,597.1
Greenberg Traurig	National (US)	1,477.2
CMS	International	1,468.6
Sullivan & Cromwell	New York	1,400.8
Weil, Gotshal & Manges	New York	1,390.9
Simpson Thacher & Bartlett	New York	1,375.7
Mayer Brown	International	1,313
Paul, Weiss, Rifkind, Wharton & Garrison	New York	1,301.8
Davis Polk & Wardwell	New York	1,240
Quinn Emanuel Urquhart & Sullivan	Los Angeles	1,229.8
Cleary Gottlieb Steen & Hamilton	New York	1,214
Herbert Smith Freehills	London	1,194.6
King & Spalding	Atlanta	1,138.5
Wilmer Cutler Pickering Hale and Dorr	National (US)	1,137.3
Reed Smith	International	1,119
Paul Hastings	National (US)	1,118.1
Cooley	San Francisco	1,072.1
Morrison & Foerster	San Francisco	1,060
Akin Gump Strauss Hauer & Feld	National (US)	1,039.7
Eversheds Sutherland	International	1,032.2
Goodwin Procter	Boston	1,032
Squire Patton Boggs	International	1,000
K&L Gates	National (US)	989.9
Winston & Strawn	Chicago	978.5
Dechert	National (US)	977.9
Orrick, Herrington & Sutcliffe	San Francisco	974.5
Arnold & Porter Kaye Scholer	Washington DC	951
Covington & Burling	Washington DC	945.5
McDermott Will & Emery	Chicago	925.5
King & Wood Mallesons	Hong Kong	918.5
Shearman & Sterling	New York	917.5
Milbank, Tweed, Hadley & McCloy	New York	916.5
Proskauer Rose	New York	890.3

Holland & Knight	National (US)	848
Debevoise & Plimpton	New York	822
Wilson Sonsini Goodrich & Rosati	San Francisco	797
Perkins Coie	Seattle	786
Alston & Bird	Atlanta	781.8
Willkie Farr & Gallagher	New York	772
Wachtell, Lipton, Rosen & Katz	New York	763
Slaughter and May	London	743.4
O'Melveny & Myers	Los Angeles	738
Baker Botts	Houston	731.8
Vinson & Elkins	Houston	727.5
Ashurst	London	727
McGuireWoods	Richmond	715.4
Clyde & Co	London	710.6
Cravath, Swaine & Moore	New York	706.7
Foley & Lardner	Milwaukee	686.2
Sheppard, Mullin, Richter & Hampton	Los Angeles	671.1
Baker & Hostetler	National (US)	647.1
Seyfarth Shaw	National (US)	637.5
Fried, Frank, Harris, Shriver & Jacobson	New York	634.9
Bryan Cave Leighton Paisner	International	592.6
Pillsbury Winthrop Shaw Pittman	San Francisco	589.5
Gowling WLG	International	587.1
Pinsent Masons	National (UK)	579.8
Fragomen	New York	577
Katten Muchin Rosenman	National (US)	574
Hunton Andrews Kurth	Richmond	562.4
Venable	National (US)	540.5
Littler Mendelson	National (US)	538
Troutman Sanders	Atlanta	508.7
Locke Lord	Dallas	504.3
Faegre Baker Daniels	Minneapolis	491
Polsinelli	National (US)	475.1
Nixon Peabody	National (US)	473.7
Lewis Brisbois Bisgaard & Smith	National (US)	470.8

Ogletree Deakins	National (US)	469.5
Duane Morris	National (US)	466
Drinker Biddle & Reath	Philadelphia	461.8
Simmons & Simmons	London	456.4
Fox Rothschild	Philadelphia	453
Jenner & Block	Chicago	448.7
Bird & Bird	London	434.4
Blank Rome	Philadelphia	431.3
Williams & Connolly	Washington DC	425
Schulte Roth & Zabel	New York	424.1
Kilpatrick Townsend & Stockton	Atlanta	424
Jackson Lewis	National (US)	420.5
Crowell & Moring	Washington DC	418.7
Fish & Richardson	National (US)	416.8
Cozen O'Connor	National (US)	416

CONCLUSION

The legal services sector is of vital importance to the UK's economy and supports its continued prominence as a world-leading international financial centre. Its inherent strength and diversity means it is well placed to thrive in the future.

As the largest legal services market in Europe and second only to the US globally with more than 200 foreign law firms from around 40 jurisdictions and employing over 10,000 people, the UK remains a key destination for international legal advice.

In addition the UK's standing in legal services is helped by the international prestige of English common law, which forms the basis of the legal systems for over a quarter of the world's 320 jurisdictions, and the strength of the judicial institutions which underpin it. This is evidenced by the UK's reputation as the leading global centre for international dispute resolution and helps explain why English law is used in 40% of all global corporate arbitrations.

Taken together, the sector and the UK jurisdictions will remain a national asset and an essential component of the broader financial and related professional services ecosystem that puts the UK at the heart of global commerce.

SOURCES OF INFORMATION

Data comparing law firms is mainly based on gross fee earnings and the number of lawyers, fee earners and other support staff employed by each firm, which includes an indication of the number of lawyers employed overseas. These figures are published in league tables including the Legal Business 100 and the Legal Business Global 100. Law firms in England and Wales provide certain information to the Law Society Group. Some of this data is aggregated and made available for publication in the Law Society of England and Wales Annual Statistics Report. This includes a variety of data on employment, according to, for example, type of employer (including where solicitors are not employed in private practice), size of firm and revenue. The Annual Statistics Report also includes a range of other information on, for example, numbers of law graduates, trainees and newly qualified solicitors.

Adjudication Society www.adjudication.org

Advocate General for Scotland www.oag.gov.uk

Arden Partners www.arden-partners.co.uk/

Bar Council www.barcouncil.org.uk

Centre for Effective Dispute Resolution www.cedr.com

Cision PR Newswire www.prnewswire.com

Commercial Bar Association www.combar.com

Courts and Tribunals Judiciary www.judiciary.uk

Financial Time www.ft.com

International Bar Association www.ibanet.org

International Chamber of Commerce iccwbo.org

Jomati Mergers jomati.com/uk-mergers

The Journal of the Law Society of Scotland www.journalonline.co.uk

The Faculty of Advocates www.advocates.org.uk

Law Gazette www.lawgazette.co.uk

The Law Society of England and Wales www.lawsociety.org.uk

The Law Society of Northern Ireland www.lawsoc-ni.org

The Law Society of Scotland www.lawscot.org.uk

The Lawyer www.thelawyer.co.uk

Legal Business www.legalbusiness.co.uk

Legal Innovation and Tech Festival www.techfestconf.com

Legal Services Board www.legalservicesboard.org.uk

Legal Week www.legalweek.com

Lloyd's Open Form

[www.lloyds.com/the-market/tools-andresources/lloyds-agency-department/salvage-arbitration-branch/lloyds-openform-lof](http://www.lloyds.com/the-market/tools-and-resources/lloyds-agency-department/salvage-arbitration-branch/lloyds-openform-lof)

London Court of International Arbitration www.lcia.org

London Maritime Arbitrators Association www.lmaa.london

Ministry of Justice www.justice.gov.uk

Office for National Statistics ons.gov.uk

Queen Mary University qmull.ac.uk/

Royal Institute of Chartered Surveyors www.rics.org/uk

Scottish Arbitration Centre www.scottisharbitrationcentre.org

Thomson Reuters www.thomsonreuters.com

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TheCityUK Research:

For content enquiries, further information about our work or to comment on our programme/reports, please contact:

Scott Devine, Head, Africa, Middle East & Legal Services
scott.devine@thecityuk.com
+44 (0)20 3696 0126

TheCityUK

TheCityUK, Salisbury House, Finsbury Circus, London EC2M 5QQ
www.thecityuk.com

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