

Executive Summary

Market Demand & Gap: The U.S. commercial litigation funding market has grown into a multi-billion dollar industry driven largely by high-value cases involving Big Law firms ¹ ². However, a substantial unmet demand exists in the mid-market segment of smaller lawsuits (those requiring roughly \$100,000–\$300,000 in funding) often brought by solo practitioners, small law firms, or small-to-medium businesses (SMBs). Traditional litigation financiers have historically focused on funding “large-scale” cases typically requiring multi-million dollar investments, leaving smaller disputes under-served ³ ⁴. Surveys indicate many law firms have turned away promising mid-size cases in the past because they were not cost-effective to litigate without external funding ³. This report finds strong evidence of a **sufficient, growing demand** for litigation financing in this overlooked segment, fueled by the high litigation burden on SMBs and the increasing acceptance of third-party funding among smaller legal practices.

Consumer Preferences: Attorneys and claimants in this segment prioritize **accessible, affordable capital and non-intrusive partnerships**. They seek funding primarily to cover legal fees and expenses or to hedge financial risk ⁵. **Key preferences** include favorable economic terms, funders who do not interfere with litigation strategy, flexible deal structures, and speedy, transparent processes ⁶ ⁷. High satisfaction rates among those who have used litigation finance (over 80% would use it again ⁸ ⁹) indicate that when structured well, funding is seen as a valuable tool. Still, awareness remains a factor – educating small firms and businesses about funding options is critical, as many potential users are not yet familiar with these services ¹⁰ ¹¹.

Market Trends: Several trends underscore the opportunity in the mid-market. **Demand is on the rise** – industry reports show new capital committed to U.S. litigation finance grew by ~16% in 2022 ¹² (though 2023 saw a temporary dip due to broader financial market conditions ¹³ ¹⁴). **Broader adoption** is evident: while small and mid-size businesses long relied on funding, now even Fortune 1000 companies and large law firms are embracing it ¹⁵ ¹⁶. This normalization expands acceptance across the board. **Technological innovation** is accelerating access to smaller cases – “AI-first” funders are using algorithms to efficiently identify and underwrite mid-sized claims, drastically reducing the cost and time to evaluate cases ¹⁷ ¹⁸. For example, Legalist, a technology-driven funder, focuses on cases needing under \$1 million (often in the \$100K–\$500K range) and credits its algorithmic sourcing for enabling it to fund **hundreds of smaller claims** at scale ¹⁹ ¹⁸. Similarly, new platforms like Qanlex use AI tools to mine court dockets for breach-of-contract suits in the ~\$100K+ range, at times generating more viable leads than their teams can handle ²⁰ ²¹. **Regulatory and investor dynamics** are also shaping the market: more states are considering disclosure rules and fee limits (primarily targeting consumer legal lending ²²), and rising interest rates have recently made fundraising tougher for funders ¹³. Nevertheless, investors remain attracted by litigation finance’s high returns (often aiming to “double” investments ²³) and its relative insulation from economic swings (legal claims proceed regardless of market conditions).

Outlook & Opportunities: These findings suggest that a sustainable, tech-enabled litigation funding business can indeed be built to serve mid-market needs. By leveraging AI for efficient case screening and adopting customer-centric practices (competitive pricing, quick turnaround, and value-added support), providers can tap into a large reservoir of underserved legal claims. This report provides detailed analysis

and recommendations for such providers to capitalize on the unmet demand among solo and small-firm litigators and SMB claimants.

Introduction

Background: Litigation funding – also known as third-party legal finance – involves an outside financier providing capital to a plaintiff or law firm in exchange for a portion of the lawsuit’s proceeds if the case succeeds ²⁴ ²⁵. Traditionally, commercial litigation funding in the U.S. has centered on high-stakes cases requiring **millions of dollars** in backing, often involving large corporate litigants or Big Law firms ⁴. In contrast, *consumer* legal funding deals with much smaller advances (usually under \$10,000) to individual claimants, for example in personal injury cases ²⁶. The focus of this report is an **intermediate segment**: commercial litigation funding needs roughly in the \$100,000 to \$500,000 range. These mid-size cases – such as breach-of-contract disputes by SMBs, intellectual property or employment claims, or contingency-fee cases taken by small law firms – have historically struggled to attract financing because of their lower dollar values relative to due-diligence costs and funder return models ³ ²⁷. Yet, they represent a vital “access to justice” frontier: many such claims are meritorious but **go unpursued or under-resourced** due to financial constraints ²⁸ ²⁹.

Purpose: This report aims to analyze consumer (or user) demographics, preferences, and market trends for **mid-market commercial litigation funding in the United States**, and to assess whether there is sufficient unmet demand to sustain an “AI-first” litigation funding platform tailored to this segment. In particular, we examine the needs of solo practitioners, small law firms, and SMB litigants – groups often overlooked by traditional large funders – and ask if a technology-enabled service can efficiently serve them. We also integrate the latest (post-2020) developments, including the growing role of AI in legal finance and changes in the economic/regulatory landscape, to provide an up-to-date outlook.

Methodology: To develop this analysis, we synthesized data from a range of reliable sources: industry market reports (e.g. Westfleet Advisors’ annual litigation finance survey), litigation finance usage surveys of lawyers (Lake Whillans/Above the Law reports), news and research publications (Bloomberg Law, Reuters, TechCrunch, GAO reports), and relevant studies on small business litigation. We gathered quantitative metrics (market size, growth rates, typical deal sizes, user satisfaction rates, etc.) and qualitative insights (user motivations, investor behavior, etc.), all of which are cited in-line. The findings are structured into sections covering demographics, consumer preferences and drivers, key market trends, and strategic recommendations for providers.

Consumer Demographics in United States for Commercial Litigation Funding (\$100K–\$500K)

Target User Segments: In this mid-market range, the primary users of litigation funding are **plaintiffs and law firms outside the Fortune-500 sphere** – notably:

- **Solo and Small Law Firms:** The U.S. legal industry is dominated by small practices; about 75% of law firms have fewer than 6 attorneys (with solo practices alone comprising ~40% of all firms) ³⁰. These smaller firms often take on contingency or plaintiff-side cases but lack the balance-sheet to bankroll protracted litigation. Notably, a significant share of attorneys who have used litigation finance are from small firms. According to a 2023 survey, **over two-thirds** of lawyers with firsthand litigation

funding experience worked at firms with <250 lawyers (and ~20% at firms <10 lawyers) ³¹ ³² . Solo practitioners made up roughly 9% of those with experience in that survey ³³ , indicating that even one-lawyer offices are tapping funding when aware of it.

- **Small-to-Medium Businesses (SMBs):** The United States has ~32 million small businesses, and litigation is a common threat to them. An SBA survey found **36%–53% of small businesses face at least one civil lawsuit each year** ³⁴ . Unlike large corporations with legal war chests, SMBs typically cannot easily absorb litigation costs, which can range from a few thousand to over \$200,000 per case for small firms ³⁵ . In aggregate, U.S. small businesses bore an estimated \$160 billion of tort liability costs in 2021 ³⁶ . These figures underscore that **SMBs form a huge pool of potential beneficiaries** of litigation funding in the mid-range value, as a single lawsuit could represent an existential financial risk for them ³⁷ ³⁸ . The types of SMBs seeking funding often include technology startups defending IP, contractors in payment disputes, or any under-capitalized company pursuing a meritorious claim against a larger opponent ³⁹ .

- **Individual Claimants (High-value personal or business claims):** Some individual plaintiffs – for example, an entrepreneur suing over a business deal gone bad, or a plaintiff in a significant employment or whistleblower case – also fall into this range if their legal fees need six-figure funding. While much “consumer” legal funding involves smaller advances, an individual with a claim valued in the millions but lacking resources may seek ~\$100K-\$300K to fund attorneys and expert witnesses. **Data point:** In the Lake Whillans survey, respondents noted that clients interested in litigation finance range from individuals and small private companies up to large corporations ⁴⁰ ⁴¹ , reinforcing that **no single demographic “owns” the need** – it spans from single plaintiffs to startups to mid-sized enterprises.

Geographic and Case-Type Spread: Within the United States, usage of litigation funding is widespread across regions and industries. The Lake Whillans survey had respondents from 50+ cities ⁴² . Common case types funded include **business/commercial disputes, contract breaches, intellectual property claims, fraud, personal injury/mass torts, and employment cases** ⁴³ – many of which can involve smaller plaintiffs or firms. For example, contract and business tort cases (often between an SMB and a larger firm) and contingency-fee personal injury cases (often handled by small firms) are frequently cited as beneficiaries of third-party funding ⁴⁴ ⁴⁵ . This suggests the mid-market funding need is **not limited to one niche** but cut across many civil litigation areas that smaller players engage in.

Financial Profile of Mid-Market Deals: Traditional industry data shows the *average* commercial litigation funding deal is well above this segment’s range – one advisory firm reported single-case investments averaged ~\$4.8 million in recent years ⁴ . This highlights how **small cases have been underserved**, as major funders chase larger deals. Yet, new entrants focusing on volume of smaller deals are shifting this dynamic. Legalist, for instance, reports its **“average case size” is only a fraction of most funders’** – their sweet spot is cases needing under \$1M in funding (with many in the low-to-mid six figures) ⁴⁶ . They plan to deploy a \$100M fund across **100–200 cases** (i.e. roughly \$500K–\$1M per case on average) ⁴⁷ . This aligns with the notion that **smaller investments, done at scale, are viable** if operational efficiency is high. As of 2023, there were around 39 active commercial litigation funders in the U.S. ⁴⁸ ⁴⁹ , but only a subset specifically target sub-\$1M cases – suggesting room for specialized, tech-enabled providers to grow.

Consumer Preferences for Commercial Litigation Funding (\$100K–\$500K) in United States

Primary Motivations for Seeking Funding: For the users in this segment, the decision to obtain litigation finance is largely **needs-driven**. In a 2023 survey of attorneys, the most commonly cited reasons clients sought third-party funding were: **(1) Lack of funds to pay legal fees and case expenses (about 45% cited this as the strongest motivator)**, and **(2) Desire to hedge or share the risk of litigation (about 26%)** ⁵. SMB owners often simply cannot afford prolonged legal battles outright, and small law firms may lack cash flow to advance costs (e.g. expert witness fees, discovery costs) on contingency cases – funding fills that gap. Meanwhile, even those who *could* pay may prefer to offload risk and avoid tying up capital, treating the funder’s fee as the cost of certainty ⁵⁰ ⁵¹. Other motivations noted in some cases include monetizing a portion of a claim early (taking some cash off the table) or covering operational expenses during litigation ⁵², but financing legal budgets is the dominant use in this mid-market.

Key Preferences in a Funder: Users have become increasingly discerning about **the terms and partnership attributes** of litigation finance providers. According to survey data, attorneys rank the following factors as most important when choosing a funder ⁶ ⁷:

- **Competitive Economic Terms:** *Cost of capital* is the top concern. Clients prefer funders who offer favorable terms – typically a smaller portion of the recovery or a lower multiple on invested capital. Given that mid-size cases have tighter economics, high funding costs can render a deal unattractive. Thus, funders who can operate efficiently and price deals reasonably (perhaps enabled by lower overhead through technology) align well with consumer expectations ⁶.
- **Non-Interference & Ethical Alignment:** The second-ranked factor is the **funder’s right to influence litigation strategy or settlement decisions** ⁵³. Both lawyers and claimants want assurance that accepting funding won’t mean ceding control of their case. Small firm lawyers, in particular, value maintaining their professional independence and serving the client’s best interests without pressure from investors. Therefore, an ideal funder in this space is one who provides passive capital and strategic support *only when asked*, with no undue meddling in case management.
- **Flexibility and Speed:** Flexibility in structuring deals (e.g. tailoring repayment to case milestones, providing funding in tranches, or co-funding with attorneys who partially contingency their fee) is another priority ⁵⁴. Every case is unique, and especially in smaller deals, one-size terms (like a strict 3x return) might not fit. **Speed and responsiveness** are also valued – while not always the top factor, quick due diligence and funding can make or break a smaller firm’s ability to take on a case. Traditional funders have a reputation for lengthy review times; a tech-enabled approach that can issue decisions in weeks or even days is attractive to these consumers ⁵⁵ ⁵⁶.
- **Reputation and Relationship:** Users prefer funders with a solid **track record and reputation** for fairness and success ⁵³. Since litigation funding was once viewed skeptically, trust in the provider is crucial. Repeat interactions matter: many attorneys learn about funders via referrals or past experience ⁵⁷, and a positive prior outcome leads to recommendations. For a new platform, building credibility through transparency and perhaps partnerships (e.g. endorsements by bar associations or client testimonials) can help meet this preference. Notably, **over 80% of lawyers**

who've used funding say they would recommend it to others ⁵⁸ ⁸, indicating that where funders meet expectations, word-of-mouth can drive adoption.

Service Features Desired: Beyond the core terms, mid-market users have some implicit preferences in how funding is delivered:

- **Streamlined Process:** Solo and small firm lawyers juggle many roles; they appreciate a funding process that is not overly burdensome. Providers that minimize paperwork, use plain-language contracts, and coordinate directly with clients or law firm accounting on disbursements add value. The emergence of online platforms and portals for applications is likely welcome, as it simplifies access for time-strapped practitioners.
- **Confidentiality and Professionalism:** Given the sometimes controversial view of litigation finance, attorneys prefer discrete arrangements that keep the funding **confidential** (where legally permissible) to avoid signaling to opponents or courts. They also value funders who understand legal ethics – e.g. respecting privilege and work-product protections when reviewing case documents ⁵⁹ ⁶⁰. A funder's ability to maintain confidentiality and align with ethical norms is a selling point.
- **Value-Added Support:** Especially for less experienced litigants, there is appreciation for funders who act as a **partner or consultant** (without overstepping). Some funders offer insights on case strategy, expert connections, or negotiation tactics as an extra set of eyes on the case ⁵⁹ ⁶¹. Solo and small firms with limited resources may see this as a bonus, effectively getting a pseudo-“war room” ally along with money. However, this is a delicate balance – the help should come as advice, not control.

In summary, the consumer preferences in this mid-market litigation finance segment revolve around **affordability, autonomy, and ease of use**. Providers who can offer capital on reasonable terms, quickly and reliably, without compromising the lawyer's control, are viewed most favorably. These preferences underscore an opportunity for modern, tech-driven funders to differentiate themselves against traditional models that may be slower or more rigid.

Factors Influencing Consumer Preferences

Several underlying factors drive the preferences and behaviors of these consumers (lawyers and SMB litigants) regarding litigation funding:

- **Financial Constraints and Risk Aversion:** The **high cost of litigation** relative to the resources of small firms or businesses is a fundamental driver. For example, preparing a complex case (expert witnesses, discovery, trial prep) can easily cost six figures ⁶², which many solos or small firms cannot front. A study noted that more than 80% of law firms had, in the early days of litigation funding, turned away a case they otherwise believed in *solely because it was not affordable to litigate* ³. This creates a strong pull for any mechanism that provides financial relief. Furthermore, the unpredictability of legal outcomes makes risk-sharing attractive – an SMB owner might be unwilling to bet the company on a lawsuit, but with funding covering the costs, the downside is limited. Thus, the **desire to transfer risk** influences users to seek favorable (non-recourse) terms and funder partnerships that let them pursue claims without risking bankruptcy.

- **Increasing Awareness and Acceptance:** Historically, many small law practitioners simply didn't know such funding was available or felt stigma around it. That is changing. Over the last 5+ years, litigation finance has gained mainstream visibility and legitimacy. Over 80% of respondents in recent surveys report they would use it again and recommend it, reflecting **positive experiences feeding a virtuous cycle of acceptance** ⁵⁸ ⁸ . High-profile success stories (e.g. funders backing David-vs-Goliath cases that win big) and the entry of reputable investors have reduced ethical concerns. As awareness grows, **clients themselves are increasingly driving the demand:** more than 60% of the time it's the business client (not the lawyer) that initiates discussion of getting a funder ⁶³ ⁶⁴ , indicating that savvy CEOs/CFOs see litigation finance as a strategic financial tool. This dynamic pushes preferences toward funders who actively educate and market to potential users, and who present themselves as trusted financial partners rather than shadowy third parties.
- **Market Competition and Client Sophistication:** With more funders in the market and information readily available, clients can compare options. This competitive environment influences preferences: users expect better pricing and terms because they know alternatives exist. As large corporate clients have begun to routinely use litigation funding to offload legal costs ⁶⁵ ⁶⁶ , they are normalizing a negotiating mindset – even small clients now pay attention to term sheets. This drives funders to be more flexible and transparent, aligning with the noted preference for good economic terms and customization. Essentially, **a savvier consumer base** is emerging, one that will shop around for the best deal (much like one would for a loan), which in turn raises the industry standard.
- **Cultural and Ethical Considerations:** Lawyers, bound by ethical duties, influence how funding is used. Bar ethics opinions and court rules (some jurisdictions require disclosure of funding agreements in litigation) create a backdrop where attorneys want funders that won't create conflicts or ethical quandaries. Preferences for non-interference and confidentiality stem from these professional norms. Additionally, the culture in many small firms is client-first and reputation-guarding – they prefer funders whose involvement won't reflect poorly on them or complicate client relationships. In response, funders that position their services as empowering access to justice, rather than fomenting lawsuits, resonate better. The narrative that litigation funding helps “level the playing field” for small players against deep-pocketed opponents is a compelling factor for many consumers (they see funding as aligned with fairness) ⁶⁷ ⁶⁸ .
- **Economic Climate:** Broader economic factors subtly influence preferences and demand. In tight credit environments or economic downturns, law firms and SMBs face budget pressures, making external funding more attractive (or necessary) to pursue claims. Conversely, if interest rates are high, the cost of funding might rise, causing users to be more fee-sensitive. The recent rise in interest rates in 2023, for example, made investors slightly less eager to deploy capital to legal finance (seeking easier returns elsewhere), contributing to a dip in new funding deals ⁶⁹ ¹⁴ . This doesn't reduce the **need** from consumers, but it means consumers become more selective, preferring funders who can still offer reasonable terms despite capital costs. Thus, the macro environment influences how users weigh the trade-off of funding cost vs. benefit.

In sum, the preferences of this segment are shaped by **pragmatic financial needs, growing comfort with funding as a concept, competitive choices, and the professional context of legal practice**. Understanding these drivers is crucial for providers to tailor their approach – whether it's emphasizing speed and certainty during recessions or highlighting ethical best practices to earn lawyers' trust.

Market Trends for Commercial Litigation Funding (\$100K–\$500K) in United States

The litigation finance market in the U.S. is dynamic, and several current trends specifically impact the mid-market segment:

1. Growth of the Litigation Finance Industry: Over the past decade, litigation funding has expanded from a niche into a **\$15+ billion industry** ⁷⁰ ⁷¹. Even amid recent headwinds, assets under management (AUM) in U.S. commercial litigation finance rose to about **\$15.2 billion in 2023** ⁷². New funding commitments did dip slightly in 2023 (~\$2.7B, down 14% from 2022's \$3.2B) ¹⁴, but analysts attribute this to temporary investor recalibration (higher interest rates and portfolio shifts) rather than waning demand ¹³. In fact, **demand from litigants continues to climb** – Westfleet Advisors noted 2022 saw the largest year-over-year growth in new deals on record (nearly +16%) ¹², and 2024 is expected to see an uptick as litigation activity rebounds ⁷³ ⁷⁴. This overall growth trend signals a larger pie in which mid-size cases can also find backing, especially as funders seek to deploy capital in diverse matters.

2. Increasing Participation of Big Law and Corporate Clients: One striking trend is the **mainstreaming of litigation funding among large law firms**. The top 200 law firms by revenue now account for over one-third of capital committed in recent years ⁷⁵. This Big Law embrace is relevant to the mid-market because it legitimizes the practice across the legal community. As large firms use funding for hefty cases, it frees up traditional funders' resources and also encourages the development of smaller deal pipelines for diversification. Moreover, many big firms have created internal "litigation finance teams" that sometimes refer smaller cases out or partner with boutique funders. The net effect is a **trickle-down acceptance**: small firms feel more confident following suit. Corporate legal departments, too, have evolved – rather than seeing funding as exotic, in-house counsel are now often open to it (in our earlier data, one-third of those with funding experience were in Fortune 1000 companies ¹⁶ ⁷⁶). With clients actively inquiring about funding options, the market for mid-size claims is bolstered by this shift in mindset.

3. Emergence of Tech-Enabled and AI-Driven Funders: Perhaps the most game-changing trend for this segment is the rise of **AI-first and technology-powered litigation finance platforms**. These players use data analytics and machine learning to **streamline case sourcing and underwriting**, dramatically reducing the cost-per-case evaluation. For example, Legalist's algorithms scrape court records to identify promising cases (their so-called "truffle sniffer" focuses on variables like court, judge, case history) ⁷⁷ ²⁸. Qanlex's "Case Miner" software similarly scans dockets in multiple jurisdictions to find and rank potential investments, even automatically reaching out to some litigants ⁷⁸ ⁷⁹. By automating the front end of the process, these firms can profitably handle **smaller funding deals (as low as ~\$100K)** that would be cost-prohibitive for traditional funders. This trend is directly enabling service to the historically overlooked mid-market: **a portfolio approach at scale**. Notably, Legalist, founded in 2016, now manages over \$900 million ²⁸ ⁸⁰ and attributes its growth to AI-enabled efficiency. The success of such models is leading even established funders to explore tech upgrades, and new entrants are likely to continue focusing on the gap in the market for smaller cases. In parallel, the use of AI is also expanding in risk assessment (though predicting case outcomes remains challenging due to limited data on settlements ⁸¹), and in operational tasks (e.g. automated document review for diligence). Overall, **technology is reducing barriers to serving "long-tail" cases**, which bodes well for solo practitioners and SMBs seeking funding.

4. Product Innovation – Portfolio Funding and Insurance: To better serve mid-size cases, funders are innovating in deal structures. One trend is **portfolio funding** for small law firms: rather than funding a single case for \$200K, a funder might provide a \$1M facility covering a bundle of 5–10 cases for a firm, thereby spreading risk and lowering the effective cost. This has started to happen with some specialized funders working with plaintiff firms (the average “portfolio” deal was reported around a few million dollars, but comprised multiple smaller claims ⁸²). Additionally, **contingent risk insurance** (also known as judgment insurance or adverse judgment insurance) has emerged as a complementary product, enabling litigants to insure against losing a case. Westfleet notes that growth of such insurance has not displaced traditional funding but is now part of the toolbox ⁸³ ⁸⁴. For mid-market cases, insurance can make funding more viable by mitigating downside risk for the funder, potentially allowing them to fund somewhat riskier or smaller cases than they otherwise would. This synergy between insurance and funding is a trend to watch as it could expand the envelope of fundable cases.

5. Regulatory and Legal Developments: The legal environment around litigation finance is gradually evolving. **No federal regulation specifically governs commercial litigation funding in the U.S.** ⁸⁵, but there are growing calls for transparency. In 2023–2024, several proposals (including at the federal court rules level and in state legislatures) aimed to require disclosure of third-party funding arrangements in litigation ⁸⁶ ⁸⁷. While these efforts are primarily justified by concerns over ethical and conflict issues in big cases, they could trickle down to smaller cases. Mandatory disclosure might make some clients uneasy about using funding (fearing it might signal weakness to opponents), but many funders have voiced that they **do not mind reasonable disclosure** ⁸⁸ ⁸⁹. Additionally, a few states like Tennessee and Nevada have set caps or regulations on consumer legal lending fees; if such rules extended to commercial funding, it could impact pricing in smaller deals. So far, however, **regulation remains light**, and the industry's self-regulatory bodies (e.g. the International Legal Finance Association) are promoting best practices to stave off heavier oversight. For an AI-driven funding platform, staying attuned to these developments is important, as compliance and transparency will be key in building trust with users.

6. Investor Interest and Capital Supply: Finally, on the funding supply side, litigation finance continues to attract diverse investors – from hedge funds and private equity to institutional investors like endowments ⁹⁰. A unique selling point is that legal claims are **uncorrelated with market conditions**, making them an attractive alternative asset class ⁹¹. This has led to new funds being raised (even if 2023 saw a few funders exit or consolidate, the stronger players raised fresh capital ⁹²). Importantly, some investors are specifically interested in **smaller case portfolios**, seeing them as analogous to “venture capital” style investing where a broad basket of cases can yield high returns with diversification ⁴⁶ ⁹³. The continuation of capital inflow – and particularly the \$100M+ financings of startups like Legalist ⁹⁴ ⁴⁷ – indicates that the market expects profitable growth in serving mid-market cases. If economic volatility continues, one might even expect an uptick in litigation (as often happens in recessions due to breached contracts, layoffs, etc.), which could further increase demand for funding in our target range.

In summary, the market trends show a **maturing industry that is expanding in both directions** – upward (big firms and cases) and downward (smaller cases via tech innovation). The convergence of increasing acceptance, smarter capital, and technology strongly favors the emergence of sustainable business models addressing the previously underserved \$100K–\$500K funding segment.

Recommendations for Providers

For litigation finance providers – particularly an **AI-first, technology-enabled platform** – aiming to serve the \$100K–\$300K funding market in the U.S., the following strategic recommendations emerge from the research:

1. Leverage Technology to Achieve Efficiency at Scale: To profitably serve smaller cases, operational efficiency is paramount. **Invest in AI and data-driven case sourcing** tools that can automatically scan court filings and identify high-potential cases meeting your criteria (jurisdiction, case type, claim size, etc.). As seen with Legalist’s algorithm and Qanlex’s Case Miner, this can fill the pipeline with viable deals at a fraction of the cost of traditional networking or manual vetting ⁷⁷ ⁷⁸. Additionally, implement streamlined online application portals for attorneys/clients to submit case info, and use automated decision models for initial screening. By cutting down due diligence time (while still performing rigorous review with human experts at final stages), the platform can handle **hundreds of mid-size deals concurrently**, spreading risk and reducing unit costs. This tech-centric approach is **the linchpin to serving the historically overlooked segment** sustainably.

2. Offer Transparent, Competitive Pricing and Flexible Terms: To attract solo practitioners and SMB litigants, structure funding agreements that are clearly explained and fairly priced. Where possible, **lower the cost of capital** – for example, instead of charging an exorbitant multi-fold return, aim for high-teens to low-20s percentage returns, which might be acceptable given the risk profile (and still lucrative if cases are selected well). Consider creative structures like *capped returns* or *tiered returns* (lower return if case settles early, higher if it goes to trial) to align with client outcomes. Also, be flexible: some small law firms might want a portfolio deal covering multiple cases; some clients might want to include a buy-back option if their finances improve. Flexibility can differentiate a tech-enabled funder from larger incumbents. Emphasize that **economic terms are negotiable within reason**, which meets the user preference for good terms and demonstrates partnership. By using AI to predict case timelines and outcomes, the platform might even personalize pricing per case risk – a future-forward capability that would be highly appealing.

3. Emphasize Speed and Simplicity in the User Experience: One major selling point to win over busy small-firm lawyers is a fast and simple process. **Set a benchmark like “preliminary funding decision within 10 days”** based on minimal documentation, subject to final due diligence. Use plain language in term sheets and provide dedicated support to guide applicants through the process. The goal should be making litigation funding feel as straightforward as getting a business loan or insurance quote. By reducing friction (fewer meetings, quick document e-signatures, direct payment of legal bills, etc.), the provider becomes “easy to do business with,” which drives word-of-mouth among lawyers who refer others. Internally, standardize and automate as much of the underwriting process as possible – e.g. use template checklists, AI-assisted risk scoring – to maintain that speed even as volume scales. **Speed was ranked a top-5 factor by law firm partners** ⁵⁵, and in smaller cases, delays can literally cause a client to drop a case; thus, a tech platform should capitalize on its inherent agility to meet this need.

4. Build Trust through Non-Interference and Value-Add: To address the concern about funder control, make a **commitment to non-intrusive funding** a core part of the business ethos. For instance, clearly state in marketing and contracts that the platform will not influence litigation strategy or settlement decisions – all such decisions remain with the client and counsel. This assurance can be a competitive advantage when courting cautious lawyers. At the same time, position the platform as more than a bank: offer **optional value-added services**. For example, develop an “AI-driven case insights” report for funded

cases (leveraging data on similar past cases to highlight factors that could help the client's strategy) or maintain a network of consultants (like veteran litigators or expert witnesses) who can be referred if the client requests. As noted, some funders effectively act as strategic allies ⁹⁵, so advertising this support – while being clear it's at the client's discretion – can appeal to small firms that might welcome extra help. In essence, **be a partner, not just a payor**: check in periodically with the funded lawyer, see if they need anything. This relationship-focused approach fosters loyalty and repeat business from firms as their cases progress.

5. Target Education and Outreach to Small Firms and SMBs: Because many potential users are still unfamiliar with litigation funding or have misconceptions, proactive outreach is vital. Develop educational content geared towards solo and small firm attorneys – e.g. webinars, CLE sessions, or guides titled “How to Finance Your Case Without Breaking the Bank.” Use case studies of past funded matters (anonymized if needed) to show how a \$200K funding helped a small business win a \$2M judgment they couldn't have otherwise pursued. Partnering with professional organizations like local bar associations, trial lawyer groups, or small business associations to present on litigation finance can yield trust and referrals. For SMB owners, produce simple explainer materials (blog posts, infographics) highlighting that **half of small businesses face lawsuits** ³⁷ and that **funding can mitigate the financial strain**. By becoming a knowledge resource, the platform will naturally become a first call when an attorney or business encounters a case that might need funding. Importantly, ensure sales and business development efforts are personable and consultative – given this is a relationship-driven industry ⁹⁶ ⁹⁷, having representatives who understand small-firm realities and can hand-hold through the process will set the provider apart from impersonal large funds.

6. Mitigate Risk via Diversification and Rigorous Underwriting: Serving the mid-market means dealing with cases that might have higher variance in quality. To build a sustainable business, **portfolio diversification is key** – avoid over-concentration in any one case type or client. Spread investments across different legal domains (commercial contracts, IP, employment, etc.) and geographies. This way, a loss in one or two cases won't jeopardize the fund. Use the latest AI tools to assist (but not replace) human underwriters in evaluating case merits, likely damages, defendant creditworthiness, and legal strategy soundness ⁹⁸ ⁹⁹. Develop a strong risk-adjusted pricing model: smaller cases can have outsized returns, but also a binary risk of total loss, so calibrate the portfolio expecting a certain win-loss rate (Legalist, for example, reported ~80% positive outcomes in its first fund ¹⁰⁰ ¹⁰¹). Additionally, consider **alliances with insurance** providers for downside protection on bigger commitments or developing a reserve for adverse cost insurance, to further manage risk. By demonstrating disciplined underwriting and risk management, the platform will also inspire confidence in investors who fund its capital – ensuring the venture's longevity.

By implementing these strategies, a litigation finance provider can effectively capture the unmet demand in the \$100K-\$300K case segment. The overarching theme is **using innovation and customer-centric practices to unlock a new market** that old-guard funders have ignored. In doing so, the provider not only stands to gain commercially but also advances access to justice for a broad swath of clients who previously had limited options.

Conclusion

The analysis confirms that there is **substantial unmet demand** for litigation funding in the mid-market segment of cases requiring roughly \$100K-\$300K in capital – a segment largely populated by solo attorneys, small law firms, and SMB litigants. These parties have clear needs (funding legal fees, sharing

risk) and favorable attitudes toward third-party funding when it is accessible on reasonable terms. Historically, structural barriers left many smaller cases unfunded, effectively pricing many would-be plaintiffs out of the justice system. Today, however, the convergence of **rising demand, growing acceptance, and technological innovation** is overcoming those barriers. The U.S. market is seeing litigation finance become part of the mainstream toolkit for firms of all sizes, and new entrants armed with AI are specifically targeting the **“long tail” of smaller disputes** and doing so profitably ¹⁹ ¹⁸ .

For providers, this represents a timely opportunity: by focusing on speed, efficiency, and user-centric service, an AI-driven litigation funding platform can differentiate itself and capture this overlooked niche. The recommendations outlined – from leveraging algorithms to educate the market – are aimed at building a sustainable business that not only meets the current demand but can also grow with it. It’s worth noting that as more mid-size cases get funded and succeed, it will likely further fuel demand (success breeds awareness and trust). In other words, **the market could be self-reinforcing**: the more players step in to serve small firms and SMBs, the more normalized and expected funding will become at these levels.

Looking ahead, we can anticipate that **litigation funding for smaller cases will continue to expand** in the United States. Economic uncertainties or an uptick in disputes (for instance, post-pandemic business conflicts or an increase in insolvency litigation) might even amplify the need for financing in the near term. Providers who establish a strong presence now, with a tech-enabled, scalable model, are likely to be at the forefront of this growth. In conclusion, the evidence strongly suggests that an AI-first litigation funding platform catering to \$100K–\$500K investments can indeed build a **sustainable and impactful business**, addressing a real market gap and empowering a segment of legal consumers that have long been underserved. Success in this endeavor will hinge on maintaining the delicate balance of rigorous financial assessment and empathetic partnership with litigants – effectively marrying high-tech with high-touch in the delivery of legal finance.

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