What is Blockchain's Impact on the Legal Profession?

Before we get into the meat of this post, let's answer the question that most of us are still asking. What is blockchain? Well, it is simply a chain of blocks. The chain is a public database and blocks are pieces of digital information.

Still confused? Blocks store transactional data, such as date, time, and dollar amount of sales. Instead of using purchaser names, each block is identified by a unique digital code, called a "hash." When a purchase is made, a network of computers verifies the details of the transaction and stores the information in a block. Once it is verified and given a hash, the block is added to a chain.

Now, here's the reason why there's so much buzz. Copies of the blockchain are spread across thousands of computer networks, which makes hacking extremely difficult. Hackers would need to manipulate thousands of copies of the blockchain in order to breach the system. With blockchain technology, each piece of data is put through a multi-level validation process and stored securely over multiple computers, so it can't be altered or deleted – at least not in theory.

So, how does the legal profession play into all of this new technology? Read on to find out.

Blockchain and the legal industry

At the 2017 International Legal Technology Association conference, blockchain was the hot topic of discussion. Experts predict that it will change the entire legal landscape, having an even larger impact than artificial intelligence. This excitement and hype generally center on three main characteristics of blockchain:

- The elimination of a middleman for financial transactions saves time and money
- The vast distribution makes data extremely secure, reliable and available.
- Validated records are nearly undisputable

The legal industry will see the impact of blockchain in various ways, from handling blockchain matters for clients to changes in the delivery of legal services. First let's look at some of the industries where blockchain is already making an impression, causing the law firms that practice in these areas to quickly get on board.

The finance industry

Fintech is a term used to describe the application of technological innovations to the finance industry, and it is taking over. Whether your firm represents banking and investment clients, or businesses that handle payment process, blockchain is an area you need to be well versed in. Cryptocurrency is quickly becoming a standard part of financial transactions and blockchain is at the core.

Energy

Numerous blockchain technology companies are making a big splash within the energy industry. Their innovative methods are creating some serious challenges for current regulatory structure, generating plenty of opportunity for attorneys who understand blockchain.

Music

Blockchain is set to change the entire landscape of the music industry. Experts predict that all transactions involving the creation and sale of music will soon occur on a blockchain structure. This technology is being used to give artists greater control over the distribution of their music, and in some cases, it allows them to completely bypass the traditional players of the music industry. The digital age has created real problems for artists, causing them to deal with rampant piracy and loss of profit. This reality makes blockchain even more attractive to artists and music industry lawyers will need to keep pace.

Real estate

When compared to other industries, real estate has remained somewhat antiquated. Transactions require way too much paperwork and lack adequate transparency. When errors occur, they can affect the buyer and seller, as well resulting in inaccurate public records. All of these inefficiencies can be addressed with blockchain and several companies are working to meet the need. They propose that blockchain will help to create a global ledger system that will allow for the secure execution and recordation of real estate transactions.

Healthcare

The highly secure nature of blockchain makes it particularly useful for the management of electronic medical records in a secure environment. It will be useful for protecting and authenticating medical histories and patient identifications. Some companies working in the area assert that the technology will help reduce healthcare costs, fraud, and risk, while increasing the speed of services and security of data.

How blockchain will change the legal profession

Now that we've looked at some of the industries where blockchain is making headway, let's consider how lawyers may be using the technologies within their own firms in the near future.

Smart contracts

Smart contracts, also referred to as self-executing contracts, transform contracts into codes that are stored, replicated, and supervised by a network of blockchain computers. While contract creation traditionally requires a client visit to an attorney's office, conversations between opposing lawyers, negotiations, and execution of the agreement, smart contracts are being billed as a much more timely and simple alternative. With smart contracts, a bitcoin is simply added to a ledger that automatically adds all other necessary information. It not only defines the terms and consequences of a contract, it automatically enforces it.

Proof of service

Any attorney who has tried to serve documents on an individual knows the challenge of trying to serve a person who doesn't want to be served. Blockchain technology may solve this problem by allowing for the input of a digital tag that tracks all physical and online movement. One service process company is even reportedly working on technology that will use a blockchain to log delivery attempts and provide immutable evidence of service delivery.

Chain of custody

The highly secure nature of blockchain makes it extremely useful for establishing the chain of custody. With blockchain, lawyers can track the digital movements of permanently stored documents without fear of tampering or deletion. It can also be used for digital tagging of physical items. GPS tracking can then be used to log any and all movements, creating irrefutable evidence for court proceedings.

Blockchain is impacting various industries that consistently utilize law firms for counsel and reputation. These innovations are creating new opportunities for progressive law firms to provide much-needed assistance within an emerging area of law. Lawyers who jump on board can build successful and highly sought- after niche practices.

About Erika Winston:

Erika Winston is a freelance writer with a passion for law. Through her business, The Legal Writing Studio, she helps legal professionals deliver effective written messages. Erika is a regular contributor to TimeSolv and a variety of other publications.