PRIVATE EQUITY IS CIRCLING THE LEGAL PROFESSION - AND WE SHOULD BE PAYING ATTENTION

Why Sullivan County Lawyers Must Watch the Shifting Landscape of Law Firm Ownership

By Timothy McCausland, President, Sullivan County Bar Association

As members of the Sullivan County Bar Association, we may feel far removed from global financial trends-but a growing shift in the legal industry deserves our attention, even here in our corner of New York. Private equity (PE) is eyeing law firms with increasing interest, and this time, it's not just a passing trend. It's a wave – as I've written about before.

Historically, law firms have been considered "uninvestable." Our profession's reliance on partnership structures, the absence of consistent, recurring revenue, and strict ethical rules have long kept outside capital at bay. But that's changing. Countries like the U.K. and Australia now permit non-lawyer ownership in law firms, and U.S. jurisdictions such as Arizona and Utah have followed suit with regulatory experiments of their own.

Private equity firms are moving into the mid-market legal sector because they see inefficiencies-many of them. Compensation models are inflated and often disconnected from performance. Technology adoption in law firms lags behind other professional services. Firms frequently face succession issues, underutilized data, and high fixed costs.

In other words, there is opportunity for disruption.

PE's approach is classic: standardize operations, introduce scalable digital solutions, consolidate firms through mergers, and create recurring revenue streams. In their view, law firms with deep client relationships, credentialed services, and protective regulatory barriers are businesses with untapped value. The legal sector is one of the last professional services industries to modernize-and PE doesn't intend to miss the window.

For now, New York remains firm in its prohibition of non-lawyer ownership of law practices. But the national conversation is evolving quickly. Should we expect that to last indefinitely? What happens if PE-backed firms begin offering services in New York through multi-jurisdictional affiliates or alternative business structures? And, as I pointed out earlier, Arizona and Utah are already experimenting with regulatory structures that will allow non-attorney ownership of law firms.

These questions matter here in Sullivan County.

How will local firms compete with national, tech-enabled law platforms offering fast, affordable, and AI-assisted legal services? As an aside, I mentioned at the monthly Bar

Association luncheon yesterday that the UK has approved the world's first entirely AI law firm – no live attorneys!

So, what happens? Will smaller practices face pressure to merge or sell? Will younger lawyers, already facing a changing profession, gravitate toward firms backed by investors and modern benefits?

It's not all bad news. With the right safeguards, capital investment could offer stability to succession-challenged firms and help modernize legacy practices. But we must proceed with caution. The foundation of our profession-client loyalty, ethical independence, and access to justice-cannot be compromised in pursuit of efficiency or scale.

As your Bar Association President, I urge all of us to follow this issue closely. Engage in the debate. Advocate for transparency. And above all, remain committed to the principles that define our work as attorneys and officers of the court.

The profession is changing. Let's make sure it changes on terms that protect its integrity- and the clients we serve.

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