

A New Litigation Funding Firm Launches With an Industry Veteran

Validity Capital is the name of a new, \$250 million-backed litigation funding firm led by an industry veteran.

By Roy Strom
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Ralph Sutton, the former leader of IMF Bentham Ltd.'s U.S. operations, is set to launch on Tuesday a new litigation funding firm backed by up to \$250 million primarily from private equity firm TowerBrook Capital Partners.

The new firm, Validity Capital, is another indication that investors remain keenly interested in the relatively young but quickly growing field of backing lawsuits. More than \$1.5 billion in capital has been committed to the space in the United States since the end of 2016.

The new venture is launching in New York, Chicago and Houston with a team that includes former lawyers from Kirkland & Ellis; Boies Schiller Flexner; and Houston litigation boutique Shipley Snell Montgomery.

Validity Capital will be the third platform from which Sutton has invested in litigation. He was one of the first U.S. lawyers to be involved in the space, starting in 2006 at Credit Suisse before joining IMF Bentham in 2011. (The Credit Suisse group also gave rise to Parabellum Capital; co-founded by Howard Shams and Aaron Katz.)

Sutton left Bentham in May last year after helping expand its operations into Los Angeles, San Francisco and Houston. At the time, he said he left Bentham because he had different views on the future of the litigation finance industry and where opportunities would lie.



Ralph Sutton, CEO of Validity.

Validity may be an expression of those views.

In an interview prior to the launch on Tuesday, Sutton said Validity would seek to differentiate itself in the increasingly crowded litigation finance market with a focus on the “fairness, clarity and innovation.”

On the fairness front, he said Validity, like some other funders, will structure deals so that clients receive at minimum 50 percent of any damages in a lawsuit. For clarity, Sutton said Validity’s deal documents will be written in “plain English” and “will be

the simplest and most easily understood documents in the entire industry.” The firm will also use a client portal that will allow claimholders to track the progress of a case and the amount of money spent at any point, he said.

Sutton said those “pillars” came about after a year-long listening tour with clients and others involved in the litigation funding industry.

“The top three concerns for lawyers and clients in working with litigation finance companies are trust, ease of transaction and price is only No. 3,” Sutton said. “So if you put client experience first and make client engagement and interaction a cornerstone, you’re going to have ease-of-transaction and trust.”

Joining Sutton at Validity are Justin Barker, a former partner at Kirkland & Ellis in Chicago; Laina Miller, formerly of Houston’s Shipley Snell Montgomery; and Frederick Lee, a former New York-based associate at Boies Schiller Flexner. Barker was part of the trial team in a litigation-backed case that drew the interest of The New York Times Magazine and resulted in a \$73.6 million verdict for Miller UK Ltd. against Caterpillar Inc.

Also part of the team is Kate Boyd, who was most recently the head of marketing at automated contract

review firm Kira Systems Inc. Boyd will be focused on using technology to assist clients.

TowerBrook Capital is a private equity firm that has been interested in the crossroads of litigation and finance. In 2016, the private equity fund launched TowerBrook Litigation SPV to make investments in lawsuits. It has also backed a number of startup and growth-stage finance firms.

While Validity is the newest litigation finance firm, it most likely will not be the last as investors continue to see the industry as a new and intriguing frontier to put capital to use.

“A lot of people have and are looking at” launching funds, said one source familiar with the deal between Validity and TowerBrook Capital. “The key is being able to back the right team.”

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