

Blockchain: The Future of Law

By: Matthew Clapper

Blockchain is a recent invention that has already significantly impacted international commerce and will likely transform the legal and business markets. Blockchain is best known for facilitating the exchange of digital currencies like Bitcoin. For digital currencies, blockchain creates a “ledger system” that electronically records all ownership and exchanges of individual units of currency. Rather than being managed through a central server, like a bank, the blockchain ledger is maintained on each computer that is connected to the blockchain system. Additionally, unlike a bank where transactions are approved by a central authority, blockchain transactions are validated, and the ledger is updated, when a certain number of connected blockchain computers agree that the transaction is legitimate. This is referred to as “consensus.” The benefit of blockchain is that it makes digital currency transactions extremely resistant to theft and hacking because the ownership of the cryptocurrency, and every exchange transaction, is logged and recorded on every one of the millions of computers connected to the blockchain system. It is much easier to manipulate one central ledger than simultaneously manipulating millions of blockchain ledgers.

In the past few years, the “consensus” aspect of blockchain has expanded into the legal market. For example, smart contracts – electronic documents that are stored with computer code programmed to auto-execute contract provisions in response to satisfaction of electronic conditions (*e.g.*, payments, etc.) – are being approved by blockchain networks. The use of blockchain in the law will likely expand from contracts to other documents such as public service records, land registries and property deeds, document notarizations, corporate filings, and many others.

Although blockchain raises potential privacy issues and has not been fully embraced by the legal community, because of its consensus verification and resistance to hacking and theft, blockchain will certainly impact the legal and greater economic markets, and will likely become an important tool for lawyers and law firms in the future.

If you have any questions, or for more information about blockchain, please contact Matthew F. Clapper at mfclapper@wegmanlaw.com.