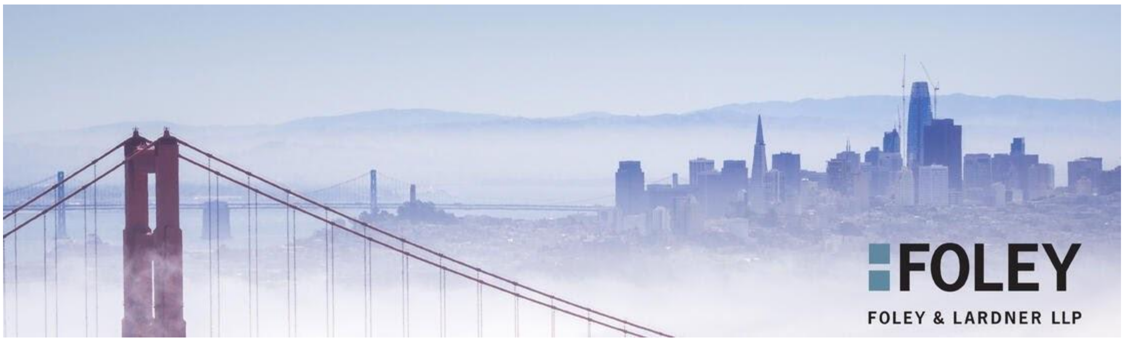

What Goes Down Must Come Up:

Post-Pandemic Trends in Business and Technology

Friends,

Bubble, Bubble, and Less Trouble?

Today I want to follow up on a couple topics from last time and introduce another growing tech trend. The tech world is, of course, always changing, but the ongoing and rapid digital transformation driven by the pandemic is accelerating everything virtual, maybe even virtual bubbles.

Cooling SPACs

Pitchbook noted recently that “SPAC IPO activity exploded in 2021, with aggregate capital raised already surpassing the total in 2020 by 19.8% in just over one quarter.” New SPACs ground to a halt in April as the SEC put down the regulatory damper, and capital markets struggled to find buyers for PIPEs. While there was a massive increase in the first quarter, pent-up demand is finally being realized.

While the pandemic put severe constraints on the process of identifying and making new investments, companies and investors got creative, relying heavily on virtual deal-making, which turned into high-resolution fundraising. But the massive spike in investment capital so far this year is probably not sustainable long-term. We might even call this a SPAC bubble, but since SPACs are useful tools, we’ll probably see a moderation of demand over the year, rather than a sharp drop-off.

Monetizing content

Nonfungible tokens (NFTs) are still growing in popularity, with people paying (seemingly) ridiculous prices for NFTs. After all, someone paid 300 ETH (roughly $590,000 at the time) for an NFT of Nyan Cat, a smiling animated cat with a Pop-Tart body, flying through space and leaving behind a rainbow trail. An NFT of a single tweet sold for $2.9 million. “Disaster girl” sold for $500,000. Some might notice some parallels to the 2017 initial coin offering (ICO) craze. Last month, I focused on how NFTs might find more widespread use for things like ticket sales and real estate, but the applications are much broader.

Brokerage company and cryptocurrency exchange eToro noted recently that “The aggregated market cap of the top 10 NFTs & Collectible Tokens has increased 764% YTD, climbing from $2B to $21B.” Media mentions of NFTs have greatly surpassed those of DeFi, which was last year’s hot crypto innovation.

Is the NFT market a bubble too? The sudden and explosive growth suggests that it is. But bubbles don’t always pop in the same way. Finding a correct valuation is always difficult for a radically new market, and NFTs certainly qualify as a new market. They address a significant real-world problem for content creators: monetization. Consider the memes that I mentioned above. Meme makers are content creators, but until the advent of NFTs, they had no real way to profit from their work. NFTs are now offering meme makers the ability to profit from something that had typically been distributed for free and to do so in a way that doesn't hurt the free distribution of the meme. That last part is key. A meme's value depends on free distribution, and NFTs leave that intact while offering collectors the ability to have a provably limited version. Other kinds of content creators routinely struggle to make money from their work, but this new NFT market gives them a more direct way to monetize their content.

Emerging automation technology

One way to improve efficiency is to automate trivial tasks, and one method that has been gaining steam in recent years is using chatbots. A chatbot is a program designed to respond to users' questions and comments and provide meaningful guidance. Chatbots won't replace human staff for important conversations, but they can take over some of the mundane tasks that, while important, take staff time that could be better spent elsewhere. Time is money, after all.

Chatbots have been growing in popularity in a number of fields in recent years, finding their ways into industries like IT and construction. And while lawyers tend to be wary of new technology, chatbots are becoming more common in the legal field too. Chatbots are good at doing certain things, like helping potential clients find the right section of a website or schedule an appointment, the kinds of tasks that can be done by humans but don't need to be done by humans. Legal Tech noted last month that "where a chatbot can excel is assisting visitors with quickly navigating your website, routine questions or directions on how to schedule an appointment," not giving legal advice. Bots really can't replace lawyers. A lot of people think that technology will eliminate human work, but when we look at history, automation caused workers to shift into different jobs. While technology eliminated some jobs, it also enabled new jobs that had never existed before.

All of these technologies are part of the broad trend of digital transformation which we have been seeing in the past few years, and the pandemic has only accelerated the process. Today's trends seem to be pointing to continued investment in SPACs (after a correction), more direct connections between creators and consumers, and more shifting of mundane tasks to automation. The real world is becoming much more dependent on the virtual world, and while there are virtual bubbles in pockets, there is a virtual bull market.

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Foley & Lardner LLP served as counsel to Riverwood Capital, who led the most recent round of Series D funding in Degreed Inc., a Pleasanton, CA based software company serving human resource departments. With this round of $153 million in investment, the company is now valued at more than $1.4 billion. The funding will be used to accelerate product development, enhance data infrastructure, fuel global expansion, and pursue strategic acquisitions. Technology enhancements will focus on upgrading Degreed's reporting and analytics, ensuring best in class security, and enhancing integrations that take Degreed deeper into users' daily workflow. The Foley team was led by partners Louis Lehot and Nicole Hatcher and included Special Counsel Catherine Zhu and associates Ethan Floyd, Saige Gallop, Kevin Hotchkiss and Kathryn Parsons-Reponte.

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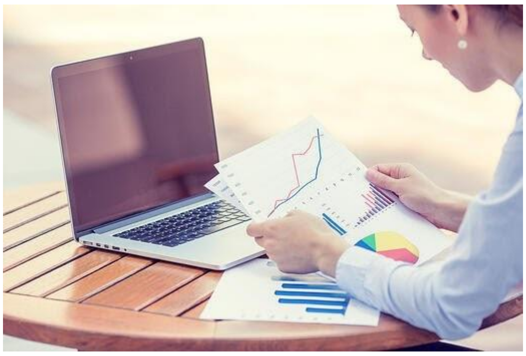

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