

Innovation, technology and the future of legal services

by Essam Al Tamimi - e.tamimi@tamimi.com - Dubai International Financial Centre
Foutoun Hajjar - f.hajjar@tamimi.com - Manama

December 2017 – January 2018

The legal profession has always been identified as being traditional, unsusceptible to change, and guided by precedent as opposed to innovation. However, despite the fact that in comparison to other industries legal innovation has lagged behind, the scope, pace and reach of innovation and technology in the legal industry has, over the last years made significant strides.

Law firms across the globe are under tremendous pressure to adapt to a market place led by increasingly price-conscious clients (who themselves are under tremendous internal pressure to cut costs), and affordable, innovative technologies, coupled with an ever growing pool of service providers whose business models are not based on the traditional service delivery charged by the hour. The result is that innovation and technology are rapidly changing the way legal services are being delivered and by whom.

An International Bar Association hosted seminar in London recently considered 'Building the Law Firm of the Future' – a look at how different law firms will be in 5 to 10 years' time.

The panel of leading in-house General Counsels explored the ever-increasing divide between traditional law firm models and their clients' expectations, aptly entitled 'Clients are from Mars, law firms are from Venus – Why the dynamics driving clients are leading them to insist on greater innovation, and how law firms can respond'. The panel looked at the divide between the traditional model of the provision of legal services and the requirements of today's corporate clients, and at the significant internal changes that many corporate clients are making to address this divide.

The clear message that came across is that there has been a shift in terms of the clients' expectations from their lawyers; today, clients are turning to [law firms](#) to provide them with:

- **predictability and transparency on timelines and fees:** the hourly fee arrangement on the basis of charging clients is coming under pressure, and 'Alternative Fee Arrangements' (AFA's) – which include fixed fee arrangements, are gaining momentum and becoming more popular with certain corporate clients. Corporate clients across the board are themselves under a tremendous amount of pressure to work within tight budgets and keep costs low, whilst requiring provision of value added legal services;
- **proactive and collaborative lawyering rather than reactive lawyering:** lawyers that can provide proactive commercial solutions to their client's current and potential business issues, rather than reactive legal advice to problems that have already arisen. As lawyers we interact with many clients in the same industries, and our clients expect us to leverage on this (without breaching confidentiality obligations), by providing them with insights into how others are solving the same or similar challenges, what technologies other industry players are adopting, etc.; and
- **commercial advice Vs. legal advice:** following on from the previous point, corporate clients are increasingly looking for lawyers who can help them drive their businesses; industry experts as opposed to practice area experts; lawyers with commercial acumen and knowledge of the client's industry and its requirements.

As part of this shift, there is also an increased emphasis on technology and the impact it has across

the board for the legal industry (and not just the client/lawyer relationship). Technology is changing the way that traditionally law firms provide legal services. This in turn has led to the democratization of the industry and has introduced new forms of competition and a search for better and more efficient ways of providing legal services.

More corporate clients are adopting new delivery models for legal services such as:

1. Increasing the internal corporate legal team and keeping more of the work in-house;
2. Increasing the procurement of services from alternative service providers with delivery models that differ from the traditional law firm model, and which are often seen as being better aligned with the company's risk tolerance and enterprise objectives than law firms. There is an increased willingness to procure services from alternative legal services providers (such as the 'Big 4', and other low-cost firms that provide clients with fixed fees and template documents), which are able to adopt more competitive fee structures, and which are often closer to the clients' core business;
3. Utilising technology, process, and 'the right person for the right task' to promote efficiency, mitigate risk, and reduce cost; and
4. Rejecting the outdated belief that only lawyers are capable of and should perform 'legal' tasks. Legal problems are increasingly viewed as business challenges which in turn raise legal issues.

To address these issues, international firms have started to invest in and implement changes, and are more willing to adopt innovative approaches to the delivery of their services. Many international firms today have dedicated 'Innovation Teams' that are tasked with looking at new technologies and provide innovation strategies for the firms' future. Legal tech applications range from speeding up document searches to helping to predict the outcome of lawsuits, to managing complex cross-border M&A transactions through the deployment of project management tools and software. Smart contracts are an example of an area in which firms are investing – as a tool to save on costs and time and ensure predictability and consistency of results.

Other firms realise that new skills sets and talent pools of lawyers will be required to meet the client demands. A tech savvy lawyer will often be more valuable to the law firm of the future than the quintessential lawyer. To address this, there is a growing trend amongst international firms to enrol associates on coding courses so that they learn how to code contracts and other legal documents.

The retail segment of the legal industry is witnessing a surge in 'disruptive technology'. What this means is simply that changes are predominantly occurring in the lower end of the market, whereby technology and innovation allow entry of new clients in the marketplace by creating ease of access to legal services at lower costs and higher efficiency.

Disruptive technology comes in many shapes and sizes, ranging from companies such as LegalZoom, Axiom, Legal Geek, etc. to specifically developed software and applications. LegalZoom, for example is a highly rated legal technology company with an estimated 3 million customers, which is successfully using technology to improve access, promote efficiency, and reduce the cost of legal services. The company is also able to bring new customers into the market and create templates for how, when, and at what service level lawyers are required for different tasks and functions.

Lex Machina is a legal analytical software tool that provides data allowing companies and law firms to develop strategies and win cases. Through the use of its Lexpressions engine, the app is able to mine and interpret data from millions of pages of litigation and to access information about judges, lawyers, parties, and the subjects of lawsuits. Armed with this data, lawyers can predict the behaviours and outcomes that different legal strategies will produce.

Other law firms have developed their own 'disruptive' technologies in how they are delivering their

services and the platforms they are using. For example, such firms have established 'offshore' low cost legal centres which, through the adoption and implementation of innovative technologies have enabled these centres to become a source of profit for the firms. Other initiatives include firms that are providing flexible legal arrangements such as lawyers to clients and/or projects on a secondment or temporary basis.

Conclusion

Many law firms are investing heavily in legal technology. The law firm of the future will provide its clients with access to technology platforms enabling them to continuously monitor progress and receive regular updates on their litigation matters and working files.