BRIEFING MEMO

TECHNOLOGY AND THE BUSINESS OF LAW

New technology and software, some would argue, is disrupting a traditionally conservative legal market. The reality is that professionals within legal services are recognising the meaning and value of electronically stored information to better leverage case and matter content. Law firms and legal departments are not being disrupted, they are becoming smarter.

Lawyers are finding themselves in an increasingly saturated market and looking for unique ways to compete. An explosion of electronic documents which need to be reviewed for litigation purposes is driving the adoption of cloud-based services by law firms and the development of sophisticated legal software.

> *"Every once in a while, a new technology, an old problem, and a big idea turn into an innovation" – Dean Kamen*

There is an abundance of lot of law practice management software to choose from, with more coming onto the market. Even if you have identified your firm's specific needs, it is a challenge to sort through the products on offer to find a good fit. And as the pace of technology accelerates, you are right in feeling increasingly lost in the supply side dynamics. Your mental rigour is frustrated by no longer being able to perceive this expanding technology and software horizon.

Let us therefore first identify the areas of the legal industry that are prone to inevitable automation and attempt to do what lawyers are trained to do, namely define terms. Tech jargon is frustratingly acronym-ridden, however many features of the legal practice can be boiled down to a few common denominators that will help in first instance define your strategy.

Where to put your LegalTech, in-house or in the cloud?

Once the decision to automate a particular process has been made, the fundamental choice legal teams have to make is how and where to run legal applications and solutions. The nature of your industry compels you to base every decision on information security. There are two factors determining your security and assurance requirements: the **deployment** model and the **service** model.

A firm's legal team must first decide on the best and most cost-effective way to deploy the adopted solution. There are multiple choices, including (i) traditional onsite enterprise deployments, (ii) external private clouds, (iii) community clouds, and (iv) public clouds. The first, also known as enterprise solution is literally an *internal cloud*, requiring dedicated server space and internal IT resource availability. It is acquired with licenses and tends to be more expensive to purchase and implement versus the three *external cloud* service solutions that are subscription based with strong guidance on how to configure, deploy and use cloud services securely.

Are you considering transitioning away from an in-house custom system to a vendor provided one? Perhaps you have tried re-writing your system and after years of customised programming have instead determined your IT Department's time should be dedicated to a support-function. Those firms building a culture of centralised helpdesks who can remote-control assistance have transitioned better to working from home environments.

There are three service models for external cloud solutions: (i) **Infrastructure as a Service** (IaaS), (ii) **Platform as a Service** (PaaS) and (iii) **Software as a Service** (SaaS). Cloud computing is a paid for, on-demand self-service that provides elasticity in provision. There are of course deemed advantages and disadvantages in a cloud migration away from the enterprise solution.

Cost-effectiveness, economies of scale, flexibility, and operational efficiencies are a plus. While security used to be the primary reason for hesitating to adopt any external cloud model, cloud hosts are proving to be more resilient to electronic crime given size and resources. Location and concentration risk can be addressed by using multiple cloud providers.

What does LegalTech software do?

The market for Software as a Service is rich in variety of tools for the legal industry simply because there are so many areas that can be efficiently automated. Unlike large multinational corporations with in-house IT infrastructure from multiple **Enterprise Resource Planning** (ERP) programmes and who are in a position to custom-build legal tools, the vast majority of law practices and legal departments are not in this league. Crucially however, SME practices can gain exposure to sophisticated solutions by partnering with vendors who have made significant investments in LegalTech. In an otherwise saturated market for legal expertise, there are several instances where SaaS for law firms can bring that essential advantage you require.

The business of law is laden with up-side potential for automation. The area of **Matter Management** includes applications relating to client/contact management, conflict checking, document management & assembly systems, time & expense recording, invoicing & online payment processing, individual & team calendars, email & text messaging services, basic bookkeeping to full accounting software, and business & financial reporting.

As a practicing lawyer, you are already at home here. You will know that these matters are the ones that are tearing you away from your professional passion of practicing law (**Case Management**). The choices offered by SaaS vendors are broad and growing, which is both exciting and frustrating. It's not the lack of tech but rather assessing the path and the partner. Our first recommendation is that third party advice is a price worth paying for.

How does LegalTech solve business risks?

What you mean by client is not what we mean by client: even before moving your workforce off-premises due to the Covid pandemic, data privacy business risks have increased exponentially with a battery of global & national regulations. For instance, the ubiquitous subscription based online collaboration & productivity application packages that are accessed over the internet, *M(icrosoft)365*, *G(oogle) Suite*, *Apache OpenOffice* and *LibreOffice*, do not satisfy your essential email and calendar requirements. Your connections will need to be on the basis of a separate "full client" rather than a "plugin" if not through separately installed & licenced products for securer transmissions between teams and customers.

Having offices to go to, provides access to company data: the second we step out of that controlled environment the rules of engagement change entirely as we are reliant on usernames and passwords only. This is the time when **Multi-factor Authentication** (MFA) should come into play given that your connections are initiated remotely and your exposure to cyber attack grows significantly. Therefore, if you are connecting with your offices using cloud based services such as M365, enterprise protocol should be in place to ensure that MFA, also known as Two Factor Authentication (2FA) or Two Step Verification (2SV), is the only way that your team members can virtually step back into an office environment.

In fact, all mobile devices employed for office related activities should be subject to **Mobile Device Management** (MDM) where the aim is to enhance IT management of end user devices for purposes of mobile support, functionality, and security. Without MDM, the business loses any means to verify from where a connection is being made. Your clients are expecting a new level of connectedness too.

Data may become idle, but it never goes away: without realising it, the volumes of unstructured data we create is growing exponentially. Attempting to put this into organised boxes is impossible, which is why moving your **Document Management System** (DMS) into a cloud environment is efficient to achieve scale, minimise ongoing maintenance, and build resilience.

The truth is that client data is also sitting on vulnerable home computers and as remote working is becoming norm, your priority now should be to implement zero tolerance rigour. This is particularly relevant for the legal profession: adapting to the data consequences of existing regulations, even as new ones come into play, means that your lawyers may not be thinking about the privacy issues buried within the data they are bringing into your business or disseminating outside of their own domain.

Realisation rates for your legal invoices are dropping through the floor: your client base may be growing, but so are the billing rules contained within unique **Outside Counsel Guidelines** (OCG) set out by each corporate client who themselves are also becoming familiar with electronic billing and automating the management of legal spend.

Legal bill reviews are supported by new technologies that expose violations of their OCG. From unstructured *Microsoft Word* documents with varying instructions firm to firm, these guidelines also grow organically as your clients learn what to look for.

LegalTech can work in your favour by offering tools to cut out the need for rigorous line-by-line manual checking. **Artificial Intelligence** (AI) and **Machine Learning** (ML) algorithms learn from the feedback of manual reviewers and vastly improve the scrutiny of legal invoices before they even go out of your door. Your clients will be monitoring their invoices, violations are logged, and when the time comes to review the legal panel, comparative statistics from firm to firm will play a key role in a client's decision to retain your services.

Disruption from the inside out – technology for lawyers by lawyers.

We have barely scratched the surface of the opportunities afforded by LegalTech in Matter Management. And yet, the areas where lawyers are themselves disrupting the legal profession is in the practice of law or Case Management. Many firms are employing innovation and knowledge management lawyers who are driving the adoption of AI/ML-enhanced eDiscovery and legal research to ultimately increase productivity in litigation. Irrespective of whether you identify more as a static organisation versus an active one, there is substance in both approaches: caution often saves, while first-mover advantage often pays. Either way, looking at the business of law and the practice of law through the prism of **Information and Communication Technology** (ICT) is a must.

For further insights on this topic, please contact us via our homepage (www.kloudwerk.com)