

OUTSIDE THE BOX – Emerging Business Trends for Law Practices

Even before the advent of the Internet as a marketplace, there was already a large body of "repackaged" legal services made available to the public which hitherto would have been delivered one to one by a lawyer. The DIY market for legal services long exploited by publishers include \$40 wills, powers of attorney and simple business contracts. Today, the client is able to logon to a website, enter the relevant details when prompted, and receive a completed custom tailored agreement or legal opinion based on the answers he provided. These "expert systems" or "legal web advisors" collect facts from the client by asking him a series of questions. Through a decision tree system, the software deploys a sequence of decisions based on user input to classify the problem and deliver the solution.

While such systems do not attempt to work independently of legal expertise (software engineers require the input of relatively high-end specialised legal expertise to prescribe the information used to determine a solution), the benefits are obvious - something created once is sold many times over. The lawyer makes money while he sleeps, so to speak.

As early as 1996, Richard Susskind, widely regarded as a thought leader in legal technology, predicted that the Internet will transform the law from an advisory service to an "information service" as lawyers package their work product in electronic form that is good enough to meet clients needs and far cheaper than one-to-one legal advice (*The Future of Law : Facing the Challenges of Information Technology*).

Even the skeptics who pointed out that specialised, high-end, high-value type of legal advisory services could not possibly be commoditised have been forced to rethink their position when Linklaters launched BlueFlag and Clifford Chance followed shortly with their own online product called "NextLaw". Deploying the "expert system" knowledge engineering described, BlueFlag delivers legal advise online, covering regulatory compliance, investment funds, derivatives documentation, employee share plans and transaction management. Nextlaw is also an online service that helps clients to assess legal and regulatory risks in e-commerce across 36 different jurisdictions, including online contract information, electronic signatures, data protection and banking secrecy laws.

What does this mean for law firms? Paramount is the fact that technology has opened up the legal field to competitors who are not law firms. Legal publishers and accounting firms who have embraced technology with far less cultural resistance than law firms have made vast inroads into the legal service market. Ernst & Young's online business advisor, "Ernie" has been delivering customised, fact specific tax advice to their clients online since 1994; and has today expanded its services to include advice on business and financial management.

Corporate clients with sufficient resources and dynamism have developed their own legal web advisors in order to minimise their dependence on outside lawyers. General Electric, in collaboration with market leader in the development of web advisory platforms, Jnana Technologies Corporation, has built a "Virtual Patent Advisor". This application seeks input from GE engineers and matches the criteria with similar inventions patent registrations worldwide. Sony Electronics deploys a customised compliance software that processes questions relating to international trade and customs regulations.

How have law firms responded to the encroachment into what was traditionally their exclusive domain?

Clifford Chance has responded by creating two independent e-business units - "CCLab" undertakes research and development of technological innovations for the legal market; and the other, "CC Online Services" manages their online services as a independent profit making enterprise. This year alone, CCLab and CC Online Service has launched two new online services - Cross Border Acquisition Guide (CBAG) and an Alerter for Communications & Media. CBAG is a cross border mergers and acquisitions structuring tool that provides users with a themed analysis of key issues and potential problems arising from public and private acquisitions. The Guide, which covers twelve jurisdictions in Western, Central and Eastern Europe, is accessed via a secure extranet site. The Alerter is an online news tool providing users with structured updates on legal and regulatory developments in radio, television and telecommunications.

Instead of developing new technology applications themselves, some law firms buy into successful online businesses that provide legal services traditionally delivered by lawyers. A consortium of lawyers from US law firm, Mischon De Reay, have become shareholders in LegalPulse, one of the largest online providers of legal business forms (employment contracts, business plans, shareholder agreements and insolvency "packs") for small and medium sized businesses. Other shareholders include the National Solicitors Network, a thriving network of medium sized law firms in the UK.

Some law firms invest in cutting edge technology designed to deliver innovative services to their existing clients. One such technology is the "virtual deal room" - Australian law firm, Blake Dawson Waldron, widely acknowledged as a legal technology pioneer, created webLAWwww to provide a web-based framework within which specific matters are progressed from start to finish. webLAWwww enables the law firm to set up dedicated websites for specific deals; used internally for working teams to share files and resources, and accessible on an extranet to clients who use the site to monitor work in progress and collaborate on documentation.

Richard Harroch, corporate partner at Orrick, Herrington & Sutcliffe is an Internet entrepreneur. Last year, he founded LawCommerce.com, an online marketplace for lawyers. Enlisting the financial backing of an impressive group of international firms, including Clifford Chance and Ernst & Young LLP, LawCommerce is currently developing a "worldwide common technology platform for Web-based collaboration deal sites for lawyers, corporate counsel, banks and investment companies".

Undertaking technological innovation of such scale and depth requires substantial financial resources and commitment. According to AmLaw Tech magazine, Linklater's Blue Flag system comprises a directory tree with more 2,500 variables taking a team of experienced lawyers more than two years to figure out at a cost of \$15 million! Small firms simply do not have the resources to develop their own legal web advisors or deal rooms. The best alternative for these firms is to "hire" one on an ASP basis.

Law firms have linked up with online document publishing/assembly websites such as desktoplawyer.com and directlaw.com to their mutual benefit. These sites allow the user to assemble their own documents and then have them reviewed by their panel of lawyers for an additional fee. By unbundling the low-end routine work (document assembly) from the value added legal input (lawyer review), a law firm can leverage on third party online services to attract value-added advisory work. Directlaw.com goes one step further by pointing the user to documents created by member law firms.

Emergent trends in web-enabled collaboration technology has made even wider options readily available to law firms. Middleware System's WEBDOCS makes innovative use of the

"Hotdocs" automated document assembly engine to enable online collaboration on centrally maintained template documents. Using Webdocs, law firms can offer lawyers and clients document assembly capabilities over the internet.

Today, developers of practice management software are likely to add a web-interface to their software. The web-interface will provide, at the very least, basic dealroom features such as remote access to matter files, calendars and documents. Through these functions, lawyers or clients can monitor work in progress, access and collaborate on related documents, check billing status and give/receive instructions on the case.

For law firms wishing to "pay per use" instead of building their own deal room, there are now several established ASP services available in the market - eRooms, market leader in dealroom technology, charges US\$249 per month per room. Middleware System charges users a mere \$850 in annual license fees for use of their web-enabled client - interface called CONSERO, provided the law firm is running Middleware's practice management software, Open Practice.

Today most top tier law firms are involved in legal e-commerce projects of great depth and expanse. This alone bodes well for the continued development of web-based tools for the delivery of legal services. Technology that has driven the commoditization of legal services will continue to make inroads into the legal sector over the next few years as the tools deployed in "artificial legal intelligence" become increasingly sophisticated. Lawyers who fear being replaced by computers are challenged to think outside the box and find new ways to optimise the way their knowledge and skills are delivered.